

Chapter 5

Organising

Chapter 5 Organising

Very Short Answer Questions

1).Name the organization which is deliberately created? (1)

A: Formal Organisation

2).Enumerate the steps in the process of organizing? (3)

Ans: 1) Identification and division of work

2) Grouping Jobs and Departmentalization

3) Assignment of duties

4) Establishing authority relationship

3).Organizing helps in optimum utilization of resources. Which type of resources does it refer? (1)

Ans: All material, financial and human resources.

4).Give any one importance of organizing?(1)

Ans: Development of personnel.

5).Divisional structure is more suitable for the firms having several products and each product has distinct features. Do you agree? (1)

Ans: Yes, I do agree.

6).Distinguish between functional structure and divisional structure. (4M)

Basis	Functional Structure	Divisional Structure.
Formation	It is based on functions	It is based on product lines
Specialisation	Functional Specialisation	Product Specialisation
Responsibility	Difficult to fix on a departments	Easy to fix responsibility
Cost	Economical	Costly
Co ordination	Difficult for multi product company	Easy, because all functions related to a particular product are integrated in one department.
Managerial Development	Difficult, as each functional manager has to report to the top management	Easier, autonomy as well as the chance to perform multiple functions helps in managerial

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		development.
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7).What are the advantages and disadvantages of divisional structure? (5/6)

Ans: Advantages:

- 1).All activities associated with one product. It can be easily integrated.
- 2).Decision making is faster.
- 3).Performance can be easily assessed remedial action can be taken
- 4). It facilitates expansion and growth as new divisions can be added.

Disadvantages:

- 1).This gives rise to duplication of effort among its divisions.
- 2).Manages in each department focus on their own product without thinking the rest of the organization.
- 3).There may not be full utilization of different equipment's
- 4).Conflict may arise among different division.

8) Name the type of organization in which: (1)

Ans. Friendly relationship exists among the members.

b. Official relationship exists among the members.

A: a) Informal Organisation b) Formal Organisation.

9).Distinguish between formal and informal organizations on the basis of(5/6)

a) Formation b. Purpose c. structure d. Behavior of members e. stability and f. adherence to rules.

Ans:

Basis	Functional Structure	Divisional Structure.
Formation	Deliberately Planned	Emerges Spontaneously among people
Purpose	To achieve organizational goals	To satisfy social and cultural needs
Structure	Well defined structure	Does not have a clear-cut
		Structure
Behavior of members	Standards of behavior	Mutual consent among members

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Stability	It is stable	Neither stable nor predictable.
Adherence to rules	Violation of rules may lead to penalties	No such punishment.

10). Which term denotes “The number of subordinates that can be effectively managed by a superior? (1M)

Ans: Span of control.

11) What are the elements of delegation of authority? (1)

Ans: Responsibility, Authority, Accountability.

12) Distinguish between authority and responsibility on the basis of:(3)

Ans. Direction of flow b. Delegation c. Origin

Basis	Authority	Responsibility
Direction of flow	Authority flows downwards	Responsibility flows upwards
Delegation	Authority can be delegated	Responsibility is absolute and cannot be delegated.
Origin	Arises from law	Arises from authority.

13) “A manager is of the view that he is not responsible for the quality of work that he has delegated to his subordinate”. Do you agree with his view points?

Justify your answer by giving arguments. (4)

Ans: No I do not agree with managers view point.

The reasons are as follows:

- i) Principle of delegation by results expected.
- ii) Principle of parity of authority and responsibility
- iii) Principle of absolute responsibility.
- iv) Authority level principle

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14) Scope of decentralization of authority is wider than delegation. Why? (1)

Ans: Decentralization implies extension of delegation to the lowest level of management.

