

Chapter 5

Organising

Introduction

Once the objectives are set and the plans have been laid down, the next step is to organise the resources and activities in such a manner that plans can be successfully implemented and objectives are accomplished. It is a means for translating plans into action.

1. *Which management function translates the plans into action?

Ans: Organising

Meaning

2. *Give the meaning of organizing.

Ans: Organising is a process which coordinates human efforts, assembles resources and integrates both into a unified whole to be utilized for achieving specified objectives.

OR

Organising 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).

3. *Define organizing.

Ans: According to Theo Haimman, "Organising is the process of defining and grouping the activities of the enterprise and establishing authority relationships among them."

OR

According to Louis Allen, "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."

*Steps in the Process of Organising

Organising involves a series of steps that need to be taken in order to achieve the desired goal. Following are the steps in the process of organizing.

1. **Identification and division of work:** Identification and division of work is the first step in organizing process. In this step, first the total work of the organization is identified and then it is divided into a number of manageable activities or functions, such as financing, purchasing of materials, production, marketing, personnel etc.
2. **Departmentalisation:** Under this step, the activities of similar nature are grouped together. This grouping process is called departmentalization.

Departments can be created:

- (a) **On the basis of Functions:** E.g., Finance department for financial activities, purchase department for purchase activities, sales department for sales activities and so on.
 - (b) **On the basis of type of the product manufactured:** E.g., Cosmetics division, Textile division, Food products division.
 - (c) **On the basis of territory:** E.g., North, South, East, West etc.
3. **Assignment of duties:** Under this step, after defining the work of different job positions, duties (i.e., work) are assigned (i.e., allocated) to the members of each department in accordance with their specialization, skill, experience and ability.
4. **Establishing reporting relationship:** The last step in the process of organizing is the establishment of reporting relationship. Each individual should know from whom he has to take orders and to whom the report is to be made (i.e., to whom he is accountable).
4. **What are the steps in the process of organising? (OR) State the steps in organising process. (OR) State any two steps in organising process.**

Ans: Steps in organising process:

- (1) Identification and division of work.
- (2) Departmentalisation
- (3) Assignment of duties
- (4) Establishing reporting relationships.

Importance of Organising

5. ***What is organizing? Explain the importance of organising.**

Ans: Organising is a process which coordinates human efforts, assembles resources and integrates both into a unified whole to be utilized for achieving specified objectives.

OR

Organising 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 function helps in the survival and growth of an enterprise and equips it to meet various challenges. Proper performance of organising function enables a business enterprise to successfully meet its goals.

The following points highlight the importance of organising in any business enterprises.

- (1) **Benefits of specialization:** Organising leads to a systematic allocation of jobs among the workforce (employees). Right person is placed in the right job. It leads to specialization and increases the efficiency and productivity of employees.
- (2) **Clarity in working relationship:** Organising helps in establishing working relationships. It clearly defines the authority and responsibility of each individual in an organization. Every individual has clarity as to whom he can give orders and from whom he has to receive orders.
- (3) **Optimum utilization of resources:** Organising ensures proper allocation of jobs. It leads to optimum (i.e., efficient) use of material, financial and human resources. This also avoids duplication of work and helps in minimising the wastage of resources.

- (4) **Adaptation to change:** The process of organising allows a business enterprise to accommodate changes in the business environment. It allows the organization structure to be suitably modified.
- (5) **Effective administration:** Organising provides a clear description of jobs. This helps to avoid confusion and duplication. Clarity in the working relationships enables proper execution of work. Thus, management of an enterprise becomes easy and this brings effectiveness in administration.
- (6) **Development of personnel:** Organising stimulates creativity among managers. By providing well defined areas of work and ensuring delegation of authority, organising provides sufficient freedom to the managers and encourages their initiative and creativity. Thus, it helps the managers to grow and develop to their full potential.
- (7) **Expansion and growth:** Organising promotes growth and diversification of an enterprise. It enables the enterprise to take up new challenges. It allows a business enterprise to add more job positions, departments, new products and new geographical territories. This will help to increase customer base, sales and profit.

Thus, 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 team work.

Organisation Structure

Organisation structure is the frame work 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. Thus, an organization structure provides the frame work which enables the enterprise to function as an integrated unit by regulating and coordinating the responsibilities of individuals and departments. Organisation structure is essential to ensure a smooth flow of communication and better control over the operations of a business enterprise. It is also essential for an enterprise to function smoothly and face environmental changes. An effective organization structure will result in increased profitability and thus enables a business enterprise to accomplish desired goals. The span of management gives shape to the organizational structure.

