

NCERT SOLUTIONS

CLASS - 12th



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Class : 12th
Subject : Business Studies
Chapter : 5
Chapter Name : Organising

Q1 Identify the network of social relationships which arises spontaneously due to interaction at work.

Answer. The network of social relationships which arises spontaneously due to interaction at work is the informal form of organization. In this form of organization, there are no set patterns of communication or hierarchical chain. The superior subordinate relationship also doesn't exist.

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Q2 State any two circumstances under which the functional structure will prove to be an appropriate choice?

Answer. The functional structure of an organization is appropriate in the following two cases -

i) Specialisation - When the organisation wants a high degree of functional specialisation, then the functional structure is appropriate. Each department operates independently and specialise in their functions.

ii) Varying functions - When the organisation deals in a large variety of functions, each requiring a separate and independent unit then it may opt this structure.

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Q3 Draw a diagram depicting a functional structure.

Answer.

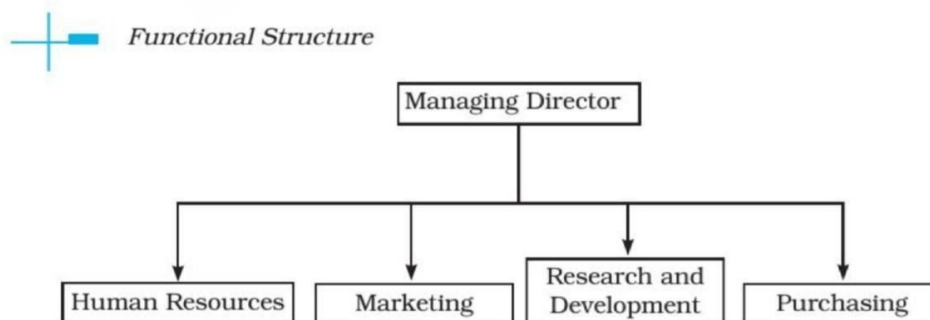


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Q4 A company has its registered office in Delhi, manufacturing unit at Gurgaon and marketing and sales department at Faridabad. The company manufactures consumer products. Which type of organisational structure should it adopt to achieve its target?

Answer. The type of organisational structure which is suitable for such organisation is functional structure. It is so because it has to perform different functions independently and requires specialisation in all its activities.

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Q1 Define 'Organising'.

Answer. Organising refers to the process of describing the jobs to be performed, defining the working relationships and providing the resources necessary for the implementation of the plan to achieve organisational goals and objectives. It includes all those activities which are required to implement the course of action as defined at planning stage.

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Q2 What are the steps in the process of organising?

Answer. Organising is the managerial function in which all those steps are taken which are necessary for the proper implementation of plans. The steps in organising are -

- i. Identification and division of work - The first step in the process of organising is to identify the work to be performed. Then the work is divided into small parts known as jobs.
- ii. Departmentalisation - After the jobs are defined, similar types of jobs which relate to each other are categorised and put under one department.
- iii. Assignment of duties - After the jobs are grouped together, work is assigned to various individuals as per their abilities and their skills. It leads to specialisation of activities.
- iv. Establishing Reporting Relationship - The reporting relationship refers to the authority responsibility relationship which is established in order to define who is to report to whom. The employee comes to know whom he has to report and from whom he has to take orders.

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Q3 Discuss the elements of delegation.

Answer. Delegation has the following three elements -

- i. Authority - It is the right of an individual to give orders to his subordinates and to take necessary actions within the scope of his powers assigned. It flows from the top management to the lower level of hierarchical structure.

ii. Responsibility - It is the duty or obligation of an individual to perform the duties assigned to him as per the instructions given. It arises due to the superior - subordinate relationship.

Responsibility flows from the subordinates to superiors.

iii. Accountability - It refers to the answerability of an individual for the work he performed or for the work provided to him. It cannot be delegated. It flows upward from subordinates to superiors.

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Q4 What does the term 'span of management' refer to?

Answer. Span of management refers to the number of subordinates which can be effectively handled by a superior. It depends on the type of work to be performed as well as the efficiency of superiors. It is responsible for giving shape to the organisational structure. In an organisation, the number of lower level managers is more than the number of middle level managers since the middle level managers can manage a large number of lower level managers. Thus the organisational structure is in the form of a triangle whose base is broad compared to its top.

