



## CHAPTER – 10

## ORGANISING

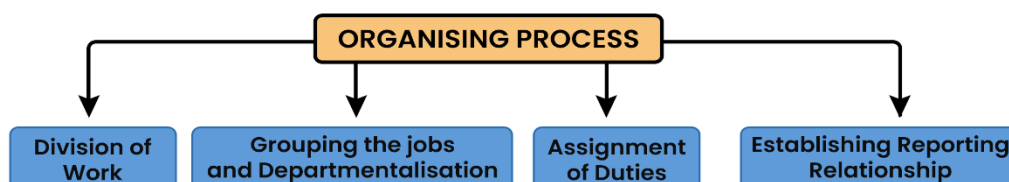
**Organising**

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.”

**Process of Organising**

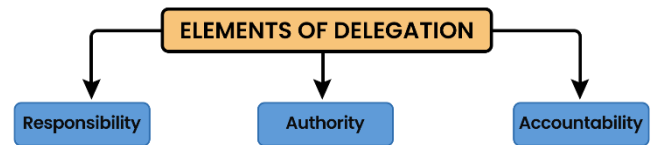
- (i) **Identification and division of work:** The first step in the process of organizing involves identifying and dividing the work in accordance with predetermined plans. The work is divided into manageable activities (called jobs) so that duplication of work can be avoided and the burden of work can be shared among the employees. Division of work facilitates specialization in work and skills which is necessary because the work cannot be done by one individual very effectively and efficiently.
- (ii) **Departmentalisation:** Once work is divided into small activities, similar and related jobs are related together. This grouping is called departmentalisation. Work is divided into jobs to facilitate unity of effort. It facilitates specialization. The department so created linked together on the basis of their interdependence. Departments can be created on the following basis :
  - (a) **On the basis of Functions:** For example, Finance Department for financing activities, Production Department for production activities etc.
  - (b) **On the basis of Products:** For example, Medicine, Textile, Garments, Cosmetics, Bottles etc.
  - (c) **On the basis of Territory:** For example East, West, North, South etc.
- (iii) **Assignment of duties:** Once departments are formed, individual department heads are appointed for each department according to their skills and competencies. The work must be assigned to those who are best fitted to perform it well.
- (iv) **Establishing reporting relationships:** Establishing authority and responsibility relationship help to create the hierarchal structure and helps in coordination among various departments. Superior subordinate relations between different people and job position is to be created, so that everybody knows from who is he/she is taking orders and to whom he/she can issue orders.



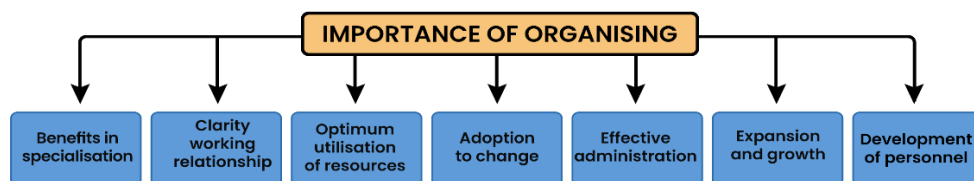
## Importance of Organising

- (i) **Benefits of specialisation:** In organising function, work is divided into different parts. Such division of work reduces the work load and enhances the productivity. Efforts are made to place the right man at the right job on the basis of his ability, knowledge and skill. Repeatedly doing a particular work helps a worker to gain experience and get specialized in that area. As a result, organising leads to specialisation.
- (ii) **Clarity in working relationships:** In Organising, the employees are assigned jobs and managers clearly define the jobs. The jobs are defined on written document which is called job description which explain what has to be done in every job. There is clearly defined line of communication and line of authority and responsibility. This helps in fixation of responsibility and removes ambiguity in transfer of information and instructions.
- (iii) **Optimum utilisation of resources-** In Organising, functions are clearly defined and differentiated. The proper allocation of work helps in avoiding overlapping/duplication of work, which help in avoiding confusion and minimising the wastage of resources and efforts. Thus organising leads to the optimum use of all material, financial and human resources.
- (iv) **Adaptation to change:** Organising helps the enterprise to adjust itself according to the changes in business environment by suitably modifying the organisation structure. It also helps provides stability in the enterprise so that it continues to survive and grow in spite of changes.
- (vii) **Expansion and growth:** Organising promotes growth and diversification of an enterprise. It enables the business enterprise to add more job positions, departments and even diversify their product lines.

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- (v) **Effective administration:** Organising clarifies jobs/duties and authority-responsibility relationships. This helps in avoiding confusion and duplication, and enables proper execution of work. Thus managing the enterprise becomes easy and this brings effectiveness in administration.
- (vi) **Development of personnel:** It helps in development of personnel by delegation of work to subordinates. Effective delegation allows manager to assign works of routine nature to their employees. The reduction of overload enables the managers to develops new methods and way of performing efficiently. It give them time to innovate latest techniques and to explore new ideas for the growth of the companies. On the other hand, delegation develops an ability among the subordinate to deal effectively with the challenges and also help them to realise their full potential.



## 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

### Benefits of an adequate organisation structure

- (i) It will result to increased profitability of an enterprise.
- (ii) It allows correlation and coordination among physical, human and financial resources and this enables a business enterprise to accomplish the desired goals.
- (iii) A proper organisation structure is essential to ensure a smooth flow of communication and better control over the operations of business enterprise.

## Types of Organisation Structure

The organisational structure can mainly be of two types which are

- (a) **Functional Structure:** When the activities or jobs are grouped keeping in mind the functions or the job then it is called functional structure. All departments report to a coordinating head. For example, in a manufacturing firm, all jobs related to production are grouped in production department, jobs related to finance under finance department.

