

1.4 The main functional areas within business organisations



Fact file

All businesses have key functions to carry out, such as dealing with customers and paying bills.

Even in the smallest business a number of key tasks, or functions, must be done regularly. Stock must be bought, bills must be paid, customers must be served and customer enquiries must be answered. In a small firm all these jobs may be done by one or two people. In a large organisation, people specialise in different tasks. Tesco and Sainsbury's, for example, have buyers to purchase the stock, accounts staff to pay the bills, checkout staff to serve customers and customer service staff to answer queries.

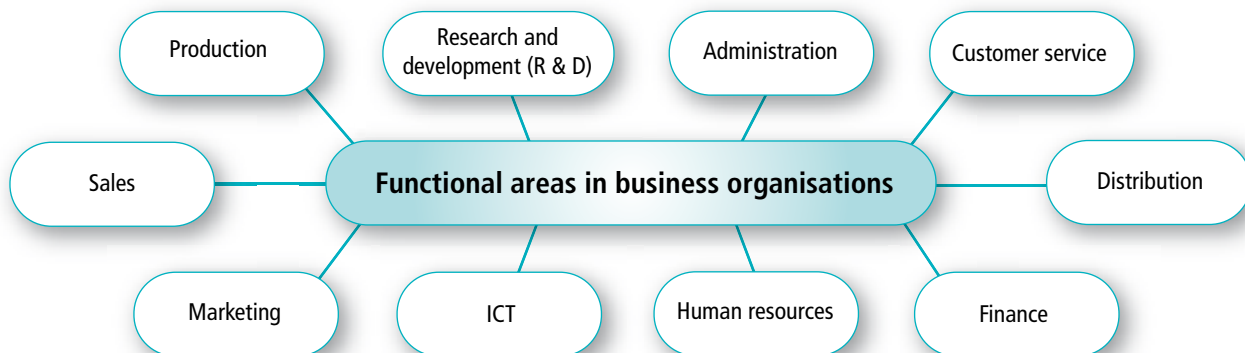


Activity

Suggest the key functions that are carried out in your school or college and see if your tutor agrees.

Functional areas in business

In a large organisation, it is usually easier to identify separate functional areas because people work together in departments. Each department carries out the tasks that relate to its particular area. The main ones you are likely to meet in business are shown below.



■ Main functional areas in business



Key term

Functional area is a person, area or department which carries out a particular business function, for example, finance, sales or customer service.

The purposes of functional areas

The main purpose of functional areas is to ensure that all important business activities are carried out efficiently. This is essential if the business is to achieve its aims and objectives. In addition, specific areas will be responsible for supporting specific types of aims and objectives, for example:

- sales and marketing will be involved in achieving targets linked to developing new markets or increasing sales
- human resources will be involved in arranging staff training activities and supporting the continuous professional development of all staff

- finance will be expected to monitor and support aims and objectives linked to keeping costs low to improve profitability
- production will be set targets relating to quality or meeting planned production schedules.

The administration function

Administration is a support function required by all businesses – and this does not mean just doing keyboarding or filing. Senior administrators carry out a wide range of tasks, from monitoring budgets to interviewing new staff for their departments.

Routine administrative tasks include opening the mail, preparing and filing documents, sending emails and faxes. Others require more creativity and flexibility, such as arranging travel or important events, from staff meetings to visits by foreign customers. Most administrators also deal with external customers who judge the business on the way their enquiry is handled. Poor or sloppy administration can be disastrous for a company's image and reputation. A lost order, badly typed letter, important message that is not passed on or wrong date scheduled for a meeting can cause problems and may lose customers. Efficient administration means that everything runs smoothly and managers can concentrate on the task of running the business.

In a small organisation, an administrator is often a 'jack-of-all-trades' who can turn a hand to anything – from checking and paying invoices to keeping the firm's website up to date. In a larger firm administration may be carried out in every department, rather than just one. A sales administrator may make overseas travel arrangements whereas an administrator in human resources would arrange job interviews.

A summary of the range of tasks administrators carry out is given below. You will learn more about administration if you study option unit 6.

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Fact file

Functional areas vary between organisations, depending upon the type of work carried out. For example, retailers do not need a production function.



Did you know?

CPD (Continuous professional development) means taking responsibility for your own future development at work by identifying opportunities that will enable you to improve and progress your knowledge and skills.



Did you know?