6. What is organization structure?

Ans: Organisation structure is the framework within which managerial and operating tasks are performed

7. *What is span of management?

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

Types of Organisation Structure

The organizational structure can be classified into

(1) Functional structure and

(2) Divisional structure

8. *State any one type of organisation structure.

Ans: (1) Functional structure, and

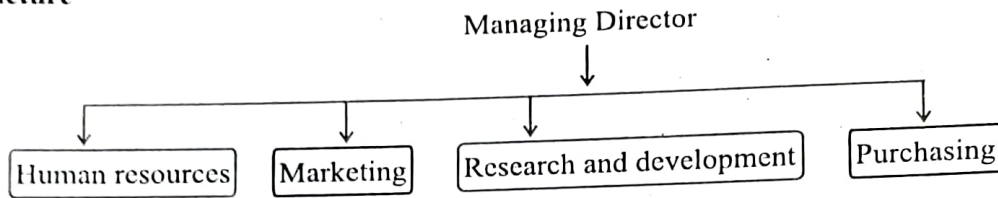
(2) Divisional structure

9. *What is a functional structure? State any three advantages and any three disadvantages of it.

Ans: Grouping of jobs of similar nature as major functions and organising these major functions as separate departments is called functional structure. For example, in a manufacturing concern, there may be purchase department, production department, marketing department and finance department.

Chart showing functional structure

Functional Structure



Advantages of functional structure:

- (1) A functional structure leads to occupational specialization. This promotes efficiency in utilization of manpower.
- (2) It **promotes control and coordination** within a department.
- (3) It helps in **increasing managerial and operational efficiency** which results in increased profit.
- (4) It **avoids duplication of efforts** and thus reduces cost.
- (5) It makes **training of employees easier**.
- (6) It ensures that different functions get due attention.

Disadvantages (or Limitations) of functional structure

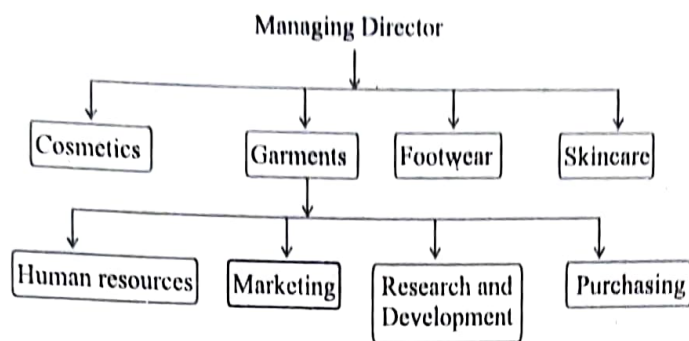
- (1) The functional structure **places less emphasis on overall enterprise objectives** because it gives greater emphasis on the objectives pursued by a functional head.
- (2) It may **lead to problems in coordination** as information has to be exchanged across functionally differentiated departments.
- (3) A **conflict of interests may arise** when the interests of two or more departments are not compatible. (i.e., not in harmony or not well suited) For example, the sales department insisting on a customer friendly design may cause difficulties in production. Such dissension (i.e., disagreement) can prove to be harmful in terms of fulfillment of organisational interest.
- (4) It may **lead to inflexibility**. Further, functional heads do not get training for top management positions.

10. *What is a divisional structure? State any three advantages and any three limitations (disadvantages) of it.

Ans: A Divisional structure is a structure which groups activities on the basis of products. A separate division is created for each major product in a business enterprise. For example, a large company may have division like cosmetics, garments, footwear etc. Within each division the functional structure is also adapted.

Each division is headed by a divisional manager who is responsible for the profit or loss of his division.

Organisation chart showing divisional and functional structure:



Advantages (Benefits) of Divisional Structure:

- (1) **Product specialization helps in the development of varied skills in a divisional head and this prepares him for higher positions.**
- (2) It makes divisional heads accountable for profits. It also helps in fixation of responsibility in cases of poor performance of the division and appropriate remedial action can be taken.
- (3) It facilitates expansion and growth. A new division can be added by merely adding another divisional head and staff for the new product line.
- (4) It promotes flexibility and initiative.