15) Distinguish between ‘delegation’ and ‘decentralization’ of authority on the basis of

i) purpose ii) parties involved and iii) withdrawal of authority.(3)

Ans:

Basis	Delegation	Decentralization
Purpose	It means getting things done through subordinates	To prepare the organization for handling major expansion of its activities
Parties involved	It is confined with manager and his immediate subordinate	It indicates relationship between top management and various other departments
Withdrawal of authority	The delegated authority can be withdrawn by the delegator	Withdrawal of authority is difficult

QUESTIONS WITH DIFFERENT DIFFICULTY LEVELS

1. Name of the function of management which co-ordinates the physical, financial and human resources and establishes productive relations among them for achievement of specific goals. (1)

Ans: Organising

2. Name and explain the two steps in the process of organizing which come after

‘Identification and division of work’ and ‘Departmentalization’. (3)

Ans: Identification and division of work: Dividing the total work into jobs is necessary because the entire work cannot be done by individual

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(ii)departmentalization: In this step combine or group similar jobs into larger units called departments.

3. Organising leads to a systematic allocation of jobs amongst the workforce.

Which

importance of organizing is stated here? (1)

Ans: Benefits of specialization .

4. Organising clarifies lines of communication and specifies who is to report to whom. Mention the importance of organizing indicated here. (1)

Ans: Clarity in working relationships.

5. Aman Ltd. Is manufacturing toys and has production, sales, Purchase and Finance

Departments. Which type of organization structure would you suggest to them? State

any three advantages of this organization structure.(3)

Ans: I would suggest functional structure for Aman Limited.

Advantages of this structure:

- i. Supervision is facilitated.
- ii. Coordination with in the department is easier.

6. Hindustan Ltd. , is manufacturing computers, soaps and textiles. Which type of

organizational structure would suit the requirements of such organization?

State any

three advantages of this organization structure.(4)

Ans: Divisional structure would shoot the requirements of Hindustan limited.

Advantages:

- i. All activates associated with one product can be easily integrated.
- ii. Decision making is faster and effective.
- iii. Performance of individual product can be easily assessed.

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7. It is a network of personal and social relations not established or required by the formal organization but arising spontaneously as people associate with one another.

Name this organization and give its three advantages. (4)

Ans: Informal organization:

Advantages:

1. It brings feeling of belongingness.
2. Informal organization satisfies social and cultural needs.
3. It provides useful channel of communication.

8. It merely means the granting of authority to subordinates to operate within prescribe limits. Mention the concept referred here. (1)

Ans: Delegation of Authority

9. Delegation provides a ready workforce to take up leading positions in new ventures. Which importance of delegation is stated here?(1)

Ans: Facilitation of growth

10. “Authority can be delegated but accountability cannot.” Explain the statement.(3)

Ans: According to the principle of absolute responsibility, authority can be delegated but responsibility cannot be delegated by a manager. The manager remains responsible to his own superior for the task which he may assign to his subordinates. Every superior is responsible for the acts of this subordinates to whom he delegates authority for any work.

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11. The Marketing Manager of an organization has been asked to achieve a target sales of 100 generators per day. He delegates the task to 10 sales managers working under him. Two of them could not achieve their respective targets. Is the marketing manager responsible? Briefly explain the relevant principle in support of your answer.(4)

Ans: Yes, Marketing manager is responsible for the non-achievement of the target sales to his superior.

The principle related to this statement is absolute responsibility. It states that authority can

be delegated but responsibility cannot be delegated by manager. The manager remains

responsible and accountable to his own superior for the task which he may have assigned to his subordinate.

12. It refers to the systematic delegation of authority from top management to the lower level managers. Mention it.(1)

Ans: Decentralization of authority.

13. If we delegate the authority we multiply it by two, If we decentralize it, we multiply it by money. (3)

Ans: Scope of delegation of authority is limited. It is clear that if we delegate the authority

we multiply it by 2 that is delegator and his subordinate to whom authority is delegated.

Scope of decentralization of authority is wider than delegation. It involves many people from top level to bottom lower level of authority.

