

Business Departments

A business is normally organised by its functions, e.g. marketing department, accounts department and so on. This is because being grouped together allows the functions to benefit from specialisation and division of labour. This leads to lower unit costs and a greater efficiency. However it can mean that there is departmental rivalry

Larger businesses might have a number of businesses within the whole company. This would be coordinated by a Head Office, where all the major decisions are made.

Other ways of organising the business could be more appropriate for different types of businesses:

- ▶ **Product** – the functions are organised around the product – so at a business like ICI, who are the UK's leading chemical manufacturer, a product manager would have a team of functions who would answer to them, like accounting, marketing and production
- ▶ **Geographical** – a hierarchy might be split according to different places that the product is sold into – for instance a business may have a Far Eastern division of its business, which would take into account the different cultural and supply differences of the region
- ▶ **Market** – the organisation is based on market segments – so an airline business like British Airways could concentrate on long haul, short haul, holiday makers, business clients and freight

A business whose decision-making comes from one place only is known as a centralised organisation. Normally Head Office will decide on the major elements of strategy, no matter where the manufacturing plants and sales teams are positioned around the country or globe. This means that there are good opportunities for economies of scale.

Other businesses, especially multinationals (see below) will opt for a more decentralised organisation – where the individual businesses within the whole company group, make decisions for themselves. This means that there is more opportunity to react to the changing marketplace (one of the advantages of a small firm). However there is a possibility that these businesses (who may well be in different parts of the world) might be duplicating research or not bargaining in such a strong position as a bigger overall company.

When a business reaches a certain size then it might split into different departments. These departments will specialise, employing people with expertise in these areas.

The main departments in a business might be:

Department	Role
Accounts	Provides a detailed record of the money coming in and going out of the business and prepares accounts as a basis for financial decisions
Human Resources or Personnel	Deals with all the recruitment, training, health and safety and pay negotiations with unions/workers
Production	Makes sure that the production plans are met on time and products of the right quality are produced
Purchasing	Buys all the raw materials and goods required for production
Sales and marketing	Sales function deals with all aspects of selling to customers; the marketing function carries out marketing research, organises advertising and product promotion

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