



Chapter 5

Organising

CBSE Syllabus

- Concept and importance
- Organising Process
- Structure of organisation- functional and divisional concept. Formal and informal organisation-concept
- Delegation: concept, elements and importance
- Decentralisation: concept and importance

Content

- 5.1 Organising: Concept, Process and Importance
- 5.2 Organisation Structure: Concept and Types- Functional Structure and Divisional Structure
- 5.3 Formal and Informal Organisation
- 5.4 Delegation and Decentralisation

Learning Outcomes

After going through this chapter, the students will be able to:

- Understand the concept of organizing as a structure and as a process.
- Explain the importance of organising.
- Describe the steps in the process of organizing
- Describe functional and divisional structures of organisation.
- Explain the advantages, disadvantages and suitability of functional and divisional structure.
- Understand the concept of formal and informal organisation.
- Discuss the advantages, disadvantages of formal and informal organisation.
- Understand the concept of delegation.
- Describe the elements of delegation.
- Appreciate the importance of delegation.
- Understand the concept of decentralisation.
- Explain the importance of decentralisation.
- Differentiate between delegation and decentralisation.

Organising

RESTRUCTURING WIPRO: BECOMING A GLOBAL GIANT

One of India's largest IT solutions providers, Wipro Technologies, is taking on the likes of IBM and Accenture in its effort to be included among the largest and most successful technology services companies in the world. Restructuring Wipro was considered the most important step in becoming a global giant, driven by the goal towards improved customer-orientation. Wipro separated itself into several subsidiaries by product line: telecommunications, engineering, financial services, etc. Each subsidiary brings in about \$300 million in annual earnings and is self-sufficient with their own accounting books, personnel and administrative functions. Wipro shifted from a centralised to decentralised management system. All responsibilities for growth lay with the management of each entity.

STRUCTURAL TRANSFORMATION AT ONGC

Since its inception, ONGC has been instrumental in transforming the country's limited upstream sector into a large viable playing field, with its activities spread throughout India and significantly in overseas territories. The 1990s had begun on a grim note for ONGC. It took almost a decade for the Corporation to sort things out in most uncertain of times. Among many problems, the Corporation was also suffering from the organisational atrophy. In order to survive ONGC sought help from Mc Kinsey. Mc Kinsey's mandate was to evolve an organisational structure that was far more responsive to its business needs than that based on business groups. The ONGC system run by functional heads often meant delays exceeding a year in matters requiring urgent decisions on fields. Also, since responsibilities were shared at production platforms between different business groups, the system degenerated into wrangling over responsibilities. Similarly, group loyalties often took precedence over the requirements of tasks. But, most importantly, it was found that the performance evaluation criteria based on business group yardstick were completely at loggerheads with requirements on fields. Mc Kinsey recommended an asset-based approach with clearly-defined responsibilities in its presentation titled 'Organisation Transformation Project'. Though Mc Kinsey recommendations were broadly accepted, coordination issues concerning commonly-shared services needed to be sorted out. Finally, the first control over all service personnel working with asset teams was vested in asset managers, on grounds that being responsible for the performance of their strategic business units they must rightfully exercise control over all personnel working with them. Even procurement powers were devolved. Finally, a new structure made up of 14 assets and 11 centralised services was rolled out.

BUSINESS QUOTE

To Enhance Enterprising Skills

The difference between the impossible and the possible lies in a man's determination. Nothing is impossible because even the word itself says—"i m possible".

Introduction

It is evident from the way Wipro has moved towards reaching for its goal of becoming a globally successful technology company, that organising plays a significant role in implementation of plans. What has Wipro done to become a contending force among other global giants? Are there lessons to be learnt from Wipro's approach? Wipro organised itself in a manner that allowed customer orientation to dominate over other goals and diversified on the basis of product lines. It also modified the relationships within the management hierarchy to suit the goals.

Once the plans have been laid down and objectives specified therein, the next step is to organise resources in a manner which leads to the accomplishment of objectives. The activities of an enterprise must be organised in such a manner that plans can be successfully implemented.

A critical issue in accomplishing the goals specified in the planning process is structuring the work of an organisation to adapt to the dynamic business environment.

For planning to be fruitful, a number of considerations like resources that will be needed, optimum utilisation of the resources, translation of work into attainable tasks, empowering the workforce to accomplish these tasks etc., need to be understood and dealt with properly.

The management function of organising ensures that efforts are directed towards the attainment of goals laid down in the planning function in such a manner that resources are used optimally and people are able to work collectively and effectively for a common purpose.

Thus, it is in the context of effective management that the organisation function earns due importance. It is a means for translating plans into action.

The organising function leads to the creation of an organisational structure which includes the designing of roles to be filled by suitably skilled people and defining the inter relationship between these roles so that ambiguity in performance of duties can be eliminated.

Not only is this important for productive cooperation between the personnel but also for clarification of extent of authority, as well as responsibility for results and logical grouping of activities.

Performance of the organising function can pave the way for a smooth transition of the enterprise in accordance with the dynamic business environment.

5.1 Organising: Concept, Process and Importance

Meaning of 'Organising' as a Process

Organising essentially implies a process which coordinates human efforts, assembles resources and integrates both into a unified whole to be utilised for achieving specified objectives.

Organising can be defined as a process that initiates implementation of plans by clarifying jobs and working relationships and effectively deploying resources for attainment of identified and desired results (goals).

Organising is a process by which the manager brings order out of chaos, removes conflict among people over work or responsibility sharing and creates an environment suitable for teamwork.

DEFINITIONS OF ORGANISING

- ❖ "Organising is the process of defining and grouping the activities of the enterprise and establishing authority relationships among them." —**Theo Haimman**
- ❖ "Organising is the process of identifying and grouping the work to be performed, defining and delegating responsibility and authority, and establishing relationships for the purpose of enabling people to work most effectively together in accomplishing objectives." —**Louis Allen**

Steps in the Process of Organising

Organising involves a series of steps that need to be taken in order to achieve the desired goal. The following steps emerge in the process of organising:

1. Identification and division of work

The first step in the process of organising involves identifying and dividing the work that has to be done in accordance with previously determined plans.

The work is divided into manageable activities so that duplication can be avoided and the burden of work can be shared among the employees.

2. Departmentalisation

Once work has been divided into small and manageable activities then those activities which are similar in nature are grouped together. This grouping process is called departmentalisation. This facilitates specialisation.



Organising Process



Top Tip

Departments can be created using several criteria as a basis. Examples of some of the most popularly used basis are:

- Territory (north, south, west etc.) and
- Products (appliances, clothes, cosmetics etc).

3. Assignment of duties

It is necessary to define the work of different job positions and accordingly allocate work to various employees. Once departments have been formed, each of them is placed under the charge of an individual. Jobs are then allocated to the members of each department in accordance to their skills and competencies.

**Top Tip**

It is essential for effective performance that a proper match is made between the nature of a job and the ability of an individual. The work must be assigned to those who are best fitted to perform it well.

4. Establishing reporting relationships

Merely allocating work is not enough. Each individual should also know who he has to take orders from and to whom he is accountable.

The establishment of such clear relationships helps to create a hierarchical structure and helps in coordination amongst various departments.

Importance/Significance of Organising

The significance of the organising function mainly arises from the fact that it helps in the survival and growth of an enterprise and equips it to meet various challenges. In order for any business enterprise to perform tasks and successfully meet goals, the organising function must be properly performed.

The following points highlight the crucial role that organising plays in any business enterprise:

1. Benefits of specialisation

Organising leads to a systematic allocation of jobs amongst the work force. This reduces the workload as well as enhances productivity because of the specific workers performing a specific job on a regular basis.

Repetitive performance of a particular task allows a worker to gain experience in that area and leads to specialisation.

2. Clarity in working relationships

The establishment of working relationships clarifies lines of communication and specifies who is to report to whom.

- This removes ambiguity in transfer of information and instructions.
- It helps in creating a hierarchical order thereby enabling the fixation of responsibility and specification of the extent of authority to be exercised by an individual.

3. Effective administration

Organising provides a clear description of jobs and related duties. This helps to avoid confusion and duplication. Clarity in working relationships enables proper execution of work. Management of an enterprise becomes easy and this brings effectiveness in administration.

4. Optimum utilisation of resources

Organising leads to the proper utilisation of all material, financial and human resources. The proper assignment of jobs avoids overlapping of work and also makes possible the best use of resources.

Avoidance of duplication of work helps in preventing confusion and minimising the wastage of resources and efforts.

5. Development of personnel

Organising helps in development of personnel by delegation of work to subordinates. Effective delegation allows the managers to reduce their workload by assigning routine jobs to their subordinates.

- It allows the manager to develop new methods and ways of performing tasks. It gives them the time to explore areas for growth and the opportunity to innovate thereby strengthening the company's competitive position.
- It also develops in the subordinate the ability to deal effectively with challenges and helps them to realise their full potential.

**Top Tip**

Delegation refers to the downward transfer of authority from a superior to a subordinate.

A manager, no matter how capable he is, cannot manage to do every task on his own. The volume of work makes it impractical for him to handle it all by himself. As a consequence, if he desires to meet the organisational goals, focus on objectives and ensure that all work is accomplished, he must delegate authority.

6. Adaptation to change

The process of organising allows the organisation structure to be suitably modified according to changes in business environment. It thus provides stability to the enterprise as it can continue to survive and grow in spite of changes.

7. Expansion and growth

Organising helps in the growth and diversification of an enterprise by enabling it to deviate from existing norms and taking up new challenges.

- It allows a business enterprise to add more job positions, departments and even diversify their product lines.
- New geographical territories can be added to current areas of operation and this will help to increase customer base, sales and profit.

RECAP



Organising as a Process

Organising is defined as the process of identifying and grouping the work to be performed, assigning duties to job positions and establishing relationships for the purpose of accomplishing objectives.

Steps in the Process of Organising

IDAE

1. **Identification and division of work:** Identifying and dividing the work into manageable activities so that duplication can be avoided.
2. **Departmentalisation:** Activities of a similar nature are grouped together. It facilitates specialisation. (Departments can be created on the basis of territory (north, south, etc.) and products (garments, footwear etc).
3. **Assignment of duties to job positions:** Jobs are allocated to the members of each department according to their skills and competencies for effective performance.
4. **Establishing reporting relationships:** Authority responsibility relationships are clearly established so that each individual knows who he has to take orders from and to whom he is accountable. This helps in coordination amongst various departments.

Importance of Organising

SAD-C-GOA

1. **Specialisation:** It leads to specialisation by a systematic allocation of jobs resulting in reduced workload and enhanced productivity.
2. **Clarity in working relationships:** It leads to clarity in working relationships by specifying who is to report to whom.
3. **Effective administration:** It helps in effective administration by providing a clear description of jobs and working relationships.
4. **Optimum utilisation of resources:** It leads to optimum utilisation of resources by avoiding duplication of work and minimizing wastage of resources and efforts.
5. **Growth and expansion:** It helps in expansion and growth by allowing an enterprise to add more job positions, departments and product lines.
6. **Adaptation to change:** It helps in adaptation to change by allowing the organisation structure to be suitably modified as per the changes in business environment.
7. **Development of personnel:** It helps in development of personnel by delegation of work to subordinates.

Objective Type Questions 5.1

1. Name the function of management which examines the activities and resources required to implement the plan.
2. _____ function of management includes the designing of roles to be filled by suitably skilled people.
(Fill up the blank with correct answer)
3. _____ essentially implies a process which coordinates human efforts, assembles resources and integrates both into a unified whole to be utilised for achieving specified objectives.
(Choose the correct alternative)
(a) Coordination (b) Planning
(c) Organising (d) Directing
4. _____ is a process that initiates implementation of plans by clarifying jobs and working relationships and effectively deploying resources for attainment of identified and desired results (goals). (Organising/Directing/Controlling)
(Fill up the blank with correct option)
5. The process of organising involves identifying and dividing the work into small and manageable activities, and then grouping those activities which are similar in nature. This grouping process is called _____. This facilitates _____.
(Fill up the blanks with correct answers)
6. Establishing reporting relationships under organising function helps in _____. (Complete the sentence)
7. The significance of the organising function of management mainly arises from the fact that _____.
(Complete the sentence)
8. _____ is a process by which the manager brings order out of chaos, removes conflict among people over work or responsibility sharing and creates an environment suitable for teamwork.
(Fill up the blank with correct answer)
9. Which function of management is concerned with establishing relationships for the purpose of enabling people to work most effectively together in accomplishing objectives?
10. Name the function of management which coordinates the physical, financial and human resources and establishes productive relations among them for achievement of specific goals. (CBSE 2008)
11. It is a process of management by which the manager brings order out of chaos, removes conflict among people over work or responsibility sharing and creates an environment suitable for team work. Identify it.

Case Studies

Analysing, Evaluating & Creating Type Questions

1. In a school, twelve students work for the school library in the summer vacations. One afternoon they are told to unload a shipment of new releases, stock the bookshelves, and then dispose of all waste (packaging, paper etc). One student supervises the work by grouping students, divides the work, assigns each group their quota and develops reporting relationships among them.

