

Building a Vocabulary of Change
Functional structure

a formal design choice that groups people together in units based on common tasks and specialized skills.

By changing to a functional structure, organizations seek to bring discipline and efficiency to an operation. Functional structures help the organization achieve efficiencies of operation and standardization of offerings. Functionally structured organizations are in a position to fine-tune the product and service offerings, making sure the customer, "gets the most for the least."³

Theory into Practice

Use functional structures to shape the development of technical skills and expert knowledge on the part of employees.



Exhibit 6-1 Functional Organizational Chart.

No matter how functionally oriented an organization might be, there must also be some simultaneous capacity to respond to the marketplace. Functional structures attempt to achieve that responsiveness through a well-ordered sequential process.

In a functionally structured manufacturing firm, for example, we can follow the sequence:

1. Ideas from the marketplace enter the organization through the marketing department.
2. Engineers translate those ideas into designs.
3. Production transforms designs from concept to reality.
4. Products are delivered to customers via the sales department.
5. The financial department attends to such matters as profit margin and return on investment.

It is the responsibility of the general manager who sits atop the functional structure—sometimes a CEO, a senior vice president, or a managing director—to assure that the appropriate level of coordination among these sequential functional activities is achieved.

Because leaders call upon structures to focus employee behaviors, it is important to ask: Just what kind of employee behaviors can functional structures be expected to reinforce?

Let's start with the rigorous development of in-depth technical expertise. This development is enhanced by a functional career path that typically moves employees upward through a specific department. The organization hires individuals who enter at a low level of a function, then move vertically upward through that function as performance warrants. The organization gains from functional career path by developing and retaining their employees' expertise and knowledge. The individual gains clear career expectations, speedy upward mobility, and rapid salary escalation. Organizations whose success depends heavily on the depth of their technical competencies—accounting firms, hospitals, law partnerships, and universities, for instance—typically adhere to this functional pattern.

Organizational leaders may find that by moving to functional structures they inadvertently prompt behavioral patterns that can prove problematic. If an organization seeks enhanced innovation and speedier responsiveness to the marketplace, leaders may find a functional structure to be limiting and inhibiting. By focusing employees on achieving efficiencies and incremental improvements in existing products and services, functional structures may render employees less likely to be able to respond quickly with new and innovative offerings.

Much of the behavioral problem inherent in functional structures relates to low levels of coordination among employees, especially employees across different functional units. Functionally trained and developed individuals may find coordinated efforts with individuals from other departments to be difficult. Over time, insulated units tend to develop their own ways of thinking, speaking, conceptualizing time, and even defining effectiveness.⁴

In functional structures, employees have little opportunity to develop the competencies required of working together across departmental boundaries. At its worst, a kind of "us against them" mentality can evolve as employees battle each other across functions rather than uniting against common (external) competitors. The skills of the general manager may not be sufficient to overcome these structural barriers and achieve the required coordination.

Theory into Practice

Organizations seeking to create seamless coordination across functions may find that the silos erected through functional structures get in the way.

Organizational change efforts may seek to deal with the challenges raised by a functional structure. The particular challenge is to enhance marketplace responsiveness. One of the most common ways of achieving that focus is to adopt a divisional structure.

Focus on Marketplace Responsiveness

As organizations grow in both size and complexity, they often seek greater external focus. Most typically, they turn to a divisional structure as a way of reinforcing behaviors that respond to the marketplace.