### Suitability

- (i) When the size of the organisation is large and producing single product or small number of related products.
- (ii) When the organisation has to carry diversified activities.
- (iii) When the operations of the business need high degree of specialisation.

**(a) Advantages**

- (i) Functional Specialisation:** A functional structure leads to functional/occupational structure since emphasis is laid on specific functions. This promotes efficiency in utilisation of manpower as employees are required to perform the similar tasks within a department regularly.
- (ii) Better Control and Coordination:** It promotes control and coordination within a department because employee perform similar tasks.
- (iii) Efficiency:** It helps in increasing managerial and operational efficiency and this results in increased profits.
- (iv) Minimises Costs:** It leads to minimum duplication of efforts which results in lower costs.
- (v) Facilitates Training:** It makes training of the employees more easy as they are trained in limited range of skill i.e employee of marketing department are given training of marketing techniques only.
- (vii) Proper Attention:** It ensures that different functions like marketing, financing etc. get due attention.

**(b) Disadvantages**

- (i) De Emphasis on Organisational Objectives:** Under functional structure, more emphasis is given on accomplishing departmental objectives than overall objectives. It will have adverse effect on the company.
- (ii) Inter-departmental Conflicts:** It may lead to conflict between two or more departments.
- (iii) Problems in Coordination:** It may be difficult to achieve coordination as information has to be exchanged across functionally differentiated departments.
- (iv) Inflexibility:** Employees get training of single function only i.e., the department to which they belongs so they can't be shifted to other department or positions.
- (v) Difficulty in Fixing Responsibility:** It becomes difficult to hold a particular department responsible for any problems.

**(c) Suitability**

- (i)** When organisation is producing multiple products with distinctive products.
- (ii)** When organisation require product specialisation.
- (iii)** When an organisation grows and needs to add more employees, create more departments and introduce new levels of management.

**(b) Divisional Structure:** Divisional Structure is a type of organisational comprising of separate business units or divisions, created on certain basis. 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**

- (i) Product specialisation:** A divisional heads gains experience in all functions related to a particular product. Product specialisation helps in development of varied skills in a divisional head and this prepares him for higher positions.
- (ii) Greater Accountability:** In this structure, each product department is treated as a 'profit centre' and is accountable for its own profit and loss. This provides a base for evaluating performance and helps in fixation of responsibility of poor performance.
- (iii) Flexibility and Initiative:** It promotes flexibility and initiative because each division functions as an autonomous or independent unit which leads to faster decision making.
- (iv) Expansion and growth:** In division structure, new divisions can be easily added without interrupting the existing operations. Thus, it facilitates expansion and growth.

**(b) Disadvantages**

- (i) Expensive:** It may lead to increase in costs because of duplication of resources in various departments since each department has set of similar functions.
- (ii) Conflicts:** There may be conflicts among different divisions with reference to allocation of funds. Also, a particular division may try to maximise its profits at the cost of other divisions.
- (iii) Organisational Interest Ignored:** It provides managers with the authority to supervise all activities related to a particular division. Managers focus on their products and pay no attention to overall organisational objectives. Thus organisational objectives suffer and become difficult to achieve.

### Difference between Functional and Divisional Structure

S.No.	Points of Difference	Functional Structure	Divisional Structure
1.	<b>Basic of Formation</b>	This structure is formed on the basis of function.	This structure is formed on the basis of product.
2.	<b>Accountability and Responsibility</b>	Difficult to make accountable as departments are interdependent.	Easy to fix the accountability as departments work independently.
3.	<b>Economy Cost</b>	It is economical.	It is not very economical because all the resources are required in different departments.
4.	<b>Development of Managers</b>	Less chances as manager becomes specialised in one function only.	More chances as managers perform multi functions.
5.	<b>Specialisation</b>	This type of structure brings functional specialisation.	It brings product specialisation.
6.	<b>Co-ordination</b>	Compared to Divisional less when	Better co-ordination because all the activities related to one product are in one department only.
7.	<b>Autonomy of operations</b>	Less autonomy of action.	More autonomy.
8.	<b>Suitable</b>	It is suitable for all types of organisations.	It is suitable for multiproduct or diversified firms.

### Formal Organisation

When the managers are carrying on organising process then as a result of organisation process an organisational structure is created to achieve systematic- working and efficient utilisation of resources. This type of structure is known as formal organisational structure.

#### Features of Formal Organisation

- (i) It is intentionally created by the top management to facilitate smooth functioning of the organisation.
- (ii) It's purpose is to achieve organisational objectives.
- (iii) It clarifies the official line of communication and official relationships.
- (iv) It coordinates and integrates the efforts of various departments.
- (v) Formal organisation is impersonal as it places more emphasis on work to be performed rather than an inter-personal relationship among employees.
- (vi) It concentrates on the jobs to be performed and not the individuals who performs the jobs.
- (vii) Formal organisation specifies clearly the authority-responsibility relationships among various job positions. This clarifies who has to report to whom.

#### (a) Advantages

- (i) **Fixation of Responsibility:** It is easy to fix responsibility in case of failures as mutual relationships are clearly defined.
- (ii) **Clarity of Duties:** In this type of organisation, role and duties of each member are clearly defined which helps in avoiding confusion and duplication of work and efforts.

(iii) **Unity of Command:** Unity of command is maintained through the scalar chain

(iv) **Accomplishment of Organisational Objectives:** Formal organisation helps in achieving the objectives of the organisation by providing a framework regarding operations to be performed and ensuring that each employee know the role he has to play.