Identify the function of management highlighted above.

(1 mark)

Ans. 'Organising' function of management is highlighted in the given case.

2. In a school fete, the whole activity is divided into task groups each dealing with a specific area like the food committee, the decoration committee, the ticketing committee and so on. These are under the overall supervision of the official in-charge of the event. Coordinating relationships are established among the various groups to enable smooth interaction and clarity about each group's contribution towards the event.

(a) Identify and state the function of management highlighted above.

(b) State the steps involved in the function of management identified in part (a) by quoting the lines from the above paragraph. (6 marks)

Ans. (a) Organising (give meaning)

(b) The following steps emerge in the process of organising:

(Explain the steps)

(i) Identification and division of work

"...the whole activity is divided into task groups..."

(ii) Departmentalisation/Departmentation

"...each dealing with a specific area..."

(iii) Assignment of duties

“... the food committee, the decoration committee, the ticketing committee ... are under the overall supervision of the official in-charge of the event.”

(iv) Establishing reporting relationships

“... Coordinating relationships are established ... clarity about each group's contribution towards the event.”

3. Rishu, Ashu and Ravi have decided to start a business of manufacturing toys. They identified the following main activities which they have to perform: (i) Purchase of raw materials, (ii) Purchase of machinery, (iii) Production of toys, (iv) Arrangement of finance, (v) Sale of toys, (vi) Identifying the areas where they can sell their toys and (vii) Selection of employees

In order to facilitate the work they thought that four managers should be appointed to look after

(a) Production, (b) Finance, (c) Marketing, (d) Personnel.

A. Identify the function of management involved in the above-mentioned para.

B. Quote the lines from the above para which help you in identifying this function.

C. State the steps followed in the process of this function of management.

(5 marks)

Ans. A. Organising

B. *‘They identified the following main activities which they have to perform.’*

‘In order to facilitate the work they thought that four managers should be appointed to look after.

(a) Production, (b) Finance, (c) Marketing, (d) Personnel.’

C. Steps in Organising Process:

(i) Identifying and dividing the work into manageable activities.

(ii) Departmentalisation/Departmentation where activities of a similar nature are grouped together.

(iii) Assignment of duties to job positions.

(iv) Establishing reporting relationships so that each individual knows from whom he has to take orders and to whom he is accountable.

4. Ramdas, aged 49 is working in an aviation company. He is the senior-most employee in his division. He is even senior to the division manager, Kanaputti. Ramdas is considered one of the most committed, capable and hard-working employees. As a result of his abilities and seniority, he generally received the work assignments of his choice. Although there was no formal designation of various special projects assigned to Ramdas, he handled them as a matter of routine. A problem developed when an able and intelligent person Nagarjuna, aged 33, was appointed by Kanaputti. Nagarjuna's previous three years experience in the closely related work, made it possible for him to catch on to the routine work of his new job more rapidly than was customary for a new employee. On several occasions, Kanaputti noticed the tension developing between the two employees. However, he didn't want to get involved in their personal issues as long as the work was completed effectively and efficiently by them. One day, the tension between them reached the boiling point and Ramdas complained to Kanaputti stating that his duties were being largely taken over by Nagarjuna. Kanaputti issued the order stating the clear allocation of the jobs and related duties between the two. He further clarified the working relationship between them by specifying who was to report to whom. This helped in reducing the workload, enhancing productivity and removing ambiguity.

(i) Identify and state the step of organising process which has not been carried out properly and contributed to this problem.

(ii) State the two steps of the organising process which have been taken by Kanaputti to respond to the complaint of Ramdas.

(iii) Also state two points of importance of organising as reflected in the above case.

(CBSE SQP 2017) (4 marks)

Ans. (i) Assignment of duties: Defining the work of different job positions and allotting the work according to the skills of the employees.

(ii) Kanaputti responded to the complaint of Ramdas by

(a) Assigning the duties

(b) Establishing reporting relationship

- (iii) (a) clarity in working relationship
 (b) Benefits of specialisation
 (c) Effective administration

(any two)

5. Zamon Ltd. is manufacturer of electronics goods based in Pune. On one hand it deals in items like books, music instrument, videotapes etc., and on the other hand it deals in laptops and mobile phones.

The company had a functional structure with separate heads for production, marketing and finance. All the functional heads were looking after the products, but at times their activities overlapped. This led to problems related to coordination and inter-departmental conflicts. To facilitate specialization Ramit, the CEO of the company decided to group books, music instrument, videotapes etc. under 'Media' and laptops and mobile phones under 'consumer electronics'. While doing so Ramit has performed a step in the process of one of the functions of management. Identify the step. (CBSE 2018) (1 mark)

Ans. Departmentalisation

5.2 Organisation Structure: Concept and Types

Meaning of Organisation Structure (or Organising as a Structure)

Organisation structure is the outcome of the organising process.

The organisation structure can be defined as the framework within which managerial and operating tasks are performed.

- An organisation structure provides the framework which enables the enterprise to function as an integrated unit by regulating and coordinating the responsibilities of individuals and departments.
- It specifies the relationships between people, work and resources.
- It allows correlation and coordination among human, physical and financial resources and this enables a business enterprise to accomplish desired goals.
- A proper organisation structure is essential to ensure a smooth flow of communication and better control over the operations of a business enterprise.
- An effective structure will result in increased profitability of the enterprise.

Example: Sonali opened her own travel agency. The success of her travel agency depends on a harmonious relationship between the customer and the employees of the travel agency. In order to achieve this objective, she has divided the entire work of the agency into three subheads based on the functions namely operations, sales and administration.

- Operations include travel counsellor, reservation and ticketing and customer care.
- Sales include the Accounts executive.
- Administration includes Book Keeper, Cashier and utility personnel.

This division of work on the basis of functions has resulted into an organisational structure specifying the line of authority and responsibility.

Need for an adequate organisation structure

The need for an adequate organisation structure is felt by an enterprise whenever it grows in size or complexity. As an organisation grows, coordination becomes difficult due to the emergence of new functions and increase in structural hierarchies.



It is only those enterprises which do not focus on growth that can maintain a particular structure for a long period of time. However, it is important to understand that such stagnancy may prove to be detrimental to an enterprise as those companies which do not change at all will close down or cease to grow. Thus, for an organisation to function smoothly and face environmental changes, it becomes necessary to pay attention to its structure. Peter Drucker emphasises on the importance of having an appropriate organisation structure when he says, "organisation structure is an indispensable means; and the wrong structure will seriously impair business performance and even destroy it."

Thus, it can be said that business operates in a dynamic environment and those enterprises which fail to adapt to change are unable to survive. Hence, management must continuously review its plans and objectives and accordingly the organisation structure of the enterprise should also be subjected to periodic review to determine if modification is required. An organisation structure, at all times should contribute towards the achievement of the enterprise's objectives and should provide scope for initiative so that contribution of personnel can be maximum and effective.

How is the organisation structure of a firm shown?

The organisation structure of a firm is shown in an **organisation chart**.

The span of management, to a large extent gives shape to the organisational structure.

Span of management refers to the number of subordinates that can be effectively managed by a superior.

This determines the levels of management in the structure.



Top Tip

A narrow span of management has tall organisation structure whereas, a wide span of management has short organisation structure.

Types of Organisation Structure

The type of structure adopted by an organisation will vary with the nature and types of activities performed by an organisation. The organisational structure can be classified under two categories which are as follows:

1. Functional structure

Functional structure is an organisational structure formed by grouping of jobs of similar nature according to functions and organising these major functions as separate departments. All departments report to a coordinating head, say Managing Director.

For example, in a manufacturing concern division of work into key functions will include production, finance, marketing, and human resource (HR). These departments may be further divided into sections. For instance, marketing department may have sections like packaging, advertising, selling, etc.

A functional structure is an organisational design that groups similar or related functions/jobs together.



Organisation chart showing FUNCTIONAL STRUCTURE

Suitability: Functional structure is suitable for those enterprises which have only one category of products to offer, however:

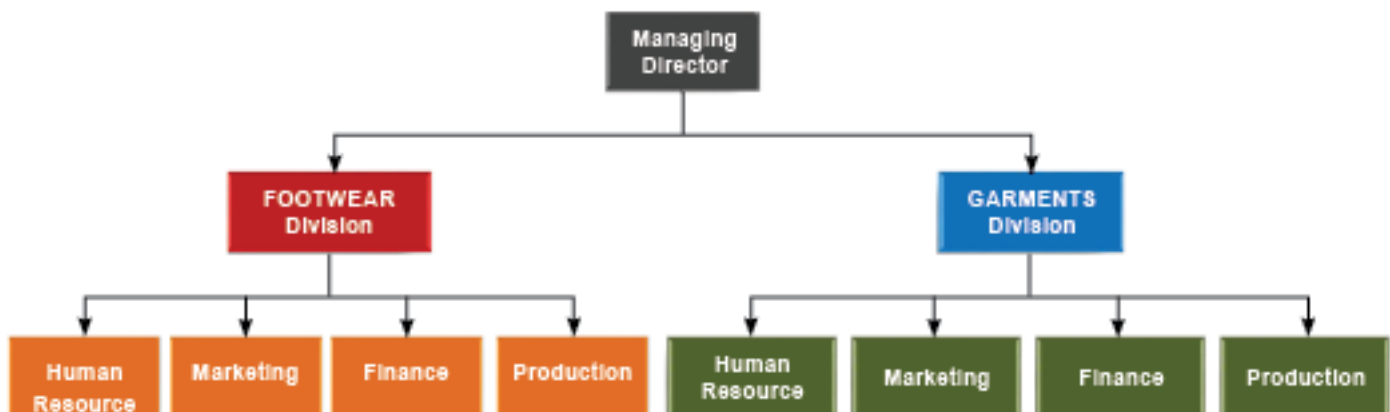
- the size of the organisation is large,
- it has a diversified activities and
- operations require a high degree of specialisation.

2. Divisional structure

Many large organisations with diversified activities have re-organised themselves away from the simpler and basic functional structure towards a divisional structure which is more suited to their activities. This is particularly true of those enterprises which have more than one category of products to offer. This is because although every organisation performs a set of homogeneous functions, as it diversifies into varied product categories, the need for a more evolved structural design is felt to cope with the emerging complexity.

A divisional structure is the organisation structure which comprises of separate business units or divisions. Generally, manpower is grouped on the basis of different products manufactured. For example, a large company may have divisions like Footwear, Garments, etc.

- Each unit or division has a divisional manager responsible for performance and who has authority over the unit or division.
- Each division is **multi-functional** because within each division functions like production, marketing, finance, purchase etc. are performed together to achieve a common goal. *In other words*, within each division, the functional structure tends to be adopted. However, functions may vary across divisions in accordance with a particular product line.
- Each division works as a **profit center** where the divisional head is responsible for the profit or loss of his division.
- Each division is **self-contained** as it develops expertise in all functions related to a product line.



Organisation chart showing DIVISIONAL STRUCTURE

Suitability: A divisional structure is suitable for those business enterprises where a large variety of products are manufactured using different productive resources.

An organisation will decide to adopt a divisional structure when:

- an organisation grows and needs to add more employees,
- create more departments and
- introduce new levels of management.

Functional Structure: Advantages and Disadvantages

ADVANTAGES	DISADVANTAGES
1. Specialisation: A functional structure leads to occupational specialisation since emphasis is placed on specific functions. This promotes efficiency in utilisation of manpower as employees perform similar tasks within a department and are able to improve performance.	1. Functional empires: A functional structure places less emphasis on overall enterprise objectives than the objectives pursued by a functional head. Such practices may lead to functional empires wherein the importance of a particular function may be over-emphasised. Pursuing departmental interests at the cost of organisational interests can also hinder the interaction between two or more departments.
2. Better control: It promotes control and coordination within a department because of similarity in the tasks being performed.	2. Problems in coordination: It may lead to problems in coordination as information has to be exchanged across functionally differentiated departments.
3. Managerial and operational efficiency: It helps in increasing managerial and operational efficiency and this results in increased profit.	3. Conflict of interest: A conflict of interests may arise when the interests of two or more departments are not compatible. For example, the sales department insisting on a customer friendly design may cause difficulties in production. Such dissension can prove to be harmful in terms of fulfillment of organisational interest. Inter-departmental conflicts can also arise in the absence of clear separation of responsibility.
4. Economical: It leads to minimal duplication of effort which results in economies of scale and this lowers cost.	4. Inflexibility: It may lead to inflexibility as people with same skills and knowledge base may develop a narrow perspective and thus, have difficulty in appreciating others' point of view. Functional heads do not get training for top management positions because they are unable to gather experience in diverse areas.
5. Ease in training employees: It makes training of employees easier as the focus is only on a limited range of skills.	
6. Due attention: It ensures that different functions get due attention.	

