

1.2: Functional Areas of Business

Four Functional Areas of a Business

A typical organization has four distinct basic functional areas; operations, marketing and sales, finance, and human resources.

- **Operations** is the area that is responsible for directly creating the product or service for which the customer will pay. The other three departments ensure that the operations of the business has everything needed in order to do the work.
- **Marketing & Sales** ensures that operations is producing the right product or service in a way that provides customers with all the features or characteristics that they value.
- **Finance** ensures that the funds for materials, supplies, payroll and equipment are available when needed.
- **Human Resources** ensures that the correct employees, with the adequate skills and experience are recruited, hired and trained. They are responsible for compensation, collection of income taxes, administration of benefits, succession planning and more. Without HR, there would be no employees in the operations department.

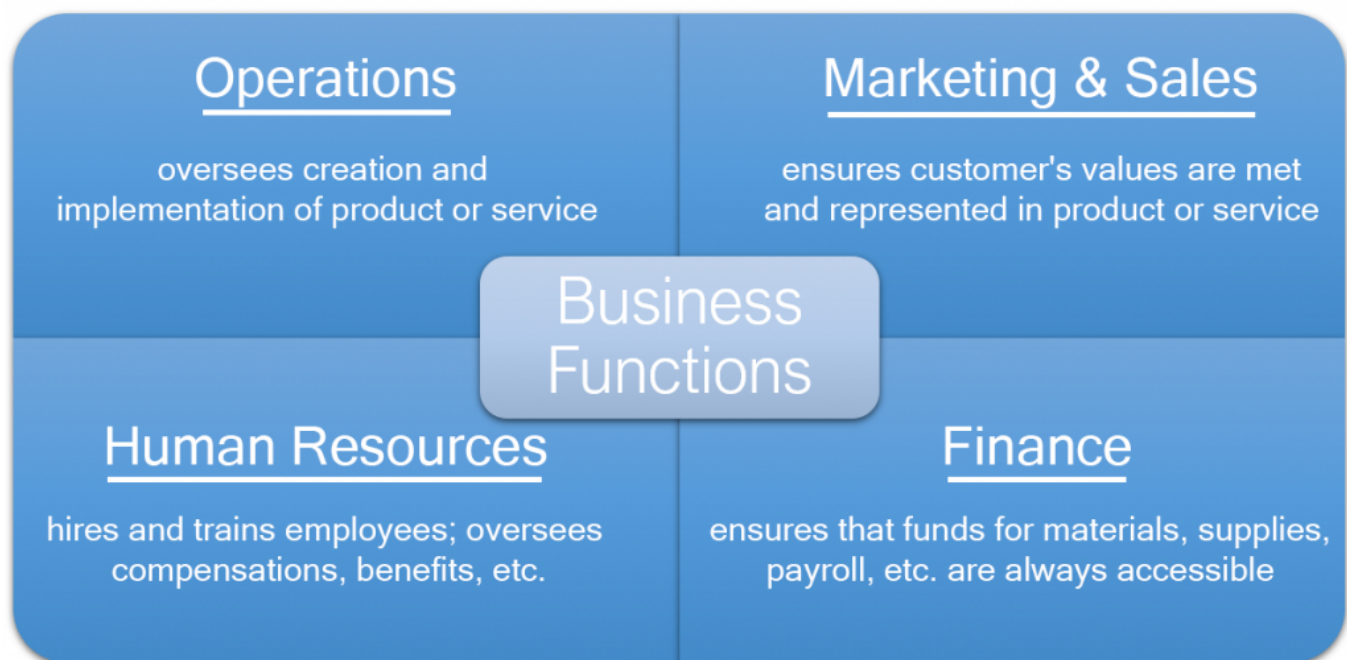


Figure 1.4: Business functions of departments.

The Operations Function

Every organization has an operations function, whether or not it is called 'operations'. The goal or purpose of most organizations involves the production of goods and/or services. To do this, they have to procure resources, convert them into outputs, and distribute them to their intended users. The term **operations** embraces all the activities required to create and deliver an organization's goods or services to its customers or clients.

Within large and complex organizations, operations is usually a major functional area, with people specifically designated to take responsibility for managing all or part of the organization's operations processes. It is an important functional area because it plays a crucial role in determining how well an organization satisfies its customers. In the case of private-sector companies, the mission of the operations function is usually expressed in terms of profits, growth and competitiveness; in public and voluntary organizations, it is often expressed in terms of providing value for money.

Corporate Hierarchy

The top manager of an operations department is usually called the **Director of Operations**.

Most operations departments will report to a **Chief Operating Officer** (COO), who reports to the **Chief Executive Officer** (CEO).

The COO is often considered the most important figure in a firm, next to the CEO.

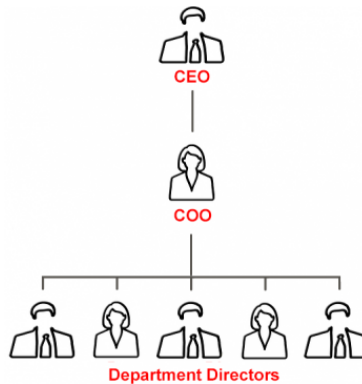


Figure 1.1: A diagram of corporate hierarchy.

The history of operations management can be traced back to the industrial revolution when production began to shift from small, local companies to large-scale production firms. One of the most significant contributions to operations management came in the early 20th century when Henry Ford pioneered the assembly line manufacturing process. This process drastically improved productivity and made automobiles affordable to the masses. Understanding the motivations behind innovations of the past can help us identify factors that may motivate individuals in the future of operations management.

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