



## LEARNING OBJECTIVES

- Organising: Meaning, Process and Importance
- Organisational Structure
- Types of Organisational Structures
- Formal and Informal Organisation: Meaning, Features, Advantages, Limitations
- Delegation of Authority: Meaning, Features and Elements
- Decentralisation of Authority: Concept, Need and Importance

## INTRODUCTION

Soon after planning function is completed and objectives are set, the role of organising becomes most active. It is the function which simplifies the plan as well as breaks it into achievable goals set by an organisation which guides and enables people to work together for a common purpose.

To make the planning fruitful, it is essential to make an estimate of the resources required to accomplish the objectives of the organisation. These resources are in the form of human and physical resources. Organising ensures the optimum utilisation of such resources. For this purpose, every organisation needs to create a hierarchy of job positions from top level to bottom level known as “Organisational Structure” which is in the form of “Functional Structure” for those organisations which produce single product and “Divisional Structure” for those organisations which deal in more than one product.

The purpose of creation of such structure is to divide the goals into divisions, objectives into departments, sub-departments and groups of people. This way, we would be able to synchronise all the activities in a systematic, rational and organised way based on logical reasoning to achieve the essence of the management known as “Coordination”.

## ORGANISING

### MEANING OF ORGANISING

*“Organising refers to the creation of organisational structure to form hierarchy of job positions, bringing together human, physical resources and establishing productive superior—subordinate relations among them for the achievement of specific goals.”*

This function leads to the creation of an organisational structure which includes the designing of roles to be filled with suitable skilled people and defining the inter-relationship between these roles so that lack of clarity in the performance of duties can be eliminated. It creates productive cooperation among the staff personnel, responsibility for results and logical grouping of activities.

### DEFINITIONS OF ORGANISING

*“Organising is the process of identifying and grouping the work to be performed; defining and delegating responsibility and authority; and establishing relationships for the purpose of enabling people to work most effectively together in accomplishing objectives.”*

...Louis A. Allen

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

...Theo Haimann

*“Organising is a complex of relationship among human and physical resources and work, cemented together into a network of system.”*

...Hodge and Johnson

*“Organising is meant by an arrangement by which the work is distributed among the persons appointed for achieving the targets and objectives determined.”*

...C.H. Northcott

### PROCESS OF ORGANISING

The organising function of management is performed very systematically and follows certain steps. By following the process of organising, managers ensure cooperation and coordination among the workforce and the activities performed by them.

**1. Identification and Division of Work.** The total work to be done is divided into various activities which are further sub-divided into jobs and sub-jobs. By doing so, it becomes easy to assign work to individuals with necessary skill and knowledge to perform it efficiently. It also leads to specialisation as each employee does a part of the job repeatedly.

**2. Departmentation.** All the activities closely related with each other or of similar nature are grouped together in a larger unit called department and this process is called departmentation. By doing so, managers ensure coordination, unity of efforts and avoid confusion. Different departments are made for the different functions:

**Example:**

- (a) **Sales Department** is meant for all sales activities.
- (b) **Purchase Department** is meant for all activities related to the purchase of raw material.
- (c) **Production Department** is meant for the production of goods in which an organisation deals.
- (d) **Finance Department** is meant for all financial activities.

(e) **Marketing Department** is meant for the marketing of existing and future products.

(f) **Human Resource Department** is meant for the recruitment, training and development of the employees.

**3. Assignment of Duties.** It is necessary to allocate work to various employees. Once departments have been formed, each of them is placed under the charge of an individual known as Departmental Head/Manager. Jobs are then allocated to the members of each department in accordance to their skills and competencies.

**4. Establishing Reporting (Authority-Responsibility) Relationship.** Once departments have been created, all managers are given power to take decisions and issue orders to the people below them. A hierarchy of various job positions is created which clearly establishes superior-subordinate relationship. Different degree of authority is granted to people at different levels. As a result, the superiors clearly know the people over whom they can exercise authority and the subordinates know to whom they have to report. Such relationship helps in maintaining free flow of communication at both levels.

### IMPORTANCE OF ORGANISING

The process of organising creates the organisation structure. It looks like a pyramid with narrow top and broad bottom. It shows the formal structure of the organisation and refers to the system of job positions, the roles assigned to the such job positions and the authority responsibility relationship among virtuous job positions. The importance of organising may be revealed from the following points:

**1. Benefits of Specialisation.** When jobs are broken into smaller tasks and each person repeatedly performs the same task, it reduces the workload of the managers, leads to speedy and efficient performance and thus achieves specialisation.

**2. Clarity in Working Relationships.** The job of each person in the organisation is clearly defined. Each person is informed about the job position he has to occupy, work to be performed, superior above to him and subordinate next to him. The role of managers and non-managers are differentiated. When specific jobs are assigned to people or groups, there is no confusion in the minds of the workers.

