NCERT Solutions for Class 12 Business Studies Principles and Functions of Management Chapter 5

Organising Class 12

Chapter 5 Organising Exercise Solutions

Multiple choice questions : Solutions of Questions on Page Number : **142**
Q1 :
Which of the following is not an element of delegation?

(a) Accountability

(b) Authority

(c) Responsibility

(d) Informal Organisation

Answer :

Informal Organisation is not an element of delegation. Delegation refers to the transfer of authority to subordinates. Accountability, responsibility and authority are the major elements of delegation. On the other hand, informal organisation refers to the relationship which arises out of informal communication among the employees in an organisation. Such communication is purely informal in nature and does not involve any formal communication such as that in delegation.

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 :

A network of social relationship that arise spontaneously due to interaction at work is called informal organisation. It emerges from social interaction and free flow of communication among the employees of an organisation. On the other hand, formal organisation refers to a formal system based on superior-subordinate relationship. Whereas, delegation and decentralisation are concerned with the transfer of authority and responsibility to the subordinates.

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

(a) Functional structure

(b) Divisional Structure

(c) Formal organisation

(d) Informal organisation

Answer :

Scalar Chain refers to a pre-defined, formal path of authority and communication in the order of highest to the lowest. Informal organisation do not follow a scalar chain as they arise out of informal relationship among the workers and managers. For example, it may arise from interaction which happens over lunch or an office party. Other structures such as formal organisation, divisional structure and functional structure follow a proper defined scalar chain.

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 :

A tall structure of organisation is the one that has multiple levels of hierarchy. A tall structure of organisation has narrow span of management. That is, under such a structure a manager has charge of only a few subordinates.

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 :

Centralisation refers to the retention of decision making authority. Centralisation implies a situation where the decision making power is retained by the top level management. Under such a system, other levels of management do not have a right to intervene in policy making. The power and the authority, in such a system, remains concentrated in a few hands.

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

(a) Authority

(b) Manpower

(c) Incentives

(d) Promotions

Answer :

For delegation to be effective it is necessary that responsibility is accompanied with authority. Responsibility refers to the obligation to complete a task which has been assigned by the superior. Complementary to this, authority refers to the power to give commands and directions to the subordinates. For successful delegation both authority and responsibility must go together. That is, if an individual is given the responsibility to carry out a task, he must also be given the necessary authority to carry it out.

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 :

Span of management means the number of subordinates that can be well-handled by a superior. Any organisational structure is based on its span of management.

Q1 :
Define 'Organising'?

Answer :

Organising refers to the procedure of aligning the activities in a certain order. It contains designing the roles and directing the people towards accomplishment of goals. Human efforts along with the resources are brought together and coordinated under this function. The focus of the function lies in enabling people to work together and implementing the plans for successful attainment of objectives. Through organising the working relationships of an organisation gets clearly defined, thereby ensuring its smooth functioning. The process of organising involves

i. Identifying the work and dividing them according to the plans

ii. Grouping the work of similar nature and making departments for the same.

iii. Assigning authorities to the right personnel

iv. Designating the reporting relations

Q2 :
Why is delegation 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 manger 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 mangers 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.

Q3 :
What are the steps in the process of organising?

Answer :

The following are the steps involved in a successful process of organising.

(i) *Identifying and Dividing the Work:* Under organising, the very first step deals with identifying the activities and dividing them according to the defined plans. The actions are divided as per the objectives. A clear division of work is done so as to avoid any duplicity.

(ii) *Creating Departments*: Herein, the divided actions are further grouped into units based on the similarity in nature. That is, similar activities are grouped together. Such departmentalisation promotes specialisation. Each department specialises in a particular task. Departments can be formed on the basis of several criteria such as working profiles, regions, product, etc.

(iii) *Assigning Duties*: The third step under organising deals with assigning the roles and responsibilities to the personnel. Under each department work is allocated to different members as per their skill and ability. While assigning the duties it must be ensured that the best suited and proficient person is selected for the work.

