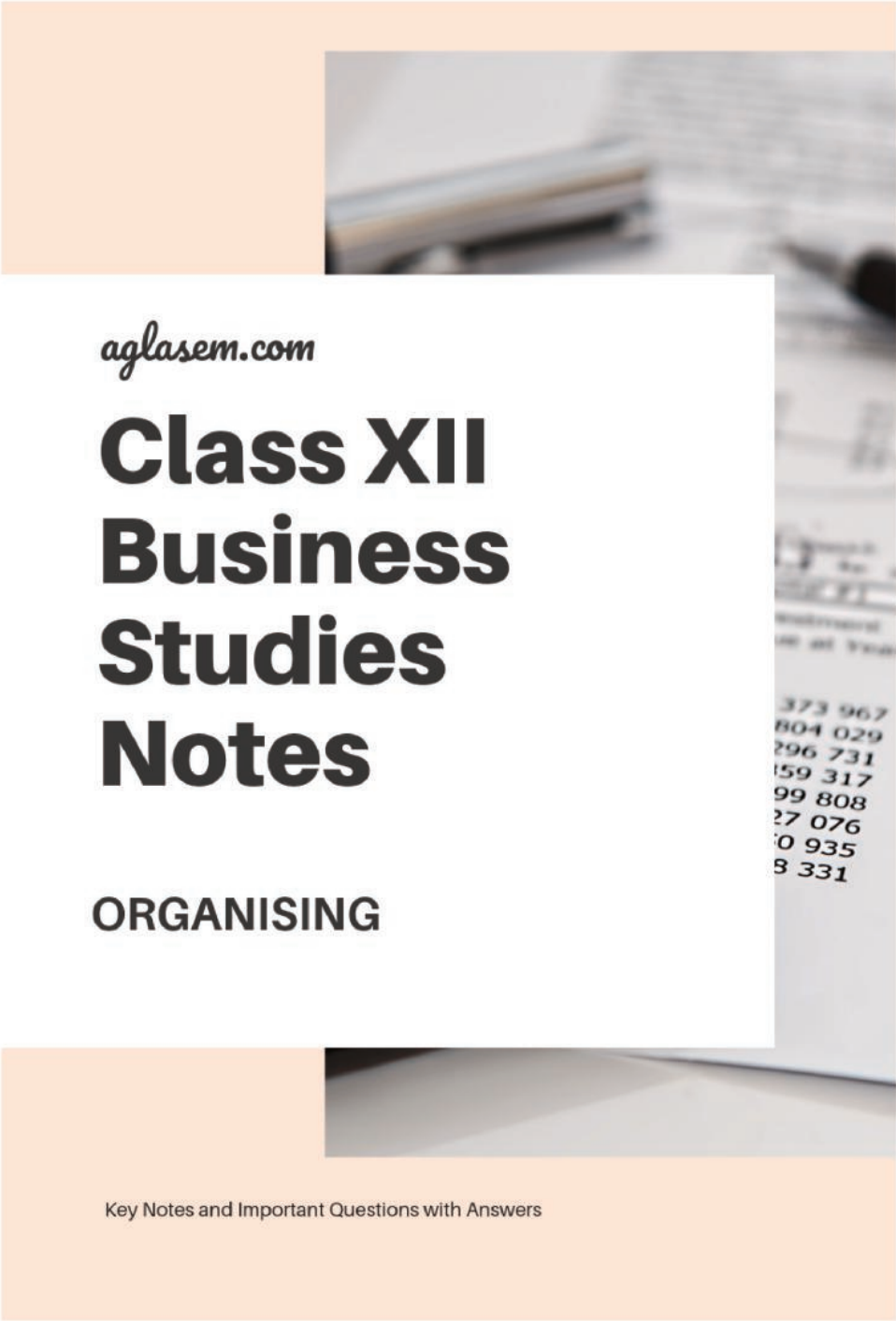




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Class XII Business Studies Notes

ORGANISING

Key Notes and Important Questions with Answers

CHAPTER – 5

ORGANISING

Meaning of Organising

Organising can be defined as a process that initiates implementation of plans by clarifying jobs, working relationships and effectively deploying resources for attainment of identified and desired results. Therefore, it is a process, which coordinates human efforts, assembles resources and integrates both into a unified whole to be utilized for achieving specified objectives.