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Exercises

Very Short Answer Questions

1. Identify the network of social relationships which arises spontaneously due to interaction at work.

Informal organisation is referred to as the social relationship network that arises naturally as a result of interaction at work. The emergence of an informal organisation is a from social interaction and free flow of communication between the employees of the organisation.

2. What does the term ‘span of management’ refer to?

The term span of management refers to the number of subordinates a manager is able to handle efficiently. It determines the nature and structure of an organisation. There are two types of span of management: 1) Narrow 2) Wide

The span of management is dependent on various factors such as leadership, control, decentralisation extent in the organisation, nature of work and the working ability of the subordinates.

3. State any two circumstances under which the functional structure will prove to be an appropriate choice?

The functional structure requires grouping and organising activities that are of similar nature. Under a functional organisation, each group functions separately and specialises in its work. a financial structure is suitable for organisations that are large and which have various functions.

Here are two circumstances that under functional structure is appropriate. They are

1. Large-sized organisations need to have a functional structure in order to operate smoothly. There will be many departments within the organisation, and making differentiation based on departments is very much helpful for an organisation. It helps in improving the efficiency of the managers so that the work progresses smoothly.

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2. A high degree of coordination is required for managing various functions. It is done to improve efficiency. If an organisation has a clear division of work, a functional structure helps in promoting coordination between the various departments and thereby ensures all functions go on smoothly.

4. Draw a diagram depicting a functional structure.



5. A company has its registered office in Delhi, a manufacturing unit in Gurgaon and a marketing and sales department in Faridabad. The company manufactures consumer products. Which type of organisational structure should it adopt to achieve its target?

For this company, the type of organisation structure that needs to be followed is functional organisation. This can be justified using the following points:

1. Being a large organisation, it requires proper departmentalisation. It helps in increasing the efficiency of the managers and also provides a great degree of control over the activities of the organisation.
2. Organisation like this is managing multiple functions simultaneously where coordination of a high degree is required. It can be achieved in a smooth way by arranging a proper division of activities among various departments under a functional structure.
3. Specialisation will be promoted under functional structure, and it will help in performing all the diverse functions effortlessly.

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Short Answer Questions

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

The following steps are involved in the process of organising:

1. The first step that is involved in organising is identifying the number of activities and accordingly dividing them as per the plan. Actions are taken as per the defined objectives. Having a clear division of work keeps duplicity at bay.
2. Actions that were fixed earlier are now arranged in groups based on similarity. This ensures that the department specialising in the work has access to it.
3. The next step in organising is assigning the roles and responsibilities to the person best suited for the job. Work is allocated as per the skills of the members.
4. The next part of organising is the presence of a hierarchy in an organisation. It is very helpful when a person is aware of his immediate superior. A defined organisation structure helps in ensuring the successful functioning of the activities of the organisation.

2. Discuss the elements of delegation.

Delegation is the process of transferring authority and responsibility to subordinates in an organisation. The following are the elements of an organisation:

1. Delegation provides an individual with the power to direct or command a subordinate. This enables them to make decisions regarding what needs to be done and who will be doing that. The chain of command starts from the top level of management and ends at the lower level of management. As authority is delegated, it helps in maintaining discipline and obedience.
2. Responsibility is the part where the subordinate has to adhere to the given task. The duty provided should be performed by the subordinate properly. The responsibility of a subordinate is towards their superior.

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3. The superior must be accountable for the outcome of the work that has been assigned by them to their subordinate. The superior should keep track of the work done by the subordinate and must see that it is done satisfactorily.