Administrative salaries can range from £10,000 per annum to over £30,000 per annum. Many recruitment agencies publish salary surveys and reports, such as www.secsinthecity.co.uk and www.kellyservices.co.uk



Activity

Talk to one of the administrators in your school or college about the work carried out in their office – but remember it is not polite to ask anyone how much they earn!

Administration functions

- Collecting, distributing and dispatching the mail
- Storing and retrieving paper and electronic records
- Organising meetings and preparing meetings documents
- Responding promptly to enquiries
- Preparing documents using word processing, spreadsheet and presentation packages, such as PowerPoint
- Researching information
- Sending and receiving messages by telephone, fax and email
- Making arrangements for visitors.
- Making travel arrangements
- Purchasing supplies of office stationery and equipment
- Making arrangements for events, such as interviews or sales conferences

The customer service function

All businesses must look after customers or clients who have an enquiry, concern or complaint. Today, customer expectations are high. When people contact a business they expect a prompt, polite and knowledgeable response. Unless they get a high level of service they are likely to take their business elsewhere in the future.

For this reason, many businesses have customer service staff – or a customer service department – where trained staff handle enquiries and complaints positively and professionally. This does not mean that other staff can ignore customers and their needs. It simply means that one group specialise in assisting customers.

Organisations that manufacture and sell complex industrial products usually employ technical specialists or engineers in customer service to give detailed advice and information. An example is BAE Systems, which sells aeroplanes such as the Eurofighter and Hawk jets. Answering queries



Fact file

Technicians, engineers and consultants often undertake customer service functions in industry when specialist knowledge is required.

<insert photo 011>

related to these products obviously needs specialist knowledge. Similarly, computer suppliers like Dell or PC World, and Internet service providers like BT, have trained IT specialists to handle customer problems – whether from other businesses or from individuals.

Customer service staff also deal with complaints and problems. Most businesses have a special procedure for dealing with customer complaints, to ensure these are dealt with quickly and consistently. In some cases, action is needed to make sure the problem does not occur again. Customer service staff must also be aware of the legal rights of customers – and this means having a knowledge of consumer law. You will learn more about Customer Relations in Unit 2.

Customer service functions

- Answering customer enquiries about products and services
- Providing specialist information and advice to meet customer needs
- Solving customer problems
- Providing after-sales service, including replacing damaged goods, arranging for repairs or for spare parts to be obtained and fitted
- Dealing with customer complaints according to company procedures
- Analysing records of customer complaints to resolve problem areas
- Using customer feedback to improve customer service and satisfaction



Activity

As a group, compare your best and worst customer service moments as customers. What lessons can you learn from these?

The distribution function

Distribution means ensuring that goods are delivered to the right place on time and in the right condition. Some companies, such as Amazon and Debenhams, deliver direct to the customer, particularly when goods are bought online. Other businesses, including B & Q and Sainsbury's, hold stocks in giant regional warehouses, for delivery to stores around the area. Superstores may use special vehicles, which can also carry chilled or frozen items. Other businesses have to move more difficult loads or hazardous substances, such as large engineering parts, cars or chemicals.



Did you know?

*The term **supply chain** is sometimes used to describe each stage of the process from the finished goods leaving a factory to their arrival in a store.*

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Key terms

Outsourcing involves hiring a specialist firm to do specific work, such as distribution companies, security firms and payroll agencies.

Logistics are the planning and controlling the movement of goods.

Distribution involves more than just arranging for goods to be collected. For it to be cost-effective, costs must be kept as low as possible. This means, for example:

- planning vehicle routes to avoid back-tracking. This keeps fuel costs down and saves time
- ensuring that vehicles do not return empty. This is only possible if goods are both delivered and collected. Vehicles that only deliver goods normally operate on a regional or local basis to minimise 'empty journey' time.

Working out the routes for many vehicles, with different loads – some urgent and some not – can be very complicated. Computer programs are used by staff skilled in logistics to work out the best routes.

Many organisations outsource both storage and distribution to external contractors. This means paying a specialist firm to do the work. This is often cheaper than employing experts in the business.



Did you know?

Eddie Stobart is a distribution firm with its own fan club! Find out more at www.eddiestobart.co.uk

Distribution functions

- Ensuring all goods are appropriately stored before dispatch
- Ensuring goods for dispatch are securely packed and correctly labelled
- Checking vehicle loads are safe and secure
- Ensuring goods are despatched at the right time
- Checking that all deliveries match orders precisely and notifying sales if there is a discrepancy
- Completing the delivery documents
- Planning and scheduling vehicle routes
- Notifying sales staff of delivery schedules so that customers can be informed
- Dealing with distribution problems, eg through bad weather or vehicle breakdown.