Organising as a function of management leads to—

- Creation of organisational structure with suitable personnel.
- Designing specific roles to eliminate ambiguity.
- Defining inter-relationship among personnel for productive cooperation.
- Clarifying authority and responsibility for results and logical grouping of activities.

Organising process

Steps Involved in the Process of Organising

In order to complete the organising function of management, the following steps are taken:

1. Identification and division of work.
 2. Departmentalisation.
 3. Assignment of duties.
 4. Establishing reporting relations.
1. At this step, the total work is divided into various activities, for eg. various activities of a shoe manufacturing company can be purchase of raw material, production, stocking of goods, research, advertisement, sales etc.
 2. The activities of the same nature are grouped together and assigned to a

particular department. It is known as grouping, for e.g., advertisement and sales can be given to the marketing department.

3. At this stage, the responsibility of each individual or post is decided. For e.g., the purchase manager will be given the task of purchasing goods, the sales manager will be given the work of sale of goods etc. while assigning duties, it is important to match nature of the work and the capabilities of the person to whom the work is given.
4. Each individual should also know from whom he has to take orders and to whom he is accountable. It helps in coordination among various departments.

- Q.1** It is the function of management which establishes relationship and deploys resources. Identify the concept and explain the steps involved in the process of the concept. (Hint- Organising; process of organising)
- Q.2** Identify the function of management which coordinates human efforts and physical resources to achieve organisational goals. (Hint- Organising)

Importance of Organising

1. **Benefits of specialization:** In organizing every individual is assigned a part of total work and not the whole task. This division of work into smaller units and repetitive performance leads to specialization. Thus organizing promotes specialisation which in turn leads to efficient & speedy performance of tasks.
2. **Clarity in working relationship:** It helps in creating well defined jobs and also clarifying the limits of authority and responsibility of each job. The superior-subordinate relationship is clearly defined in organizing.
3. **Effective Administration:** It provides a clear description of jobs and related duties which helps to avoid confusion and duplication. Clarity in working relationships enables proper execution of work which results in effective administration.
4. **Optimum utilization of resources:** The proper assignment of jobs avoids overlapping/duplication of work. This helps in preventing confusion and minimizing the wastage of resources and efforts.
5. **Adoption to Change:** A properly designed organizational structure is flexible which facilitates adjustment to changes in workload caused by change in external environment related to technology, products, resources and markets.

6. **Development of Personnel:** Sound organization encourages initiative and relative thinking on part of the employees. When managers delegate their authority, it reduces their workload so they can focus on more important issues related to growth & innovation. This also develops the subordinates' ability and helps him to realize his full potential.
7. **Expansion and growth:** It helps in growth & diversification of an enterprise by adding more job positions, departments, product lines, new geographical territories etc.

Q.3 A manager is responsible to solve conflicts regarding authority and responsibility amongst employees and create fruitful environment to work as a unit. Identify the function of management and explain its importance. (Hint- Organising)

Organizational Structure

Organisational structure refers to that specific pattern of relationship which is created during organising process. The structure provides a basis or frame work for manager and other employees for performing their functions.

It may be defined as a 'system of job positions, the jobs assigned to them and the authority relationship among them.

Relationship between span of management and organisation structure:

It refers to the number of subordinates that can be effectively controlled by a manager/ superior. It gives shape to the organisational structure and determines levels of management.

Narrow span of management:

Results in tall structure whereas wider span of management results in flat structure.

TYPES OF ORGANISATION STRUCTURE

- A. Functional structure
- B. Divisional structure

(A) Functional Structure: In functional structure activities are grouped and departments are created on the basis of specific functions to be performed. For example, all the jobs related to production are grouped under production department, sales activities are grouped under sales department etc.



Suitability

- (1) Large organizations producing one line of product.
- (2) Organizations which require high degree of functional specialization with diversified activities.