(v) **Stability:** This type of organisation provides stability to the organisation through policies, procedures, rules and regulations. Formal organisation is long lasting because functioning of various departments continues despite the leaving of old employees and joining of new hands

#### (b) Disadvantages

(i) **Procedural Delays:** The formal communication may lead to procedural delays as the established chain of command has to be followed which increases the time taken for decision making. For example, Suppose a salesman has an order of 2,000 packets of pens immediately. The marketing manager is there but he cannot be approached because the salesman can consult the sales manager only.

(ii) **Lack of Initiative:** Formal organisation may not provide adequate recognition to creative talent, since it does not allow any deviations from rigidly laid down policies.

(iii) **Difficult to Fully Understand Human Relationships:** This is because it gives more emphasis on structure and work, rather than on inter-personal relationships among the employees



## 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. When people have frequent contacts, they cannot be forced into rigid formal structure. Rather, based on their interaction and friendship they tend to form informal groups to fulfil their social needs. It increases their job satisfaction.

### Features of Informal Organisation

- (i) It is formed by the individual to get social and psychological satisfaction.
- (ii) It has no definite structure or form.
- (iii) It is not deliberately created by the organisation but arises spontaneously
- (iv) Under informal organisation, information can flow in any direction.
- (v) An informal organisation originates from within the formal organisation because of personal interaction among employees.

### (a) Advantages

- (i) **Fast communication:** In informal organisation prescribed lines of communication are not followed. Thus, the informal organisation leads to faster spread of communication as well as quite feedback.
- (ii) **Fulfills social needs:** Informal organisation helps to fulfil the social needs of the members. This enhance their job satisfaction since it gives them a sense of belongingness
- (iii) **Fill Inadequacies of Formal Structure:** It contributes towards fulfilment of organisational

objectives by compensating the limitations of formal organisations.

### (b) Disadvantages

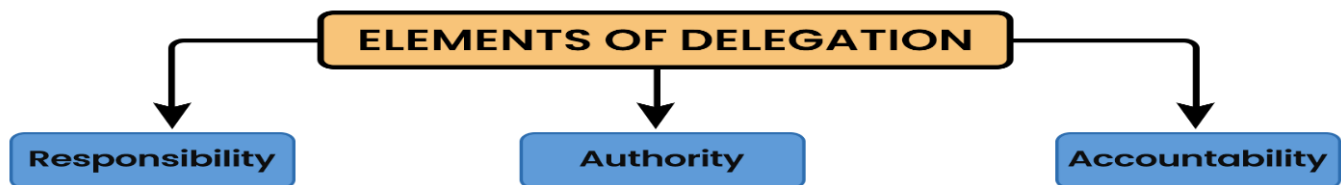
- (i) **Spread rumours:** Informal Organisation may become a disturbing force when it spreads rumours. This may cause serious harm to the organisation and its management.
- (ii) **Resistance to Change:** It is very difficult for the management to bring changes in the organisation opposes them. Such resistance to change may delay or restrict growth of the organisation.
- (iii) **Priority to Group Interests:** Informal groups can be harmful to the organisation if the norms set by the groups are against the interest of the organisation.

### Delegation

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

Delegation is a pre-requisite to the efficiency functioning of an organisation because it enables a manager to use his time on high priority activities. It also satisfies the subordinates need for recognition and provides them opportunities to develop and exercise initiative. The person who delegates the authority is called delegator and the person who receives the authority is known as delegate. Delegation helps a manager to extend his area of operations as without it, his activities would be restricted to only what he himself can do. However, delegation does not abdication. The manager shall still be accountable for the performance of the assigned tasks. Moreover, the authority granted to a subordinate can be take back and redelegated to another person.

### Elements of Delegation



1. **Responsibility:** Responsibility means the obligation of a subordinate to properly perform the assigned duty. Responsibility arises from a superior-subordinate relationship because the subordinate is bound to perform the duty assigned to him by his superior. Responsibility always flows upwards from a subordinate to a superior.
2. **Authority:** Authority refers to the right of an individual to command his subordinates and to take action within the scope of his/her position. It arises from the established which links the various job positions and levels of an organisation. Authority is required to perform a given responsibility. It always moves downwards from a superior to a subordinate.
3. **Accountability:** Accountability means answerability for the final outcome of the assigned work. Authority can be delegated by a superior to his subordinates but accountability cannot be passed or delegated because it is absolute in nature. Accountability always flows upwards from a subordinate to a superior. Even when a manager delegates his part of responsibility and authority to his subordinates, he remains accountable to his superior for his own work as well as work of his subordinates.

## Comparative Study of Elements of Delegation

S.No.	Basis	Authority	Responsibility	Accountability
1.	Meaning	Power to take decision.	Obligation to perform a task.	Answerable for the output of assigned task.
2.	Delegation	Can be delegated.	Cannot be fully delegated.	Cannot be delegated at all.
3.	Origin	Arises from formal position.	Arises from delegation of authority.	Arises from responsibility.
4.	Flow of direction	Flows downward from superior to subordinate.	Flows upward from subordinate to superior. (As subordinate will always be responsible to his superior.)	Flows upward from subordinate to superior.

### Importance of Delegation

- (i) **Effective management:** Delegation of authority of manager helps a manager to share his work load with subordinates. It lightens the burden of work on top executives. By passing routine or minor work to the subordinates, a manager can create greater time on important matters.
- (ii) **Employee development:** Delegation of authority provides more opportunities to employees to utilise their talent. It allows them to develop those necessary skills which help to perform complex tasks. Thus delegation is a technique for developing managers for future by giving them chance to use their skills, gain experience and develop themselves for higher job positions.
- (iii) **Motivation of employees:** Delegation is an important instrument to motivate the subordinates. When authority is delegated to the subordinates, they are encouraged to do their job with greater responsibility. Delegation provides a feeling of status and recognition to subordinates. Their job satisfaction increases due to authority they enjoy and the rewards they get reward for better performance. Responsibility for work improves self-esteem and confidence of employees.
- (iv) **Facilitation of growth:** Delegation facilitates expansion and growth of an organisation by providing trained and experience personnel to take leading positions in new ventures or projects.
- (v) **Basis of management hierarchy:** Delegation of authority establishes superior-subordinate relationship, which are basis of hierarchy of management. Everyone knows who has to report to whom.
- (vi) **Better co-ordination:** The three elements of delegation namely, authority, responsibility and accountability help to define powers, duties and answerability attached to various job positions in an organisation. This helps to avoid overlapping of activities and duplication of

efforts; and also helps in developing and maintaining effective coordination amongst various departments, levels and functions of management.