(iv) *Establishing the Relationships*: Any organisation needs a proper hierarchic structure to work efficiently. Every person should know whom he's working under and to whom he needs to report. Clear establishment of such relationships help in smooth functioning of an organisation.

Q4 :
What is divisional structure? Discuss its advantages and limitations.

Answer :

Divisional structure refers to an arrangement where activities are separated on the basis of products. There are different units and divisions which deal with varied products. Each division has its own divisional manager who supervises the whole unit and has the authority for it. Organisations that are large in size and deals in a diversified range of products or categories opt for this type of structure. Under each head of divisional structure, a functional structure develops itself, i.e. each divisional unit is further divided on the basis of its functions. For example, a company dealing with varied products have divisional heads such as clothing, shoes and electronics. Now these units will have further functional departments such as, under shoes, there will be resource inputs, advertising, production, sales, etc. Similarly, under clothing also there will be departments of resources, advertising, production and sales. The same will be under the electronics division. Here, each division has to take care about its profit and loss and is responsible for its own work.

Following are a few prominent *advantages* of a divisional structure.

(i) *Managerial Efficiency*: Divisional structure facilitates the development of the managers and the workers by providing them numerous opportunities. Along with product specialisation it also leads to development of the skills and knowledge of the working personnel. The divisional head gains experience as he deals with a vast variety of functions which he has to be responsible for. This helps him to grow and become more proficient in his working.

(ii) *Gauging Performance*: Under divisional structure each head is responsible for the profit and loss of his own division. This helps in clear identification of the performances by each department separately. Once the head is accountable for the revenues and costs of their own department, it becomes easier to gauge the actions of each. This also helps in taking corrective actions in case of poor performance.

(iii) *Flexibility and Initiative*: As under divisional structure, each division functions independently, decision making becomes quick. Once the departments are divided, the heads have the authority to take their own decisions whenever needed. This promotes initiative among the personnel as they are now able to take decisions at the right place and right time.

(iv) *Growth*: Under divisional structure expansion of an organisation becomes easier as new divisions can be easily added without affecting the functioning of other divisions.

A divisional structure has certain disadvantages as well. The following are some of the *disadvantages* of a divisional structure.

(i) *Departmental Conflicts*: Strife may arise among various divisions with regard to decisions and actions of organisation such as those relating to allocation of funds and resources. For example, suppose a company dealing in leather products such as shoes, bags, etc. decides to allocate the resource (workforce) to each department. Here, a conflict may arise among different division as which department gets more workforce.

(ii) *Increase in Cost*: Under divisional structure duplication of activities takes place. As there are same set of functions in each department, the probability of overlapping of activities occur. This results in a rise in cost for the organisation. For example, suppose there are two units of advertising in two different product divisions and they follow the same techniques of advertising. Now, although the products are different but still due to the same methodology, the cost to the organisation increases as the duplication of work takes place.

(iii) *Ignorance of overall objectives*: One of the disadvantages of having divisions is that in due course of time, there may be chances that the organisational goals take a back-seat. Divisional heads handling different units mainly focus on attainment of their own divisional objectives. This may lead to ignorance of the organisational objectives as a whole and in the race of getting ahead each department may target their own interests at the cost of the overall interests of the organisation.

Q5 :
Discuss the elements of delegation.

Answer :

Delegation refers to the transfer of authority and responsibility to the subordinates. The following are the basic elements of delegation.

(i) *Authority*: It refers to the power given to an individual to command and direct the subordinates. It implies the right to take decisions regarding what is to be done and by whom. Scalar chain in a formal organisation gives rise to authority as it entails the link between various jobs and determines the relation of who is to report to whom. It is a downward flowing channel, i.e. superior commands authority over the subordinates. The extent of authority at the top level management is the highest and it becomes lesser at the middle level and the lowest at the lower level management. However, the scope of authority delegated, depends on the rules and regulations of the organisation. Assigning authority helps in maintaining obedience and compliance.

