



Unit- 5 : ORGANISING

Summary of the Chapter

Organising - It refers to the process of defining and grouping the activities of an enterprise and establishing authority relationship among them.

Organising Process-

1. Identification and Division of Work
2. Departmentation
3. Assignment of duties
4. Establishing reporting relationship.

Types of organisation-

1. Formal Organisation – An organization which is deliberately created to achieve organizational objectives
2. Informal organisation – Natural grouping of people in organization to satisfy personal and social needs of employees.

Organisation Structures-

1. Functional Structure – Created on the basis of different functions.
2. Divisional Structure – Created on the basis of different products produced by business

Delegation of Authority- Transfer of authority from superiors to his subordinates.

Elements-

1. Authority
2. Responsibility
3. Accountability.

Decentralisation- It refers to the systematic transfer of authority throughout the organisation on permanent basis.

Importance of decentralisation:

- i) Relief to top management
- ii) Develops initiative among subordinates
- iii) Develops managerial talent for the future
- iv) Facilitates growth
- v) Quick decision making
- vi) Better control



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VERY SHORT ANSWER QUESTIONS (1 MARK)

Q 1. Define 'organizing' as a function of management.

Ans. It refers to the process of defining and grouping the activities of an enterprise and establishing authority relationship among them.

Q 2. Give two advantages of functional organization.

Ans. a) Benefits of specialization
b) Coordination is established

Q 3. What is an organization chart?

Ans. Organization chart is a drawing which shows the relationship among the various posts established in the organization.

Q 4. 'If we delegate authority, we multiply it by two; if we decentralize it, we multiply it by many.' Name the two concepts to which this statement is related.

Ans. a) Delegation of authority
b) Decentralization

Q 5. How 'effective management' is possible through delegation of authority?

Ans) Because it reduces the workload of a manager.

Q 6. Miss Tyagi is working as the Production manager in a company. She divided the work among her subordinates in her accordance with their interest and ability. Not only this, she even gave them all the authorities to take decisions relating to their work. At the end of the first month of the year, it was found that Mr. Rajeev had not achieved his target. He was lagging far behind his target. Miss Tyagi asked him to give the reason within two days why his performance was so low.

With which concept of management the conversation between Miss Tyagi and Mr. Rajeev referred to in the above paragraph is related. Identify it.

Ans. Accountability

Q 7. There are 75 persons working in the Production Department of 'Ganesh Pvt. Ltd.' The manager of this department, Mr. Neeraj, is very punctual. He does not at all tolerate reaching the office late and leaving it early. But so far as the mutual relations of the employees are concerned, he is very liberal. All the employees of the department have been instructed that they can communicate any time irrespective of the high or low position of the employees concerned. The first specialty of Mr. Neeraj creates discipline and one makes the atmosphere pleasant.

Identify the concept of management concerning the employees described in the above paragraph.

Ans. Informal organization

Q 8. State the essence of authority.



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Ans. Its essence is to get decisions implemented.

Q 9. Informal organization is not deliberately created. Then how it is created?

Ans. It emerges out of mutual relations and tastes.

Q 10. In order to successfully realize the objectives of an organization, first of all it is ensured that which activities will have to be performed. In the list of activities, all the activities, big or small, are included. But it is not possible to set up separate departments for all activities. Some similar activities are put together in same department. In the same way some necessary departments are set up. The reason for doing this is to exercise control over unnecessary administrative expenses.

Identify the concept of management under which similar activities are put together and departments are set.

Ans. Departmentalization

Q 11. Walnut Pvt. Ltd. has grown in size. It was a market leader but with changes in business environment and with entry of MNCs its market share is declining. To cope up with the situation CEO starts delegating some of the authority to the General Manager, who also felt himself

Q 12. Overburdened and with the approval of the CEO disperses some of his authority to various levels throughout the organization.

Identify the concept of management discussed above.

Ans. Decentralization

SHORT ANSWER QUESTIONS (3 / 4 MARKS)

Q 1. State any three advantages of informal organization.

- Ans.
- a) **Effective communication:** In the absence of any definite course, it is an effective system of communication. Messages can be quickly conveyed from one place to another with the help of this system
 - b) **Fulfils social needs:** People having similarity of thoughts and ideas form a group of their own. All the people in the group stand by one another in all the organisational or personal matters.
 - c) **Fulfils organizational objectives in informal organisation,** there is no pressure of formal organisation. In the informal organisation, the subordinates put their ideas before the superiors without any fear or hesitation. It helps the superiors to understand their difficulties and immediate solution of the problem is sought out.

Q 2. What is meant by Delegation? State any four points which highlight the importance of delegation in an organization.

Ans. Delegation of authority is the process of entrusting responsibility and authority, and creating accountability of the person to whom work or responsibility is handed over. Its importance are:

- a) Effective management: Delegation of authority reduces the workload of a manager.



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Managers who practice delegation of authority are definitely better decision makers than those who do not delegate authority.