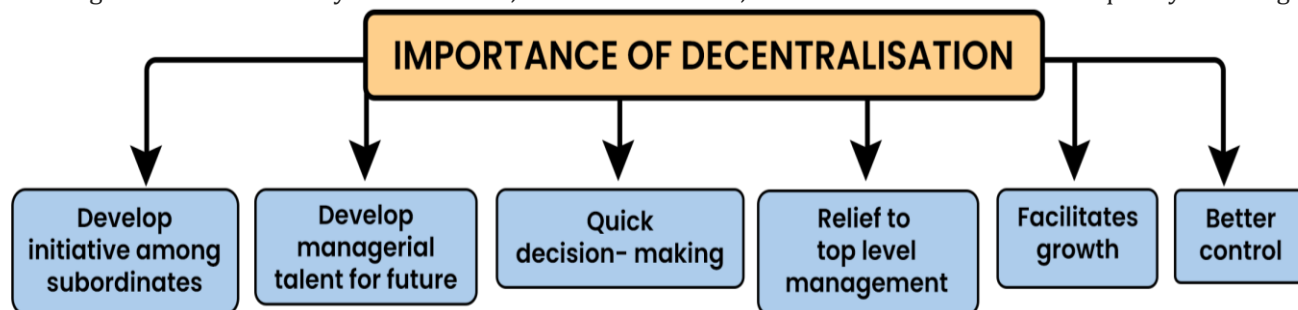
### Decentralisation

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

### Importance of Decentralisation

- (i) **Develops initiative among subordinate:** Decentralisation helps the lower level managers to take all those decisions, which are for the improvement of enterprise, on their own and develop appropriate solutions for solving different kinds of difficulties or problems they face. This help in increasing confidence and self-reliance among the subordinates.
- (ii) **Develops managerial talent for the future:** Under decentralisation, managers working at middle level and lower level learn the art to take independent decisions. Decentralisation provides them a chance to prove their talent by handling various assignments independently. Such kind of knowledge and experience at all levels in an organisation.
- (iii) **Quick decision making:** It helps in quick decision making, as there is no requirement for approval from many levels. There are also less chances of information getting distorted because it does not have to through long channels.
- (iv) **Relief to top management:** It gives relief to the top management who can now concentrate on important policy decision, e.g develop new strategies, coordination and control etc.
- (v) **Facilitates growth:** Decentralisation provides considerable liberty to the managers at lower level. This allows them to do the work in manner best suited to their department. When each department is doing its best then the overall productivity increases and organisation is able to generate more revenues which can be used for growth and expansion process.

- (vi) **Better control:** Decentralisation helps to evaluate the work performance at each level of management. Managers working at various levels are allowed to take their decisions and they are personally accountable for their decisions. They cannot pass the blame to their employees. Decentralisation helps in ascertaining the contribution of each department for the achievement of the objectives of the organisation by using control techniques like balance score card, management information system etc. Thus, in case of shortfalls, corrective action can be taken quickly at the right time.



### Difference between Delegation and Decentralisation.

Basis	Delegation	Decentralisation
Nature	It is a compulsory act.	Decentralisation is an optional policy decision.
Freedom of action	Less freedom to take decisions due to more control by the superiors.	Less control over executives hence greater freedom of action.
Status	It is a process followed to share tasks.	It is the result of the policy decision of the top management.
Scope	It has narrow scope, as it is limited to superior and his immediate subordinate.	It has wide scope as it implies extension of delegation to the lowest level of management.
Purpose	Narrow as it is confined to a superior and his immediate and subordinate.	To increase the role of the subordinates in the organisation by giving them more autonomy.

## QUESTIONS FOR PRACTICE

### MCQ

- Q1.** I refer to a network of personal and social relationships which spontaneously originates within the formal set up. Who am I?  
 (a) Informal organisation (b) Party organisation  
 (c) Social organisation (d) Formal organisation
- Q2.** Identify the correct statement about accountability?  
 (a) Accountability can be entirely delegated  
 (b) Accountability flows downward  
 (c) Accountability refers to answerability for final outcome of assigned task  
 (d) Accountability means the right of an individual to command his subordinates.
- Q3.** An organisation structure in which various departments are created on the basis of products, territory or region is called a  
 (a) Divisional structure (b) Functional structure  
 (c) Matrix structure (d) Staff structure
- Q4.** Which of the following is not an importance of delegation of authority?  
 (a) Effective management  
 (b) Fulfills social needs  
 (c) Facilitation of growth  
 (d) Basis of management hierarchy
- Q5.** A company is very flexible in its working. It wants the proper participation of all the employees in the organisation. Also, the company wants to expand and hence it uses the feature 'development of managerial talent for future.' In which aspect is it covered?  
 (a) Decentralisation (b) Formal organisation  
 (c) Authority (d) Continuity
- Q6.** Being answerable to the final outcome is a phrase which can be associated with  
 (a) authority (b) duty  
 (c) responsibility (d) accountability
- Q7.** Which of the following statements is not true?  
 (a) Formal organisation originates as a result of company's rules and policies  
 (b) Informal organisation arises out of personal qualities of individuals  
 (c) Under formal organisation, flow of communication takes place in any direction  
 (d) Formal organisation is rigid in nature
- Q8.** Informal organisation provides necessary environment for individual's .....  
 (a) authority  
 (b) accountability and responsibility  
 (c) creativity and innovation  
 (d) None of the above