Activity

Find out more about logistics and distribution at www.exel.com/exel/home. Click on 'About Us' then 'Solutions' and 'Industries' to find out how distribution solutions vary for different sectors.

The finance function

Most entrepreneurs consider this is the most important function in the business. This is because all businesses need a regular stream of income to pay the bills. Finance staff record all the money earned and spent so that the senior managers always know how much profit (or loss) is being made by each product or each part of the business and how much money is currently held by the business. This enables critical decisions to be made rapidly and accurately because they are based on accurate information. In some cases, this can mean the difference between the success or failure of the business as a whole, as you will see in Unit 3.



Fact file

An efficient finance function is crucial for businesses to achieve aims and objectives linked to improving profits and lowering costs.

In many large businesses, different types of financial experts are employed:

- **management accountants** monitor departmental budgets and current income from sales, prepare cash flow forecasts and specialise in analysing day-to-day financial information and keeping senior managers informed.
- **financial accountants** are concerned with the preparation of the statutory accounts. All companies must provide a Balance Sheet and Profit and Loss Account each year, and most produce a cash flow statement as well. You will learn about cash flow in Unit 3.
- **a credit controller** monitors overdue payments and takes action to recover bad debts. You will find out more about credit control in Unit 3 (page 00).

Finance staff support the accountants by keeping financial records, chasing up late payments and paying for items purchased. Today, virtually all businesses use computer accounting packages to record financial transactions and prepare their accounts as well as spreadsheets to analyse financial data. Some finance departments prepare the payroll and pay staff salaries, but other businesses outsource this to a specialist bureau.

Finally, businesses will often need money to fulfil specific aims and objectives linked to growth, expansion or simply updating their equipment or machinery. These items may be bought from money held back (reserved) from past profits, but usually additional money will be needed. If the business needs to borrow money it will want the cheapest interest rates possible and also want good repayment terms. Deciding where to obtain these funds is a specialist job and normally the task of the senior financial manager.



Key terms

Reserves are profits kept back for later reinvestment in the business

Interest rates are the cost of borrowing money



Did you know?

Computerised tills automatically record data on the computer system so that transactions can be analysed by product, customer, staff and store. Many systems also automatically update stock levels.



Activity

Discuss the way in which money is handled and transactions are recorded in any businesses where members of your group have jobs.

Finance functions

- Producing invoices, checking payments are received and chasing up overdue payments
- Recording money received
- Checking and paying invoices received
- Preparing the payroll and paying staff salaries
- Monitoring departmental budgets to check managers are not overspending
- Issuing regular budget reports to all departmental managers
- Producing cash flow forecasts and regular financial reports for senior managers
- Advising senior managers on sources of finance for capital expenditure.
- Producing the statutory accounts each year

The human resources (HR) function

The human resources of a business are its employees. Wise organisations look after their staff on the basis that if they are well trained and committed to the aims of the business, the organisation is more likely to be successful.

HR is responsible for recruiting new employees and ensuring that each vacancy is filled by the best person for the job. This is important because the recruitment process is expensive and time-consuming. Hiring the wrong person can be costly and cause problems both for the individual and the firm.

Normally, new employees attend an **induction programme** which tells them about the business, their rights and responsibilities as employees, the company rules and the requirements of their new job. Arranging appropriate training and assisting with the continuous professional development of staff is another aspect of HR. Training may be carried out in-house or staff may attend external courses.

HR aims to ensure that the business retains good, experienced staff. Analysing staff-turnover figures will show the rate at which people leave the organisation. If these are high, it is important to identify and remedy any problem areas. Whilst people may leave for justifiable reasons, such as moving to another area or for promotion elsewhere, dissatisfaction with the job or the company should be investigated. Some organisations hold exit interviews to find out staff views on the business when they leave.

Employees normally have basic expectations of their employer. They expect to be treated and paid fairly, to have appropriate working conditions, to have training opportunities, which will improve their promotion prospects, and support if they are ill or have serious personal problems. They also want a varied and interesting job and praise when they have worked particularly hard or well. These factors help **motivation**, which means staff are keen to work hard – and this benefits everyone. HR can help this process by monitoring working conditions, having staff welfare policies and ensuring that company pay rates are fair and competitive.