Advantages:

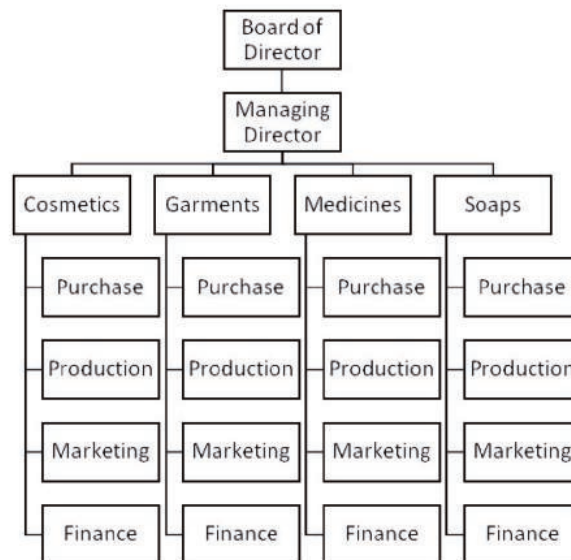
1. **Specialisation:** Better division of labour takes place which results in specialization of functions and its consequent benefits.
2. **Coordination is established:** All the persons working within a department are specialists of their respective jobs. It makes the co-ordination easier at departmental level.
3. **Helps in increasing managerial efficiency:** Managers of one department perform same type of function again and again which makes them specialized and improves their efficiency.
4. **Minimises cost:** It leads to minimum duplication of efforts which results in economies of scale and thus lowers cost.

Disadvantages:

1. **Ignorance of organizational objectives:** Each departmental head works according to his own wishes. They always give more weight to their departmental objectives. Hence overall organizational objectives suffer.
2. **Difficulty in Inter-Departmental Coordination:** All departmental heads work as per their own wishes which leads to coordination within the department easier but it makes inter-departmental coordination difficult.
3. **Hurdle in complete development of employees:** because each employee specializes only in a small part of the whole job.

(B) Divisional Structure

Dividing the whole enterprise according to the major products to be manufactured (like metal, plastic, cosmetics etc.) is known as divisional organization structure.



Suitability:

1. For the enterprises where large varieties of products are manufactured using different productive resources. (Multi-product) Example- Tata, Reliance.
2. When an organisation grows and needs to add more employees, more departments or introduce new level of management.

Advantages

1. **Quick decision-making:** Divisional manager can take any decision regarding his division independently which makes decisions quick and effective.
2. **Divisional results can be assessed:** Divisional results (profit/loss) can be assessed easily. On this basis any unprofitable division can be closed.

3. **Growth and Expansion:** It facilitates growth and expansion as new divisions can be added without disturbing existing departments.

Disadvantages

1. **Conflicts** among different divisions on allocation of resources.
2. **Duplicity of Functions:** Entire set of functions is required for all divisions. It gives rise to duplicity of efforts among divisions & increases cost.
3. **Selfish Attitude:** Every division tries to display better performance and sometimes even at the cost of other divisions. This shows their selfish attitude.

Q.4 Vimal cloth Ltd. was manufacturing only fabrics. After having great success in fabric business the directors of Vimal cloth Ltd. acquired three new manufacturing units and started selling multi-products in domestic market. (Electronics, Mobile phone, Cements) They decided that an individual who has capability and competence to handle responsibility would head each unit.

(A) State the type of organisation structure Vimal cloth Ltd. have followed as a producer of single product.

(B) Suggest which type of organisational structure Director must adopt now and explain its advantages.

[Hint- (A) Functional structure (B) Divisional structure]

Q.5 Rohan a sole proprietor was running food catering business in North Delhi. He got great success and profit margin in this business. Due to excess demand in the market he expanded his business and separated departments as Purchase, Production, Finance and marketing.

Which type of organisational structure would you suggest him? Enumerate its two benefits. [Functional structure; Benefits- Specialisation Minimises Cost]

FORMAL ORGANISATION

This structure is designed by the management to achieve organizational goals in which the responsibilities, authority and mutual relationships among all the employees working in an enterprise are clearly defined. It can be functional or divisional.

Features

1. It is deliberately created by the top management.
2. It is based on rules and procedures which are in written form.
3. It is impersonal i.e. does not take into consideration emotional aspect.
4. It clearly defines the authority and responsibility of every individual.
5. It is created to achieve organizational objectives.

Advantages

1. Easier to fix responsibility since mutual relationships are clearly defined.
2. No overlapping of work – because things move according to a definite plan.
3. Unity of command through an established chain of command.
4. Easy to achieve objectives - because coordination and optimum use of human and material resources.
5. Stability in the organisation – because behaviour of employees can be fairly predicted since there are specific rules to guide them.

Disadvantages

1. The Work is based on rules which causes unnecessary delays.
2. **Lack of initiative:** The employees have to do what they are told to do and they have no opportunity to show their creativity.
3. **Limited in scope:** It is difficult to understand all human relationships in an enterprise as it places more emphasis on structure and work.