- b) Motivation of employees: In the process of delegation of authority, both authority and responsibility are delegated to their subordinates. This situation provides liberty to work and take decisions on the part of subordinates. Through this; they exhibit their talent and skill.
- c) Facilitation of work: Delegation of authority does not develop only one person or division but facilitates the development of the organisation as a whole. As adequate number of able employees are available in an organisation to take decisions expansion modernisation and diversification of a business can be done with full confidence.

Q 3. State any three characteristics of decentralization.

- Ans.
- a) It is an expanded version of delegation of authority.
 - b) It increases the significance of the role of subordinates.
 - c) It reduces the workload of senior officers.

Q 4) 'Daivki hospital' is a famous company which provides health services. It has a great market share. Last year, in no time, several MNCs arrived. This fact caused a great fall in the company's business. The whole responsibility of finding the solution of this problem fell on the shoulders of General Manager. Now in order, to keep himself away from the routine activities of the company, he gave some of his authorities to his departmental managers. He gave them this freedom also that if they wanted, they could give some of these authorities to their own subordinates. The departmental managers were already feeling themselves overburdened with the workload. Therefore, they handed over some of their authorities to their subordinates. As a consequence of this, on the one hand, General Manager got time to solve the serious problems and, on the other hand, the feeling of responsibility was aroused in the subordinates. Within a few days the growth rate of the company started rising.

Identify the concept of management described in the paragraph given above and also explain the two points of its importance spoken about here.

Ans. Here decentralization is described. Its importance becomes evident from the following points:

- a) It reduces the workload of Top Management.
- b) It provides freedom to the subordinates in taking decisions

Q 5. 'Organization is a machine of management'. Comment.

Ans. Organization is considered to be a machine of management. It is that machine in which no part can afford to be ill-fitting or non functional. In other words if the division of work is not done properly or posts are not created correctly the whole system of management collapses.

Q 6. Give the meaning of 'divisional structure' of organizing. State its four advantages.

Ans. Divisional structure means division of the whole enterprise according to the major products to be manufactured by it. Its advantages are:



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- a) Development of divisional heads: The head of each division looks after all the functions connected with their product. Hence, it helps in the development of varied skills in a divisional head.
- b) Quick decision making: Every division is independent in itself. The divisional manager can take any decision regarding his division independently without consulting others.
- c) Easy expansion: For every product, a separate division is opened. If a company wants to introduce a new product, it can be introduced easily without disturbing existing division.

Q 7. Fairy Fashions decided that whenever a person reaches a particular age, he will be promoted. Influenced by this policy of the company, several peoples of other companies joined this company. But within a few days, they found that in this company communication was possible only on the basis pre decided relations. It was not possible for anyone to communicate freely with anyone.

- a) Identify the policy related to the age of employees implemented by the company.
- b) Identify the concept of organization described here.
- c) Point out two limitations of the concept identified in (b).

Ans. a) Personnel Policy
 b) Formal organization
 c) i) Lack of initiative
 i) Mechanization of Relations

Q 8. Decentralization is extending delegation to the lowest level. Comment.

Ans. Decentralization is an expansion of delegation of authority. Eg- if a chief manager of a company assigns a job to the production manager for appointing employees needed for his division on salary then this will be turned as delegation of authority. On the contrary, if this authority for appointing employees is delegated to every departmental head then it will be termed as decentralization.

Q 9. 'Formal organization is impersonal while Informal organization is personal.' Clarify.

Ans. In formal organization personal feelings are ignored and strict discipline is observed. It is not the person but the work that happens to be important. In informal organization the feelings of individual are kept in mind and nothing is imposed upon them.

Q10. Distinguish between Delegation of Authority and Decentralisation

Ans.

Basis	Delegation of Authority	Decentralisation
a) Meaning	Sharing of the task with the subordinate and granting authority in a prescribed limit by the superior is Delegation	The systematic delegation to the lowest level of management is called decentralization.
b) Nature	It becomes compulsory in all the organizations as the complete task cannot be performed by the superior	It becomes compulsory in the large organisations



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Basis	Delegation of Authority	Decentralisation
c) Freedom in action	Less freedom to the subordinate Final authority lies with the delegator	More freedom given to the subordinate.
d) Purpose	Its purpose is reduction of workload of the officer	The purpose is expansion of the authority in the organization.

LONG ANSWER QUESTIONS (5/6 Marks)

Q1: Explain the concept of 'Functional Structure'. Also, explain three disadvantages of functional structure.

Ans. **Functional structure** refers to the division of the whole enterprise according to the major functions to be performed by it. This is the simplest and the most prevalent form of organizational structure. Under this all the functions of similar nature are divided in different units which are called departments. Its disadvantages are:

- Ignorance of organizational objectives: Each departmental head will work according to his sweet will. They always give more importance to their department objectives. Hence organisational objectives suffer.
- Difficulty in interdepartmental coordination: All departmental heads may work as per their own wish. No doubt this facilitates coordination within the department but it makes interdepartmental coordination difficult
- Conflict of interest: Every departmental head wants to become a functional empire. To satisfy their ego, every one demands maximum resources in their department. This situation leads to conflicts among different departmental heads.
- Hurdle in complete development: This system is a hurdle in the way of the complete development of the employees. Each employee specialises only in a small part of the whole job.