Divisional Structure: Advantages and Disadvantages

ADVANTAGES	DISADVANTAGES
1. Product specialisation: Product specialisation helps in the development of varied skills in a divisional head and this prepares him for higher positions. This is because he gains experience in all functions related to a particular product.	1. Conflicts: Conflict may arise among different divisions with reference to allocation of funds and further a particular division may seek to maximise its profits at the cost of other divisions.
2. Greater accountability: Divisional heads are accountable for profits, as revenues and costs related to different departments can be easily identified and assigned to them. This provides a proper basis for performance measurement. It also helps in fixation of responsibility in cases of poor performance of the division and appropriate remedial action can be taken.	2. Costly process: It may lead to increase in costs since there may be a duplication of activities across products. Providing each division with separate set of similar functions increases expenditure.
3. Flexibility and initiative: It promotes flexibility and initiative because each division functions as an autonomous unit which leads to faster decision making.	3. Ignoring of organisational interests: It provides managers with the authority to supervise all activities related to a particular division. In course of time, such a manager may gain power and in a bid to assert his independence may ignore organisational interests.
4. Expansion and growth: It facilitates expansion and growth as new divisions can be added without interrupting the existing operations by merely adding another divisional head and staff for the new product line.	

Difference between Functional and Divisional Structure

	Basis	Functional Structure	Divisional Structure
1.	Formation	Formation is based on functions	Formation is based on product lines and is supported by functions.
2.	Specialisation	Functional specialisation	Product specialisation
3.	Responsibility	Difficult to fix on a department	Easy to fix responsibility for performance
4.	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 development.
5.	Cost	Functions are not duplicated, hence economical.	Duplication of resources in various departments, hence costly.
6.	Coordination	Difficult for a multi-product company	Easy, because all functions related to a particular product are integrated in one department.

RECAP



Organising as a Structure

Organisation structure refers to the framework within which managerial and operating tasks are performed. It specifies the relationship between people, work and resources. It allows coordination among human, physical and financial resources. The organisation structure of a firm is shown in an organisation chart. The span of management gives shape to the organisational structure. *Span of management refers to the number of subordinates that can be effectively managed by a superior.* This determines the levels of management in the organisation structure.

The need for an adequate organisation structure is felt when an enterprise grows in size or complexity because coordination then, becomes difficult due to new functions or increase in number of products.

Functional Structure

Functional structure is an organisational structure formed by grouping of jobs of similar nature according to functions and organising these major functions as separate departments. *For example*, a company manufacturing garments may have separate departments for Production, Marketing, Finance, etc.

Functional structure is suitable for those enterprises which have only one category of products to offer. When the size of the organisation is large, it has diversified activities and operations require a high degree of specialisation, functional structure is suitable.

Advantages: (i) It leads to occupational specialisation since emphasis is placed on specific functions. (ii) It promotes control and coordination within a department because of similarity in the tasks being performed. (iii) It increases managerial and operational efficiency resulting in increased profit. (iv) It lowers cost as it reduces duplication of effort. (v) It makes training of employees easier as it focuses on a limited range of skills. (vi) It ensures that different functions get due attention.

Disadvantages: (i) Creation of functional empires where less emphasis is placed on overall objectives of the enterprise and more on the objectives pursued by a functional head. (ii) Inter-departmental conflicts may arise when the interests of two or more departments are not compatible. (iii) Problems in coordination as information has to be exchanged across functionally differentiated departments. (iv) Inflexibility – as people with the same skills and knowledge may develop a narrow perspective.

Divisional Structure

Divisional structure is an organisation structure comprising of separate business units or divisions created on a certain basis e.g. on the basis of different products produced, etc. *For example*, a large company may have two divisions, say Footwear and Garments. Each division is multi-functional because within each division functions like production, marketing, finance, etc. are performed together to achieve a common goal. Each division works as a profit center where the divisional head is responsible for the profit or loss of his division.

Divisional structure is suitable for those business enterprises where a large variety of products are manufactured using different productive resources. When an organisation grows and needs to add more employees, create more departments and introduce new levels of management, it will decide to adopt a divisional structure.

Advantages: (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. **Limitations:** (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 duplication of activities across products. (iii) Divisional interests may supersede organisational interests.

Difference between Functional and Divisional Structure

- Formation:** *Functional* – Formation is based on functions; *Divisional* – Formation is based on product lines and is supported by functions.
- Specialisation:** *Functional* – Functional specialisation; *Divisional* – Product specialisation
- Cost:** *Functional* – Functions are not duplicated, economical; *Divisional* – Duplication of resources in various departments, costly
- Coordination:** *Functional* – Difficult for a multi-product company *Divisional* – Easy; because all functions related to a particular product are integrated in one division
- Responsibility:** *Functional* – Difficult to fix responsibility on a particular department *Divisional* – Easy to fix responsibility
- Managerial development:** *Functional* – Difficult; as each functional manager has to report to the top management; *Divisional* – Easier; autonomy as well as chance to perform multiple functions help in managerial development.

Objective Type Questions 5.2

- Span of management refers to _____. (Choose the correct alternative)
 (a) Number of managers (b) Length of term for which a manager is appointed
 (c) Number of subordinates under a superior (d) Number of members in top management
- A tall structure has a _____. (Choose the correct alternative)
 (a) Narrow span of management (b) Wide span of management
 (c) No span of management (d) Less levels of management
- Grouping of activities on the basis of product lines is a part of _____. (Choose the correct alternative)
 (a) Delegated organisation (b) Divisional organisation
 (c) Functional organisation (d) Autonomous organisation
- Grouping of activities on the basis of functions is a part of _____. (Choose the correct alternative)
 (a) Decentralised organisation (b) Divisional organisation
 (c) Functional organisation (d) Centralised organisation
- Which type of organisational structure is suitable for a large scale organisation having diversified activities requiring high degree of specialisation in operations? (CBSE 2013)
- Name the type of 'organisational structure' which promotes efficiency in utilisation of manpower.
- _____ refers to the number of subordinates that can be effectively managed by a superior. (Fill up the blank with correct answer)
- The type of organisation structure adopted by an enterprise will vary with _____. (Fill up the blank with correct answer)
- _____ is an organisational design that groups similar or related jobs together. (Functional structure/Divisional structure)
- _____ promotes efficiency in utilisation of manpower as employees perform similar tasks within a department and are able to improve performance. (Functional structure/Divisional structure) (Fill up the blank with correct option)
- _____ promotes control and coordination within a department because of similarity in the tasks being performed. (Functional structure/Divisional structure) (Fill up the blank with correct option)
- _____ makes training of employees easier as the focus is on a limited range of skills. (Functional structure/Divisional structure) (Fill up the blank with correct option)
- The sales department insist on a customer friendly design which causes difficulties in production. Such dissension can prove to be harmful in terms of fulfillment of organisational interest. Such a conflict of interests arise in case of _____ being adopted by the organisation. (Functional structure/Divisional structure) (Fill up the blank with correct option)
- _____ may lead to inflexibility as people with same skills and knowledge base may develop a narrow perspective and thus, have difficulty in appreciating the others point of view. (Functional structure/Divisional structure). (Fill up the blank with correct option)
- _____ is most suitable when the size of the organisation is large, has a diversified activities and operations require a high degree of specialisation. (Functional structure/Divisional structure). (Fill up the blank with correct option)
- Many large organisation which have diversified into varied product categories have reorganised themselves towards _____ to cope with the emerging complexity. (Functional structure/Divisional structure) (Fill up the blank with correct option)

17. Under _____, a manager gains experience in all functions related to a particular product. (Functional structure/ Divisional structure) *(Fill up the blank with correct option)*
18. _____ promotes flexibility and initiative because each business unit functions as an autonomous unit which leads to faster decision-making. (Functional structure/Divisional structure). *(Fill up the blank with correct option)*
19. _____ may lead to increase in costs since there may be a duplication of activities across products. (Functional structure/Divisional structure) *(Fill up the blank with correct option)*
20. _____ is suitable for those business enterprises, where a large variety of products are manufactured using different productive resources. *(Fill up the blank with correct answer)*
21. When an organisation grows and needs to add more employees, create more departments and introduce new levels of management, it will decide to adopt a _____. *(Fill up the blank with correct answer)*
22. Match the following :

(i) It is difficult to fix responsibility on a particular department.	(a) Functional structure
(ii) It is costly because of duplication of resource in various departments.	(b) Divisional structure
(iii) Coordination is easy because all functions related to a particular product are integrated in one department.	
(iv) Managerial development is difficult as each manager has to report to the top management.	

23. The need for an adequate organisation structure is felt by an enterprise in when (i) _____ because (ii) _____.

Case Studies

Analysing, Evaluating & Creating Type Questions

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

Lately to use its brand name and also to cash on to new business opportunities it is thinking to diversify into manufacture of new range of electronic toys for which a new market is emerging.

- (a) Identify the type of the organisational structure the company should adopt with diversification. Give reasons in support of your answer.
- (b) State any four benefits the company will derive from the organisational structure identified in part (a). **(5 marks)**

Ans. (a) Divisional structure; since the company is diversifying into manufacture of new range of electronic toys, it needs to add more employees, create more departments and introduce new levels of management.

- (a) The business will get the following benefits by adopting the divisional structure: *(Explain any four)*

2. 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? State any four benefits the company will derive from the organisational structure. **(5 marks)**

Ans. Divisional structure; since Neha intends to expand by diversifying into leather bags as well as western formal wear, she needs to add more employees, create more departments and introduce new levels of management.

The business will get the following benefits by adopting the divisional structure: *(Explain any four)*

3. A truck manufacturing company has its registered office in Delhi, manufacturing unit at Gurgaon and marketing department is located at Faridabad. Which type of organisational structure should it adopt to achieve its target? Give reasons. State any four advantages of this organisation structure. **(6 marks)**

Ans. The company should adopt 'Functional Structure' since it manufactures trucks only (a single product). The company has separate departments like manufacturing unit (Gurgaon), marketing and sales department (Faridabad), etc.

That means, the size of the organisation is large, it has diversified activities and operations require a high degree of specialisation. So, it should adopt functional structure.

By adopting functional structure, the company gets the following advantages: *(Explain any four)*

4. Kiran 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 with the emerging complexity? Give one reason in support of your answer.

(b) State any two limitations of this framework. *(CBSE SQP 2016) (4 marks)*

Ans. (a) Divisional Structure *(give any one advantage)*

(b) Limitations of the Divisional Structure: *(give any two limitations)*

5. Aradhana and Gandharv are heads of two different departments in 'Yumco Ltd.' They are efficient managers and are able to motivate the employees of their respective departments to improve performance. However, their drive to excel in their own sphere of activity instead of giving emphasis on objectives of the enterprise has hindered the interaction between the departments that Aradhana and Gandharv are heading. Often there are inter-departmental conflicts and they have become incompatible. This has proved to be harmful in the fulfilment of the organisational objectives. The situation has deteriorated to such an extent that the CEO of 'Yumco Ltd.' has hired a consultant, Rashmi, to resolve the problem. After studying the situation closely, Rashmi found that the problem has arisen due to inflexibility and a narrow perspective on the part of both Aradhana and Gandharv. She is of the view that this situation is a result of the type of organisational structure 'Yumco Ltd.' has adopted.

From the above information, identify the organisational structure adopted by 'Yumco Ltd.' and state any three advantages of the structure so identified. *(CBSE 2018) (4 marks)*

Ans. Functional Structure is the organisational structure adopted by 'Yumco Ltd.'.

Advantages of Functional Structure: *(State any three)*

6. 'Himalaya Ltd.', is engaged in manufacturing of washing machines. The target of the organisation is to manufacture 500 washing machines in a day. There is an occupational specialisation in the organisation which promotes efficiency of employees. There is no duplication of efforts in such type of organization structure.

Identify the type of organisation structure described above. *(CBSE 2015) (1 mark)*

Ans. Functional structure

7. A company has been registered under the Companies Act with an authorised share capital of ₹ 20,000 crore. Its registered office is situated in Delhi and manufacturing unit in a backward district of Rajasthan. Its marketing department is situated in Bhopal. The company is manufacturing Fast Moving Consumer Goods (FMCG). Which type of organisational structure would suit the requirements of the company? *(1 mark)*

Ans. Divisional Structure

8. An electronic company manufacturing TV and Refrigerators wants to bring two new products Washing Machines and ACs in the market. For each product separate division is to be set up. The in-charge of washing machine division and AC division will be a female and a disabled person respectively.

What type of organisational structure is suitable for this company? *(1 mark)*

Ans. Divisional structure

9. Identify and explain the type of organisation structure that should be followed by the company in each case:
- Vrinda Ltd. grows, so it needs to add more employees, create new departments and introduce new levels of management.
 - Shreya Ltd. is a large organisation having diversified activities and operations requires a high degree of specialisation. *(3 marks)*

Ans. (i) Divisional structure (ii) Functional structure

10. A company has its registered office in Delhi, manufacturing unit at Gurgaon and marketing and sales department at Faridabad. The company manufactures the Fast Moving Consumer Goods(FMCG). Which type of organisational structure should it adopt to achieve its target? Why?