Disadvantages of Divisional Structure:

- 1) Conflict may arise among different divisions with reference to allocation of funds.
- (2) It may lead to increase in costs since there may be a duplication of activities (i.e., separate marketing, purchasing and other functional departments for each division) across products.
- (3) Divisional manager may ignore organizational interests.

11. *To which type of business enterprise a divisional structure is suitable?

Ans: Divisional structure is suitable for those business enterprises where a large variety of products are manufactured.

12. *Which type of organisation structure is suitable for enterprises having large variety of products? 1 Mark

Ans: Divisional structure

13. *State any two differences between functional structure and divisional structure.

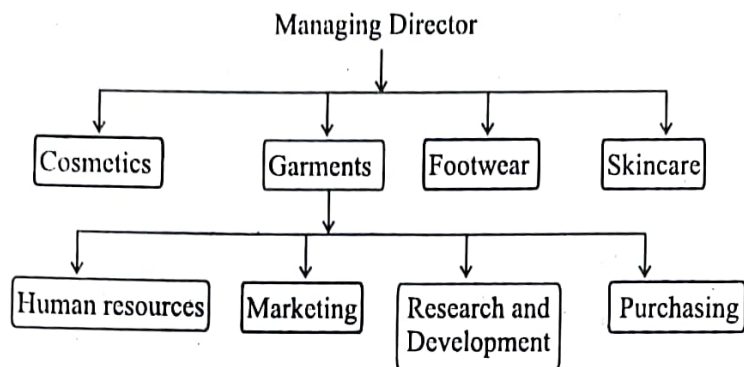
Ans: Differences between functional structure and divisional structure:

	Basis	Functional Structure	Divisional Structure
(1)	Formation	Formation is based on functions.	Formation is based on product lines.
(2)	Specialisation	Functional specialization	Product specialization
(3)	Responsibility	Difficult to fix responsibility on a department	Easy to fix responsibility for performance of a division
(4)	Cost	Economical	Costly (Due to duplication of functions)
(5)	Coordination	Difficult	Easy
(6)	Managerial development	Difficult	Easier

Practical Oriented Question

14. *Draw the organisation chart showing divisional and functional structure.

Ans: Organisation Chart Showing Divisional and Functional Structure.



Formal and Informal Organisation

Formal Organisation

15. *Give the meaning of formal organization.

Ans: 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 organizational goals.

(OR)

The formal organisation is a system of well defined jobs, each bearing a definite measure of authority, responsibility and accountability. (Louis Allen).

16. State any two features of formal organization.

Ans: Features of Formal Organisation:

- (1) It specifies the relationships among various job positions and the nature of their interrelationship. This clarifies who has to report to whom.
- (2) It is a means to achieve the objectives specified in the plans as it lays down the rules and procedures essential for their achievement.
- (3) Efforts of various departments are coordinated, interlinked and integrated through the formal organization.
- (4) It is deliberately designed by the top management to facilitate the smooth functioning of the organization.
- (5) It places more emphasis on work to be performed than inter personal relationships among the employees.
- (6) The structure in a formal organisation can be functional or divisional. (Write any two points)

17. State the advantages and disadvantages of formal organization.

Ans: Formal organisation enables smooth functioning of the enterprise by properly providing job description and rules and procedures related to work processes.

Advantages of formal organization:

- (1) It is easier to fix responsibility since mutual relationships are clearly defined.
- (2) 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.

- (3) Unity of command is maintained through an established chain of command.
- (4) It leads to effective accomplishment of goals by providing a framework for the operations to be performed.
- (5) It provides stability to the organization.

Disadvantages (or limitations) of formal organisation:

- (1) 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) Poor organisation practices may not provide adequate recognition to creative talent, since it does not allow any deviations from rigidly laid down policies.
- (3) It is difficult to understand all human relationships in an enterprise as it places more emphasis on structure and work. Hence, the formal organisation does not provide a complete picture of how an organisation works.

Informal Organisation

18. *Give the meaning of informal organization.

Ans: A 'network of social relationships among employees' that arise spontaneously due to interaction among people at work is called informal organization.

OR

According to Keith Davis, "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."

19. State any two features of informal organization.

Ans: **Features of informal organization:**

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

20. State any two advantages (or Benefits) of informal organization.

Ans: **Advantages (or Benefits) of informal organization:**

- (1) The informal organisation leads to faster spread of communication since prescribed lines of communication are not followed. It also enables to get quick feed back.
- (2) 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 organization.
- (3) It contributes towards fulfillment of organizational objectives by compensating for inadequacies in the formal organization. For example, employees reactions towards plans and policies can be tested through the informal network.