Did you know?

Human resources used to be called **personnel** and you may still see this term used in some companies.

Many organisations have staff associations, which monitor the views and conditions of staff and make these known. In other businesses trade unions may represent the workers, especially on pay and conditions. Senior HR staff liaise with these organisations, keep them informed of changes and developments and are also involved in any negotiations with senior management.

Today, all employees and employers have legal rights and responsibilities in relation to health and safety, data protection (which restricts the type of information which can be held on employees and customers and how it is used) and employment. HR staff must ensure that the business complies with current laws and stays up to date with legal changes and developments. You will find out more about this if you study option unit 5.

Human resources functions

- Advertising job vacancies
- Notifying staff of promotion opportunities
- Receiving and recording all job applications, arranging interviews and notifying candidates of the result
- Sending a contract of employment and other essential information to new staff
- Arranging staff training and encouraging continuous professional development
- Monitoring the working conditions of staff
- Checking health and safety and keeping accident records
- Recording sick leave and reasons for absence
- Carrying out company welfare policies, e.g. long-service awards and company loans
- Advising managers on the legal rights and responsibilities of the company and its employees
- Keeping records of grievances and disciplinary actions and their outcome
- Monitoring the terms and conditions of employment, including wage rates
- Maintaining staff records
- Liaising with staff associations or trade unions which represent the workforce



Activity

What would motivate you to do a good job? List the top five factors that would encourage you to work hard, then compare your list with other people in your group.

The ICT function

Today, even the smallest businesses need someone who understands ICT and what to do if something goes wrong. This is vital, because the number of crucial business tasks now carried out on computer and the importance of the data stored in the system mean that any system failure can be catastrophic.

Most organisations have a computer network where staff computers are linked through servers. Maintaining the servers, installing new (communal) software and additional hardware, such as printers and scanners, is all part of the ICT function. ICT staff may also be involved in the purchase or issue of computer supplies, such as cabling and network cards and consumables such as printer cartridges – to ensure that they are compatible with the system.

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Key terms

A server is a computer which allows access to files and programs stored as shared resources on a computer network.

A network is a system of linked computers which can communicate and share information.

An Intranet is a private area on the network on which the information stored can be accessed only by authorised users.

ICT specialists will be expected to update senior managers on technological developments which would benefit the company. In addition, current equipment will need replacing and software upgrading at regular intervals.

Above all, ICT is responsible for system security. Making sure that only authorised users have access to the system, protecting the system against viruses and hackers and ensuring there is a full back-up system to restore critical data in an emergency is vitally important.

Finally, ICT specialists will help and assist other users – from repairing problems and glitches to advising on the use of new software or updating the company Intranet. The business website is likely to be technically maintained by the ICT staff, but the content will normally be devised by marketing staff – as you will see below. You will learn more about this if you study option unit 8.

ICT functions

- Recommending new/updated systems and software to keep abreast of technological developments and the needs of the business
- Buying and installing new hardware and software and providing information or training as appropriate
- Assisting users who have computer problems
- Repairing the computer system when required
- Advising on/obtaining/issuing computer supplies and consumables
- Connecting new or additional equipment to the system
- Installing a security system which limits access to authorised users and protects against hackers and viruses
- Technically maintaining the company website
- Monitoring staff computer use for compliance with the company IT policy
- Operating a back-up system for critical data so this can be recovered quickly in an emergency



Activity

Find out the IT policy at your college and the security measures that are in force to safeguard the system.

The marketing function

Marketing is all about identifying and meeting customer needs. Many businesses consider this so important that they are said to be marketing-led. In this case, everyone in the organisation is trained to put the customer first – from the production worker, who has to produce high quality goods, to the accounts clerk, who must respond to a customer enquiry promptly and accurately.

Another way to understand marketing is through the **marketing mix** which consists of four Ps.

- **Product** – Who are our customers? What do they want to buy? Are their needs changing? Which products are we offering and how many are we selling? What new products are we planning? In which areas are sales growing – and how can we sustain this? For which products are sales static – and how can we renew interest? Which sales are falling and what, if anything, can we do?
- **Price** – How much should we charge? Should we reduce the price at the start to attract more customers – or charge as much as we can when we can? Can we charge different prices to different types of customers? What discounts can we give? What services or products should we give away or sell very cheaply – and what benefits would this bring?
- **Promotion** – How can we tell people about our products? Should we have specialist sales staff? Where should we advertise to attract the attention of our key customers? How else can we promote the product – should we give free samples or run a competition? Where and how can we obtain free publicity? Should we send direct mail shots and, if so, what information should we include?
- **Place** – How can we distribute our product(s)? Should we sell direct to the customer or through retailers? Do we need specialist wholesalers or overseas agents to sell for us? What can we sell over the telephone? How can the Internet help us to sell more?