3. How does an informal organisation support the formal organisation?

The network of relations that is created from the social interactions taking place outside of the office is called an informal organisation. It traces its origin from formal organisations and is not created at will by management. These relationships are built on friendship that develops between co-workers. It supports formal organisations in the following ways:

1. A free flow of communication is established in an informal organisation which leads to communication channels outside the organisation. In this way, communication spreads easily and assists the formal organisation.
2. In informal organisations, people develop good bonding among themselves and thus towards the organisation. It helps in increasing coordination among the members and also promotes mutual trust and respect. The result of such bonding is it lowers the level of conflict.
3. Informal organisations help in fulfilling organisational objectives. Managers can get to know about the workers' issues and ask for suggestions on improving the work conditions. Happy workers will be more contributing towards an organisation.
4. It helps in building a harmonious work environment by encouraging cooperation among workers and managers. A peaceful work environment is more productive.
5. An informal organisation helps in increasing efficiency among the workers. The workers understand their importance and actively contribute towards organisational growth.

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

Any organisation, regardless of its size, will find it difficult to function properly, either as centralised or decentralised, because there needs to be a balance between the two systems in order to make the best possible utilisation.

In centralisation, the decision-making capacity or authority is restricted to the people sitting at the top level of management. All the decisions regarding the organisation are taken by the top-level management. In stark contrast to this system, decentralisation works by delegating the decision-making capacity to the managers at a lower level. There is a distribution of decision-making capabilities which is spread evenly.

For an organisation to perform at its best, it has to follow a mix of centralisation and decentralisation. A growing organisation cannot rely on centralisation to manage all the functions. It would slow down the decision-making process for the organisation. Hence, a decentralised system helps ease the load on decision-making. Also, an organisation cannot let all the decisions be made by the lower level management, as it will be a risk to the integrity of the organisation.

Therefore, there should be a balance between centralisation and decentralisation in an organisation.

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

Decentralisation and delegation are similar in nature. Both are about transferring responsibility and authority. In the case of delegation, authority is shared among two individuals, i.e., superior delegating authority to subordinate, whereas in decentralisation, the authority is shared at multiple levels. Therefore, it can be said that the act of delegating authority at each level of management promotes decentralisation, while the act of decentralisation helps promote delegation at the lowest level.

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6. Neha runs a factory wherein she manufactures shoes. The business has been doing well, and she intends to expand by diversifying into leather bags as well as western formal wear, thereby making her company a complete provider of corporate wear. This will enable her to market her business unit as the one-stop for working women. Which type of structure would you recommend for her expanded organisation and why?

The organisation structure that Neha can follow is the divisional organisation structure. Under this system, there will be separate departments which will take care of different products. There will be separate personnel for managing the departments.

The divisional structure is recommended for the following reasons:

1. Each department will have a head, who will be accountable for the overall performance of the department. The performance of individual departments can be determined easily; the best and worst performers can be identified, and necessary steps can be taken.
2. Decision-making will be quick as each department has a specialist to manage it.
3. Having a divisional structure allows for adding more divisions without impacting the functions of the organisation.

7. The production manager asked the foreman to achieve a target production of 200 units per day, but he didn't give him the authority to requisition tools and materials from the store's department. Can the production manager blame the foreman if he is not able to achieve the desired target? Give reasons.

No, in this case, the production manager cannot blame the foreman as he was provided with responsibility, but he was not given authority. With responsibility, there should be an authority also, which is essential for a task to complete.

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Long Answer Questions

1. Why delegation is considered essential for effective organising?

Delegation is the transfer of authority from a superior to a subordinate. It helps in reducing the workload on the manager so that manager can give focus on areas that need more attention. It also provides subordinates to become more responsible and makes way for more growth opportunities.

The following points show the importance of delegation, which is effective in organising:

1. By delegating work to the subordinate, the managers can focus on other areas, which improves the efficiency of managers.
2. Employees also get the chance to perform well and improve their skills. It helps in developing the skillset of the employees.
3. The act of delegation gives employees responsibility, and it also provides motivation to the employees, as they feel that they belong to the organisation and their contributions are recognised.
4. Delegation helps in the career development of many managers as they take up more roles in the organisation. It also helps workers to gain more experience, which helps in career growth.
5. It helps in forming an organised structure in the organisation. The lines of the hierarchy are well-defined, which makes processes smooth.
6. It increases coordination among managers and workers. There is a well-defined working relationship, which makes things more organised in the company.