21. State any two disadvantages of informal organization.

Ans: Disadvantages of informal organization:

- (1) It acts as a disruptive force against the interest of the formal organization.
- (2) 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) It pressurizes members to conform to group expectations. This can be harmful to the organization if the norms set by the group are against organizational interests.

22. *Distinguish between formal and informal organization.

Ans: In most of the business houses both the formal and informal organizations are found. The management should skillfully take advantage of both the formal and informal organization.

Following are the differences between formal and informal organization:

	Basis	Formal Organisation	Informal Organisation
(1)	Meaning	It is structure of authority relationships created by the management.	It is network of social relationships arising out of interaction among employees.
(2)	Origin	It arises as a result of company rules and policies.	It arises as a result of social interaction.
(3)	Authority	It arises by virtue of position in management.	It arises out of personal qualities.
(4)	Behaviour	It is directed by rules.	There is no set behaviour pattern in it.
(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	It is Rigid.	It is Flexible.
(7)	Leadership	Managers are leaders in it.	Leaders may or may not be managers. They are chosen by the group.
(8)	Flow of authority	Authority flows from top to bottom	Authority flows vertically as well as horizontally.

Delegation

A manager cannot manage to do every task on his own. Therefore, to ensure that all work is accomplished, he must delegate authority.

23. *What is delegation?

Ans: Delegation refers to the downward transfer of authority from a superior to a subordinate. It is a prerequisite to the efficient functioning of an organization.

(OR)

Delegation is the entrustment of responsibility and authority to another and the creation of accountability for performance.

(OR)

According to Theo Hammann, "Delegation of authority merely means the granting of authority to subordinates to operate within prescribed limits."

(OR)

Delegation is the process of transferring the required authority by a superior to his subordinate to enable him to discharge the duty assigned to him.

24. *State any two elements of delegation.

Ans: Elements of delegation:

- (1) Authority
- (2) Responsibility
- (3) Accountability

25. State any one element of delegation.

Ans: Write any one point of (Q) 25 above.

26. *Give the meaning of authority. (or) What is Authority?

Ans: Authority refers to the right of an individual to command his subordinates and to take action within the scope of his position. (OR)

Authority is the right of a manager to tell people (sub-ordinates) as to what they should do and expect them to do it. (OR) According to Henri Fayol, "Authority is the right to give orders and obtain obedience".

27. *Give the meaning of 'Responsibility'. (OR) What is responsibility?

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

28. *What is accountability?

Ans: Accountability means being answerable for the final outcome (i.e., results).

Subordinate will be accountable to a superior for satisfactory performance of work. It indicates that the manager has to ensure the proper discharge of duties by his subordinates.

29. *Can accountability be delegated?

Ans: No. Accountability cannot be delegated.

30. *State any two differences between authority and responsibility.

Ans: Differences between authority and responsibility:

	Basis	Authority	Responsibility
(1)	Meaning	It is right to command.	It is obligation to perform an assigned task.
(2)	Delegation	Can be delegated.	Cannot be entirely delegated.
(3)	Origin	Arises from formal position.	Arises from delegated authority.
(4)	Flow	Flows downward from superior to subordinate.	Flows upward from subordinate to superior

31. State two differences between authority and accountability.

Ans: Differences between authority and accountability:

	Basis	Authority	Accountability
(1)	Meaning	It is right to command.	It is answerability for outcome of the assigned task.
(2)	Delegation	Can be delegated.	Cannot be delegated at all.
(3)	Origin	Arises from formal position.	Arises from responsibility.
(4)	Flow	Flows downward from superior to subordinate.	Flows upwards from subordinate to superior.

32. State two differences between responsibility and accountability.

Ans:

	Basis	Responsibility	Accountability
(1)	Meaning	It is obligation to perform an assigned task.	It is answerability for outcome of the assigned task.
(2)	Delegation	Cannot be entirely delegated.	Cannot be delegated at all.
(3)	Origin	Arises from delegated authority.	Arises from responsibility.

33. *What is delegation? Explain the importance of delegation.