Ans. Divisional structure ; since the company manufactures many consumer products, it is a multi-product company. The company will have separate business units or divisions for each product. Each unit will have a divisional manager responsible for performance of his division.

11. Ravi runs a locks manufacturing factory. He manufactures locks used in houses. He wants to expand his business. For this, he wants to enter into the manufacturing of locks for cars and motorcycles.

Which type of organisational structure will he choose for his factory and why? (1 mark)

Ans. Functional structure

12. A company is manufacturing Televisions, Refrigerators, Airconditioners, Washing machines and Gas stoves using different productive resources and is at the threshold of growth, requiring more employees.

Suggest a suitable organisational structure for this company giving reason in support of your answer. Draw a diagram depicting the structure. State any three disadvantages of this form of organisational structure. (6 marks)

Ans. Functional structure

13. A Steel Manufacturing Company has the following main jobs: (i) Manufacturing, (ii) Finance, (iii) Marketing, (iv) Personnel and, (v) Research and development.

(a) Which type of organisational structure will you choose for this type of a company and why?

(b) State any five advantages that this structure offers to an organisation. (6 marks)

Ans. (a) Functional structure; because the company has diversified activities and operations require a high degree of specialisation.

(b) Advantages of functional structure (any five)

5.3 Formal and Informal Organisation

Formal Organisation

In all organisations, employees are guided by rules and procedures. To enable smooth functioning of the enterprise, job description and rules and procedures related to work processes have to be laid down. This is done through the formal organisation.

Formal organisation refers to the organisation structure which is designed by the management to accomplish a particular task. It specifies clearly the boundaries of authority and responsibility and there is a systematic coordination among the various activities to achieve organisational goals.



Top Tip

The structure in a formal organisation can be functional or divisional.

DEFINITIONS OF FORMAL ORGANISATION

- ❖ "The formal organisation is a system of well-defined jobs, each bearing a definite measure of authority, responsibility and accountability."
—Louis Allen
- ❖ "Formal organisation is a system of consciously coordinated activities of two or more persons toward a common objective."
—Chester Barnard

Features of Formal Organisation

1. It is deliberately designed by the top management to facilitate the smooth functioning of the organisation.
2. It is a means to achieve the objectives specified in the plans, as it lays down rules and procedures essential for their achievement.
3. It specifies the relationships among various job positions and the nature of their interrelationship. This clarifies who has to report to whom.
4. Efforts of various departments are coordinated, interlinked and integrated through the formal organisation.
5. It places more emphasis on work to be performed than interpersonal relationships among the employees.

Informal Organisation

When people have frequent contacts they cannot be forced into a rigid formal structure. Rather, based on their interaction and friendship they tend to form groups which show conformity in terms of interest.

Interaction among people at work gives rise to a 'network of social relationships among employees' called the informal organisation.

Examples of informal organisation or groups formed with common interest may be those who take part in cricket matches on Sundays, meet in the cafeteria for coffee, are interested in dramatics etc.

DEFINITIONS OF INFORMAL ORGANISATION

- ❖ "Informal organisation 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." —**Keith Davis**
- ❖ "An informal organisation is an aggregate of interpersonal relationships without any conscious purpose but which may contribute to joint results." —**Chester Barnard**

Features of Informal Organisation

1. It emerges spontaneously and is not deliberately created by the management.
2. An informal organisation originates from within the formal organisation as a result of social or personal interaction among employees.
3. The standards of behaviour evolve from group norms rather than officially laid down rules and regulations. There is no set behaviour pattern.
4. Independent channels of communication without specified direction of flow of information are developed by group members. Informal organisation does not have fixed lines of communication.
5. It has no definite structure or form because it is a complex network of social relationships among members. It has no written rules, and is fluid in form and scope.



Informal Organisation: Emerges from within the formal organisation when people interact beyond their officially defined roles.

Difference between Formal and Informal Organisation

	Basis	Formal Organisation	Informal Organisation
1.	Meaning	Structure of authority relationships created by the management.	Network of social relationships arising out of interaction among employees.
2.	Origin	Arises as a result of company rules and policies.	Arises as a result of social interaction.
3.	Authority	Arises by virtue of position in management.	Arises out of personal qualities.

4.	Behaviour	It is directed by rules.	There is no set behaviour pattern.
5.	Flow of Communication	Communication takes place through the scalar chain.	Flow of communication is not through a planned route. It can take place in any direction.
6.	Nature	Rigid	Flexible
7.	Leadership	Managers are leaders.	Leaders may or may not be managers. They are chosen by the group.

Formal Organisation: Advantages and Limitations

ADVANTAGES	LIMITATIONS
1. Fixation of responsibility: It is easier to fix responsibility since mutual relationships are clearly defined.	1. 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.
2. Clarity of roles: There is no ambiguity in the role that each member has to play as duties are specified. This also helps in avoiding duplication of effort.	2. Inadequate recognition of creativity: Poor organisation practices may not provide adequate recognition to creative talent, since it does not allow any deviations from rigidly laid down policies.
3. Unity of command: Unity of command is maintained through an established chain of command.	3. Limited in scope: It is difficult to understand all human relationships in an enterprise as it places more emphasis on structure and work.
4. Effective accomplishment of goals: It leads to effective accomplishment of goals by providing a framework for the operations to be performed and ensuring that each employee knows the role he has to play.	
5. Stability to the organisation: It provides stability to the organisation. This is because behaviour of employees can be fairly predicted since there are specific rules to guide them.	

Informal Organisation: Advantages and Disadvantages

ADVANTAGES	DISADVANTAGES
1. Speed: Prescribed lines of communication are not followed. Thus, the informal organisation leads to faster spread of information as well as quick feedback.	1. Disruptive force: When an informal organisation spreads rumours, it becomes a destructive force and goes against the interest of the formal organisation.
2. Fulfillment of social needs: It helps to fulfill the social needs of the members and allows them to find like minded people. This enhances their job satisfaction since it gives them a sense of belongingness in the organisation.	2. Resistance to change: The management may not be successful in implementing changes if the informal organisation opposes them. Such resistance to change may delay or restrict growth.
3. Fills inadequacies of formal structure: It contributes towards fulfillment of organisational objectives by compensating for inadequacies in the formal organisation. For example, employees reactions towards plans and policies can be tested through the informal network.	3. Priority to group interests: It pressurises members to conform to group expectations. This can be harmful to the organisation if the norms set by the group are against organisational interests.



Top Tip

Informal organisation cannot be altogether eliminated.

It would be in the best interest of the organisation if the existence of such groups is recognised and the roles that their members play are identified.

- The knowledge of such groups can be used to gather their support and consequently lead to improved organisational performance.
- Such groups can also provide useful communication channels.

Thus, instead of confronting them, the management should skillfully take advantage of both the formal and informal organisation so that work continues smoothly.

RECAP

**Formal Organisation**

Formal organisation refers to the organisation structure which is deliberately created by the management to accomplish a particular task. The structure in a formal organisation can be functional or divisional.

Features: (i) It is deliberately designed by the top management to facilitate smooth functioning of the organisation. (ii) It specifies the relationships among various job positions. This clarifies who has to report to whom. (iii) It places more emphasis on work rather than interpersonal relationships. (iv) It is a means to achieve the objectives as it lays down rules and procedures for their achievement. (v) It coordinates the efforts of various departments.

Advantages: (i) It is easier to fix responsibility since mutual relationships are clearly defined. (ii) It avoids duplication of effort since there is no ambiguity in the role that each member has to play. (iii) It maintains unity of command through an established chain of command. (iv) It leads to accomplishment of goals by providing a framework for the operations to be performed. (v) It provides stability to the organisation because there are specific rules to guide behaviour of employees.

Limitations: (i) Procedural delays—delay in decision-making because communication flows through scalar chain. (ii) Fails to recognise creative talent of employees since it does not allow any deviations from rigidly laid down policies. (iii) Non-fulfilment of social needs of employees because it places more emphasis on structure and work.

Informal Organisation

Informal organisation is a network of personal and social relations within the formal organisation arising spontaneously as people associate with one another. e.g., managers and subordinates taking part in cricket matches.

Features: (i) It originates from within the formal organisation as a result of personal interaction among employees. (ii) It emerges spontaneously and is not deliberately created by the management. (iii) The standards of behaviour evolve from group norms. (iv) Independent channels of communication are developed by group members. (v) It has no definite structure or form because it is a complex network of social relationships among members.

Advantages: (i) It leads to faster spread of information as well as a quick feedback since fixed lines of communication are not followed. (ii) It fulfills the social needs of the members. This enhances their job satisfaction since it gives them a sense of belongingness in the organisation. (iii) It contributes towards fulfillment of organisational objectives by compensating for inadequacies in the formal organisation. For example, employees' reactions towards plans and policies can be tested.

Limitations: (i) It may spread rumours which may work against the interest of the formal organization. (ii) It may lead to resistance to change which may delay or restrict growth. (iii) It pressurizes members to conform to group norms which may be against organisational interest.

Difference between Formal and Informal Organisation

- Meaning:** *Formal* – Structure of authority relationships created by the management ; *Informal* – Network of social relationships arising out of interaction among employees
- Origin:** *Formal* – Arises as a result of company rules and policies ; *Informal* – Arises as a result of social interaction
- Authority:** *Formal* – Arises by virtue of position in management ; *Informal* – Arises out of personal qualities
- Behaviour:** *Formal* – It is directed by rules ; *Informal* – There is no set behaviour pattern
- Leadership:** *Formal* – Managers are leaders ; *Informal* – Leaders may or may not be managers. They are chosen by the group.
- Flow of communication:** *Formal* – Communication takes place through the scalar chain. ; *Informal* – Flow of communication is not through a planned route. It can take place in any direction.
- Nature:** *Formal* – Rigid ; *Informal* – Flexible

Objective Type Questions 5.3

- A network of social relationships that arise spontaneously due to interaction at work is called:
(Choose the correct alternative)
(a) Formal organisation (b) Informal organisation
(c) Decentralisation (d) Delegation
- The form of organisation known for giving rise to rumours is called
(Choose the correct alternative)
(a) Centralised organisation (b) Decentralised organisation
(c) Informal organisation (d) Formal organisation
- In all organisations, employees are guided by rules and procedures. To enable smooth functioning of the enterprises, job description and rules and procedures related to work processes have to be laid down. This is done through the _____. (Formal organisation/Informal organisation)
(Fill up the blank with correct option)

4. Match the following :

(i) It places more emphasis on work to be performed than inter personal relationships among the employees.	(a) Formal organisation.
(ii) It has no definite structure or form.	(b) Informal organisation.
(iii) The standards of behaviour evolve from group norms.	
(iv) It is a means to achieve the objectives specified in the plans.	

5. Formal organisation provides stability to the organisation because _____. (Complete the sentence).
6. The formal communication may lead to procedural delays as _____. (Complete the sentence).
7. In a formal organisation, poor organisation practices may not provide adequate recognition to creative talent, since _____. (Complete the sentence).
8. It is difficult to understand all human relationships in a formal organisation as _____. (Complete the sentence).
9. Match the following :

(i) Arises as a result of social interaction.	(a) Formal organisation
(ii) Flexible nature	(b) Informal organisation
(iii) Behaviour is directed by rules.	
(iv) Authority arises by virtue of position in management.	

10. Informal organisation has no definite structure or form because _____. (Complete the sentence)
11. Which of the following does not follow the scalar chain? (Choose the correct alternative)
- (a) Functional structure (b) Divisional structure
- (c) Formal organisation (d) Informal organisation
12. Which of the following is not the correct characteristic of formal organisation: (Choose the correct alternative)
- (a) It clarifies the official lines of communication
- (b) Its purpose is to achieve organisational objective
- (c) It coordinates and integrates the efforts of various departments
- (d) It is formed by the individuals to get social and psychological satisfaction
13. Name the type of organisation in which job description and rules and procedures related to work processes are laid down.
14. Name the type of organisation which is fluid in form and scope and does not have fixed lines of communication.

Case Studies

Analysing, Evaluating & Creating Type Questions

1. 'Shan Spices Ltd. are the manufacturer of different food specific spices like Rajma 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.

- (i) Identify and state the type of organisation mentioned in the above para.
- (ii) State one feature of the concept identified in part (1) as mentioned in the above para.
- (iii) What was the purpose behind the formulation of rules for the employees that restricted their personal communication with the employees of other departments? (CBSE SQP 2017) (3 marks)

- Ans.** (i) Formal organisation (give meaning)
- (ii) Focus on objective and work performance
- (iii) Avoidance of the emergence of informal organisation which may obstruct the fulfilment of organisational goals.

2. A.V.M.Ltd. set-up its electric appliances manufacturing factory in a backward area of Himachal Pradesh where subsidies are provided by the government and labour is available at cheaper rates.