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Q5 Under what circumstances would functional structure prove to be an appropriate choice?

Answer. Functional structure of an organisation refers to the structure in which the various activities which come under the same function of management are grouped under one head.

This structure proves to be beneficial in the following cases -

- Large size of organisation - The functional structure is helpful when the organisation operates on a large scale. Various departments are created to categorise the activities.
- Different functions - When the firm performs a variety of functions and all of them are required to be performed independently, then this structure proves to be helpful. It helps in coordination of the functions.
- Requirement of specialisation - When the company needs to have a high degree of specialisation in all its functions, then it may adopt this structure as it helps in categorising all the activities pertaining to a particular function under one head.

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Q6 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?

Answer. The functional structure suitable for her is divisional structure. Divisional structure is majorly used when the company deals in diversified variety of products. Each product has its own functional structure i.e. There is a different functional structure for each function. The benefits of this structure is -

- It helps in categorising the activities of one product under the same head and differentiates it from other product heads.
- It helps in performing the functions related to one product uniquely and they aren't merged with other products.
- The profits or losses related to one product can be recorded at one place and they can be compared with the profits or losses of previous years for the same product.

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Q7 The production manager asked the foreman to achieve a target production of 200 units per day, but he doesn't give him the authority to requisition tools and materials from the stores department. Can the production manager blame the foreman if he is not able to achieve the desired target? Give reasons.

Answer. No, the production manager cannot hold the foreman responsible for the incomplete work as the foreman was not given authority by the manager. The principle of authority responsibility says that there should be a balance between the authority and responsibility. If the authority given is more, then it leads to misuse of authority and if responsibility is more, then the work will not be completed.

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Q1 Why delegation is considered essential for effective organising?

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

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

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

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

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

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

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

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Q2 What is divisional structure? Discuss its advantages and limitations.

Answer. A divisional structure comprises separate business units or divisions. Each unit has a divisional manager responsible for performance and who has authority over the unit. Generally, manpower is grouped on the basis of different products manufactured.

The merits of adopting divisional structure are as follows -

(i) Skill Development: Product specialisation helps in the development of varied skills in a divisional head and this prepares him for higher positions as he gains experience in all functions.

(ii) 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 proper basis for performance measurement.

(iii) Quick Decision Making: It promotes flexibility and initiative because each division functions as an autonomous unit which leads to faster decision making.

The demerits of divisional structure are as follows -

- (i) Conflicts: Conflicts may arise among different divisions with reference to allocation of funds. Different divisions may claim more funds for their departments ignoring the interests of other departments.
- (ii) Higher Cost: Similar set of functions are performed under each division. This results in repetition of efforts, money and time. Thus it leads to higher costs.
- (iii) Ignoring Organisational Goals: 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.

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Q3 Decentralisation is an optional policy. Explain why an organisation would choose to be decentralised.

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

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

(ii) Managerial Competence: Once the authority is delegated to the managers at lower levels, it provides them the needed opportunity to develop themselves. It provides them with the opportunity to gain experience and thereby, develop the skills and knowledge to face new challenges. Decentralisation gives them a chance to prove their talent and get ready for higher positions. It also helps in pre-identification of the future managers who are well-equipped with the necessary talent required to deal with managerial problems.

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

(iv) Active Decision Making: Since through decentralisation, the authority of making decisions is passed on to lower levels of management, decisions are taken quickly and timely. This is

because the decision can be taken at the nearest points of action which thereby, helps in easy adjudication of the problems.

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

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

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Q4 Distinguish between centralisation and decentralisation.

Answer.

Basis	Centralisation	Decentralisation
Meaning	It refers to the concentration of the authority with the top management.	It refers to the delegation of the authority to the lowest levels of management.
Authority	The authority is concentrated with the top management. Middle and bottom level management has very low authority.	The authority is systematically delegated downwards to the lowest level of management.
Suitability	It is suitable for small organisations.	It is suitable for large sized organisations.
Freedom	The lower level managers have less freedom to deviate from the plans made by the top management.	The lower level managers have more authority to take their own decisions and actions.

