

CBSE Class 12 Business Studies

NCERT Solutions

Chapter 05

Organising

1. Which of the following is not an element of delegation?

- (a) Accountability**
- (b) Authority**
- (c) Responsibility**
- (d) Informal Organisation**

Ans: Informal Organisation is not an element of delegation. Delegation refers to the transfer of authority to subordinates. Accountability, responsibility and authority are the major elements of delegation. On the other hand, informal organisation refers to the relationship which arises out of informal communication among the employees in an organisation. Such communication is purely informal in nature and does not involve any formal communication such as that in delegation.

2. A network of social relationship that arise spontaneously due to interaction at work is called:

- (a) Formal Organisation**
- (b) Informal Organisation**
- (c) Decentralisation**
- (d) Delegation**

Ans: A network of social relationship that arise spontaneously due to interaction at work is called informal organisation. It emerges from social interaction and free flow of communication among the employees of an organisation. On the other hand, formal organisation refers to a formal system based on superior-subordinate relationship. Whereas,

delegation and decentralisation are concerned with the transfer of authority and responsibility to the subordinates.

3. Which of the following does not follow the scalar chain?

- (a) Functional structure**
- (b) Divisional Structure**
- (c) Formal organisation**
- (d) Informal organisation**

Ans: Scalar Chain refers to a pre-defined, formal path of authority and communication in the order of highest to the lowest. Informal organisation do not follow a scalar chain as they arise out of informal relationship among the workers and managers. For example, it may arise from interaction which happens over lunch or an office party. Other structures such as formal organisation, divisional structure and functional structure follow a proper defined scalar chain.

4. A tall structure has a

- (a) Narrow span of management**
- (b) Wide span of management**
- (c) No span of management**
- (d) Less levels of management**

Ans: A tall structure of organisation is the one that has multiple levels of hierarchy. A tall structure of organisation has narrow span of management. That is, under such a structure a manager has charge of only a few subordinates.

5. Centralisation refers to

- (a) Retention of decision making authority**

(b) Dispersal of decision making authority

(c) Creating divisions as profit centers

(d) Opening new centers or branches

Ans: Centralisation refers to the retention of decision making authority. Centralisation implies a situation where the decision making power is retained by the top level management. Under such a system, other levels of management do not have a right to intervene in policy making. The power and the authority, in such a system, remains concentrated in a few hands.

6. For delegation to be effective it is necessary that responsibility be accompanied with necessary

(a) Authority

(b) Manpower

(c) Incentives

(d) Promotions

Ans: For delegation to be effective it is necessary that responsibility is accompanied with authority. Responsibility refers to the obligation to complete a task which has been assigned by the superior. Complementary to this, authority refers to the power to give commands and directions to the subordinates. For successful delegation both authority and responsibility must go together. That is, if an individual is given the responsibility to carry out a task, he must also be given the necessary authority to carry it out.

7. Span of management refers to

(a) Number of managers

(b) Length of term for which a manager is appointed

(c) Number of subordinates under a superior

(d) Number of members in top management

Ans: Span of management means the number of subordinates that can be well-handled by a superior. Any organisational structure is based on its span of management.

8. The form of organisation known for giving rise to rumours is called

(a) Centralised organisation

(b) Decentralised organisation

(c) Informal organisation

(d) Formal organisation

Ans: Rumours are a result of informal organisation. They can have adverse effect on the working environment. It may result in arguments or conflicts among the people of the organisation. For example, a rumour about the boss may pop up during a communication among a group of employees, which may affect the superior-subordinate relationship.

9. Grouping of activities on the basis of product lines is a part of

(a) Delegated organisation

(b) Divisional organisation

(c) Functional organisation

(d) Autonomous organisation

Ans: Sometimes an organisation has more than one product line. Under such a scenario the organisation groups the activities on the basis of the product line. Such a grouping of activities on the basis of product line is known as divisional organisation. Each division further has its own sub-departments such as production, finance, etc.

10. Grouping of activities on the basis of functions is a part of

(a) Decentralised organisation

(b) Divisional organisation

(c) Functional organisation

(d) Centralised organisation

Ans: Functional Organisation involves grouping of the functions of similar nature. Each group forms a separate department that report to one head. For example, departments may be divided on the basis of functions such as production, human resources, etc. that report to the managing director of the organisation.