A.V.M Ltd. was able to produce its products at low cost thereby generating enough profits in the first year itself. It was because of the fact that the limits of authority and responsibility of the employees were clearly defined and the activities of various departments were coordinated and integrated. The Production Manager of the company also came to know about the availability of raw material at cheaper rates from a vendor. For this he wrote a letter to the Managing Director of the company for getting sanction. But because of procedural delays in getting this sanction and procuring funds from the Finance Manger, the order could not be placed.

- Identify the type of organization that led to procedural delays and because of which the company could not get the advantage of procuring raw material at cheaper rates.
- State any three of the type of organization identified in (a) above other than those discussed in the above case. (CBSE 2018) (4 marks)

Ans. (a) Formal organisation

- Advantage of formal organisation: (any two)
 - It helps to maintain unity of command through an established chain of command.
 - It leads to effective accomplishment of goals by ensuring that each employee knows the role he has to play.
 - It provides stability to the organization as behavior of employees can be fairly predicted.

3. 'Steelo Ltd.' decided to set-up its steel manufacturing factory in the backward area of Odisha where very less job opportunities were available. People of that area welcomed this effort of 'Steelo Ltd.' To attract people to work in its factory it also decided to provide many other facilities like school, hospital, market etc. in the factory premises.

'Steelo Ltd.' started earning huge profits. Another competing company asked its production manager 'Aslam' to investigate the reasons of earning huge profits by 'Steelo Ltd.'

Aslam found that in both the companies there was systematic co-ordination among the various activities to achieve organisational goals. Every employee knew who was responsible and accountable to whom. The only difference was that in his organisation communication took place only through the scalar chain where as 'Steelo Ltd.' was allowing flow of communication in all the directions as per the requirement which lead to faster spread of information as well as quick feedback.

- Identify and state the type of organisation which permits 'Steelo Ltd.' the flow of communication in all the directions.
- State another advantage of the type of organisation identified in (a) above. (CBSE 2016) (3 marks)

Ans. (a) Informal organisation (give the meaning)

- It helps to fulfill the social needs of the members. This enhances their job satisfaction since it gives them a sense of belongingness in the organisation.

4. Progress Ltd. is facing difficulties in introduction of machinery of latest technology as they are facing resistance from the informal groups who are pressurizing the members to work against organisational interests. As the Human Resources manager of the company would you advise the management of the company to confront them or give them some other suggestion to deal with the informal groups. (CBSE SQP 2018) (3 marks)

Ans. (a) It would be in the best interest of the organisation if the existence of such groups is recognised and the roles that their members play are identified.

- The knowledge of such groups can be used to gather their support and consequently lead to improved organisational performance. Such groups can also provide useful communication channels.
- Instead of confronting them, the management should take skillfully take advantage of both formal and informal organisation so that work continues smoothly.

5. Radhika is the General Manager of Govinda Ltd. Radhika is facing lot of problems on the issues relating to some sales policies. The organisation has an aim to increase sales by 20% and return on investment by 10%. Instead of talking to the Sales Department she directly consulted her boss Lalita about the

problem. She talked to her freely and did not follow strict rules and regulations relating to formal line of communication.

Identify the type of organisation.

(1 mark)

Ans. Informal organisation

6. ABC Ltd. is manufacturing shoes. Their business has been doing well as their organisation specifies how much work should a worker do and in what manner. It follows a rigid structure which has been deliberately planned and created by top management for the coordination of activities. But inspite of all these, there are procedural delays. Identify the type of organisation.

(1 mark)

Ans. Formal organisation

7. A company manufacturing sewing machines set up in 1945 by the British promoters follows formal organisation culture in totality. It is facing lot of problems in delays in decision-making. As the result it is not able to adapt to changing business environment. The work force 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 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 three reasons in terms of benefits it will derive from the changes suggested by you.

(4 marks)

- Ans. (i) Introduction of informal organisation.
(ii) (Explain three advantages of informal organisation.)

5.4 Delegation and Decentralisation

Concept of Delegation

Delegation refers to the transfer of authority from a superior to a subordinate, the entrustment of responsibility and the creation of accountability for performance, which helps a manager to extend his area of operations as without it, his activities would be restricted to only what he himself can do.

- Delegation is a pre-requisite to the efficient 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 with opportunities to develop and exercise initiative.



No delegation leads to delay in decision-making

DEFINITIONS OF DELEGATION

- ❖ “Delegation of authority merely means the granting of authority to subordinates to operate within prescribed limits.”
—**Theo Haimman**
- ❖ “Delegation is the process a manager follows in dividing the work assigned to him so that he performs that part which only he because of his unique organisational placement, can perform effectively and so that he can get others to help with what remains.”
—**Louis Allen**

Elements of Delegation

1. Authority

Authority refers to the right of an individual to command his subordinates and to take action within the scope of his position.

- The concept of authority arises from the established scalar chain which links the various job positions and levels of an organisation. In the formal organisation authority originates by virtue of an individual's position and the extent of authority is highest at the top management levels and reduces successively as we go down the corporate ladder. *Thus, authority flows from top to bottom, i.e., the superior has authority over the subordinate.*
- Authority relationships helps to maintain order in the organisation by giving the managers the right to exact obedience and give directions to the workforce under them.
- Authority determines the superior subordinate relationship wherein the superior communicates his decision to the subordinate, expecting compliance from him and the subordinate executes the decision as per the guidelines of the superior.



2. Responsibility

Responsibility is the obligation of a subordinate to properly perform the assigned duty.

- It arises from a superior-subordinate relationship because the subordinate is bound to perform the duty assigned to him by his superior.
- Responsibility flows upwards i.e., a subordinate will always be responsible to his superior.

3. Accountability

Accountability implies being answerable for the final outcome of the assigned task.

- Once responsibility for performance of an assigned task is accepted, one cannot deny accountability. Thus, accountability arises from responsibility.
- Accountability flows upwards i.e., a subordinate will be accountable to a superior for satisfactory performance of work. The subordinate will be expected to explain the consequences of his actions or omissions.



Top Tip

While authority is delegated, responsibility is assumed, accountability is imposed. Responsibility is derived from authority and accountability is derived from responsibility.

Elements of Delegation – A comparison

	Basis	Authority	Responsibility	Accountability
1.	Meaning	Right to command	Obligation to perform an assigned task.	Answerability for outcome of the assigned task.
2.	Origin	Arises from formal position	Arises from delegated authority.	Arises from responsibility.
3.	Flow	Flows downward from superior to subordinate.	Flows upward from subordinate to superior.	Flows upward from subordinate to superior
4.	Delegation	Can be delegated	Cannot be entirely delegated.	Cannot be delegated at all.

Principles of Delegation

1. **For effective delegation, the authority granted must be commensurate with the assigned responsibility. (Principle of 'authority and responsibility'):** An important consideration to be kept in view with respect to both authority and responsibility is that when an employee is given responsibility for a job, he must also be given the degree of authority necessary to carry it out. For effective delegation, the authority granted must be commensurate with the assigned responsibility. Thus, if authority granted is more than responsibility, it may lead to misuse of authority, and if responsibility assigned is more than authority it may make a person ineffective.
2. **The authority granted to a subordinate can be taken back and redelegated to another person:** If the subordinate fails to perform the assigned task, the authority granted to him/her can be taken back and redelegated to another person.
3. **Delegation does not mean abdication (Principle of 'absoluteness of accountability'):** Delegation helps a manager to extend his area of operations. However, delegation does not mean abdication. It means that the manager shall still be accountable for the performance of the assigned tasks. Delegation of authority, undoubtedly empowers an employee to act for his superior but the superior would still be accountable for the final outcome. Thus, irrespective of the extent of delegated authority, the manager shall still be accountable to the same extent as before delegation. It indicates that the manager has to ensure the proper discharge of duties by his subordinates. It is generally enforced through regular feedback on the extent of work accomplished.

Example: Suppose the directors of a company manufacturing computers have asked their marketing manager to achieve a target sale of 100 computers per day. The marketing manager has delegated the task to a sales manager working under him but the authority to give discount was not given by him. The sales manager could not achieve the target.

In this case, the marketing manager cannot blame the sales manager since he was not given the authority to give discount.

However, the authority granted to the sales manager can be taken back and redelegated to another person.

The marketing manager shall still be accountable to the directors. The process of delegation does not relieve the marketing manager of his own accountability. Accountability cannot be delegated at all.

Importance of Delegation

Delegation ensures that the subordinates perform tasks on behalf of the manager thereby reducing his workload and providing him with more time to concentrate on important matters.

"Delegation is a key element in effective organising."

Effective delegation leads to the following benefits:

1. Effective management

- By empowering the employees, the managers are able to function more efficiently as they get more time to concentrate on important matters.
- Freedom from doing routine work provides them with opportunities to excel in new areas.

2. Employee development

- As a result of delegation, employees get more opportunities to utilise their talent. It allows them to develop those skills which will enable them to perform complex tasks and assume those responsibilities which will improve their career prospects.
- It makes them better leaders and decision makers. Thus, delegation helps by preparing better future managers.
- Delegation empowers the employees by providing them with the chance to use their skills, gain experience and develop themselves for higher positions.

3. Motivation of employees

- Delegation helps in developing the talents of the employees. It also has psychological benefits. When a superior entrusts a subordinate with a task, it is not merely the sharing of work but involves trust on the superior's part and commitment on the part of the subordinate.
- Responsibility for work builds the self-esteem of an employee and improves his confidence. He feels encouraged and tries to improve his performance further.

4. Facilitation of growth

Delegation helps in the expansion of an organisation by providing a ready workforce to take up leading positions in new ventures. Trained and experienced employees are able to play significant roles in the launch of new projects.

5. Basis of management hierarchy

- Delegation of authority establishes superior-subordinate relationships, which are the basis of hierarchy of management. It is the degree and flow of authority which determines who has to report to whom.
- The extent of delegated authority also decides the power that each job position enjoys in the organisation.

6. Better coordination

- The elements of delegation, namely authority, responsibility and accountability help to define the powers, duties and answerability related to the various positions in an organisation. This helps to avoid overlapping of duties and duplication of effort as it gives a clear picture of the work being done at various levels.
- Such clarity in reporting relationships help in developing and maintaining effective coordination amongst the departments, levels and functions of management.

Concept of Decentralisation

In many organisations, the top management plays an active role in taking all decisions while there are others in which this power is given to even the lower levels of management. Those organisations in which decision making authority lies with the top management are termed as '*centralised organisations*' whereas those in which such authority is shared with lower levels are '*decentralised organisations*'.

Decentralisation explains the manner in which decision making responsibilities are divided among hierarchical levels. Put simply, decentralisation refers to delegation of authority throughout all the levels of the organisation.

Decentralisation refers to systematic delegation of authority through all the levels of management and in all the departments except that which can be exercised only at central points.

Decision making authority is shared with lower levels and is consequently placed nearest to the points of action. *In other words*, decision making authority is pushed down the chain of command.

When decisions taken by the lower levels are numerous as well as important an organisation can be regarded as greatly decentralised.

DEFINITIONS OF DECENTRALISATION

- ❖ "Decentralisation refers to systematic effort to delegate to the lowest level all authority except that which can be exercised at central points."
—Louis Allen
- ❖ "Everything which goes to increase the importance of a subordinate's role is decentralisation, everything that goes to reduce it is centralisation."
—Henri Fayol



Centralisation and Decentralisation

An organisation is centralised when decision-making authority is retained by higher management levels whereas it is decentralised when such authority is delegated.

- Complete centralisation would imply concentration of all decision making functions at the apex of the management hierarchy. Such a scenario would obviate the need for a management hierarchy.
- On the other hand, complete decentralisation would imply the delegation of all decision making functions to the lower level of the hierarchy and this would obviate the need for higher managerial positions.

Both the scenarios are unrealistic. An organisation can never be completely centralised or decentralised. As it grows in size and complexity, there is a tendency to move towards decentralised decision making. This is because in large organisations those employees who are directly and closely involved with certain operations tend to have more knowledge about them than the top management which may only be indirectly associated with individual operations. Hence, there is a need for a balance between these co-existing forces. Thus, it can be said that every organisation will be characterised by both centralisation and decentralisation.



Top Tip

Decentralisation is much more than a mere transfer of authority to the lower levels of management hierarchy. It is a philosophy that implies selective dispersal of authority because it propagates the belief that people are competent, capable and resourceful. They can assume the responsibility for the effective implementation of their decisions. Thus this philosophy recognises the decision maker's need for autonomy. The management, however, needs to carefully select those decisions which will be pushed down to lower levels and those that will be retained for higher levels. *In other words*, decentralisation should be applied with caution as it can lead to organisational disintegration if the departments start to operate on their own guidelines which may be contrary to the interest of the organisation. Decentralisation must always be balanced with centralisation in areas of major policy decisions.

Difference between Delegation and Decentralisation

	Basis	Delegation	Decentralisation
1.	Nature	Delegation is a compulsory act because no individual can perform all tasks on his own.	Decentralisation is an optional policy decision. It is done at the discretion of the top management.
2.	Freedom of action	More control by superiors hence less freedom to take own decisions.	Less control over executives hence greater freedom of action.
3.	Status	It is a process followed to share tasks.	It is the result of the policy decision of the top management.
4.	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.
5.	Purpose	To lessen the burden of the manager.	To increase the role of the subordinates in the organisation by giving them more autonomy.