(ii) *Responsibility*: Responsibility refers to the adherence and answerability of the subordinate to complete the given task. That is, once a duty has been assigned to a subordinate, it is his responsibility to perform the task properly. A subordinate should be obedient and loyal towards

the duty assigned to him. The superior-subordinate relationship gives rise to a sense of responsibility. As against authority, responsibility flows upward i.e. the subordinate is responsible to his superior. However, care should be taken that while assigning responsibility to a subordinate, he must also be given a certain degree of authority. On the other hand, an individual who is given authority must also have some responsibility. This is because authority without responsibility may lead to the misapplication of power. On the other hand, responsibility without authority may lead to inefficiency.

(iii) *Accountability*: Accountability implies the answerability of the superior for the final outcome of the work he assigned. Though the superior delegates the work to his subordinate but he still will be responsible for the final outcome. For this the superior, through regular feedbacks and supervision ensures that the subordinate performs the tasks properly and satisfactorily. The concept of being accountable arises out of responsibility itself. We may say that while responsibility is assumed, accountability is imposed.

Q6 :
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 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.

Q7 :
What does the term 'span of management' refer to?

Answer :

Span of management refers to the number of subordinates that a manager can efficiently handle. It is the determining factor for the nature and structure of an organisation. Span of management can be classified into the following two categories.

i. Narrow Span of Management: If the number of subordinates reporting to a particular manager is small, the span of management is said to be narrow. Narrow span of management leads to tall organisational structures that have multiple levels of management.

ii. Wide Span of Management: Span of management is said to be wide if, there are large number of subordinated reporting to a manager. Wide span of management leads to flatter organisational structures with only a few levels of management.

Span of management depends on various factors such as ability of the manager in terms of leadership, control, etc., extent of decentralisation followed in the organisation, working ability of the subordinates, nature of work, etc.

Q8 :
How does informal organisation support the formal organisation?

Answer :

Informal organisation refers to a complex network of relations that arises out of the social interactions outside the office. They originate from within the formal organisation and are not deliberately created by the management. These relations are based on the friendship which develops between the working personnel on the basis of like nature. Following are the factors of informal organisation that support the working of formal organisation.

(i) *Free Flow of Communication*: Informal organisation helps in establishing a free flow of communication. It allows the workers to form informal relations outside the organisation. This facilitates faster spread of information, thereby assisting the formal organisation. For example, if A needs to talk about a problem to E. In a formal structure he'll have to follow a scalar chain which may lead to delay in finding a solution for it. Thus, he can discuss it over lunch, thereby, shortening the length of communication.

(ii) *Coordination*: Through informal relations, working people develops a sense of belongingness towards each other and towards the organisation. This helps them over the working place as well. It promotes coordination among them by developing mutual trust and understanding. Thereby, it results in lowering down the rate of conflicts between the people. For example, if A and B are friends outside the office, then, they will work in coordination with each other at the work place as well.

(iii) *Organisational Objectives*: Along with the personal goals, informal relations help in fulfilling the organisational objectives as well. The managers can interact with the workers informally and assess their reactions on various matters. They can ask the workers for their suggestions and ideas regarding the inadequacies in the formal structure. Thereby, contributing to the overall organisational objectives in a better way.

(iv) *Harmonious Environment*: By developing healthy relationships, informal structure helps in building a harmonious working environment. It encourages cooperation between the people and maintains a peaceful environment at work. For example, if C and D have a dispute over some matter. They can discuss it outside the office and solve it without harming the formal working environment. Thus, conserving the amiable working environment.

(v) *Efficiency and Productivity*: Informal organisation fosters efficiency among the working personnel. By contributing to their well being, it helps in increasing their productivity. Such relations help in fulfilling the social and psychological needs of the employees and thereby, increase their efficiency.

Q9 :
Under what circumstances would functional structure prove to be an appropriate choice?

Answer :

A Functional structure entails organising and grouping together activities of similar nature. That is, under functional organisation activities or work of similar nature are grouped together. Each group functions as a separate department and specialises in its work. For example an organisation can have departments such as production, human resource, finance, marketing, etc.