Ans: Delegation refers to the downward transfer of authority from a superior to a subordinate. In other words, Delegation is the process of transferring the required authority by a superior to his subordinate to enable him to discharge the duty assigned to him. According to Theo Haimman, "Delegation of authority merely means the granting of authority to subordinates to operate within prescribed limits."

Importance of delegation:

Delegation, being the process of transferring authority from a superior to his subordinate, can lead to the following benefits:-

- (1) **Effective management:** Delegation of authority enables the manager to assign the routine work to his subordinates and thus relieves him from heavy load of work. This helps the manager to function more efficiently and to concentrate on more important functions.
- (2) **Employee development:** Delegation contributes to employee development (i.e. development of subordinates). Employees get more opportunities to utilize their talent. It makes them better leaders and decision makers. It motivates them to develop themselves for higher positions.
- (3) **Motivation of employees:** Delegation helps in developing the talents of the employees. It makes employees feel encouraged and tries to improve their performance further.
- (4) **Facilitates growth:** Delegation facilitates growth and expansion of an organization by providing trained and experienced personnel for taking up leading positions in new projects.
- (5) **Quick decision making:** The subordinates need not go to the superiors on routine matters. They are given authority to take decisions. This increases the speed of decision making.
- (6) **Basis of management hierarchy:** Delegation of authority determines who has to report to whom. It establishes superior subordinate relationship, which is the base for hierarchy of managers.
- (7) **Better co-ordination:** By clearly defining powers, duties & answerability related to various departments, delegation helps in achieving co-ordination among various departments and functioning of management.

Decentralisation

34. *What is Decentralisation?

Ans: Decentralisation refers to delegation of authority throughout all the levels of an organization.

OR

Decentralisation of authority means dispersal of decision making authority among more persons in the lower levels of management.

35. *What is centralisation?

Ans: The concentration of decision making authority with the top management is called centralization.

36. *When can one say that an organisation is centralized?

Ans: One can say that an organisation is centralized when decision making authority is retained by higher management levels.

37. *Distinguish between centralization and decentralization.

Ans:

	Centralisation		Decentralisation
(1)	The decision making authority is retained by higher management levels.	(1)	The decision making authority is delegated to lower levels of management.
(2)	There is no delegation of authority	(2)	There is delegation of authority.
(3)	Generally found in small organisations.	(3)	Found in case of large organisations.

38. *What is decentralisation? Explain its importance.

Ans: Decentralisation refers to delegation of authority throughout all the levels of an organization.

OR

Decentralisation of authority means dispersal of decision making authority among more persons in the lower levels of management.

Importance of Decentralisation:

Decentralisation is a philosophy that propagates the belief that people are competent, capable and resourceful. Following points will highlight the importance of decentralization:-

- (1) **Develops initiative among subordinates:** Decentralisation encourages subordinates to develop initiative to take their own decisions and to develop solutions for the various problems they encounter. It helps to promote self-reliance and confidence amongst the subordinates. It also helps to identify those executives who have the necessary potential to become dynamic leaders.
- (2) **Develops managerial talent for the future:** Decentralisation gives the subordinates a chance to prove their abilities. In turn, it helps to develop a qualified team of subordinates who can be considered to fill up more challenging managerial positions through promotions.
- (3) **Quick decision making:** By giving authority for decision making to the lower levels, decentralization facilitates quick decisions. Thus, it enables an enterprise to adopt to dynamic operating conditions.

- (4) **Relief to top management:** Decentralisation relieves the top executives from routine works (such as direct supervision over the activities of a subordinate) and enables them to concentrate on more important functions such as corporate planning, control and coordination.
- (5) **Facilitates growth:** Decentralisation provides greater freedom to the lower levels of management as well as divisional or departmental managers. To prove their abilities, everyone of these managers tries to do better than the other. This results in higher productivity and growth of an organization.
- (6) **Better control:** Decentralisation makes it possible to evaluate performance at each level and the departments can be individually held accountable for their results. As a result of decentralization, better control systems like management information systems are being evolved.

39. *State any two differences between delegation and decentralization.

Ans: Difference between delegation and decentralization:

	Basis	Delegation	Decentralisation
(1)	Nature	It is a compulsory act because no individual can perform all tasks on his own.	It is an optional policy decision. It is done at the discretion of the top management.
(2)	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.
(3)	Purpose	To lessen the burden of the manager.	To increase the role of the subordinates in the organisation by giving them more autonomy.
(4)	Freedom of action	Less freedom to take own decisions	Greater freedom of action.