Short Answer Type:

1. Define 'Organising'?

Ans: Organising can be defined as " identifying and grouping different activities in the organisation and bringing together the physical, financial and human resources to establish most productive relations for the achievement of specific goal of organisation".

2. What are the steps in the process of organising?

Ans: The following are the steps involved in a successful process of organising.

(i)Identifying and Dividing the Work:Under organising, the very first step deals with identifying the activities and dividing them according to the defined plans. The actions are divided as per the objectives. A clear division of work is done so as to avoid any duplicity.

(ii)Creating Departments: Herein, the divided actions are further grouped into units based on the similarity in nature. That is, similar activities are grouped together. Such departmentalisation promotes specialisation. Each department specialises in a particular task. Departments can be formed on the basis of several criteria such as working profiles, regions, product, etc.

(iii)Assigning Duties: The third step under organising deals with assigning the roles and responsibilities to the personnel. Under each department work is allocated to different members as per their skill and ability. While assigning the duties it must be ensured that the best suited and proficient person is selected for the work.

(iv) Establishing the Relationships: Any organisation needs a proper hierarchic structure to work efficiently. Every person should know whom he's working under and to whom he needs to report. Clear establishment of such relationships help in smooth functioning of an organisation.

3. Discuss the elements of delegation.

Ans: Delegation refers to the transfer of authority and responsibility to the subordinates. The following are the basic elements of delegation:

(i) Authority: Authority means power to take decision. To carry on the responsibilities every employee need to have some authority. So when managers are passing their responsibilities to the subordinates, they also pass some of the authority to the subordinates. The delegating authority is the second step of organising process. While sharing the authority manager keep in mind that the authority matching to the responsibility should only be delegated. They shall not pass all the authority to their subordinates.

(ii) Responsibility: Responsibility means the work assigned to an individual. It includes all the physical and mental activities to be performed by the employees at a particular job position. The process of delegation begins when manager passes on some of his responsibilities to his subordinates which means Responsibility can be delegated.

(iii) Accountability: Accountability implies the answerability of the superior for the final outcome of the work he assigned. Though the superior delegates the work to his subordinate but he still will be responsible for the final outcome. For this the superior, through regular feedbacks and supervision ensures that the subordinate performs the tasks properly and satisfactorily. The concept of being accountable arises out of responsibility itself. We may say that while responsibility is assumed, accountability is imposed.

4. What does the term 'span of management' refer to?**Ans:** Span of management means how many employees or subordinates can be effectively managed by one manager or how many subordinates are under one superior. When the authority and responsibility relationship are established in organising process then the manager must keep in mind the span of control.

5. Under what circumstances would functional structure prove to be an appropriate

choice?

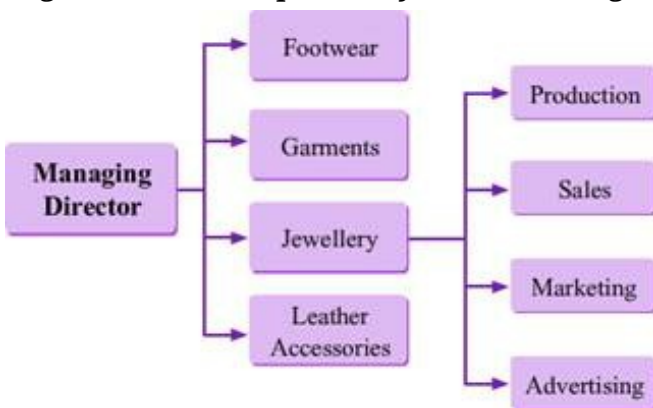
Ans: When the activities or jobs are grouped keeping in mind the function or the job then it is called functional structure. For example- all the jobs related to production department, related to sales in sales department, related to purchase in purchase department and so on. Suitability: Functional structure is suitable for:

1. Large organisations are producing one line of product.
2. Organisations which require high degree of functional specialisation with diversified activities.