- Q9.** What explains informal organisation the best?  
 (a) All departments in an organisation reports to a coordinating head  
 (b) Network of personal and social relationships that arise as people associate with other people in a work environment  
 (c) This structure is created intentionally by the managers for achievement of organisational goal  
 (d) None of the above
- Q10.** Mrs. Identify the correct statement about Organising.  
 (a) Leads to systematic allocation of jobs and facilitates specialisation  
 (b) Reduces the risk of uncertainty  
 (c) Helps in obtaining competent personnel  
 (d) Judges accuracy of standards
- Q11.** If a firm wants to diversify its business into different products and expand to different territories, which organisation structure would be suited for this firm?  
 (a) Divisional structure  
 (b) Functional structure  
 (c) Informal structure  
 (d) Network structure
- Q12.** Functional structure of organisation is most suitable  
 (a) In case of diversification of activities  
 (b) In case of large organisation  
 (c) When high degree of specialisation is required  
 (d) All of the above
- Q13.** Which of the following is/are true about functional structure?  
 (a) It leads to minimum duplication of efforts which leads in lower costs.  
 (b) It is costlier as there is duplication of resources  
 (c) It is easier to fix responsibility on each division  
 (d) Both (b) and (c)
- Q14.** Once departments are created, each department is placed under the charge of a .....  
 (a) branch manager (b) departmental head  
 (c) HR manager (d) marketing head
- Q15.** Among the following, which is an obligation to perform certain functions and achieve certain results?  
 (a) responsibility. (b) decentralisation.  
 (c) centralisation. (d) delegation.
- Q16.** The organisation process starts with  
 (a) assignment of duties  
 (b) establishing reporting relationships  
 (c) identification and division of work  
 (d) departmentalization
- Q17.** In which of the following organizing function jobs are allocated to the members of each department is accordance with their skills competencies.  
 (a) Identification and division of work  
 (b) Departmentalisation  
 (c) Assignment of duties  
 (d) Establishment of reporting relationships

Questions 18–19 contain two statements-- Assertion (A) and Reason (R). Each question has FOUR choices (a), (b), (c), (d), only one of which is correct.

In the light of these statements, choose the most appropriate option:

- (a) (A) is incorrect but (R) is correct.  
 (b) (A) is correct but (R) is incorrect.  
 (c) Both (A) and (R) are correct and (R) is the correct explanation of (A)  
 (d) Both (A) and (R) are correct but (R) is not the correct explanation of (A).

**Q18. Assertion (A):** Organising ensures optimum utilisation of material, financial & human resources. **Reason (R):** Organising leads to systematically allocating all the jobs thereby ensuring specialisation.

**Q19. Assertion (A):** Organisation structure is an indispensable means and a wrong structure will seriously impair business performance and even destroy it.

**Reason (R):** For an organisation to function smoothly and face environmental changes, it becomes necessary to pay attention to its structure.

**Q20.** Identify the type of organisational structure which makes training of employees easier, as the focus is on only limited range of skills.

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

### SUBJECTIVE QUESTIONS

- Q1.** "An organisation is manufacturing medicines, cosmetics, textiles and soaps." What kind of organisational structure is suitable for this organisation and why?
- Q2.** The directors of Yamuna Ltd. have asked their marketing manager to achieve a target sale of 100 units per day. The marketing manager has delegated the task to his deputy sales manager working under him. The deputy sales manager could not achieve the target. Who is responsible for non-completion of task? Explain in brief the relevant principle related to this case.
- Q3.** Naresh Medical Ltd. has grown in size. It was a market leader but with changes in business environment and with the entry of MNCs, its market share is declining. To cope up with the situation CEO starts delegating some of his authority to the General Manager, who also felt himself overburdened and with the approval of CEO disperses some of his authority to various levels throughout the organisation. Identify the concept of management discussed above.
- Q4.** Name the process of entrusting responsibility, authority and creating accountability of the person whom work has been handed over. Explain the importance of this process.



- Q5.** The number of subordinates that can be effectively managed by a superior refers to which aspect of management?
- Q6.** Grouping of jobs of similar nature and organising these jobs as separate departments creates a particular type of organisational structure. Name that type of structure and explain any two advantages and disadvantages of that structure.
- Q7.** Anju Industries is a company manufacturing office furniture. The company chose to diversify its operations to improve its growth potential and increase market share. As the project was important, many alternatives were generated for the purpose and were thoroughly discussed amongst the members of the organisation. After evaluating the various alternatives Sukhvinder, the Managing Director of the company decided that they should add 'Home Interiors and Furnishings' as a new line of business activity.
- (a) Name the framework, which the diversified organisation should adopt, to enable it to cope up with the emerging complexity? Give one reason in support of your answer.
- (b) State any two limitations of this framework.
- Q8.** 'Lucky Spices Ltd.' is the manufacturer of different food specific spices like Rajmaa Masala, Cholley Masala, Aaloo Parantha Masala, etc. Mr Raghav, the owner of the company has created different departments for purchase, production, marketing, finance and human resource. There are thirty employees working in the organisation. Planning is of paramount importance to the company as Mr Raghav believes that effective planning leads to achievement of organisational objectives. So in order to make

employees focus on objectives, he issued instructions that during working hours only official matters will be discussed. He made certain rules and code of conduct for the employees to follow, according to which employees are not allowed to visit and talk to the employees of other departments except for official work. He emphasised on work performance which resulted in smooth functioning of the organisation.