Importance of Decentralisation

1. Relief to top management

- Decentralisation diminishes the amount of direct supervision exercised by a superior over the activities of a subordinate because they are given the freedom to act and decide within the prescribed limits. Personal supervision is generally replaced by other forms of control such as return on investment etc.
- Decentralisation also leaves the top management with more time which they can devote to important policy decisions rather than occupying their time with both policy as well as operational decisions.

2. Develops initiative among subordinates

Decentralisation helps to promote self-reliance and confidence amongst the subordinates. This is because when lower managerial levels are given freedom to take their own decisions they learn to depend on their own judgment.

- It also keeps them in a state wherein they are constantly challenged and have to develop solutions for the various problems they encounter.
- A decentralisation policy helps to identify those executives who have the necessary potential to become dynamic leaders.

3. Develops managerial talent for the future

- Decentralisation gives subordinates a chance to prove their abilities and creates a reservoir of qualified manpower who can be considered to fill up more challenging positions through promotions.
- It also helps to identify those who may not be successful in assuming greater responsibility.

Thus, decentralisation is a means of management education as well as an opportunity for trained manpower to use its talent in real life situations.

4. Quick decision making

- In a decentralised organisation, since decisions are taken at levels which are nearest to the points of action and there is no requirement for approval from many levels, the decision-making process is much faster.
- There are also less chances of information getting distorted because it doesn't have to go through long channels.



In centralised organisation because every decision is taken by the top management the flow of information is slow as it has to traverse many levels. Response also takes time. This reduces the speed of decision making and makes it difficult for an enterprise to adapt to dynamic operating conditions.

5. Facilitates growth

- Decentralisation awards greater autonomy to the lower levels of management as well as divisional or departmental heads. This allows them to function in a manner best suited to their department and fosters a sense of competition amongst the departments.
- Consequently, with each department doing its best in a bid to outdo the other, the productivity levels increase and the organisation is able to generate more returns which can be used for expansion purposes.



In decentralisation, one of the challenges is the accountability of performance. In response to this challenge, better control systems are being evolved such as the balance score card and management information system. Decentralisation compels the management to innovative performance measurement systems.

6. Better control

- Decentralisation makes it possible to evaluate performance at each level and the departments can be individually held accountable for their results.
- Feedback from all levels helps to analyse variances and improve operations.

RECAP



Concept and Elements of Delegation

Delegation is the transfer of authority from superior to subordinate, entrustment of responsibility and creation of accountability for performance which helps a manager to extend his area of operations. Elements of Delegation are:

1. **Authority:** It refers to the right of an individual to command his subordinates and to take action within the scope of his position. Origin—It arises from formal position. Flow—Authority flows from top to bottom, i.e. the superior has authority over the subordinate. Delegation— Can be delegated.

2. **Responsibility:** It refers to the obligation of a subordinate to properly perform the assigned duty. Origin– It arises from delegated authority. Flow–It flows upwards, i.e. a subordinate will always be responsible to his superior. Delegation– Cannot be entirely delegated.
3. **Accountability:** It refers to the answerability for the final outcome of the assigned task. Origin–It arises from responsibility. Flow–It flows upwards, i.e. a subordinate will be accountable to a superior for satisfactory performance of work. Delegation– Once authority has been delegated and responsibility accepted, one cannot deny accountability. It cannot be delegated. Delegation does not mean abdication. The manager shall still be accountable for the assigned task. Moreover, the authority granted to a subordinate can be taken back and redelegated to another person.

Importance of Delegation

GEM – EMC

1. **Effective management:** Delegation helps in effective management as the managers get more time to concentrate on important matters. Freedom from doing routine work provides them with opportunities to excel in new areas.
2. **Employee development:** Effective delegation helps in development of employees as the employees get more opportunities to utilize their talent. This allows them to perform complex tasks.
3. **Motivation of employees:** It helps to motivate employees as the employees feel encouraged and try to improve their performance further.
4. **Facilitation of growth:** It facilitates growth by providing a ready workforce to take up leading positions in new ventures.
5. **Basis of management hierarchy:** It establishes a management hierarchy through clear superior subordinate relationships.
6. **Better coordination:** Elements of delegation, namely, authority, responsibility and accountability help to define powers, duties and answerability related to various positions in an organisation. This helps in better co-ordination by avoiding overlapping of duties and duplication of effort.

Concept of Decentralisation

Decentralisation refers to systematic delegation of authority through all the levels of management and in all the departments except that which can be exercised only at central points. *Decentralisation implies selective dispersal of authority and believes that people are competent, capable and resourceful. It recognises the decision-maker's need for autonomy.* The management, however, needs to carefully select those decisions which will be pushed down to lower levels (operational decisions) and those that will be retained for higher levels (major policy decisions). It can lead to organisational disintegration if the departments start to operate on their own guidelines which may be contrary to the interest of the organisation.

Difference between Delegation and Decentralisation

NFP SS

1. **Nature:** *Delegation* – Delegation is a compulsory act because no individual can perform all tasks.; *Decentralisation* – Decentralisation is an optional policy decision. It is done at the discretion of the top management.
2. **Purpose:** *Delegation* – To lessen the burden of the manager; *Decentralisation* – To increase the role of the subordinates in the organisation by giving them more autonomy.
3. **Freedom of action:** *Delegation* – More control by superiors, hence less freedom to take own decisions by subordinates.; *Decentralisation* – Less control over executives, hence greater freedom of action to subordinates.
4. **Scope:** *Delegation* – It has narrow scope as it is limited to a superior and his immediate subordinate.; *Decentralisation* – It has wide scope as it implies extension of delegation to the lowest level of management.
5. **Status:** *Delegation* – It is a process followed to share tasks.; *Decentralisation* – It is the result of the policy decision of the top management.

Importance of Decentralisation

TC–RIGD

1. **Relief to the top management:** It gives relief to the top management as, when the subordinates are given the freedom to act, the top management gets more time to devote on important policy decisions rather than handling operational decisions.
2. **Initiative amongst subordinates:** It develops initiative amongst subordinates by promoting self reliance and confidence among them. This is because when lower managerial levels are given freedom to take their own decisions they learn to depend on their own judgement.
3. **Talent for the future:** It develops managerial talent for the future by giving the subordinates a chance to prove themselves, thus, creating reservoir of qualified manpower to fill up challenging positions in future.
4. **Growth:** It facilitates growth by fostering competition amongst the departments leading to increase in productivity, thereby generating to higher profits which can be used for growth and expansion.
5. **Decision-making:** It helps in quick decision making since decisions are taken at the points of action. There is no requirement for approval from many levels. There are also less chances of information getting distorted as it doesn't have to go through many levels.
6. **Control:** It leads to better control by evaluating performance at each level of management. The departments can be held accountable for their results.



Key Terms

Organising – Organising is the process of defining and grouping the activities of the enterprise and establishing authority relationships among them.

Departmentalisation – Once work has been divided into small and manageable activities then those activities which are similar in nature are grouped together. This grouping process is called departmentalisation.

Organisation structure – The organisation structure can be defined as the framework within which managerial and operating tasks are performed.

Span of management – It refers to the number of subordinates that can be effectively managed by a superior.

Functional structure – A functional structure is an organisational design that groups similar or related functions/jobs together e.g. marketing, finance, production etc.

Divisional structure – A divisional structure is the organisation structure which comprises of separate business units or divisions. Generally, manpower is grouped on the basis of different products manufactured. For example, a large company may have divisions like cosmetics, clothing etc.

Formal organisation – It refers to the organisation structure which is designed by the management to accomplish a particular task. It specifies clearly the boundaries of authority and responsibility and there is a systematic coordination among the various activities to achieve organisational goals.

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.

Delegation – It refers to the transfer of authority from a superior to a subordinate, the entrustment of responsibility and the creation of accountability for performance, which helps a manager to extend his area of operations.

Authority – Authority refers to the right of an individual to command his subordinates and to take action within the scope of his position.

Responsibility – Responsibility is the obligation of a subordinate to properly perform the assigned duty.

Accountability – Accountability implies being answerable for the final outcome of the assigned task.

Decentralisation – It refers to systematic delegation of authority through all the levels of management and in all the departments except that which can be exercised only at central points.

Objective Type Questions 5.4

- Which of the following is not an element of delegation? *(Choose the correct alternative)*
 (a) Accountability (b) Authority
 (c) Responsibility (d) Informal organisation
- It refers to the right to take decisions inherent in a managerial position to tell people what to do and expect them to do it. Identify the concept.
- It arises from a superior-subordinate relationship wherein the subordinate is bound to perform the duty assigned to him by his superior. Identify the concept.
- Which of the following is the ideal situation?
 (a) Authority > Responsibility
 (b) Authority = Responsibility
 (c) Authority < Responsibility
- For delegation to be effective, it is essential that responsibility should be accompanied with necessary _____. *(Choose the correct alternative)*
 (a) Authority (b) Manpower
 (c) Incentives (d) Promotions
- Decentralisation explains the manner in which decision making authority is pushed down the _____. *(Fill up the blank with correct answer)*
- When decisions taken by the lower levels are numerous as well as important, an organisation is greatly _____. *(Fill up the blank with correct option)*
 (centralised/decentralised).
- An organisation is _____ (centralised/decentralised) when decision making authority is delegated. *(Fill up the blank with correct option)*

9. Complete centralisation would imply concentration of all decision making functions at the _____.
(Choose the correct alternative)
(a) lower level of the management hierarchy (b) apex of the management hierarchy
(c) middle level management (d) None of these
10. A manager must delegate authority if _____. (Complete the sentence)
11. _____ refers to the downward transfer of authority from a superior to a subordinate.
(Fill up the blank with correct answer)
12. Delegation is a pre-requisite to the efficient functioning of an organisation because _____. (Complete the sentence)
13. "Delegation does not mean abdication." What does it mean?
14. _____ reduces successively as we go down the corporate ladder. (Authority/Responsibility/Accountability)
(Fill up the blank with correct option)
15. As an organisation grows in size and complexity, there is a tendency to move towards decentralised decision-making because _____. (Complete the sentence)
16. Decentralisation should be applied with caution as _____. (Complete the sentence).
17. In a decentralised organisation, there is no need for supervision over the activities of a subordinate. (True/False)
18. Decentralisation is _____ (least/greatest) when checking required on decisions taken by lower levels of management is least.
(Fill up the blank with correct option)
19. In a decentralised organisation, one of the challenges is the accountability of performance. In response to this challenge, better control systems are being evolved by the corporate enterprises. Name any two such control systems.
20. Centralisation refers to _____. (Choose the correct alternative)
(a) Retention of decision making authority (b) Dispersal of decision making authority
(c) Creating divisions as profit centers (d) Opening new centers or branches
21. Which of the following is not an element of the process of delegation? (Choose the correct alternative)
(a) Creation of an obligation (b) Granting of authority
(c) Freedom from responsibility (d) Assignment of duties.
22. A manager has kept all right of decision-making with himself. Each and every employee has to come to him for orders again and again. Identify the concept of management not followed by the manager.
23. "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 viewpoint?
24. Name the concept of management which helps a manager to extend his area of operations as without it, his activities would be restricted to only what he himself can do.
25. It determines the superior-subordinate relationship wherein the superior communicates his decision to the subordinate, expecting compliance from him. Identify the concept.

Case Studies

Analysing, Evaluating & Creating Type Questions

1. Samir Gupta started a telecommunication company, 'Donira Ltd.' to manufacture economical mobile phones for the Indian rural market with 15 employees. The company did very well in its initial years. As the product was good and marketed well, the demand of its products went up. To increase production the company decided to recruit additional employees. Samir Gupta, who was earlier taking all the decisions for the company had to selectively disperse the authority. He believed that subordinates are competent, capable and resourceful and can assume responsibility for effective implementation of their decisions. This paid off and the company was not only able to increase its production but also expanded its product range.
(a) Identify the concept used by Samir Gupta through which he was able to steer his company to greater heights.
(b) Also explain any three points of importance of this concept. (CBSE 2015) (4 marks)

Ans. (a) Decentralisation

(b) Importance of Decentralisation

(Explain any three)

2. Aman Chadha started 'Bulls Eyes' a company for providing cyber security solutions to businesses. Its objective is to prevent, detect and respond to cyber attacks and protect critical data. He was a hardworking

software engineer and an expert in cyber security. His reputation grew by leaps and bounds as he was not only a person of integrity but also did his work with utmost honesty and sincerity. The business started growing day by day. He was delighted when he was offered a big project by the Ministry of Defence. While working on the project, he found that the volume of work made it impractical for him to handle all the work by himself. He decided to expand the team. The company maintained a close liaison with a local engineering college. During a campus placement, Ishan and Vrinda were appointed to work for the new project.