Each department in turn report to one coordinating head. Functional structure is usually suitable for large organisations who deal with number of varying functions requiring high degree of specialisation. The following points highlight the suitability of functional structure.

i. Large Size: A large size organisation can function smoothly, if the work is divided into various departments. Departmentalisation in large organisation improves managerial efficiency and the degree of control. Thereby, the work proceeds smoothly.

ii. Varying Functions: Dealing with diverse varying functions simultaneously requires high degree of coordination so as to improve efficiency. By a clear division of activities in various departments, a functional structure promotes coordination among the various functions and thereby, ensures smooth functioning.

iii. Requirement of Specialisation: Varying functions in an organisation can be performed better if dealt with specialisation. With departmentalisation, each department can function independently and specialise in their respective functions.

Q10 :
Distinguish between centralisation and decentralisation.

Answer :

Following are the differential factors between Centralisation and Decentralisation.

Basis of Difference	Centralisation	Decentralisation
Authority	Authority remains concentrated only in few hands at the higher level of management.	Authority is delegated to lower level of management.
Creativity	Restricts creativity of middle and lower level managers.	Promotes creativity and innovation a all the levels.
Work Load	Higher work load on the top level managers.	Lesser workload as sharing of author y and responsibility is done.
Scope of Delegation	Scope of delegation is limited as power is concentrated in a few hands.	Wider scope of delegation as authori can be transferred.
Subordinate Initiative	Limits the scope of initiatives by subordinates as the workers have to work on the pre-decided path.	Encourages the subordinates to come orward and take initiative as they are llowed the needed freedom for worki g.
Decision Making	The decision making is slowed down as the power lies only with the top management. The problem has to pass through different levels before an action is taken.	The decision making is quick as the a uthority lies near the actual action.

Q11 :
Draw a diagram depicting a divisional structure.

Answer :

Sometimes when an organisation has more than one product line, it groups its activities on the basis of the product line. Such grouping of activities on the basis of product line is known as divisional structure. Each division in the organisation specialise in their respective product lines. Further, each division has multiple functions under it such as production, sales, marketing, etc. That is, within each division there is a functional structure.

Suppose an organisation deals in four product lines namely, footwear, garments, jewellery and leather accessories. Based on these product lines, the organisation has four divisions that report to the managing director. Each division further has four departments namely, production, sales, marketing and advertising. The divisional structure for such an organisation is depicted by the following diagram.
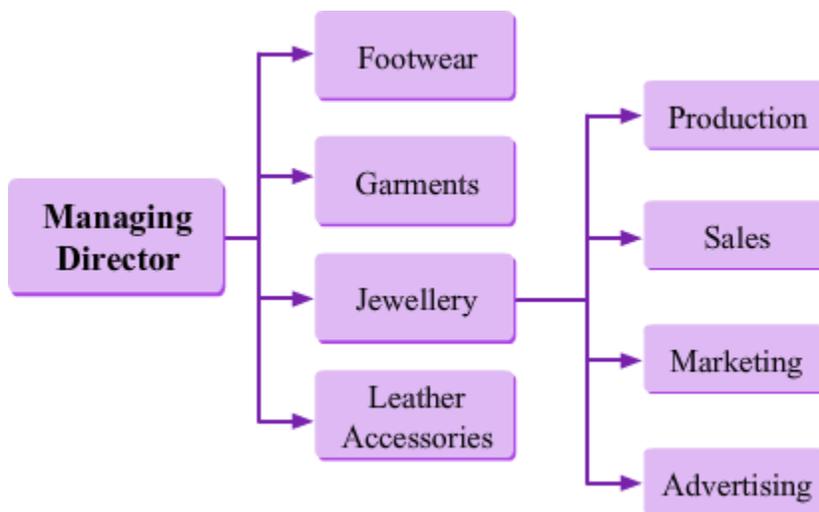
Q12 :
Can a large sized organisation be totally centralised or decentralised? Give your opinion.

Answer :

No, any organisation cannot work smoothly if it is either completely centralised or completely decentralised. Rather a balance is required between the two.