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

Divisional structure is a system where work is divided into different departments. There is a separate head for each department, and there is no overlapping of responsibilities in such a structure. The field of work is clearly defined.

Here are some of the advantages of a divisional structure.

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1. Managers and workers get ample opportunity to grow in their departments and become specialists in the product. It is helpful in increasing the efficiency of the workforce.
2. Each division or department can be tracked individually for their performance. It leads to the identification of the best and worst-performing divisions.
3. The divisions are independent to take their own decisions, which makes the decision-making process quick. Rapid decision-making enables faster implementation, which is beneficial for the organisation.
4. Having a divisional structure allows for adding more divisions without impacting the functions of the organisation.

The disadvantages can be highlighted as

1. There can be conflicts among departments with regard to the allocation of funds and resources.
2. There can be a rise in cost due to duplication of work among departments. There might be some activities that are common across all departments, and employing separate personnel for each department for these activities can drive the cost higher.
3. There can be a chance that due to more focus on improving the individual departments, the growth of the organisation as a whole can get hampered.

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

Decentralisation is the delegation of authority among various levels in an organisation ranging from the top level to the lower level. It is not mandatory for an organisation to follow decentralisation, but it is beneficial in the long run. Here are a few points that will support the statement of why an organisation wants to be decentralised.

1. Decentralisation allows lower-level managers to be independent in making their decisions. It gives more confidence and a feeling of responsibility to the managers.

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2. Decentralisation provides the managers with an opportunity to grow and be a part of the growth of the organisation. It helps in skill development and the ability to tackle new challenges. It also provides a platform to showcase their talent and get noticed for more responsible positions.

3. Decentralisation helps analyse the performance of every department and also determine how each one of them is helping the organisation in fulfilling its objectives.

4. Decision-making is faster in a decentralised organisation. There is no need to take approval from the top-level to perform basic-level functions, it helps to avoid delays in decision-making.

5. The decentralisation system offers growth opportunities for managers at lower levels. There is a tendency to outperform each other, which results in more productivity and indirectly leads to the growth of the individuals.

6. Decentralisation makes work load of top-level management less. They can concentrate more on policy-making for organisation growth.

4. Distinguish between centralisation and decentralisation.

The points of difference between centralisation and decentralisation are as follows:

Basis of Comparison	Centralisation	Decentralisation
Authority	Authority rests with the top management.	Authority delegated across multiple levels,
Flow of Information	Open and free.	It's vertical.
Work Load	Top-level managers have a higher workload.	Workload is less as work is divided between levels.

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Scope of Delegation	Limited scope of delegation.	Wide scope of delegation.
Subordinate Initiative	Initiatives by subordinates have a limited scope, as they need to follow a pre-decided path as laid out by superiors.	Subordinates are encouraged to be more proactive and take the initiative. It allows more freedom to express ideas for improving the organisation.
Decision Making	Decision-making is slow and leads to inefficiency	Quick decision-making as decision-making authority is delegated across levels.

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

The points of difference between functional structure and divisional structure are as follows:

Basis of Comparison	Functional structure	Divisional structure
Creation	Functional structures are created on the basis of functions in an organisation.	Divisional structures are created on the basis of products as well as functions.
Costs	By minimising duplication of work, it becomes economical.	Duplication of work is more as the same work is done between various departments.
Decision Making	Centralised decision-making, as decisions are made by the head of respective departments.	Decentralised decision-making, as there is a separate decision-making authority for each product.
Overlapping	Minimised as separate functional	Increased, as each department has

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of work	departments are there.	the same levels of work.
Suitability	Companies focusing on operational specialisation will find this structure more feasible.	Suitable for companies focusing on creating differentiated products.
Functional Hierarchy	Arranging departments on the basis of important operations leads to the formation of a horizontal functional hierarchy.	When departments are arranged on the basis of product lines, it results in the formation of a vertical functional hierarchy.