- (a) Identify and state the type of organisation mentioned in the above para.
- (b) State one feature of the concept identified in part as mentioned in the above para.
- (c) What was the purpose behind the formulation of rules for the employees that restricted their personal communication with the employees of other departments?

- Q9.** Rohan a sole proprietor was running food catering business in South Delhi. He got great success and profit margin in this business. Due to excess demand in the market he expanded his business and separated departments as purchase, production, finance and marketing.

Which type of organisational structure would you suggest him? Enumerate its two benefits.

- Q10.** The Principal of Ram Public School ordered the staff that they will be allowed to sit in the staffroom situated in their block. No teacher will be allowed to sit in another staffroom. During school's hours, teachers can meet teachers of their department only for work-related matters. He wants each teacher to strictly work as per rules and directions given by him.

Identify the type of organisation in this and state disadvantage of such organisation.

## HOMEWORK QUESTIONS

### MCQ

- Q1.** Name the process which co-ordinates 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
- Q2.** A network of social relationship that arise spontaneously due to interaction at work is called:  
 (a) Formal Organisation (b) Informal Organisation  
 (c) Delegation (d) None of the above
- Q3.** In an electrical goods manufacturing company, there are four main activities-marketing, production, finance and personnel. The general manager is planning to structure the organisation. Which type of organisation structure should he adopt?  
 (a) Divisional Structure (b) Functional Structure  
 (c) Horizontal structure (d) None of these
- Q4.** It refers to the number of subordinates that can be effectively managed by a superior.  
 (a) Organisational structure  
 (b) Informal organisation  
 (c) Span of management  
 (d) None of the above
- Q5.** One of the steps in the process of organising explains that work is concerned with allocating the work to the employee to their experience, skills and competencies. For this plans need to be made regarding decision making. Application of mind which involves foresight and vision, intelligence, imagination and sound judgement is required as planning is thinking rather than doing function of management. Identify the step in the process of organising referred above.  
 (a) Identification and division of work  
 (b) Departmentalisation  
 (c) Assignment of duties  
 (d) Establishing reporting relationships
- Q6.** Uranus Limited is a company dealing in metal products. The work is mainly divided into functions including production, purchase, marketing, accounts and personnel. Identify the type of organisational structure followed by the organisation.  
 (a) Functional structure  
 (b) Relational structure  
 (c) Divisional structure  
 (d) None of the above
- Q7.** Identify the type of organisational structure which facilitates occupational specialisation,  
 (a) Functional structure (b) Horizontal structure  
 (c) Network structure (d) Divisional structure
- Q8.** National Vritech Ltd. has grown in size. It was a market leader but with changes in business environment and with the entry of MNCs its market share is declining.
- To cope up with the situation CEO starts delegating some of his authority to the General Manager, who also felt himself overburdened and with the approval of CEO disperses some of his authority to various levels throughout the organisation. Identify the concept of management discussed above.  
 (a) Decentralisation (b) Delegation  
 (c) Centralisation (d) None of these
- Q9.** This type of organisational structure is most suitable when the size of the organisation is large, has diversified activities and operations require a high degree of specialisation,  
 (a) Divisional structure (b) Functional structure  
 (c) Network structure (d) Matrix structure
- Q10.** Under this type of organisational structure, manpower is grouped on the basis of different products manufactured.  
 (a) Divisional structure (b) Functional structure  
 (c) Network structure (d) Matrix structure
- Q11.** Which of the following is not the limitation of informal organisation?  
 (a) Spread Rumours  
 (b) Procedural delays  
 (c) Priority to group interests  
 (d) Resistance to change
- Q12.** Which of the following is not a merit of functional structure?  
 (a) It promotes control and co-ordination within a department.  
 (b) It makes training of employees easier, as the focus is only on a limited range of skills.  
 (c) It ensures that different products get due attention.  
 (d) It leads to occupational specialisation.
- Q13.** Rishabh has joined as a Creative Head in an entertainment company. He always ensures that the work has been divided into small and manageable activities. Identify the related step in organising process being mentioned in the above lines.  
 (a) Identification and division of work  
 (b) Departmentalisation  
 (c) Assignment of duties  
 (d) Establishing reporting relationships
- Q14.** Indigo Limited has a staff of 300 people which is grouped into different departments. The organisational structure depicts that 100 people work in Production department, 150 in Finance department, 20 in Technology department and 30 in Human Resource department. Identify the type of organisational structure being followed by the company.  
 (a) Functional structure  
 (b) Divisional structure  
 (c) Informal structure  
 (d) None of the above

- Q15.** Which of the following is not a merit of divisional structure?
- (a) It promotes product specialisation.
  - (b) It ensures that different functions get due attention.
  - (c) It promotes flexibility and faster decision making.
  - (d) It facilitates expansion and growth as new divisions.
- Q16.** 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 in one department.
  - (c) Conflict may arise among different divisional heads due to different interests.
  - (d) Managers focus on their own product and pay no need or attention to overall organisational objectives.
- Q17.** 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
  - (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
- Q18.** 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 conflict of interests among departments due to varied interests.
  - (c) It leads to occupational specialisation.
  - (d) It may lead to difficulty in co-ordination among functionally differentiated departments.
- Q19.** A company is manufacturing washing machines. There is well defined system of jobs with a clear and definite responsibility and accountability in the company. But people are not allowed to interact beyond their officially defined roles. As a result company is not able to adapt the changing business environment. The workforce is also not motivated due to lack of social interaction. Identify the kind of organisation that management should introduce to solve the above problem.
- (a) Formal Organisation      (b) Delegation
  - (c) Informal Organisation      (d) None of these