All these questions are considered by marketing staff. They start by identifying future customer needs. Products are then developed (or adapted) or services offered to meet these needs. If this is done well, it gives the company an edge over its competitors. This happened when Apple introduced the iPod.

It is no use developing new products or services if no one knows about them. Marketing is therefore responsible for the promotional activities which tell the customer what is available, such as by advertising, sales promotions and publicity campaigns.

The company website is a major way of communicating with prospective and actual customers and the style and content is usually the responsibility of marketing staff who ensure it is kept up to date. They may also send regular newsletters to registered users of their site by email. Monitoring the popularity of the website and obtaining information on the customers who use it may be undertaken by the company or outsourced to a specialist agency.



Fact file

Marketing was famously described as 'looking at the business through the customer's eyes'.



Did you know?

E-marketing relates to electronic and online promotions, such as email newsletters, website competitions and advertising on search engines like Google, often on a pay-per-click basis.



Key term

A publicity campaign is a linked combination of marketing activities, often used for a new product launch.



Activity

Find out what promotional activities are undertaken by your school or college and why these have been chosen.

Marketing functions

- Carrying out market research to obtain feedback on potential and existing products and/or services
- Analysing market research responses and advising senior managers of the results and implications
- Promoting products and services through a variety of advertising and promotional methods, e.g. press, TV, online, direct mail, sponsorship and trade shows or exhibitions
- Obtaining and updating a profile of existing customers to target advertising and promotions appropriately
- Producing and distributing publicity materials, such as catalogues or brochures
- Designing, updating and promoting the company website

The sales function

Sales is a crucial function for all businesses. It is pointless having superb products or services if no one buys them. For that reason, most businesses have sales targets as part of their aims and objectives. Meeting these is the responsibility of the sales staff or sales team.

The job of the sales staff varies, depending upon the industry. Shops that sell basic products, such as chocolates or magazines do not need to do much selling. Most customers call in to buy something, choose the goods they want, pay and leave.

Customers expect more help and advice if they want to buy a complex or expensive item, such as a television or car. Stores which sell these types of products therefore need trained sales staff who are friendly, knowledgeable and can describe and/or demonstrate their products and link these to the customer's specific needs.

Business buyers also expect a high-quality service and in-depth advice and information. They may want to buy highly complex and expensive industrial equipment and need to negotiate special finance arrangements – particularly if they are overseas buyers. Business buyers will also expect discounts for bulk purchases. Sales representatives often travel to meet potential customers, as well as routinely visiting existing customers to ensure their needs are being met.

Employing a skilled sales force is expensive, especially if they are paid bonuses or commission. However, there are many benefits as an effective sales person can convert many enquiries into firm sales and build strong links with customers to encourage repeat business.

There are strong links between marketing and sales – and in many businesses this may be a 'joint' department. Sales can pass on important customer feedback to help marketing colleagues, as you will see on page 00.



Did you know?

Organisations train sales staff to spot when an extra sale may be made to a customer. This is why you are offered shoe cleaner when you buy shoes and paper when you buy a computer printer!

All sales staff should know there are a number of laws that protect customers and understand which type of sales activities are legal and which are not. You will find out more about selling if you study option unit 7.

Sales functions

- Organising sales promotions
- Responding to customer enquiries
- Selling the product or service to customers, either over the telephone or face to face
- Preparing quotations or estimates for customers
- Negotiating discounts or financial terms for business customers
- Providing technical advice
- Keeping customer records up to date

The production function

Production refers to the manufacture or assembly of goods. Production staff must ensure that goods are produced on time and are of the right quality. Quality requirements can vary considerably. Whilst an error of 0.5 mm would not matter much for a chair or table, for an iPod or DVD player it would be critical.

Checking quality does not mean just examining goods after they have been produced. Today quality is 'built-in' at every stage of the process, starting with the raw materials. Many buyers set down a detailed specification for the goods they order, such as Marks and Spencer which sets down precise standards for all its producers. For clothing, this includes the type and weight of material and the thread and fastenings too.