INFORMAL ORGANISATION

An informal organization is that organization which is not established deliberately but comes into existence because of common interests, tastes and religious and communal relations. The main purpose of this organization, structure is getting psychological satisfaction. For example, employees with similar interest in sports, films, religion etc. may form their own informal groups.

Features

1. It originates from within the formal organization as a result of personal interaction among employees.
2. It has no written rules and procedures.
3. It does not have fixed lines of communication.
4. It is not deliberately created by the management.
5. It is personal means the feelings of individuals are kept in mind.

Advantages

1. **Speed:** Prescribed lines of communication are not followed which leads to faster spread of information.
2. **Fulfilment of social needs** – enhances job satisfaction which gives them a sense of belongingness in the organization.
3. **Quick solution of the problems** – because the subordinates can speak without hesitation before the officers, it helps the officers to understand the problems of their subordinates.

Disadvantages

1. **It creates rumours:** All the persons in an informal organization talk in a careless way and sometimes a wrong thing is conveyed to the other persons.
2. It resists changes and lays stress on adopting the old techniques.
3. **Priority to group interests:** Pressurises members to conform to group expectations.

Difference between Formal Informal organisation

Basis	Formal Organisation	Informal Organisation
1. Meaning	It refers to the structure of well-defined authority and responsibility.	It refers to the network of social relationships which develop automatically.
2. Nature	Rigid & Stable	Flexible and unstable

3. Authority	Arises by virtue of position in management.	Arises out of personal qualities.
4. Adherence to rules	Violation of rules may lead to penalties and punishments.	No such punishments.
5. Flow of communication	Takes place through the scalar chain.	Not through a planned route. It can take place in any direction.
6. Purpose	To achieve planned organizational objectives	To satisfy social and cultural needs and fulfil common interest.
7. Formation/origin	Deliberately planned and created by management.	Emerges spontaneously as a result of social interaction among employees.
8. Structure	Well-defined structure of tasks & relationships.	No clear-cut structure because of complex network of relationships.
9. Flow of authority	Authority flows from top to bottom i.e. downwards.	Authority flows vertically as well as horizontally.
10. interdependence	Independent.	Depends on formal structure.

- Q.6** The employees of a software company have formed a dramatic group for their entertainment and recreation. Name the type of organisation so formed and state its features. [Hint- Informal organisation] Features: (i) Originates itself (ii) No rules (iii) Personal
- Q.7** The Principal of SPS Public School ordered the staff that they will be allowed to sit in the staffroom situated in their block. No teacher will be allowed to sit in another staffroom. During school's hours, teachers can meet teachers of their department only for work related matters. He wants each teacher to strictly work as per rules and directions given by him.

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

[Hint- Formal Organisation]

Disadvantages: (i) Unnecessary delay, (ii) Lack of initiative, (iii) Limited Scope.

Delegation of Authority

Meaning: It means the granting of authority to subordinates to operate within the prescribed limits. The manager who delegates authority holds his subordinates responsible for proper performance of the assigned tasks. To make sure that his subordinates perform all the works effectively and efficiently in expected manner the manager creates accountability.

Process/Elements of Delegation

1. **Authority:** The power of taking decisions in order to guide the activities of others. Authority is that power which influences the conduct of others.
2. **Responsibility:** It is the obligation of a subordinate to properly perform the assigned duty. When a superior issues orders, it becomes the responsibility of the subordinates to carry it out.
3. **Accountability:** When a superior assigns some work to a subordinate, he is answerable to his superior for its success or failure.

Principle of Absoluteness of Accountability: Authority can be delegated but responsibility/accountability cannot be delegated by a manager. The authority granted to a subordinate can be taken back and re-delegated to another person. The manager cannot escape from the responsibility for any default or mistake on the part of his subordinates. For example, If the chief executive asks Marketing Manager to achieve a sales target of sale of 100 units/day. The marketing manager delegates this task to deputy sales manager, who fails to achieve the target. Then marketing manager will be answerable for the work performance of his subordinates. Thus, accountability is always of the person who delegates authority.



Difference between Authority, Responsibility and Accountability

Basis	Authority	Responsibility	Accountability
1. Meaning	Right to command	Obligation to task perform an assigned	Answerability for outcome of the assigned task.
2. Origin	Arises from formal position	Arises from delegated authority	Arises from responsibility
3. Flow	Downward – from Superior to Subordinate	Upward – from Subordinate to Superior	Upward – from Subordinate to Superior
4. Withdrawal	Can be withdrawn any time by giving notice.	Cannot be withdrawn once created.	Cannot be withdrawn once created.

