

Departmentation

- **Meaning and Definition of Departmentation**
- Departmentation is the process which is used to group activities into units for purpose of administration at all levels.
- By this process, the personnel and functions of an enterprise are departmentalized by division into separate units.

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- **Meaning and Definition of Departmentation**
- Dividing the work naturally means the identification of individual activities which have to be undertaken for attaining the objectives of the enterprise.
- But once the various activities have been identified, it is necessary to group them together on some logical basis. This process of grouping is known as departmentation.

Departmentation

- **Meaning and Definition of Departmentation**
- The administrative units so created may be called as divisions, units, branches or by some other name.
- Each department or division is a distinct area of activities over which a manager will be given authority and for which he is responsible.
- The departments are agencies of management and simplify the tasks of the management within a workable span.

Departmentation

- **Bases of Departmentation**
- There is no single best way of departmentation applicable to all organizations or to all situations.
- The pattern that will be used will depend on the given situation and what managers believe will yield the best result for them in the situation they face.

Departmentation

- However, there are a few basic methods for dividing responsibilities within an organization.
- They are
 1. Functional basis.
 2. Territorial basis.
 3. Process basis.
 4. Product basis.
 5. Customer basis.
 6. Time basis.
 7. Number basis.

Departmentation

- 1. Departmentation by Function
- The most commonly accepted practice is the grouping of the activities in accordance with the functions of an enterprise. The basic enterprise functions generally consist of production, marketing, finance, etc. This method is more logical and hence present in almost all enterprises at some level.
- **Merits of Departmentation by function**
 1. It is a logical and time proven method.
 2. This method follows the principle of specialization.
 3. Authority and responsibilities can be clearly defined and fixed.
 4. Since the top managers are responsible for the end results, control shall become effective.

Departmentation

- **Demerits of Departmentation by function**

1. This type of departmentation shall develop a loyalty towards the functions and not towards the enterprise as a whole.
2. Coordination of different functions shall become difficult.
3. Only the departmental heads are held responsible for defective work.
4. This pattern is not a best training ground for promotable top management people.

Departmentation

- 2. Departmentation by Territories
- When the organization is large and geographically dispersed, departmentation on territorial basis is the best.
- This is also considered suitable where the branches produce the same goods or perform similar services at various locations.

Departmentation

- **Merits of Departmentation by Territory**

Departmentation on territorial basis has many points to its credit.

1. This method is highly suitable when the needs of the local customers are to be satisfied effectively.
2. Certain economies of localized operation can be availed.
3. Sales activities can be conducted more effectively. Sales personnel can spend more time on sales rather than on traveling.
4. The executives of territorial departments shall become thoroughly familiar with the key details and can take on the spot decisions in times of emergency.
5. The department has an excellent training situation for all round managers needed in the future at higher levels.

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- **Demerits of Departmentation by Territory**
 1. This type of departmentation requires more persons with general managerial abilities needed in the future at higher levels.
 2. Coordination shall become difficult and the problem of maintaining top management control shall also acute.
 3. Territorial grouping may sometime cause some problems if authority over financial matters is also decentralized.

Departmentation

- 3. Activities can also be grouped according to the process involved or the equipment used, this form of departmentation is often employed in manufacturing enterprises.
- It is also called equipment departmentation.
- Large retail or marketing enterprises may also have process departments for receiving goods in stores, transportation, wrapping and delivery.
- Departmentation by process is usually decided on the basis of costs that is mainly on economic considerations.
- **Merits of Departmentation by Process**
- The following are the important merits of this type of departmentation:
 - 1. It is suitable for all organizations irrespective of their size.
 - 2. The equipment can be economically used to their maximum capacity.
 - 3. It saves money and consequently reduce the cost of production.
 - 4. Better timing and customer service can be ensured.

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- 4. Departmentation by Product
- This type of departmentation is desirable for large undertakings which deal with a variety of products or product lines.
- To departmentalise on product basis means to establish each product or group of closely related products in a product line as a relatively autonomous integrated unit within the overall framework of the company.
- Under this method, an executive will be in charge of and responsible for all the activities relating to a particular product from production to distribution.

- Merits of Departmentation on basis of Product
- 1. This pattern of departmentation facilitates the optimum use of specialized skill, labour and capital.
- 2. Various economies relating to production, assembly and handling can be availed.
- 3. All the activities connected with a particular product can be effectively coordinated.
- 4. Better timing and customer service can be ensured.
- 5. Responsibility can be fixed.

- Demerits of Departmentation on product basis
- 1. This type of departmentation will often result in unnecessary duplication of work and ultimately result in an increase in the production cost.
- 2. The problem of maintaining head quarters control shall also be more acute.
- 3. Their pattern can also create difficulties in co-ordination with the organizational structure.
- 4. Successful managers will be tempted to acquire more and more powers and build up their own empire. This danger can be averted by centralizing all major policy decisions.

- 5. Departmentation by Customer
- Departmentation can also be made on the basis of customers served that is customer departmentation. In this case, the firm shows its paramount interest in the welfare of the customer and attention given to them. Under this method, the customers are divided into separate categories, such as distributors, retailers and consumers, and the task of satisfying the needs of different categories of customers assigned to specific departments.

- Merits of departmentation by customer
- 1. Customers are the key to any organization. Particularly in modern times, the needs of the customers should be satisfied effectively. This pattern of departmentation aims to satisfy the customers in a better and effective way.
- 2. It is highly useful where a product or service of wide variety is offered through many marketing channels and outlets.

- Demerits of departmentation by customer
- 1. There may not be enough work in each department. Hence, some salesmen have to remain idle.
- 2. Coordinating various departments will also pose many serious problems.
- 3. It may also develop an unequal development of customer groups in times of expansion and disappearance of certain customer groups in times of recession.
- 4. It may also create a tendency to remain rigid. Consequently, it may also become difficult to adjust to the situation in case there is a fluctuation in the activities of the enterprise.

- 6. Departmentation by Time
- It is a common practice to departmentalize activities on time basis. Enterprise engaged in continuous process can follow this pattern. We are familiar with the second shift, third shift, or night shifts, etc.
- Under this method, the activities performed in each shift are similar and almost identical. But they are departmentalized on time basis. This kind of departmentation is generally found in public utilities and manufacturing establishments.

- 7. Departmentation by Number:
- In case of departmentation by number, activities are grouped on the basis of their performance by certain number of persons.
- For instance, in the army, soldiers are grouped into squadrons, battalions, companies, brigades

DEPARTMENTATION BY FUNCTION