Buying raw materials is done by specialist purchasing staff, who take out contracts with regular suppliers and make sure that the terms of the contract are met, in relation to delivery, cost, quantity and quality. They also ensure that all items are checked on delivery and refer any problems back to the supplier. The materials must be purchased at a competitive price. This is not necessarily the cheapest price, but takes account of other factors, such as the reliability of the supplier, the quality required and the delivery date.

Raw materials will be stored near to the production area in a separate area. If a manufacturer uses a large number of parts – such as a car producer – storage can be very expensive, in terms of the space required and the manpower to oversee the stock. For this reason, many manufacturers today operate a just-in-time (JIT) system. This involves having an agreement with specific suppliers to provide small quantities, quickly, when they are needed. This benefits both parties. The suppliers know that they have a regular buyer. The manufacturer no longer needs to store large quantities of goods or worry about having sufficient stocks on the premises all the time.



Talking point

View 1: The best way to sell goods is to display stock effectively and then leave customers alone to look around in peace.

View 2: The best way to sell goods is to employ sales staff who will chat to customers about their needs and requirements.

With which viewpoint do you agree – and why?



Did you know?

Today many businesses buy goods online. This speeds up the buying process and means there is less need to keep large stocks on the premises.



Did you know?

In 2005 Toyota's sales targets were set with the aim of making it the biggest car producer in the world.

Today, many production processes are automated. This means that machines or robots do all the routine or dangerous jobs. At a bottling plant, for example, the cleaning, filling and labelling of the bottles is all done as a continuous process by machines. Operators check that the production 'line' is functioning correctly by checking consoles and computer screens, as well as by watching the work as it progresses. Some industries use Computer Integrated Manufacturing, where the control of the process is done by computer.

When a process cannot be automated, teams of operators may work together and take responsibility for a sequence of operations. This makes the job more interesting and makes it easier to ensure high quality. This system is also more flexible because changes can easily be introduced at any stage by giving instructions to specific teams. It is therefore used by many car manufacturers who often want to vary certain models.

The production function also includes all the following aspects of production:

- **production planning** involves deciding what will be made, when, and which machines and operators will be used. A realistic timescale must be predicted, bearing in mind other jobs that are in progress
- **production control** means constantly checking progress to make sure that production plans are met – and taking remedial action if problems occur. This could be because of machinery breakdown, substandard raw materials or labour shortages.
- **machine utilisation control** is concerned with minimising problems by keeping all the equipment and machinery in good working order. This involves checking to ensure none is overloaded or overused, without being routinely checked and maintained. This is important because if a machine malfunctions it may produce damaged goods. If it breaks down altogether then production of that product will cease. Because this aspect is so important, many organisations have a maintenance plan, which shows the dates on which machines will be out of operation for inspection and servicing. These dates are then taken into consideration when production plans are made.
- **staff utilisation control** concentrates on making sure all the staff are working effectively and efficiently and concentrating their efforts on key production areas and targets. This is very important in industries which are labour-intensive and use more people than machines, such as assembling circuit boards or sewing jeans.
- **final quality checks** make certain that the product is of the correct standard. This can be done in several ways. Each item may be examined by hand – or passed through a machine which checks that the size and tolerance is correct. Alternatively, items may be selected for inspection on a random sampling basis. This would be the case if a large number of identical items is being produced, such as cups or biro.

Production is also involved in preparing items for dispatch. This may involve simply packing the finished items – such as household goods or clothing – and transporting them to the dispatch section. In other cases, it may involve various finishing processes. For example, paper is produced in huge rolls. These may be transported intact but usually the paper is cut, boxed and packaged. It then looks like the paper you see in a stationery store.

Production functions

- Ordering (often buying) stocks of raw materials from approved suppliers
- Storing and checking the stocks of raw materials
- Planning production schedules to maximise machine capacity and staff levels
- Producing or assembling the finished product
- Checking the quality of the product throughout the production process
- Checking production is on schedule and resolving delays or problems
- Packing and storing the final products before distribution
- Scheduling routine machinery inspections and maintenance
- Carrying out repairs to machinery and equipment as required

The research and development (R & D) function

This function is concerned with new product developments as well as improvements to existing products or product lines. In many industries, it also involves product design as well.

