

## **CROSS-FUNCTIONAL MANAGEMENT – EFFECTIVE ORGANIZATION FORM OF ENTERPRISES**

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**Abstract:** Today, cross-functional management is a challenging research topic given the multitude of the cross-functional organizations that are founded and whose advantages are unanimous recognized. The old hierarchical pyramid was suitable for companies a long while during the industrial era. But nowadays they are not at all seen as profitable organizations. The aim of this paper is to present the main features of the cross-functional organizations, their advantages and limits. Cooperation is also presented as a compulsory condition for the working of the cross-functional organization.

**JEL classification: M21**

**Key words: cross-functional, management, organization, cooperation**

### **1. INTRODUCTION**

Cross-functional management is an actual research topic, due to the multitude of the cross-functional organizations that are being founded and proved their profitability. Given the current trend of globalization, new rules of organization of enterprises must be applied. The present organizational structures are considered to be too vertical, this is why an input of cross-functionality is more than welcome. This may provoke changes in the functions of the enterprise, especially in the communication and marketing functions, but in fact all its functions may be affected. "In order to go further, new value sources must be found in the organization of structures that are still too vertical" (Morrison, 2008 pp. 67-68). Cross-functional management is more than a new concept, is an answer to the need of enterprises to be re-organized.

A great number of specialists consider that nowadays enterprises are vertical, as a heritage of Taylor's theory. Thus, the costs are increasing and the production quality is getting deteriorated. The enterprise is a permanently changing variable. If there is a monopoly context, as the public administration is the case, the costs are not an issue. But when the market is highly competition, decreasing the costs has a crucial significance. If cross-functional management is applied, this problem of enterprises is getting solved. Within a cross-functional management, new types of structures are being created, like project organizational structures, matrix structures and network structures. In all these organizational structures, collaboration or cooperation are compulsory requirements. Some leaders of enterprises consider this transformation like a real cultural revolution. "We achieve a cross-functional demarche, but actually we would like to go further than that, since we try to establish a new business model and to favour innovation" as Morrison said (2008).

The specialists involved in the cross-functional structures must have a particular aptitude to manage the complex or ambiguous realities, to know to make the selection of information, to understand its meaning and to take appropriate actions. They also must be open and encourage the new things. Only when numerous management skills are reunited within a project, the best profit may be obtained. However, besides to the gifted managers, the work in team is necessary in order to achieve the planned performances. Together, the manager and the team must form a group that achieve their task very well, by taking advantage of their joined skills. Thus, the future belongs to that type of specialist that knows to listen to his subordinates, to understand them and to possess that pro-active will to make an useful information exchange with them, in order to solve specific issues for specific enterprises.

The old hierarchical pyramid was suitable for the companies while the industrial era, but it is not anymore the most effective way to manage the present knowledge based companies. Now we are living the information era and subsequently the nucleus of the company must be different and complex. This led to the appearance of the new concept of cross-functional enterprises, that has a specific way of operation. This kind of enterprises includes independent teams or departments, based on common values and norms, whose projects are mutually supported one each other. There are very many connections between these projects, and the new information and communication technologies are very much used in order to tackle the projects. These teams are being ruled by a key leader that must coordinate the activity of teambuilding and manage the relationships between various projects.

## 2. THE TRANSITION FROM THE HIERARCHICAL ORGANIZATION TO THE CROSS-FUNCTIONAL ONE

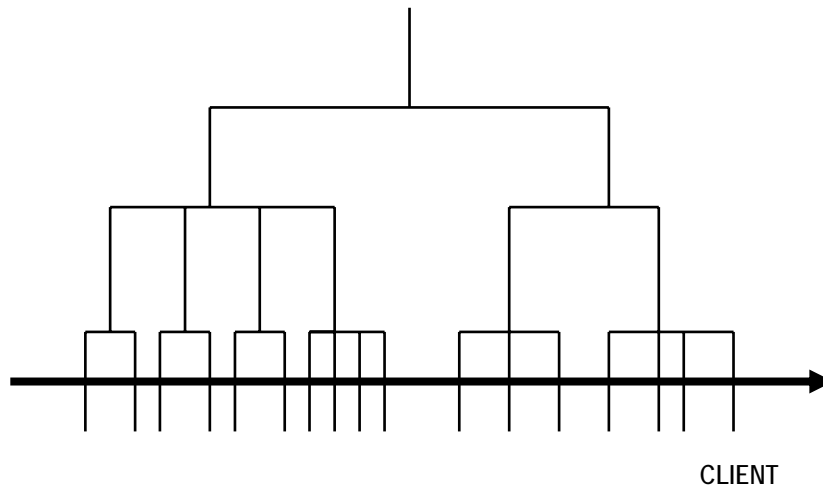
The cross-functional organization of enterprises is a new concept, more and more present in the economic literature. One of the most simple definition of it is: “cross-functional organization is the fecund coexistence of some activities, which are usually separated”<sup>3</sup>. If we analyse all connotations of this definition, we notice two stages of it. First we see that usually separated activities now coexist within new types of organization. Then, beyond the basic message, we notice the finality of this organization type, meaning obtaining the profit, shown by the adjective “fecund”. Another definition, which is addressed to by many specialists, is formulated by Mintzberg: “the structure of one organization may be simple defined as the total amount of means used to divide the work in single tasks and also used to ensure the necessary coordination between these tasks” (Mintzberg, 1978, p.18). First we notice that the work process is being divided in single activities. Then the coordination is used to compose the initial work process. The emphasis is put on the composing the initial process, achieved by coordination. This is the regular way to be of one cross-functional organization. This new concept is contradictory to the traditional, bureaucratic organization, as it was defined by F. Taylor. On the other hand, the concept of cross-functional organization is an ambiguous one, too. Certain authors call it “an utopia”, but others consider it a very good manner of organization which leads to harmony and efficiency.