He found the new employees capable, enthusiastic and trustworthy. Aman Chadha was thus, able to focus on objectives and with the help of Ishan and Vrinda, the project was completed on time. Not only this Aman Chadha was also able to extend his area of operations. On the other hand, Ishan and Vrinda also got opportunities to develop and exercise initiative.

(i) Identify and briefly explain the concept used by Aman Chadha in the above case which helped him in focusing on objectives.

(ii) Also, state any four points of importance of the concept identified in (i) above. (CBSE 2017) (6 marks)

Ans. (i) Delegation (give the meaning)

(ii) Importance of delegation of authority: (Explain any four)

3. The manager of Sudha Industries is overburdened with routine work and is unable to concentrate on core issues of the company. To overcome this problem, he entrusted some of his responsibility and authority to his immediate subordinate to share some of his routine work. Which concept of management is used by the manager? (1 mark)

Ans. Delegation

4. Shreya Ltd. has been awarded recently with the 'Best Employer of the Year Award'. The company has believed in the ideas and suggestions of its employees. There is selective dispersal of decision making authority at all levels. There is no delay in delivery of orders to customers due to prompt decisions taken by employees. Identify the concept of management followed by the company. (1 mark)

Ans. Decentralisation

5. A 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, new liberalised environment has seen entry of many MNC's in the sector. With the 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.

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? Explain any three points. (NCERT) (1 mark)

Ans. The top management of X limited should apply the policy of 'Decentralisation' (Explain any three importance)

6. Anoop Gaur started 'Cat's Eye', a company for providing cyber security solutions to businesses. Its objective was to prevent, detect, respond to cyber attacks and protect critical data. He was a hardworking software engineer and an expert in cyber security. His reputation grew by leaps and bounds as he was not only a person of integrity but also did his work with utmost honesty and sincerity. The business started growing day by day. He was delighted when he was offered a big project by the Ministry of Science and Technology. While working on the project he found that the volume of work made it impractical for him to handle all the work by himself. Therefore he decided to expand the team. The company maintained a close liaison with an engineering college in the State. During a campus placement, Aarav and Pranshi were appointed to work for the new project. He found the new employees capable, enthusiastic and trustworthy. Anoop Gaur was thus, able to focus on the objectives and with the help of Aarav and Pranshi, the project was completed on time. Not only this, Anoop Gaur was also able to extend his area of operations. On the other hand, Aarav and Pranshi also got opportunities to develop and exercise initiative.

(a) Identify and briefly explain the concept used by Anoop Gaur in the above case which helped him in focusing on objectives.

(b) Also, explain any four points of importance of the concept identified in part (a). (6 marks)

Ans. Delegation (Explain its importance – any four points)

Self Assessment Test 1

Organising

Time allowed : 1 hour

Maximum Marks : 25

Q.1 _____ gives shape to the organisation structure. (1 mark)

- (a) Extent of delegation; (b) Span of Management;
(c) No of employees; (d) Planning

Q.2 Match the columns: (1 mark)

(i) The network of social relationships which arises spontaneously due to interaction at work.	(A) Organisational structure
(ii) Number of subordinates under a superior.	(B) Decentralisation
(iii) The framework within which managerial and operating tasks are performed.	(C) Informal organisation
(iv) An optional policy decision of the top management.	(D) Span of Management

Q.3 A large size organisation can be totally decentralised. True/False? Give reason. (1 mark)

Q.4 _____ is the outcome of the organising process. (Fill up the blank with correct answer) (1 mark)

Q.5 "Delegation of authority, undoubtedly empowers an employee to act for his superior, but the superior would still be accountable for the outcome. Explain the elements of delegation of authority discussed above. (3 marks)

Q.6 Define organising as a process. Enumerate the steps in the process of organising. (3 marks)

Q.7 Roasted Coffee Corporation is a coffeehouse chain operating in 7 states of India. Through its effective organisational structure, it has grown despite pressure from competitors in the national market.

The company has a Purchase and Production department, Supply chain management and logistics department, Brand management department and Sales department.

This structure has facilitated operational efficiency, as employees became specialists within their own realm of expertise. They could be imparted specialised training as the focus was on limited range of skills.

Identify the organizational structure of Roasted Coffee Corporation. State any three advantages of such organisational structure other than those discussed in the question. (4 marks)

Q.8 Ravi Jain was the Chief Executive Officer of Nath Traders. He was worried about the heavy expenditure on advertising. He asked his Finance Manager, Mohit Verma to know the views of the Sales Manager and his team regarding this expenditure. Mohit Verma was thinking of calling a meeting with the Sales Manager and his team after tea-break. But by chance at the time of tea-break, Mohit Verma met with the Sales Manager and his team in the canteen. They all discussed about this expenditure and finalised to give suggestion to reduce this expenditure. Identify the type of organisation which helped the Finance Manager Mohit Verma, the sales Manager and his team in finalising the suggestion. State its any four features. (5 marks)

Q.9. Infocom has diversified itself into several product lines: Telecommunications, Engineering, financial services. Each subsidiary is self-sufficient with their-own administrative functions, propagating the belief that people can assume the responsibility for the effective implementation of their decisions and should be given autonomy. This has reduced the need for direct supervision by superiors, has promoted flexibility, initiative and faster decision making. The orders of customers are never delayed, as a result of good policy decisions of top management.

- (a) Identify and explain four points of importance of the concept being discussed above.
(b) Name and briefly explain a suitable framework for the company within which the managerial and operating task are to be performed. (6 marks)

Self Assessment Test 2

Organising

Time allowed : 1 hour

Maximum Marks : 25

- Q.1 _____ is a means for translating the plan into action. *(Fill up the blank with correct answer) (1 mark)*
- Q.2 _____ is the framework within which managerial and operating tasks are performed. It specifies the relationships between people, work and resources. It allows correlation and coordination among human, physical and financial resources. *(Fill up the blank with correct answer) (1 mark)*
- Q.3 Informal organisation should be eliminated. *(True/False) (1 mark)*
- Q.4 As an organisation grows in size and complexity, there is a tendency to move towards decentralised decision making because _____. *(Choose the correct alternative) (1 mark)*
- employees have more knowledge about operations.
 - people are competent, capable and resourceful.
 - it recognises the decision maker's need for autonomy.
 - All of these
- Q.5 Rajeev, the owner of Pathways constructions decided to start a campaign to create awareness among people for developing clean surroundings in their area. He formed a team of 10 members to list the different ways for cleaning the surroundings. One suggested to take the help of local residents, another suggested that they may involve school going children in their venture. One more suggestion was to take the help of unemployed youth. On evaluation of different ways, it was decided to take the help of local residents. To achieve the desired goal various activities were identified like.
- Purchase of necessary items like dustbins, garbage bags, brooms, etc.;
 - Collection of garbage;
 - Disposal of garbage, etc.
- After identification of different activities the work was allocated to different members.
- Identify the concepts of management involved in the above situation and quote the lines which help in their identification. *(3 marks)*
- Q.6 The directors of Shiv Electronics, an organisation manufacturing T.V. components, have asked Shakti, their Marketing Manager to achieve a target sale of ₹5,00,000 per day. Shakti has delegated the task to Manav, his Deputy Sales Manager working under him. Manav could not achieve the targets. Is Shakti responsible for the failure of Manav? State the relevant principle in support of your answer. *(3 marks)*
- Q.7 The Employees of Manik Ltd. , a software company, have formed a dramatic group for their recreation. Name the type of organisation so formed and state its three features. *(4 marks)*
- Q.8 One of the questions that needs to be answered in the organizing function is 'At what level are decisions made'? Decision making authority in an organization can be pushed down to the lower levels or it may lie with the top management. However it is not an 'either or' concept. When an organization grows in size or complexity, there is tendency towards sharing decision making authority with the lower levels. This is because in large organizations, employees who are closely involved with certain operations tend to have more knowledge about them than the top management. An important concept of organizing function is discussed above.
- Identify the concept and explain its importance by giving any four points. *(5 marks)*
- Q.9 Radha 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? Give reasons.
 - Explain any four points highlighting the importance of the type of structure identified in (a). *(6 marks)*

Self Assessment Test 3

Organising

Time allowed : 1 hour

Maximum Marks : 25

- Q.1 Decentralisation is extending delegation to the lowest level. *True/False? Give reason. (1 mark)*
- Q.2 The management function of _____ ensures that efforts are directed towards the attainment of goals laid down in the planning function in such a manner that resources are used optimally and people are able to work collectively and effectively for a common purpose. *(1 mark)*
- Q.3 _____ determines the levels of management in the organisation structure. *(1 mark)*
- Q.4 _____ provides the framework which enables the enterprise to function as an integrated unit by regulating and coordinating the responsibilities of individuals and departments. *(1 mark)*
- (a) Organisation structure (b) Span of management
(c) Delegation (d) Decentralisation
- Q.5 Decentralisation is much more than a mere transfer of authority to the lower levels of management hierarchy. State how? *(3 marks)*
- Q.6 Why does informal organisation exist within the framework of formal organisation? Give any two reasons for the emergence of informal organisations. *(3 marks)*
- Q.7 Which function of management coordinates human efforts, assembles resources and integrates both into a unified whole to be utilised for achieving specified objectives? Explain any three points of importance of this function of management. *(4 marks)*
- Q.8 Distinguish between formal and informal organisation on any five basis. *(5 marks)*

OR

Distinguish between Delegation and Decentralisation on any five basis.

- Q.9 Voltage fluctuations have been common and quite high in India. They harm our electrical appliances like television, refrigerators and air conditioners, often leaving them in a permanently damaged condition. N-Guard Company decided to manufacture stabilizers for North India where the voltage fluctuation ranges from 220V-230V. Once the demand for the North India was taken care of, they decided to launch stabilizers of varying voltages from 90 V -260V for meeting the requirements of voltage fluctuations in other regions of India also. Three engineers were appointed for South, West and East regions of India, as the voltage was different in all the three regions. Though all the engineers were appointed to manufacture stabilizers but the product differed from region to region.
- (a) Identify the organisational structure of N-Guard Company.
(b) State its three advantages and two limitations. *(6 marks)*

Self Assessment Test 4

Organising, Planning, Business Environment, Nature and Significance of Management and Principles of Management

Time allowed : 1 hour 30 minutes

Maximum Marks : 40

- Q.1** A company, which manufactures a popular brand of toys, has been enjoying good market reputation. It has separate departments for Production, Marketing, Finance, Human Resources and Research and Development. Lately to use its brand name and also to cash on to new business opportunities it is thinking to diversify into manufacture of new range of electronic toys for which a new market is emerging.
The organisation structure that should be adopted by the company is _____. (functional structure/ divisional structure) *(Fill up the blank with correct option) (1 mark)*
- Q.2** The Organisation structure of a firm is shown in _____. *(Fill up the blank with correct answer) (1 mark)*
- Q.3** It is easier to fix responsibility in a formal organisation since _____. *(Complete the sentence) (1 mark)*
- Q.4** Classify the following into 'Rule' and 'Policy' as types of plans. *(Choose the correct alternative) (1 mark)*
- Strict penal actions against anyone who uses office stationery for personal use.
 - A discount of 10% will be offered to all the customers buying goods worth ₹ 20, 000 or more.
 - Library will issue the books for 7 days.
 - Girls will be given a rebate of 5% in cut off for admission in the college.
- Q.5** Why is planning called the pre-requisite for controlling? *(1 mark)*
- Q.6** The process of linking the activities of various departments is accomplished by _____. *(Fill up the blank with correct answer) (1 mark)*
- Q.7** Which of the following is not a characteristic of a profession? *(Choose the correct alternative) (1 mark)*
- Service motive
 - Restricted entry
 - Based on practice and creativity
 - Well-defined body of knowledge
- Q.8** How is the Principle of 'Unity of Command' useful to management? Explain briefly. *(3 marks)*
- Q.9** The directors of Gunjan Ltd., an organisation manufacturing colour televisions, have asked their production manager to achieve a target production of 150 televisions per day. The production manager has asked his foreman to achieve this target, but he did not give him the authority for the requisition of tools and materials from the stores department. The foreman could not achieve the desired target. Can the directors blame the production manager, and can the production manager blame his foreman for not achieving the target? Explain in brief the relevant principles relating to this situation in support of your answer. *(3 marks)*
- Q.10** Phillips, a company manufacturing light bulbs incurred heavy expenditure on scientific Research and Development and discovered a technology that made it possible to produce an energy efficient light bulb that lasts at least twenty times as long as a standard bulb. It resulted in growth and profitability of the company.
- Identify and explain the dimension of business environment mentioned above.
 - State the point of importance of business environment mentioned above by quoting the lines. *(4 marks)*
- Q.11** Explain the technique of 'Functional Foremanship' and the concept of 'Mental Revolution' as enunciated by Taylor. *(5 marks)*
- Q.12** A company is manufacturing washing machines. There is a well defined system of jobs with a clear and definite authority, responsibility and accountability in the company. But people are not allowed to interact beyond their officially defined roles. As a result the company is not able to adapt to the changing business environment. The workforce is also not motivated due to lack of social interaction. The company is facing problems of procedural delays and inadequate recognition to creative talents.
- Suggest how the organisation can overcome the problems faced by it.
 - Give any three benefits it will derive from your suggestion. *(6 marks)*

Q.13 An Auto Company, Win Ltd. is facing a problem of declining market share due to increased competition from other new and existing players in the market. Its competitors are introducing lower priced models for mass consumers who are price sensitive. The Board of Directors of the Company announced a meeting to discuss the decisions regarding pricing and launching a new range of models, in order to increase the market share of the company. Attending the meeting was not a discretion for the directors and a penalty was announced for not attending the meeting. The following decisions were taken in the meeting:

- (a) to define the desired future position of the company, as acquiring a dominant position in the market by increasing the market share to 10% in 1 year;
- (b) to change the criteria for choosing vendors for procuring supplies;
- (c) to invest in development of the human resources of the organisation by providing training to higher levels by holding seminars and providing on the job training for the supervisory management.