6. A company, which manufactures a popular brand of toys, has been enjoying a good market reputation. It has a functional organisational structure with separate departments for Production, Marketing, Finance, Human Resources and Research and Development.

Lately, to use its brand name and also to cash on new business opportunities, it is thinking of diversifying into the manufacture of a new range of electronic toys for which a new market is emerging. Which organisation structure should be adopted in this situation? Give concrete reasons with regard to benefits the company will derive from the steps it should take.

The company should adopt a divisional organisation structure, as it is the ideal structure for this organisation.

Following are the benefits that can be obtained by following this structure:

1. Each department will have a head who will be accountable for the overall performance of the department. The performance of individual departments can be determined easily; the best and worst performers can be identified, and necessary steps can be taken.
2. Decision-making will be quick, as each department has a specialist to manage it.

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3. Having a divisional structure allows for adding more divisions without impacting the functions of the organisation.

7. A company manufacturing sewing machines set up in 1945 by the British promoters follows formal organisation culture in totality. It is facing a lot of problems with delays in decision-making. As a result, it is not able to adapt to changing business environment. The workforce is also not motivated since they cannot vent their grievances except through formal channels, which involve red tape. Employee turnover is high. Its market share is also declining due to changed circumstances and the business environment. You are to advise the company with regard to change it should bring about in its organisation structure to overcome the problems faced by it. Give reasons in terms of benefits it will derive from the changes suggested by you.

The change that can be suggested in this situation is adopting some space for informal structure by making changes in its current formal organisation structure.

An informal structure would offer the following benefits:

1. Information will move faster, as there is no definite channel of communication that needs to be followed.
2. It will offer a sense of belongingness to the employees as the rules of communication are beyond official roles. Employees feel more secure in the organisation and work towards the betterment of the organisation.
3. It supports the working of a formal organisation, as it helps in fulfilling the organisational objectives in a manner beneficial for the organisation.
4. The company can also diversify their product range by venturing into sewing products, such as producing machinery with embroidery features.

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8. Company X limited manufacturing cosmetics, which has enjoyed a pre-eminent position in business, has grown in size. Its business was very good till 1991. But after that, a new liberalised environment has seen the entry of many MNCs in the sector. As A result, the market share of X limited has declined. The company had followed a very centralised business model with Directors and divisional heads making even minor decisions. Before 1991, this business model had served the company very well, as consumers had no choice. But now the company is under pressure to reform.

Questions

What organisation structure changes should the company bring about in order to retain its market share?

How will the changes suggested by you help the firm? Keep in mind that the sector in which the company is FMCG.

The major change that needs to be adopted by the organisation is a move towards decentralisation. The organisation is growing and centralisation will not be sufficient for the organisation. The employees must be provided with more responsibility and authority, which ensures the proper functioning of the organisation.

Decentralisation also enables faster decision-making within the organisation.

The benefits of decentralisation will benefit the organisation in the following ways:

1. Lower-level managers will have the freedom to make their own decisions, which improves the efficiency of the work done.
2. It helps in developing the skills of the managers and also results in providing more growth opportunities for the managers.
3. Decisions taken by management are quick and timely. It helps in finding the solutions to problems easily.

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Multiple Choice Questions

1. When decision-making authority is retained, an organisation is said to be by higher management levels, _____.

- (a) Decentralised
- (b) Centralised
- (c) Fragmented
- (d) None of the above

Answer: (b) Centralised

2. Accountability is derived from _____.

- (a) Authority
- (b) Formal position
- (c) Responsibility
- (d) All of the above

Answer: (c) Responsibility

3. Which of the following cannot be delegated?

- (a) Responsibility and accountability
- (b) Authority and responsibility
- (c) Accountability and responsibility
- (d) All of the above

Answer: (a) Responsibility and accountability

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4. Authority granted to an employee should be _____.