Another attempt to define this new concept is: “cross-functional organization means the appearance of a new element that is crossing one already existing” (Menegoz, 2003,

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<sup>3</sup> Available at <http://www.guichetdusavoir.org/viewtopic.php?t=9093>, accessed on October 6<sup>th</sup>, 2012

p.8). If we consider an organizational structure of one traditional enterprise, the cross-functional organization might be rendered as in the following drawing:



Source: adaptation by Menegoz, Doctoral Thesis, 2003, p.8, available at <http://ebookbrowse.com/these-laurent-menegoz-pdf-d57573792>, accessed on October 6<sup>th</sup>, 2012

**Figure 1:** Cross-functional organization

Cross-functional organization is intrusive at the level of activities. Through it, the direct access to activities is being ensured, without passing by all hierarchical levels. The hierarchy divides the organization in superposed levels, but cross-functional approach just makes a short circuit through these levels.

In the classical theory of Taylor, the work process was divided in specific tasks, while the „cross-functional utopia” actually asks the question in a reversed manner: how could we better coordinate the tasks of one work process? The purpose is to find an alternative to the bureaucratic organization. Compared with the traditional bureaucratic organization, the novelty brought by the cross-functional management is an inversion of priorities.

After managing to coordinate the tasks of one work process, another question arises: what actually is a cross-functional organization? The answer is given by Philippe Lorino who says that cross-functional organization is „an assembly of activities connected between them by a flow of information or substance and who are being combined in order to deliver an important and well-defined product or a service” (Lorino, 1997, p.75). The flow is the one to connect the activities, so it must be ameliorated. Even more, the „document which should replace the organization chart is the logic chart, meaning a logical series of activities, as we find in the working cautions of complexe equipments” (Menegoz, 2003, p.10). The purpose is not to differentiate the activities, but on the contrary to erase what separates them. As Lorino said: „The origin of progress is found in the interface, in the manner of communication, cooperation and coordination” (Lorino, 1995, p.62). The flow is the dream of every manager, meaning a perfect coordination, a strong involvement of any member of that organization, to lead to the achievement of objectives.

### 3. ADVANTAGES AND DISADVANTAGES OF THE CROSS-FUNCTIONAL STRUCTURES

The cross-functional structures have both advantages and disadvantages.

One major advantage is the fact that it is easier to process the information (Davis & Lawrence, 1977, pp.49-55). A cross-functional structure creates lateral communication channels that are not available in a classical organization. A cross-functional structure reduces the need for vertical communication, by creating teams with specific tasks, focused on one defined project. It improves the communication between departments and projects, pushing managers to keep a close contact with all organizational groups involved in their project, which requires good communication skills.

Another benefit of this sort of structure is the capability to easily manage a large amount of information, comparing with traditional hierarchical structures. This happens due to the lateral communication channel created by this structure. Since the departments have a more often contact, the information easier penetrates in organization and improves the decision making process.

Since the information flow is much better, in a cross-functional structure the resources are easier taken from the uneffective destinations and used for the real productive purposes.

A cross-functional organization draws advantages for its employees too. Their motivation is increased, the job satisfaction is obvious, and the self-involvement is higher. In this organization, the employee has the chance to show his capabilities and skills by sharing his ideas, knowledge and concerns. Another benefit is the opportunity for employees to develop their problem solving skills and to plan the development of their careers. They learn and work more in teams, take part in the decision making process and feel the autonomy more than in the traditional stacked organization.

If we integrate all the previous advantages, we get the final and most important advantage of the cross-functional structure, meaning the technical excellence. A precious technical information is faster shared to those who really need it, allowing implementation of some innovative solution in the production process.

The same factors creating advantages, are leading to the disadvantages too. The multiple connections within a network create conflicts, ambiguity and additional costs for the enterprise and employees too.

The organization principles existing in classical, traditional structures are being breached in a cross-functional organization. The authority does not equate the responsibility and each subordinate does not report to one superior only, but to more. This creates troubles for both organization and employees.

Every person tries to clarify and define his limits and responsibility, which creates conflicts. Authority conflicts happen pretty often between functional managers and project managers and refer to project priorities, administration procedures staff and costs estimation.

Conflicts may arise at the individual level too. People from various organizational cultures are working together in several projects, so they report to several managers, which creates expectations, confusion and conflicts. All these troubles make the ruling of this organization a difficult process. Another conflict is created by the functional managers that feel a decrease of their status, authority and control.

Another disadvantage of the cross-functional organizations is the cost. If a dual authority exists within this type of organization, this means additional overheads and personnel costs. Another cost for processing the information is being added.

Within a cross-functional organization, there are costs for employees too. They pay a price for working in a cross-functional organization. The dynamic and ambiguous authority leads to ambiguity, conflict and stress for both, functional and project managers, and for their subordinates too. The specific type of authority may negatively influence the

employees' motivation and satisfaction. If one cross-functional organization is not well ruled or managed, this kind of problems could lead to the decrease of productivity inside it.

## 5. CONCLUSIONS

Nowadays, when more and more national economies become knowledge based, an internal process of changing the organizational structure within the enterprises takes place. More than that, changes are requested by the dynamic and very rapid environment. The new model of organization is not anymore based on Taylor's principles. The new organizations have a cross-functional management, no matter if they are called matrix, network or project organizations. The new structures don't have a proprietary logic, but on the contrary they have a client or project beneficiary logic. The new structures coexist together with the old ones, it is not a peaceful coexistence, but a conflictual one.

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