6. Draw a diagram depicting a divisional structure.

Ans: When the organisation is large in size and is producing more than one type of product then activities related to one product are grouped under one department.

Suppose an organisation deals in four product lines namely, footwear, garments, jewellery and leather accessories. Based on these product lines, the organisation has four divisions that report to the managing director. Each division further has four departments namely, production, sales, marketing and advertising. The divisional structure for such an organisation is depicted by the following diagram:



7. Can a large sized organisation be totally centralised or decentralised? Give your opinion.

Ans: No, any organisation cannot work smoothly if it is either completely centralised or completely decentralised. Rather a balance is required between the two.

Centralisation refers to a situation where the decision making power is concentrated only in

the hands of the top level management. Herein, only the top level managers are authorised to take the needed decisions. All the functions related to policy making, planning and controlling are curtailed to the top level management. In contrast to this, decentralisation refers to a situation where the decision making power is delegated to the lower level managers. Herein, the power of taking actions and deciding the policies is distributed at different levels.

An organisation cannot function either with extreme centralisation or with extreme decentralisation. As an organisation grows in size, it cannot maintain complete centralization. Rather, a need arises to move towards decentralisation. For a smooth functioning, the individuals involved in the actual work must have certain degree of authority and responsibility. With decentralisation, the overall management of the work becomes more efficient. It allows for better control of the work at each level of hierarchy. Moreover, as the organisation grows in size, decentralisation would facilitate quick decision making. This is because in a decentralised system the decision making power is near the point of actual work. Thereby, the delay in work is avoided.

However, an organisation cannot also follow extreme decentralisation. If all the decision making power is delegated to the lower level managers, then it may harm the harmony of the organisation. It is possible that lower level managers at each department mould the rules and policies according to their own convenience and thereby, diverge from the organisational goals. Thus, certain degree of authority and control must be retained at the top level management so as to maintain integrity of the organisation.

Hence, we can say that a large sized organisation cannot be totally centralised or totally decentralised, rather it must maintain a balance between the two.

8. Decentralisation is extending delegation to the lowest level. Comment.

Ans: Decentralisation is extension of delegation. In delegation we multiply the authority with two whereas in decentralisation the authority is multiplied by many because systematic delegation taking place at every level will result in evenly distribution of authority and responsibility at every level and result in decentralisation. If delegation is restricted to certain levels only then there will be no complete decentralisation also. For example- if the directors give the responsibility to production head to complete the target of 50000 units per

annum and authorise him to hire the required workers, decide their salaries and working conditions. The production head further shares his responsibility and authority with the production manager to achieve the target and select the workers.

Long Answer Type:

1. Why is delegation considered essential for effective organising?

Ans: Delegation implies transfer of authority, from a superior to his subordinate. It is an essential concept for effective organisation as it lowers the burden on the manager and thereby, facilitates the manager to focus on activities that command high priority. Also, the managers can extend his area of operations once he delegates the work to subordinates. In addition to this, it provides the subordinates with more opportunities for growth. It helps in efficient completion of tasks as the subordinates can now show their skills and exercise initiative. The following points highlight the importance of delegation in effective organising.

(i) Managerial Efficiency: Delegation of the work to the subordinates, help the managers to concentrate on other areas of concern. With delegation of routine work to the subordinates, the manger can focus on other high priority areas. Besides, it provides them the opportunity to explore and innovate into new areas. For example, if the manager delegates the basic work to the subordinate he can put his mind into exploring ways to improve efficiency.

(ii) Employee Proficiency: By delegating the work, managers empower his subordinates by providing them opportunities to apply their skills. Herein, the subordinates get a chance to prove his abilities, gain experience and develop his career. Thus, delegation in a way helps in preparing future managers.

(iii) Motivation: Along with improving the managerial and employee efficiency, delegation provides the employees with the psychological benefits. It acts as a motivational guide for the workers. It imparts a feeling of mutual trust and commitment between the superior and subordinate. With responsibility the employee gains confidence and he gets encouraged to give their best to the organisation.

(iv) Growth: Delegation facilitates easy growth and expansion. Delegation helps in the preparation of efficient and experienced mangers that can take up leading positions at times of growth of the organisation. That is, workers trained and prepared through delegation

contribute to the expansion and growth of the organisation more efficiently.