- (a) More than the responsibility entrusted to him
- (b) Less than the responsibility entrusted to him
- (c) Equal to the responsibility entrusted to him
- (d) All of the above

Answer: (c) Equal to the responsibility entrusted to him

5. Which of the following is not a demerit of the informal organisation?

- (a) It leads to the spreading of rumours
- (b) It gives more importance to the structure and work
- (c) It may restrict the implementation of changes within the organisation
- (d) It puts psychological pressure on members to conform to group expectations, even if they are against the interest of the organisation

Answer: (b) It gives more importance to the structure and work

6. Which of the following is not a merit of the informal organisation?

- (a) It leads to faster spread of information and speedy feedback
- (b) It helps to fulfil the social needs of the members
- (c) It does not fulfil inadequacies in the formal organisation
- (d) All of the above

Answer: (c) It does not fulfil inadequacies in the formal organisation

7. Which of the following is not a feature of the informal organisation?

- (a) It originates from within the formal organisation

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- (b) The standards of behaviour evolve from group norms
- (c) Scalar chain of command is not followed
- (d) It is deliberately created by the management

Answer: (d) It is deliberately created by the management

8. Which of the following is not a demerit of the formal organisation?

- (a) It may lead to procedural delays
- (b) It may lead to the spreading of rumours
- (c) It emphasises following rigidly laid down policies
- (d) It places more importance on work rather than relationships

Answer: (b) It may lead to the spreading of rumours

9. Which of the following is not a demerit of functional structure?

- (a) It places more emphasis on the objectives pursued by a functional head than on overall enterprise objectives
- (b) It may lead to a conflict of interests among departments due to varied interests
- (c) It leads to occupational specialisation
- (d) It may lead to difficulty in coordination among functionally differentiated departments

Answer: (c) It leads to occupational specialisation

10. Identify the correct sequence of steps to be followed in an organising process.

- (a) Departmentalisation, Establishing reporting relationships, Assignment of duties, Identification and division of work
- (b) Identification and division of work, Departmentalisation, Assignment of duties, Establishing reporting relationships

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(c) Identification and division of work, Assignment of duties, Departmentalisation, Establishing reporting relationships

(d) Identification and division of work, Establishing reporting relationships, Departmentalisation, Assignment of duties

Answer: (b) Identification and division of work, Departmentalisation, Assignment of duties, Establishing reporting relationships

11. Which of the following is not a demerit of divisional structure?

(a) It is an expensive structure to maintain since there may be a duplication of activities across products

(b) All functions related to a particular product are integrated with one department

(c) Conflict may arise among different divisional heads due to different interests

(d) Authority provided to the managers to supervise all activities related to a particular division may lead to undesirable consequences

Answer: (b) All functions related to a particular product are integrated with one department

12. Which of the following is not a feature of functional structure?

(a) It promotes functional specialisation

(b) Managerial development is difficult

(c) It is easy to fix responsibility for the performance

(d) It is an economical structure to maintain

Answer: (c) It is easy to fix responsibility for the performance

13. Under which type of organisational structure manpower is grouped on the basis of different products manufactured?

(a) Divisional structure

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- (b) Functional structure
- (c) Network structure
- (d) Matrix structure

Answer: (a) Divisional structure

14. As the span of management increases in an organisation, the number of levels of management in the organisation _____.

- (a) Increases
- (b) Decreases
- (c) Remains unaffected
- (d) None of the above

Answer: (b) Decreases

15. Name the process which coordinates human efforts, assembles resources, and integrates both into a unified whole to be utilised for achieving specified objectives.

- (a) Management
- (b) Planning
- (c) Organising
- (d) Directing

Answer: (c) Organising

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Summary

1. Organising 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.

According to Henry Fayol, “To organise a business is to provide it with everything useful to its functioning; raw materials, machines and tools, capital and personnel.”