Importance of the Delegation of Authority

1. **Reduction of Executives' work load:** It reduces the work load of officers. They can thus utilize their time in more important and creative works instead of works of daily routine.
2. **Employee development:** Employees get more opportunities to utilize their talent which allows them to develop those skills which will enable them to perform complex tasks.
3. **Quick and better decision are possible:** The subordinates are granted sufficient authority so they need not to go to their superiors for taking decisions concerning the routine matters.
4. **High Morale of subordinates:** Because of delegation of authority to the subordinates they get an opportunity to display their efficiency and capacity.
5. **Better coordination:** The elements of delegation – authority, responsibility and accountability help to define the powers, duties and answerability related to various job positions which results in developing and maintaining effective coordination.

Decentralisation

It is defined as even and systematic distribution of authority at every level and all departments of management. Under this, the authority is transferred to the level where it is to be exercised, so the number of centres for taking decisions' increases. It should be noted that 'Decentralisation' is an extension of delegation.

Centralization and Decentralization: represents the pattern of authority among managers at different levels. Centralisation of authority means concentration of power of decision making in a few hands. In such an organization very little authority is delegated to managers at middle and lower levels. No organization can be completely centralized or decentralized. They exist together and there is a need for a balance between the two. As the organization grows in size, there is tendency to move towards decentralization. Thus, every organization is characterized by both.

Importance of Decentralisation

1. **Develops initiative amongst subordinates:** It helps to promote confidence because the subordinates are given freedom to take their own decisions.
2. **Quick and better decisions:** The burden of managerial decisions does not lie in the hands of few individuals but gets divided amongst various persons which helps them to take better and quick decisions.
3. **Relieves the top executives from excess workload:** The daily managerial works are assigned to the subordinates which leaves enough time with the superiors which they can utilize in developing new strategies.
4. **Managerial Development:** It means giving authority to the subordinates upto the lower level to take decisions regarding their work. In this way the opportunity to take decisions helps in the development of the organization.
5. **Better Control:** It makes it possible to evaluate performance at each level which results in complete control overall the activities.

Difference between – Delegation & Decentralization

Basis	Delegation	Decentralization
1. Nature	It is a compulsory act.	It is an optional policy.
2. Freedom of action	Less freedom to take decisions due to more control by the superiors.	More freedom of action due to less control by the top management.
3. Status	It is process of sharing tasks and authority.	It is the result of policy decisions taken by top management.
4. Scope	Narrow – as it is confined to a superior and his immediate subordinate.	Wide – It includes extension of delegation to all the levels of management.
5. Purpose	To reduce the burden of manager.	To increase the role and the autonomy of lower level of management.

Q.1 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 two advantages that this structure offers to an organisation.
- (4)

[Hint- (a) Functional Structure; it has functionally specialised departments,
(b) (i) Specialisation (ii) Minimises Cost]

Q.2 Resham started a telecommunication company Vilrja 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 product went up. To increase production the company decided to recruit additional employees. Resham Gupta who was earlier taking all the decisions of 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 Resham through which he was able to steer his company to greater heights.

(b) Also explain any three points of importance of this concept. (4)

[Hint- (a) Delegation of authority, (b) Reduction of workload, Employee development, quick decision making]

1 MARK QUESTIONS

- Q.1** "If we delegate authority, we multiply by two, if we decentralise it we multiply it by many". Name any one concept to which this statement is related.
- Q.2** Name the function of management which coordinates the physical, financial and human resources and establishes productive relations among them for achievement of specific goals.
- Q.3** 'Identifying and dividing the work' is the first step in the process of one of the functions of management. Identify the function.