Centralisation refers to a situation where the decision making power is concentrated only in the hands of the top level management. Herein, only the top level managers are authorised to take the needed decisions. All the functions related to policy making, planning and controlling are

curtailed to the top level management. In contrast to this, decentralisation refers to a situation where the decision making power is delegated to the lower level managers. Herein, the power of taking actions and deciding the policies is distributed at different levels.

An organisation cannot function either with extreme centralisation or with extreme decentralisation. As an organisation grows in size, it cannot maintain complete centralization. Rather, a need arises to move towards decentralisation. For a smooth functioning, the individuals involved in the actual work must have certain degree of authority and responsibility. With decentralisation, the overall management of the work becomes more efficient. It allows for better control of the work at each level of hierarchy. Moreover, as the organisation grows in size, decentralisation would facilitate quick decision making. This is because in a decentralised system the decision making power is near the point of actual work. Thereby, the delay in work is avoided.

However, an organisation cannot also follow extreme decentralisation. If all the decision making power is delegated to the lower level managers, then it may harm the harmony of the organisation. It is possible that lower level managers at each department mould the rules and policies according to their own convenience and thereby, diverge from the organisational goals. Thus, certain degree of authority and control must be retained at the top level management so as to maintain integrity of the organisation.

Hence, we can say that a large sized organisation cannot be totally centralised or totally decentralised, rather it must maintain a balance between the two.

Q13 :
Decentralisation is extending delegation to the lowest level. Comment.

Answer :

Both decentralisation and delegation relate to downward delegation of authority and responsibility. Under delegation, the authority is shared by the superior to the immediate subordinate. On the other hand, under decentralisation this concept is extended and the authority is distributed at not just one but multiple levels. That is, while delegation involves just two persons, i.e. the superior and subordinate, decentralisation is a wider concept of the same (delegation) where the power gets transferred to numerous levels. For example, suppose the director of an organisation delegates the responsibility of completing a task, hiring the required workers and supervising them to a project head. The project head in turn shares his responsibility of hiring and supervising the workers with the project lead. The project lead further delegates the responsibility of supervising the workers to the team lead. Thus, delegation at each level from the director, to project head, project lead and further to the team lead results in decentralisation. Hence, it can be said that delegation at each level leads to decentralisation and decentralisation is extending delegation to the lowest level.

Q14 :
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 :

Rumours are a result of informal organisation. They can have adverse effect on the working environment. It may result in arguments or conflicts among the people of the organisation. For example, a rumour about the boss may pop up during a communication among a group of employees, which may affect the superior-subordinate relationship.

Q15 :
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 :

Sometimes an organisation has more than one product line. Under such a scenario the organisation groups the activities on the basis of the product line. Such a grouping of activities on the basis of product line is known as divisional organisation. Each division further has its own sub-departments such as production, finance, etc.

Q16 :
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 :

Functional Organisation involves grouping of the functions of similar nature. Each group forms a separate department that report to one head. For example, departments may be divided on the basis of functions such as production, human resources, etc. that report to the managing director of the organisation.

Long answers : Solutions of Questions on Page Number : **144**
Q1 :
How is functional structure different from a divisional structure?

Answer :

The following points highlight the difference between a functional structure and a divisional structure.

Basis of Difference	Functional structure	Divisional structure
Creation	These are created on the basis of functions.	These are created on the basis of product-lines along with the functions.
Costs	It is economical as duplication of work is minimised.	It is costly as there is higher rate of duplication of work and resources between various departments.
Decision Making	Decision making is centralised as the decisions are taken by the coordinating head for various departments.	Decision making is decentralised as each division of the product line have their own decision making authority.
Duplication of work	Due to functional specialisation overlapping of work is minimised.	Due to each product department having the same functions, overlapping of work is increased.
Suitability	More suitable for companies who focuses on 'operational specialisation'.	More suitable for multi-product companies focussing on 'differentiated products'.
Functional Hierarchy	Horizontal functional hierarchy is formed while the departments are devised on the basis of key operations.	Vertical functional hierarchy is formed while devising the departments on the basis of product-line categories.

| Management | Management is difficult as each work has to report to a coordinating head at the top level of management. | Management is easier as different line of department is formed for each product. |