Improvements to existing products are often ongoing as a result of market research or customer feedback (see page 00). You can see these improvements around you all the time – such as ring-pull cans, microwavable containers for ready meals, transparent jug kettles and memory sticks for computers.

New products may be developed because of scientific or technological scientific advances, such as mobile phones, new drugs, WiFi and satellite navigation systems. Or they may occur because someone has a good idea – such as Google or the Apple iPod.

The word ‘research’ may conjure up ideas of scientists peering into microscopes but this is not always appropriate because research can be divided into two types. **Pure research** aims to help us to learn and understand more about anything – from outer space to DNA. It is mainly carried out by universities and scientific establishments. **Applied research** is focused investigation into how new discoveries can be used to improve products – such as non-stick pans, which were developed from space research. This is the type of research done in business organisations.

R & D staff aim to work with designers to develop a usable product that can be manufactured at a reasonable cost, sold at a competitive price and is safe to use. The activities undertaken, however, can vary considerably,



Activity

Investigate production processes online. At the Toyota site www.toyotauk.com/main/index.jsp click on ‘How we Manufacture’ to find out more. You will need Adobe Acrobat on your system to download the pdf files. Talk to your tutor if you do not know what this means.



Did you know?

Many organisations are secretive about R & D because of the costs involved in new product developments. Staff who work on new projects are sworn to secrecy, to ensure competitors do not find out about it.



Fact file

Functional areas support business aims and objectives by achieving targets appropriate to their own area of work.

depending upon the industry. Trying to discover new, safe drugs is very different to improving car performance. For that reason, R & D attracts staff who are very experienced in their own industry and also in their own field – from software developers to food technologists.

Many organisations aim to continually improve both product design and performance. **Industrial design** relates to the appearance of a product – from a computer to a car, or even the packaging of a standard product – from perfume to soap. Designers want their product to stand out from its competitors and to look attractive, such as the iMac. Today, most products are designed using Computer Aided Design (CAD) packages, which enable a designer to sketch a basic shape and then vary the dimensions, angles and sizes of certain parts. The product can even undergo stress testing by computer. **Engineering design** relates to product performance; for example, for a computer, this means more memory and greater operating speed.

Technological advances through R & D not only affect our lives but also the ways in which businesses operate. New developments in computer software and hardware have changed the way all departments create, store and share data and communicate with their customers; and new types of machinery and equipment have revolutionised many production processes.

R & D functions

Note that the exact activities will depend upon the industry.

- In the pharmaceutical industry, scientists research and develop new medicines and drugs
- In the food industry, technologists work with chefs to prepare new products such as ready meals, sauces or flavourings.
- Electronic and IT companies concentrate on new technology products and software, such as HD televisions, the X-box 360 and iPod accessories
- In the aerospace and car industries, engineers focus on improving performance and safety whilst reducing emissions or noise. Designers concentrate on the shape and look, both internally and externally



Activity

Discuss with your tutor how the different functional areas of your school or college help to achieve its aims and objectives.

Relationships between different functional areas

No functional area in a business organisation can work in isolation. In a small firm, links and interactions between people responsible for different functions are usually informal and continuous. Sales people know which customers still owe money and must not be sold any more goods on credit until a bill has been paid; the manager knows which members of staff are keen and hardworking, without being told, and a customer query can quickly be solved by asking everyone in the office for advice.

The situation is different in a larger organisation because people may work in separate areas or departments and rarely meet each other. However, all areas still need information and support from each other for the organisation to operate effectively. Constant communication and cooperation is essential for the business to achieve its aims and objectives. This often means that joint decisions have to be made between departmental managers, or their staff, to take account of everyone's needs.

Some of the reasons why departmental links are essential are shown in the table below, which identifies some of the key issues over which functional areas need to communicate.

Functional area	Links
Sales and Production	Sales must know production schedules and agree delivery dates of orders with Production so customers are not promised dates which cannot be met. Production must tell Sales about production problems which will affect customers.
Sales and Finance	Finance must know about customer enquiries to check their credit rating before sales are made. Finance will be involved when discounts are agreed or when there are problems with customer payments.
Distribution and Finance	Finance must know when goods have been despatched so that invoices can be sent out.
Distribution and Sales	Sales must be able to inform customers when deliveries are due and be aware of any problems.
Sales and Marketing	Must liaise over sales promotions and adverts so that sales staff can expect/handle enquiries.
Finance and all other departments	Finance monitors departmental spending and the achievement of financial targets.
Human Resources and Finance	Will liaise over salary increases and bonuses.
Customer Service, sales and marketing	Customer Service must pass on customer feedback that could affect future product developments or future sales.
R & D and Production	Liaise over new product developments and methods of production.
Human resources and other functional areas	HR handles job vacancies, promotion opportunities, training courses and CPD for all areas/staff.