3-6 MARKS QUESTIONS

- Q1.** A Manager increased the production target from 500 units to 700 units per month but the authority to draw raw material was not given by him. The employees were not able to meet the new target. Who should be held responsible for this and which principle has been violated here? Explain. (4)
- Q2.** A company is manufacturing washing machines. There is a well-defined system of jobs which is clear and defines 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 adopt the changing business environment. The work force is also not motivated due to lack of social interaction. The company is facing problems of procedural delays and inadequate recognition to creative talents.
- I. Suggest how the organisation can overcome the problems faced by it.
- II. Give any two benefits it will derive from your suggestion. (4)

- Q3.** Ishita Ltd. is manufacturing female wears only. Now company wants to expand its business and also wants to manufacture male wear and kids wear for different market segments. Which type of organizational structure should it adopt to achieve its target? Give arguments in support of your answer. (3)
- Q4.** Manager of XYZ Ltd. is over burdened with routine work and is unable to concentrate on its objectives and other important issues of the firm. To solve this problem which management concept should be followed by manager? Also explain the related function. (3)
- Q.5** A truck manufacturing company has its registered office in Delhi, manufacturing unit at Gurgaon and marketing department is located at Faridabad. The company manufactures different type of trucks. Which type of organisational structure should it adopt? Give reason. State any three advantages of this organisation structure. (2+3= 5)
- Q.6** "The responsibility of a firm should be divided among various levels such as top level, middle level, and lower level". Identify the concept of management and state its importance. (2+3= 5)
- Q.7** Lalita Food Limited is a famous company making different food materials. Ms. Lalita is the managing director of the company. She is fully attached to the employees of her company. This is the very reason that before taking every decision she consults all the concerned employees. A suggestion box has also been provided in the company. It is opened once a week. The employees giving positive suggestions are rewarded. Besides, all the employees of the company also enjoy full freedom to communicate with any senior officer any time, concerning matters of both types related to their jobs or their personal lives.
- Identify the form of organisation, described in the paragraph given above and write about two of its advantages.

Answers/Hints**1 Mark Questions Answers—**

1. Decentralisation
2. Organising
3. Organising

3-6 Marks Questions : Answers—

1. Manager; Principle of authority and responsibility.
2. (i) By developing/ giving space for informal organisation.
(ii) Quick solution to problems.
Fulfillment of social needs of employees.
3. Divisional structure, as —
— Co. is going to produce multi-products.
— More employees and further more departments would be needed.
4. Delegation of authority
— Related function of mgt :— Organising
5. Functional structure : As the company needs functional specialisation.

Advantages :

Specialisation, Better, Coordination, Increase in managerial efficiency,
Minimises cost.

6. Decentralisation

Importance : Develops initiative amongst subordinates.

Quick and better decisions

Relieves the top executives from excess work load.

Informal Organisation

Advantages : Fulfillment of social needs

Quick solution of the problems.

Key Terms to Crack Case-Studies

S.No.	Phrase	Topic/ function	Sub-Topic/ Concept
1.	Identification and grouping of activities	Organising	—
2.	Assembling physical, financial and human resources	Organising	—
3.	Defining inter-relationship between different roles	Organising	Type of organisation formal
4.	Creation of organisational structure	Organising	do
5.	Initiates implementation of plans by classifying jobs and working relationship.	Organising	do
6.	Defining the work of different job position and accordingly allocating to various employees	Organising	Process of organising 2nd step Assignment of duties
7.	Framework within which managerial and operating tasks are performed	Organising	Organisation structure
8.	It determines the reporting relations.	Organising process	—
9.	Number of subordinates that can be effectively managed by superior	Organising structure	Span of management
10.	It brings occupational specialisation	Organisation Structure	Functional Structure
11.	It minimises duplication of efforts	Organisation Structure	Functional Structure
12.	Within each division a functional structure is adopted.	Org. Structure	Divisional structure

13.	It brings product specialisation/ Making departments on the basis of products.	Organisation Structure	Divisional Structure
14.	Conflicts among departments.	Organisation Structure	Divisional Structure
15.	It suits to a company which produces more categories/ lines of products, adding number of employees, introducing more departments.	Organisation Structure	Divisional Structure
16.	It is deliberately designed to classify the relationships among diff. job positions.	Type of Organisation	Formal Organisation
17.	It leads to procedural delays due to prescribed lines of communication spontaneously.	do	do
18.	This organisation develops itself without putting any special efforts.	do	Informal Organisation
19.	Downward transfer of work selectively to reduce workload of managers.	Organising	Delegation of authority
20.	It increases employees reputation	do	do
21.	Scattering powers to all levels or on same level to everyone (vertical or horizontal or both)	Organising	Decentralisation
22.	It leads to increase in role and importance of subordinates	do	do
23.	This philosophy is highly productive if numerous decisions are to be taken at lower level.	do	do
24.	It increases the morale of employees as they are entrusted with the work of higher level.	do	Delegation of authority