(v) Hierarchical Structure: Delegation forms the basis of the hierarchical structure of an organisation. It decides the superior-subordinate chain and determines who has to report to whom. It clearly states down the reporting relationships which helps in smooth working of the organisation.

(vi) Coordination: Delegation promotes coordination of work. It reduces overlapping of work by defining the reporting relationships. All the elements of delegation such as authority, responsibility and accountability helps in providing a clear working relationship, thereby, increasing efficiency.

2. What is divisional structure? Discuss its advantages and limitations.

Ans: Divisional structure refers to an arrangement where activities are separated on the basis of products. There are different units and divisions which deal with varied products. Each division has its own divisional manager who supervises the whole unit and has the authority for it. Organisations that are large in size and deals in a diversified range of products or categories opt for this type of structure. Under each head of divisional structure, a functional structure develops itself, i.e. each divisional unit is further divided on the basis of its functions. For example, a company dealing with varied products have divisional heads such as clothing, shoes and electronics. Now these units will have further functional departments such as, under shoes, there will be resource inputs, advertising, production, sales, etc. Similarly, under clothing also there will be departments of resources, advertising, production and sales. The same will be under the electronics division. Here, each division has to take care about its profit and loss and is responsible for its own work.

Following are a few prominent **advantages** of a divisional structure.

- 1. Product specialisation:** All the activities related to one type of product are grouped under one department only which brings integration and co-ordination in the activities.
- 2. Fast decision making:** The decision are taken much faster in divisional structure because there is no dependance on other departments for taking decisions.
- 3. Accountability:** In this type of structure, the performance of individual departments can

easily be assessed and you can hold the department accountable for non accomplishment of objectives.

4. Flexibility: Fast decision making leads to flexibility.

5: Expansion and growth: New departments can be added without disturbing existing departments.

Disadvantages-

1. More Resources Required: Each department will require all the resources as every division will be working as an independent unit.

2. Product focus department: Each department focuses on their product only and they fail to keep themselves as a part of one common organisation.

3. Conflict: Conflict on allocation of resources.

3. Decentralisation is an optional policy. Explain why an organisation would choose to be decentralised.

Ans: Decentralisation refers to the dispersal of the decision making power among the middle and lower level managers. It is an optional policy as it depends on the organisation how much power the top level management wants to delegate to the lower levels. An organisation may choose to be centralised or decentralised depending on the objectives and the decisions of the top level managers. Following are a few factors that explain why an organisation would choose to be decentralised.

(i)Initiative: Decentralisation allows a sense of freedom to the lower managerial levels as it lets them take their own decisions. It gives them a higher degree of autonomy to take initiative. Moreover, it promotes a feeling of self-confidence and self-reliance among them. When the power is delegated to lower level managers, they learn to face new challenges and find solutions for the problems themselves. This helps in spotting those potential managers who can take the needed initiative.

(ii)Managerial Competence: Once the authority is delegated to the managers at lower levels, it provides them the needed opportunity to develop themselves. It provides them with

the opportunity to gain experience and thereby, develop the skills and knowledge to face new challenges. Decentralisation gives them a chance to prove their talent and get ready for higher positions. It also helps in pre-identification of the future managers who are well-equipped with the necessary talent required to deal with managerial problems.

(iii)Control: Decentralisation helps in evaluating the performance of the organisation in a better manner. Decentralisation helps in analysing and evaluating the performances of each department separately. Thus, the extent of achievement of each department and their contribution to the overall objectives of the organisation can be easily evaluated.

(iv)Active Decision Making: Since through decentralisation, the authority of making decisions is passed on to lower levels of management, decisions are taken quickly and timely. This is because the decision can be taken at the nearest points of action which thereby, helps in easy adjudication of the problems.

(v)Growth: Managerial efficiency is developed to a large extent with the help of decentralisation. Decentralisation results in greater authority to the lower level managers. It promotes competition among the managers of various departments. In a race to outperform each other, they give their best shot and thereby, increase the overall productivity and efficiency. The organisation gains from the increased overall performance and thereby, grows.