■ *Links between functional areas*



Over to you

- 1** Investigate a famous business online at www.cadburyschweppes.com/EN/AboutUs/. Do not worry if you don't understand everything on the site, simply try to get an overview of how a well-known organisation operates. Then combine your findings as a group to answer the following questions.

 - a) Describe the size and scale of the business.
 - b) What is its core purpose as stated in the mission statement?
 - c) What are the main goals of the business?
 - d) Explain how the business priorities link to the goals
 - e) What are the main functional areas and what do you think is the main purpose of each one?
 - f) As a group, suggest how the functional areas may interact to achieve the goals of the business.

- 2** Simonstone Safety Products makes airbags for cars. It aims to expand its operations over the next two years. It has the following departments: Marketing, Distribution, Sales, Production, R & D, HR, Customer service, ICT and Finance.

 - a) For each target listed below, identify the functional area which would be mainly responsible for its achievement:

 - i) increase output by 15per cent
 - ii) reduce outstanding debt levels
 - iii) employ 20 new production operatives
 - iv) develop 'intelligent' airbags which adjust for individual occupants
 - v) redesign the company website to be more appealing with extra features
 - vi) increase sales by 20per cent.
 - b) Identify three issues over which different functional areas would need to liaise, and explain which departments would be involved.
 - c) Evaluate the effect on the achievement of the targets if each of the following situations occurred:

 - i) sales and customer service cannot agree on who should respond to customer enquiries by email
 - ii) customer feedback is analysed each month by a team from marketing, sales, production, customer service and R & D and an action plan drawn up
 - iii) machine breakdowns cause a serious backlog in production – but staff keep the problem to themselves
 - iv) the sales manager frequently goes abroad on business and no one in the department seems to know his travel plans.



Case study

Assessment practice

In the 1920s Britain started snacking on crisps – and has not stopped since. But not all crisp companies have been equally successful. Recently, Golden Wonder, which once had the largest crisp factory in the world in Corby, has had serious problems. Struggling to compete against Walkers, which dominates Britain's crisp market, it lost money in 2004 and 2005. It was only rescued from total collapse at the last minute when it was bought by Northern Ireland crisp firm Tayto in February 2006, saving over 500 jobs.

<insert photo _014>

Walkers claims that 11 million people eat its crisps every day. The combination of Gary Lineker's endorsement and the continual expansion of flavours has proved a huge hit.

Another reason for its success is its ability to meet new challenges. In 2006, in response to publicity about unhealthy snack foods, Walkers changed its production method and reduced the amount of saturated fat and salt in its crisps. It also opened a new plant in Skelmersdale and now has operations at ten locations in the UK.

- 1(P)** Find out more about Walkers at its website www.walkers.co.uk and describe its production and quality processes.
- 2(P)** Suggest two appropriate aims and objectives for a crisp manufacturer.
- 3(P)** Walkers is owned by PepsiCo which owns other brands, such as Quakers and Tropicana. PepsiCo describes its functions as business areas. Access these at www.pepsicocareers.co.uk/careers.php and read the profiles of people who work in each area. Then identify the business areas that would be responsible for the achievement of the aims and objectives you suggested in 2 above.
- 4(M)** As a group, decide how these areas will need to interact on a regular basis and then explain this in your own words.
- 5(D)** Walkers has been more successful at meeting its aims and objectives than Golden Wonder so far. As a group, evaluate the ways in which the functional areas may have contributed to each organisation's success or failure by answering the following questions.
 - a)** Suggest the ways in which the functional areas must have operated at Walkers for it to be successful.
 - b)** Suggest problems that could have occurred between functional areas at Golden Wonder that may have contributed to its problems.
 - c)** Suggest how being owned by Tayto might make a difference. (You can find out more about Golden Wonder and Tayto at their websites www.goldenwonder.com and www.tayto.com). Then write a summary of the discussion in your own words.



Grading tip

A detailed explanation should include reasons or examples to support the statements you are making.

Evaluating something means reviewing the information and forming a conclusion based on your evidence. You should always include the evidence that supports your views in your answer.