What are standing plans and single use plans? Briefly explain the plans discussed above, which can be classified as standing plans, by quoting the lines. (6 marks)

Q.14 Identify and explain the characteristics of management highlighted in the following: (6 marks)

- (a) Directors of Aman Ltd. assigned the task of implementing the plans and policies framed by the board to all the departmental heads. Departmental heads appointed supervisors, superintendent, executives, etc. so that work can be assigned to workers as per the plan supervisors kept a check on workers as per the plan. Identify the feature of management highlighted in above para.
- (b) Social-Connect Pvt. Ltd. is a mobile manufacturing company. The manager of the company observed that the market is dynamic and a lot of changes were taking place in the mobile market and hence, the risk of the product becoming obsolete is high. The designs of the phones are governed by requirements and preferences of the customers. He started incorporating new and advanced features taking clue from the consumers and with the help of his workers. Identify the characteristic of management highlighted in this case.
- (c) Anushka Fabric Ltd. has been able to achieve its production targets as per plans using a new German technology. Its employees are happy and satisfied with their pay scale and working environment in the organisation. All the work proceeds as per plans and there is orderliness in the entire functioning of the organisation. Identify the feature of the management discussed above.

Self Assessment Test 5

Organising, Planning, Business Environment, Nature and Significance of Management and Principles of Management

Time allowed : 1 hour 30 minutes

Maximum Marks : 40

- Q.1** A company has its registered office in Delhi, manufacturing unit at Gurgaon and marketing and sales department at Faridabad. The company manufactures the consumer products.
The type of organisational structure the company should adopt to achieve its target is _____. (functional structure/divisional structure) *(Fill up the blank with correct option)* **(1 mark)**
- Q.2** _____ gives shape to the organisational structure. *(Fill up the blank with correct answer)* **(1 mark)**
- Q.3** Match the following: **(1 mark)**
- | | |
|--|--------------------|
| (i) It refers to the right to take decisions inherent in a managerial position to tell people what to do and expect them to do and it. | (a) Authority |
| (ii) Obligation of a subordinate to properly perform the assigned duty. | (b) Responsibility |
| (iii) Answerability for the final outcome of the assigned task. | (c) Accountability |
- Q.4** All business firms would like to increase their sales and earn profits to be successful. All managers dream of these. To turn their dreams into reality, managers need to work hard in thinking about the future, in making business predictions and achieving targets. The above lines describe one of the functions of management. This function is _____. **(1 mark)**
- Q.5** Management is: *(Choose the correct alternative)* **(1 mark)**
- (a) an art. (b) a science.
(c) both art and science. (d) neither art nor science.
- Q.6** In today's scenario, organisations look for individuals with specific qualifications and experience to manage them. It has also been observed that there has been an increase in the corporate form of business and increasing emphasis on managed business concerns. What does the above statement imply? **(1 mark)**
- Q.7** How are policies and procedures interlinked with each other? **(1 mark)**
- Q.8** State any three characteristics of principles of management. **(3 marks)**
- Q.9** National Vitech 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. **(4 marks)**
- Q.10** Identify and explain the following major concepts related to government policy changes and one impact of each on business and industry:
(a) Removal of quantitative as well as tariff restrictions
(b) Dilution of stake of the government in the public sector enterprises through 'disinvestment'. **(4 marks)**
- Q.11** Principles of Taylor and Fayol are mutually complementary. One believed that the management should share the gains with the workers, while the other suggested that employees' compensation should depend on the earning capacity of the company and should give them a reasonable standard of living.
Identify and explain the principles of Fayol and Taylor referred to in the above para. **(5 marks)**

Q.12 Alliance Ltd. is engaged in manufacturing plastic buckets. The objective of the company is to manufacture 100 buckets a day. To achieve this, the efforts of all departments are coordinated and interlinked and authority-responsibility relationship is established among various job positions. There is clarity on who is to report to whom. Name the function of management discussed above. Explain the steps involved in the process of this function.

(5 marks)

Q.13 Explain any four importance of planning.

(6 marks)

OR

Explain any four limitations of planning.

Q.14 Identify and explain the objectives of management highlighted in the following:

(6 marks)

- (a) Management of Alpha Ltd. has installed a special recycling plant to recycle the waste instead of dumping the waste in ground. It is also providing employment opportunities to local residents. Company started a school nearby for the children of their employees. Identify the objective of management the company is fulfilling.
- (b) The manager of Beta Ltd. is very efficient and effective and makes sure that all the employees and workers in this team performs the task on time with minimum cost. His main focus is on cost reduction. So he never listens to the demand of workers for increasing wages. He even gives no opportunity to workers for promotion. As a result workers started becoming frustrated and disheartened all the time. Which objective of management could not be achieved by the manager?

Check List to Objective Type Questions

Objective Type Questions 5.1

1. Organising
2. Organising
3. (c) Organising
4. Organising
5. Departmentalisation; Specialisation
6. Coordination amongst various departments
7. it helps in the survival and growth of an enterprise and equips it to meet various challenges.
8. Organising
9. Organising
10. Organising
11. Organising

Objective Type Questions 5.2

1. (c) Number of subordinates under a superior
2. (a) Narrow span of management
3. (b) Divisional organisation
4. (c) Functional organisation
5. Functional Structure
6. Functional Structure
7. Span of management
8. The nature and types of activities performed by it.
9. Functional structure
10. Functional structure
11. Functional structure
12. Functional structure.
13. Functional structure
14. Functional structure
15. Functional structure.
16. Divisional structure
17. Divisional structure
18. Divisional structure
19. Divisional structure
20. Divisional structure
21. Divisional structure.
22. (i)-(a), (ii)-(b), (iii)-(b), (iv)-(a).
23. (i) It grows in size or complexity.
(ii) As an organisation grows, coordination becomes difficult due to the emergence of new functions and increase in structural hierarchies.

Objective Type Questions 5.3

1. (b) Informal organisation
2. (c) Informal organisation
3. Formal organisation
4. (i)-(a), (ii)-(b), (iii)-(b), (iv)-(a).
5. behaviour of employees can be fairly predicted since there are specific rules to guide them.
6. the established chain of command has to be followed which increases the time taken for decision making.
7. it does not allow any deviations from rigidly laid down policies.

8. it places more emphasis on structure and work
9. (i)-(b), (ii)-(b), (iii)-(a), (iv)-(a)
10. it is a complex network of social relationships among members
11. (d) Informal organisation.
12. (d) It is formed by the individuals to get social and psychological satisfaction.
13. Formal organisation
14. Informal organisation

Objective Type Questions 5.4

1. (d) Informal organisation
2. Authority
3. Responsibility
4. (b) Authority - Responsibility
5. (a) Authority
6. Chain of command
7. Decentralised
8. Decentralised
9. (b) apex of the management hierarchy
10. he desires to meet the organisational goals, focus on objectives and ensure that all work is accomplished
11. Delegation
12. it enables a manager to use his time on high priority activities. It also satisfies the subordinate's need for recognition and provides them with opportunities to develop and exercise initiative.
13. It means the manager shall still be accountable to the same extent for the performance of the assigned tasks, before delegation.
14. Authority
15. in large organisations employees who are directly and closely involved with certain operations tend to have more knowledge about them than the top management.
16. It can lead to organisational disintegration if departments start to operate on their own guidelines which may be contrary to the interest of the organisation.
17. False: Decentralisation diminishes the amount of direct supervision exercised by a supervisor over the activities of a subordinate as they are given the freedom to act and decide within the prescribed limits. However, personal/direct supervision is replaced by other forms of control only such as return on investments, etc.
18. Greatest.
19. (i) Balance score card (ii) Management Information system
20. (a) Retention of decision making authority
21. (c) Freedom from responsibility
22. Delegation
23. No, because delegation does not mean abdication. The manager shall still be accountable for the performance of the assigned tasks.
24. Delegation
25. Authority

Answers to Self Assessment Tests Questions

Self Assessment Test 1

- (b) Span of management.
- (i) – (C), (ii) – (D), (iii) – (A), (iv) – (B)
- False:** An organisation can never be completely centralised or decentralised. However, as it grows in size and complexity, there is a tendency to move towards decentralised decision making.
- Organisation structure.
- Three elements of delegation are:
(i) Authority (ii) Responsibility (iii) Accountability (*Explain*)
- Functional Structure
- Informal Organisation
- (a) Importance of Decentralisation discussed are:
(i) Develops initiative among subordinate: *'It helps to promote self-reliance and confidence among subordinates.'*
(ii) Develops managerial talent for the future: *'Decentralisation gives subordinates a chance to prove their abilities and creates a reservoir of qualified workforce.'*
(iii) Quick decision making: *'Since decisions are taken at the points of action. Therefore, no approval of superiors & leads to quick decision making.'*
(iv) Relief to top management: *'Decentralisation diminishes the amount of direct supervision exercised by superior over his subordinates because they are given freedom to act within the limits set by top management & top management can concentrate on important policies.'*
- (b) Divisional structure

Self Assessment Test 2

- Organising
- Organisation structure
- False:** Management should skillfully take advantage of both the formal and informal organisation so that work continues smoothly.
- (a) employees have more knowledge about operations.
- Concepts involved – Planning and Organising
Lines for planning: *'one suggested, unemployed youth'*
'on evaluation ... local residents'
'campaign to create awareness ...

surroundings'

Lines for organising:

'To achieve ... disposal of garbage etc.'
'after identification of different activities..... different members'

- Yes; since delegation does not mean abdication. (*Explain*)
- Information organisation
- Decentralisation
- Divisional Structure

Reason: The company plans to manufacture a large variety of products (shoes, leather bags and western formal wear) using different productive resources. With diversification, the company will need to add more employees, create more departments and introduce new levels of management. The divisional structure will offer the following benefits: (*Explain any four*)

Self Assessment Test 3

- True:** Decentralisation refers to delegation of authority throughout all the levels of the organisation. Decision making authority is shared with lower levels and is consequently placed nearest to the points of action. In other words, decision making authority is pushed down the chain of command.
- Organising
- Span of management
- (a) Organisation structure
- Decentralisation implies selective dispersal of authority because it propagates the belief that people are competent, capable and resourceful. They can assume the responsibility for the effective implementation of their decisions. Thus, decentralisation recognises the decision maker's need for autonomy. However, the management needs to carefully select those decisions which will be pushed down to lower levels and those that will be retained for higher levels. It can lead to organisational disintegration if the departments start to operate on their own guidelines which may be contrary to the interest of the organisation.
- Organising
- Functional Structure

Self Assessment Test 4

- Divisional Structure
- Organisation chart
- mutual relationships are clearly defined.
- (a) – Rule; (b), (c) and (d) – Policy
- Coordination
- (c) Based on practice and creativity
- Yes, the directors can blame the production manager. Delegation does not mean abdication. (*Explain*)
However, the production manager cannot blame his foreman because he did not give him the authority for the requisition of tools and materials from the stores department. (Principle of authority and responsibility)
- (a) Technological environment (*Explain*)
(b) Business environment helps a firm to improve its performance. *'It resulted in growth and profitability of the company'*
- Introduction of informal organisation (Explain the meaning, two features and three advantages)
- (i) *'changing the vendors ...'* – Policy
(ii) *'Seminar for higher levels ... supervisory management'* – Method
(iii) *'Attending the meeting not discretion ... penalty'* – Rules
- (a) Management is a group activity.
(b) Management is a dynamic function.
(c) Management is an intangible force.

Self Assessment Test 5

- divisional structure
- Span of management
- (i)-(a), (ii)-(b), (iii)-(c)
- Planning
- (c) both art and science.
- Management is a profession.
- Procedures are sequence of steps or actions to be taken to enforce a policy.
- Decentralisation
- (a) Globalisation, Impact: Increasing competition
(b) Privatisation, Impact: Loss of budgetary support to the public sector
- Harmony, not Discord and Remuneration of employees (*Explain*)
- Organising
- (a) Social objectives of management
(b) Personal objectives of management