(vi)Reduced Workload of Top Managers: Delegation of authority provides freedom to top level managers. It helps them in shifting the workload to their subordinates and gives them time to concentrate on more important and higher priority work such as policy decisions. Moreover, direct supervision by the top level management is decreased, as the subordinates are given the rights to take the decisions by their own.

4. How does informal organisation support the formal organisation?

Ans: Informal organisation refers to a complex network of relations that arises out of the social interactions outside the office. They originate from within the formal organisation and are not deliberately created by the management. These relations are based on the friendship which develops between the working personnel on the basis of like nature. Following are the

factors of informal organisation that support the working of formal organisation.

(i)Free Flow of Communication: Informal organisation helps in establishing a free flow of communication. It allows the workers to form informal relations outside the organisation. This facilitates faster spread of information, thereby assisting the formal organisation. For example, if A needs to talk about a problem to E. In a formal structure he'll have to follow a scalar chain which may lead to delay in finding a solution for it. Thus, he can discuss it over lunch, thereby, shortening the length of communication.

(ii)Coordination: Through informal relations, working people develops a sense of belongingness towards each other and towards the organisation. This helps them over the working place as well. It promotes coordination among them by developing mutual trust and understanding. Thereby, it results in lowering down the rate of conflicts between the people. For example, if A and B are friends outside the office, then, they will work in coordination with each other at the work place as well.

(iii)Organisational Objectives: Along with the personal goals, informal relations help in fulfilling the organisational objectives as well. The managers can interact with the workers informally and assess their reactions on various matters. They can ask the workers for their suggestions and ideas regarding the inadequacies in the formal structure. Thereby, contributing to the overall organisational objectives in a better way.

(iv)Harmonious Environment: By developing healthy relationships, informal structure helps in building a harmonious working environment. It encourages cooperation between the people and maintains a peaceful environment at work. For example, if C and D have a dispute over some matter. They can discuss it outside the office and solve it without harming the formal working environment. Thus, conserving the amiable working environment.

(v)Efficiency and Productivity: Informal organisation fosters efficiency among the working personnel. By contributing to their well-being, it helps in increasing their productivity. Such relations help in fulfilling the social and psychological needs of the employees and thereby, increase their efficiency.

5. Distinguish between centralisation and decentralisation.

Ans: Following are the differential factors between Centralisation and Decentralisation.

Basis of Difference	Centralisation	Decentralisation
Authority	Authority remains concentrated only in few hands at the higher level of management.	Authority is delegated to lower levels of management.
Creativity	Restricts creativity of middle and lower level managers.	Promotes creativity and innovation at all the levels.
Work Load	Higher work load on the top level managers.	Lesser workload as sharing of authority and responsibility is done.
Scope of Delegation	Scope of delegation is limited as power is concentrated in a few hands.	Wider scope of delegation as authority can be transferred.
Subordinate Initiative	Limits the scope of initiatives by subordinates as the workers have to work on the pre-decided path.	Encourages the subordinates to come forward and take initiative as they are allowed the needed freedom for working.
Decision Making	The decision making is slowed down as the power lies only with the top management. The problem has to pass through different levels before an action is taken.	The decision making is quick as the authority lies near the actual action.

6. How is functional structure different from a divisional structure?

Ans: The following points highlight the difference between a functional structure and a divisional structure.

Basis of Difference	Functional structure	Divisional structure
Creation	These are created on the basis of functions.	These are created on the basis of product-lines along with the

		functions.
Costs	It is economical.	It is not very economical because all the resources are required in different departments.
Decision Making	Decision making is centralised as the decisions are taken by the coordinating head for various departments.	Decision making is decentralised as each division of the product line have their own decision making authority.
Duplication of work	Due to functional specialisation overlapping of work is minimised.	Due to each product department having the same functions, overlapping of work is increased.
Suitability.	It is suitable for all types of organisations.	It is suitable for multiproduct or diversified firms.
Accountability and responsibility	Difficult to make accountable as departments are interdependent	Easy to fix the accountability as departments work independently.
Coordination	Compared to Divisional less when company is producing more product.	Better coordination because all the activities related to one product are in one department only.