- Q20.** In connection with New year celebration the employees of Idea have formed a small group who organized a feast and conducted entertainments. What type of organisation is this ?
- (a) Formal Organisation      (b) Informal Organisation
  - (c) Either (a) or (b)      (d) None of these
- Q21.** Which of the following is not an element of delegation?
- (a) Responsibility      (b) Authority
  - (c) Accountability      (d) Decentralisation
- Q22.** It arises from the established scalar chain which links the various job positions and levels of an organisation.
- (a) Responsibility      (b) Authority
  - (c) Accountability      (d) Decentralisation
- Q23.** In Bharti Ltd. Sales are declining. The marketing manager cannot focus on important aspects like knowing reasons from customers for not creating demand for their products, decisions related to sales strategy, etc. His senior instructs him to give his routine nature jobs to someone else so that he can concentrate on important issues. Identify the concept of management followed above.
- (a) Delegation
  - (b) Decentralisation
  - (c) Centralisation
  - (d) None of these
- Q24.** The scope of authority \_\_\_\_\_ as we go higher up in the management hierarchy.
- (a) Increases      (b) Decreases
  - (c) Remains same      (d) None of the above
- Q25.** It is the obligation of a subordinate to properly perform the assigned duty.
- (a) Responsibility
  - (b) Authority
  - (c) Accountability
  - (d) All of the above
- Q26.** In a company, top level management has not distributed work among the subordinates according to their abilities and skill but has been distributed on the basis of caste and religions. Identify the step of the organizing function not followed by the management.
- (a) Assignment of duties
  - (b) Identification and division of work
  - (c) Departmentalisation
  - (d) Establishing reporting relationships
- Q27.** 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
- Q28.** It helps the managers to ensure that their subordinate discharges his duties properly.
- (a) Responsibility
  - (b) Authority
  - (c) Accountability
  - (d) All of the above

**Q29.** Krishna Foods Limited' is a famous company making different food materials. Mr. Vikram is the Managing Director of the company. He is fully attached to the employees of his company. This is the main reason that before taking any decision he consults all the concerned employees. A suggestion box has also been provided in the company. It is opened once in fifteen days. The employees giving positive suggestions are suitably rewarded. Besides, all the employees of the company also enjoy complete freedom to communicate with any senior officer any time, for all types of matter whether it is job related or personal. Identify the type of organisation highlighted in the above case.

- (a) Formal Organisation      (b) Informal organisation  
(c) Divisional structure      (d) None of these

**Q30.** Palian Ltd. has been awarded recently with the 'Best Employer of the Year Award'. The company has believed in the ideas and suggestions of the employees. There is systematic dispersal of decision making at all levels. There is no delay in delivery of orders to customers due to prompt decision taken by employees. Identify the function of management referred in the above case-

- (a) Responsibility  
(b) Delegation  
(c) Planning  
(d) Decentralisation

### SUBJECTIVE QUESTIONS

**Q1.** Rajesh is a production manager in an auto company. He held a meeting with production unit including supervisor, foreman and employees. He sets the target to produce 1,000 units in one month and assures them to give full co-operation. He delegates powers to operational level to achieve the targets in the time. Identify organisational activity which Rajesh communicated to his subordinates and explain its benefits.

**Q2.** A Manager increased the production target from 500 units to 700 units per month but the authority to draw raw material was not given by him. The employees were not able to meet the new target. Who should be held responsible for this and which principle has been violated here? Explain.

**Q3.** Manager of MNO Ltd. is over burdened with routine work and is unable to concentrate on its objectives and other important issues of the firm. To solve this problem which management concept should be followed by the manager? Also explain the related function.

**Q4.** Karan Ltd. decided that whenever a person reaches a particular age he will be promoted. Influenced by this plan of the company, several employees from other

companies also joined the firm. But within few days they realised that the firm has pre-determined relation structure without free communication.

On the basis of this, answer the following questions.

- (a) Identify the type of organisation described here.  
(b) Point out any two limitations of this type of organisation.

**Q5.** Lakhan & Co. are running a shoe manufacturing company successfully. So they planned to expand their business activities by adding more line of products, i.e., leather bags, belts and garments. Which type of structure would you recommend after expansion and why?

**Q6.** A company manufacturing sewing machines set up in 1938 follows formal organisation structure. It is facing lot of problems such as delays in decision-making. As a result, it is not able to adapt to the changing business environment. The work force is also not motivated. There is a problem of red tapism and employees' turnover is very high.

You 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. In which sector can the company diversify keeping in mind the declining market for the product the company is manufacturing.

**Q7.** After completing a course in Travel and Tourism, Brijesh started his own travel agency. In order to ensure smooth functioning of his business, he decided to create fourteen job positions divided into four departments on the basis of functions namely front office department, including online query, reservation department, accommodation booking department and securing payment department. In order to avoid conflicts, he clearly assigned the line of authority and area of responsibilities for each job position.

- (a) Which function of management is being described in the above lines?  
(b) Identify the framework created by Brijesh.  
(c) Name the type of framework created by Brijesh.  
(d) Give two advantages of that frame work.

**Q8.** Kulpreet Singh owns a pet clinic in Delhi. The clinic is being run by a team of experienced Veterinary professionals for last 25 years. Kulpreet pet in special efforts to improve inter-personal relationships. When he interacts with his employees. He arranges every year a picnic for his staff so that they become fresh from their routine life. He always take employees suggestions towards new plans and policies.

- (a) Identify the type of organisation encouraged by Kulpreet Singh.  
(b) State any three disadvantages of that organisation.