Q2. 'Safe service limited' is a well known company for removing the routine problems of the people. This company provides all types of big or small services; namely, Health services, Complaints regarding electricity faults, etc. This company has opened its offices at different places. The policy of the company is that women should be preferred to be appointed as the Heads of every office. Besides, under this policy, some positions shall be reserved for handicapped women also. The head of every office shall have the full authority to take decisions concerning the activities of her office.

- Which concept of management has been mentioned in the paragraph given above?
- Write about two of the advantages of the concept identified in point 'a'.
- Identify two of the values of the company.

Ans. a) Decentralization

- This reduces the workload of the top management.
 - Decisions can be taken very soon when the authority is given to all the concerned managers.



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- c) i) Women Empowerment
- ii) Feelings of equality

Q3. 150 employees are working in a handloom company. There is the pre defined arrangement of responsibility, authority and accountability in the company. As a result, the employees have hardly any doubt about their roles in the company. But the employees of the Marketing Department of the company are always very unhappy with a problem. The problem is that several times they get orders from two officers simultaneously. The two officers giving orders are the Marketing manager and the General Manager. In such a situation, they are not able to understand to whose orders they should give priority – one is their immediate boss and the other, a top officer of the company.

Several departments have been set up in this company; namely, Purchase, Sale, Advertisement, Production, Stock, Research, Correspondence, Accounts, Finance and Personnel. In this way, there are ten departments in all. In every department all the modern facilities are available. The company's Finance Manager says that the Administrative Expenses of the company are rather too much. According to him, the main reason for this is the existence of so many departments in the company.

- a) Identify the concepts of Management described in the paragraphs above.
- b) Which principle of Management is being violated in the company? Explain.
- c) How can the increasing Administrative Expenses of the company be checked? Identify this concept.
- d) The answer given in point 'c' is related to which function of Management?

Ans. a) Organizing and Principles of Management.

b) Here the Unity of command is being violated

c) The check on the Administrative Expenses can be exercised by reducing the number of departments. This concept is known as 'Departmentalization'.

d) It is related to the Organizing Function of Management.

Q.4. With the help of any four points, explain the crucial role that organizing plays in an enterprise.

Ans. a) Adaptation to change: Organising process makes the organisation capable of adopting to any change connected with the post of the employees. This becomes possible only because of the fact that there is a clear scalar chain of authority for the manager's right from the top to the bottom

b) Effective Administration: It has generally been observed that there is always a condition of doubt about the authority of the managers among themselves. The process of organising makes a clear mention of each and every activity of every manager and also of their extent of authority. It is also made clear as to whom shall a manager order for a particular job. Everybody also knows to whom they are accountable.

c) Expansion and growth: The process of organising allows the employees the freedom to take decisions which helps them to grow. They are always ready to face new challenges. This situation can help in the development of the enterprise.



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- d) Clarity in working relationship: Organising clarifies the working relation among employees. It specifies who is to report whom. Therefore, communication becomes effective. It also helps in fixing accountability.

Q5. Distinguish between Formal and Informal Organization

Ans.

Basis	Formal Organization	Informal Organization
a) Creation	It is created by the Management in the form of structure of authority	It is created spontaneously by the mutual relations of the employees.
b) Origin	It is established because of the rules and policies of the organization	It is established due to the social relationship.
c) Flow of communication	Communication is defined. It moves according to the chain of command.	Communication can move in any direction.
d) Leadership	Because of the high rank, Managers are leaders	The leader is elected
e) Nature	It is more stable	It is not stable and so is temporary in nature.

Q6. 'Decentralization is an important philosophy that implies selective dispersal of authority'. In the light of this statement, explain any four points of importance of 'Decentralization'.

Ans. Importance of Decentralization are:

- (1) **Develops initiative among subordinates**: When lower managerial levels are given freedom to take their own decisions they learn to depend on their own judgment and develop solutions for the various problems they encounter. So, decentralization policy helps to identify those executives who have the necessary potential to become dynamic leaders
- (2) **Develops managerial talent for the future**: Decentralisation gives the subordinates with skills a chance to prove their abilities and creates reservoir of qualified manpower that can be considered to fill up more challenging positions through promotions.
- (3) **Quick decision making**: In a decentralized organization, decisions are taken at levels which are nearest to the points of action and there is no requirement for approval from many levels. So, more accurate and faster decisions can be taken as the subordinates are well aware of the realities of situations
- (4) **Relief to top management**: Decentralisation leaves the top management with more time which they can devote to important policy decisions as they decentralize authority for routine operational problems. Further decentralisation diminishes the amount of direct supervision exercised by a superior over the activities of a subordinate because they are given the freedom to act.