2. Process of Organising

- (i) Identification and division of work
- (ii) Departmentalisation
- (iii) Assignment of duties
- (iv) Establishing reporting relationships

3. Importance of Organising

- (i) Benefits of specialisation
- (ii) Clarity in working relationships
- (iii) Optimum utilisation of resources
- (iv) Adaptation to change
- (v) Effective administration
- (vi) Development of personnel
- (vii) Expansion and growth

4. Organisation Structure It can be defined as “Network of job positions, responsibilities and authority at different levels.”

The considerations to be kept in mind while forming the organisational structure are

- (i) Job design
- (ii) Departmentation
- (iii) Span of management
- (iv) Delegation of authority

5. Types of Organisation Structure The organisational structure can mainly be of two types which are

(i) **Functional Structure** When the activities or jobs are grouped keeping in mind the functions or the job then it is called functional structure.

(a) Advantages

- * Specialisation

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- * Easy supervision
- * Easy co-ordination
- * It helps in increasing managerial efficiency
- * Effective training

(b) Disadvantages

- * The departments become specialised in their own way only.
- * When departments become too large then the co-ordination decrease. ‘
- * When the organisational goals is not achieved then it becomes very difficult to make any one department accountable.
- * Employees get training of one function only i.e., the department to which they belong so they can not be shifted to other department.

(c) Suitability It is most suitable when the size of the organisation is large, has diversified activities and operations require a high degree of specialisation.

(ii) Divisional Structure 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.

(a) Advantages

- * Product specialisation
- * Fast decision making
- * Accountability
- * Flexibility
- * Expansion and growth

(b) Disadvantages

- * Each department will require all the resources as every division will be working as an independent unit.
- * Conflict on allocation of resources.
- * Each department focusses on their product only and they fail to keep themselves as a part of one common organisation.

(c) Suitability

- * Organisation producing multi-product.
- * Organisation which require product specialisation.
- * Growing companies which plan to add more line of products in future.

6. Formal Organisation When the managers are carrying on organising process then as a result of organisation process an organisational structure is created to

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achieve systematic- working and efficient utilisation of resources. This type of structure is known as formal organisational structure.

(i) Advantages

- (a) Systematic working
- (b) Achievement of organisational objectives
- (c) No overlapping of work
- (d) Co-ordination
- (e) Creation of chain of command
- (f) More emphasis on work

(ii) Disadvantages

- (a) Delay in action
- (b) Ignores social needs of employees
- (c) Emphasis on work only

7. Informal Organisation It is a network of personal and social relations not established or required by the formal organisation but arising spontaneously as people associate with one another.

(i) Advantages

- (a) Fast communication
- (b) Fulfills social needs
- (c) Correct feedback

(ii) Disadvantages

- (a) Spread rumours
- (b) No systematic working
- (c) May bring negative results
- (d) More emphasis to individual interest

8. Delegation of Authority “A process of entrusting responsibility and authority to the subordinates and creating accountability on those employees who are entrusted responsibility and authority.”

9. Importance of Delegation

- (i) Effective management
- (ii) Employee development
- (iii) Motivation of employees
- (iv) Facilitation of growth
- (v) Basis of management hierarchy

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(vi) Better co-ordination

10. Elements of Delegation

(i) Responsibility It 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.

(ii) Authority It means power to take decision. To carry on the responsibility every employee need to have some authority. ‘

(iii) Accountability It means subordinates will be answerable for the non-completion of the task.

11. Decentralisation Decentralisation explains the manner in which decision-making responsibilities are divided among hierarchical level.

12. Importance of Decentralisation

(i) Develops initiative among subordinate

(ii) Develops managerial talent for the future

(iii) Quick decision making

(iv) Relief to top management

(v) Facilitates growth

(vi) Better control