- Q9.** Karan opens a retail mart in local market. As he knows it will be impossible for him to handle all work alone, he appoints Karan to perform task on his behalf, thereby reducing the workload. This decision provided Karan with more time to concentrate on important matters. Besides he recruits, eight other persons as support staff. Over the year his business earned a good name for itself. So he opens another outlet in the city. Considering Karan's competence, he gives the independent charge of running the new outlet to him, thereby empowering him autonomy in functioning of the outlet.
- (i) Identify the two concepts which reflect the role of Karan in above case.

(ii) Give four points of difference between both the concepts.

- Q10.** Sita and Gita are twin sisters. After completing a course in Journalism both of them joined a leading newspaper company as sub-editors. Over the years, due to their hardwork, they are promoted to the post of chief editor in different divisions. However, the way of their functioning is totally different. Sita believes in capabilities of her subordinates. Therefore, follows policy of selective dispersal of authority in all levels of other division.

On the other hand, Gita prefers to function through strict control and retains all the decisions making authority with herself. In the above context, state the concept used by Sita and Gita.

## SOLUTION FOR PRACTICE QUESTIONS

### SOLUTION FOR MCQ QUESTIONS

- S1. (a)
- S2. (c)
- S3. (a)
- S4. (b)
- S5. (a)
- S6. (d)
- S7. (c)
- S8. (c)
- S9. (b)
- S10. (a)
- S11. (a)
- S12. (d)
- S13. (a)
- S14. (b)
- S15. (a)
- S16. (c)
- S17. (c)
- S18. (d)
- S19. (c)
- S20. (c)

### SOLUTIONS FOR SUBJECTIVE QUESTIONS

- S1. This organisation must adopt divisional organisational structure.
- S2. The marketing manager is responsible for non-completion of task, because Marketing manager is accountable for the work assigned to him and accountability can never be delegated according to the principle of absolute responsibility or principle of abdication. The accountability remains with the manager even after delegating the work. For example, the directors of a computer manufacturing company have asked their production manager to achieve a target production of 100 computers per day. The

production manager has asked his five foremen to achieve this target. Two of them could not achieve the target. In this case, production manager is responsible and accountable for non-completion of target because by passing authority and work to foremen, manager cannot get rid of his responsibilities and accountability.

- S3. Decentralisation.
- S4. Delegation. For importance refer page no. 70.
- S5. Span of management.
- S6. Functional structure. For advantages and disadvantages refer page no. 67.
- S7. (a) Divisional Structure:  
Reason in support of the answer (*any one*)
  - (i) Product specialisation helps in the development of varied skills in a divisional head and this prepares him for higher positions.
  - (ii) Divisional heads are accountable for profits, as revenues and costs related to different departments can be easily identified and assigned to them.
  - (iii) It promotes flexibility and initiative because each division functions as an autonomous unit which leads to faster decision-making.
  - (iv) It facilitates expansion and growth as new divisions can be added without interrupting existing operations by merely adding another divisional head and staff for the new product line.
- (b) Limitations of the Divisional Structure: (*any two*)
  - (i) Conflict may arise among different divisions with reference to allocation of funds.
  - (ii) It may lead to increase in costs since there may be a duplication of activities across products.
  - (iii) Divisional interests may supersede organisational interests.
- S8. (a) Formal organisation.  
(b) Focus on objective and work performance.  
(c) Avoidance of the emergence of informal organisation which may obstruct the fulfilment of organisational goals.
- S9. Functional.
- S10. Formal organisation. For disadvantages refer page no. 68

## SOLUTION FOR HOMEWORK QUESTIONS

### SOLUTION FOR MCQ QUESTIONS

- S1. (c)
- S2. (b)
- S3. (b)
- S4. (c)
- S5. (c)
- S6. (a) as the people are being grouped on the basis of functions
- S7. (a) it emphasises on specific functions
- S8. (a)
- S9. (b) it relates to single product companies
- S10. (a) the divisions are created on the basis of products
- S11. (b)
- S12. (c)
- S13. (a)
- S14. (a) as people are grouped on the basis of functions
- S15. (b)
- S16. (b)
- S17. (b)
- S18. (c)
- S19. (c)
- S20. (b)
- S21. (d)
- S22. (b)
- S23. (a)
- S24. (a)
- S25. (a)
- S26. (a)
- S27. (c)
- S28. (c)
- S29. (b)
- S30. (d)

### SOLUTION FOR SUBJECTIVE QUESTIONS

- S1. Delegation.
- S2. Principle of Authority and Responsibility.

- S3. Delegation
- S4. (a) Formal.  
(b) Limitations
- S5. Presently, Lakhan & Co. are manufacturing only one product so the most suitable organisation structure is functional but on expansion if they are adding more line of products then the suitable organisation structure will divisional structure. For advantages refer page no. 67
- S6. My advice to the company is to give due importance to informal organisational structure along with formal. They should allow informal structure also to develop. This will help company to overcome the problems of delay in decisions, lack of motivation, etc. As information travel very fast in informal organisational structure.  
  
The company may get following benefits with informal organisational structure. For advantages refer page no. 69.  
Company can diversify its activities by introducing embroidery machines, it can also design special machines keeping in mind the requirement of ready-made garment manufacturers, etc. By diversifying in the same field it can get maximum utilisation of existing resources only.
- S7. (a) Organising function  
(b) Organisational Structure  
(c) Functional Structure  
(d) For advantages refer page no.67
- S8. (a) Informal Organisation  
(b) Refer to Page no. 69
- S9. (i) (a) Delegation: When Karan's role is restricted, he is given limited authority to reduce the work load of Karan.  
(b) Decentralisation: When Karan is given independent charge of new outlet.  
(ii) Difference: For difference refer page no. 71
- S10. Concept used by Sita — Decentralisation  
Concept used by Gita — Centralisation