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Q5 How is functional structure different from a divisional structure?

Answer. The difference between the functional structure and the divisional structure can be summarised as follows -

Basis	Functional structure	Divisional structure
Meaning	Functional Structure is one in which the reporting relationships of the organization are bifurcated according to their functional area.	An organizational structure wherein the organizational functions are classified into divisions as per product or service lines , market, is called Divisional Structure.
Basis	Functional areas	Products, geographical area or other specialised fields
Responsibility	Difficult to fix responsibility on a particular department.	Easy to fix responsibility for performance on departments.
Autonomy of decisions	Managers do not have autonomy of decisions.	Managers have autonomy of decisions.
Cost	Economical, as the functions are not repeated.	Expensive as it involves repetition of resources.

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Q6 A company, which manufactures a popular brand of toys, has been enjoying good market reputation. It has a functional organisational structure with separate departments for Production, Marketing, Finance, Human Resources and Research and Development. Lately to use its brand name and also to cash on to new business opportunities it is thinking to diversify into manufacture of a new range of electronic toys for which a new market is emerging.

Which organisation structure should be adopted in this situation? Give concrete reasons with regard to benefits the company will derive from the steps it should take.

Answer. The company should adopt divisional structure for the establishment of a new department for electronic toys. The benefits which it will derive from adopting divisional structure are -

- The performance of each unit can be easily assessed,
- New product lines can be easily added without disturbing the existing units.
- Decision making is faster.
- Divisional structure maintains a short line of communication with customers and provides better services to them.

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Q7 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 reasons in terms of benefits it will derive from the changes suggested by you.

Answer. To overcome the problems faced by the company by adopting the current organisational structure, the company may adopt following measures -

- The management should encourage workers to interact and socialise with each other through get together outings. In this way, everyone will interact and like minded people will come closer. The net result will be more satisfied workforce.
- The management should try to decentralise organisation structure.
- The suggested area where the business can be diversified is textile machineries like embroidery units, sequencing units, buttoning units.

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Q1 Which of the following is not an element of delegation?

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

Answer. (d) Informal organisation isn't a part of delegation. Delegation of authority takes place in a formal organisation in which the authority-responsibility relationship exists.

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Q2 A network of social relationship that arise spontaneously due to interaction at work is called:

- (a) Formal Organisation

- (b) Informal Organisation
- (c) Decentralisation
- (d) Delegation

Answer. (b) Informal organisation

Page : 142 , Block Name : Multiple Choice Questions

Q3 Which of the following does not follow the scalar chain?

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

Answer.

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Q4 A tall structure has a

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

Answer. Narrow Span of management

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Q5 Centralisation refers to

- (a) Retention of decision making authority
- (b) Dispersal of decision making authority
- (c) Creating divisions as profit centers
- (d) Opening new centers or branches

Answer. (a) Retention of decision making authority

Page : 142 , Block Name : Multiple Choice Questions

Q6 For delegation to be effective it is necessary that responsibility be accompanied with necessary

- (a) Authority
- (b) Manpower
- (c) Incentives
- (d) Promotions

Answer. (a) Authority

Page : 142 , Block Name : Multiple Choice Questions

Q7 Span of management refers to

- (a) Number of managers
- (b) Length of term for which a manager is appointed
- (c) Number of subordinates under a superior
- (d) Number of members in top management

Answer. (c) Number of subordinates under a superior

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Q8 The form of organisation known for giving rise to rumours is called

- (a) Centralised organisation
- (b) Decentralised organisation
- (c) Informal organisation
- (d) Formal organisation

Answer. (c) Informal organisation

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Q9 Grouping of activities on the basis of product lines is a part of

- (a) Delegated organisation
- (b) Divisional organisation
- (c) Functional organisation
- (d) Autonomous organisation

Answer. (b) Divisional structure

Page : 142 , Block Name : Multiple Choice Questions

Q10 Grouping of activities on the basis of functions is a part of

- (a) Decentralised organisation
- (b) Divisional organisation
- (c) Functional organisation
- (d) Centralised organisation

Answer. (C) Functional structure

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