**3. Optimum Utilisation of Resources.** Through organisational structure, every employee in the organisation gets clarity from whom he has to receive orders and instructions and to whom he can further delegate the work to, i.e., his next subordinate, which leads to the proper usage of all human, material and financial resources, avoids overlapping of work due to role clarity, makes the best possible use of resources, prevents confusion and minimises the wastage of efforts.

**4. Adaptation to Change.** A properly organised structure is flexible. It adapts itself to the changes in work due to changes in external environment. These changes may be related to technology, markets /products. If the jobs are well defined, the working

of the organisation is not affected by people leaving, being promoted or transferred. The organisation system enables the work to be done even if old workers leave and new ones are inducted.

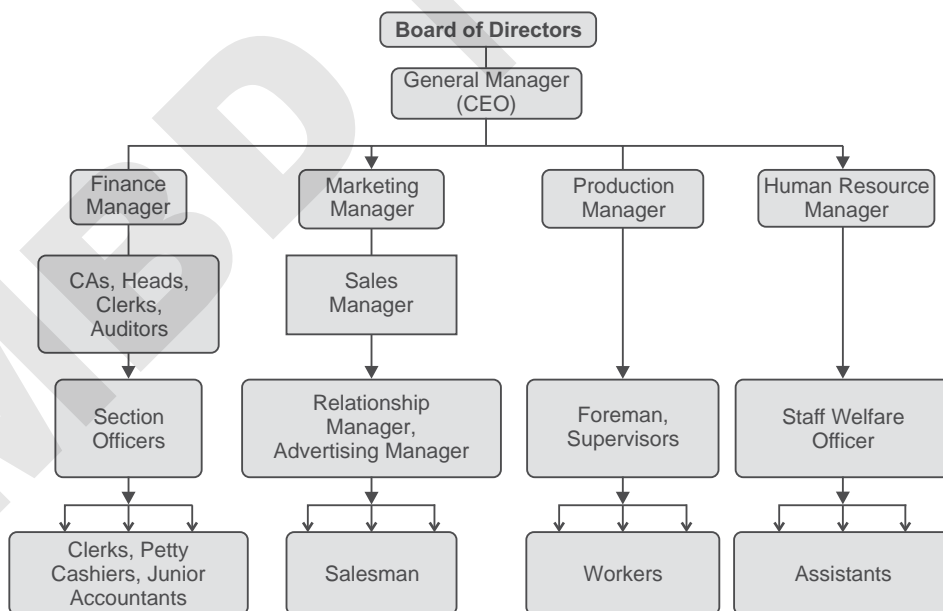
**5. Effective Administration (Control).** Due to the presence of organisation structure, every individual knows what work has been assigned to him, by when he has to complete the work, to whom he has to report and consequences for the non-performance or lack in the work. This helps to avoid confusion and duplication of work. This way, no individual can escape from his responsibility to complete the work and becomes accountable for the work assigned.

Management of an enterprise thereby becomes easy and this brings effectiveness (timely completion of work) in administration.

**6. Development of Personnel (Staff).** Organising stimulates creativity amongst the managers. Effective delegation allows the managers to reduce their workload by assigning routine jobs to their subordinates. The reduction in workload allows the manager to develop new methods and ways of performing tasks. It gives them the time to explore areas for growth and the opportunity to innovate new ideas.

**7. Expansion and Growth.** With optimum utilisation of resources, proper division of work and departmentation, companies can easily meet the challenges and can expand their activities in a planned manner. Thus, organising is a process by which a manager brings order instead of chaos, removes conflicts among the people over work or responsibility and creates an environment suitable for teamwork.

## ORGANISATIONAL STRUCTURE



*Organisational structure may be defined as a “system of a job positions, the roles assigned to them and the authority-responsibility relationships among various positions.”* A proper organisation structure is essential to ensure a smooth flow of communication and better control over the operations of a business enterprise.

*It shows the hierarchy of job positions from the top level to the level of workers. It is a structure within which managerial as well as operative activities are performed. It specifies the relationships as superior and subordinate among all the employees. It makes cooperation meaningful and coordination effective. It helps in achieving optimum utilisation of all available resources.*

In the absence of such structure, even a small organisation cannot run for a longer period of time and will collapse. It is absolutely necessary to have a dynamic organisational structure especially when an organisation grows and there is a stiff competition. Therefore, it becomes necessary to make certain changes in the organisational structure due to the requirements and changes in the business environment.

### REQUISITES FOR AN OPTIMUM ORGANISATIONAL STRUCTURE

Since the organisational structure decides the success or failure of a business to a large extent, certain points have to be considered while designing it:

**1. Job Design.** The work which the managers wish to get done has to be specified very clearly. It should not leave any confusion in the minds of the workers regarding what is to be done and also which related activities will the workers be required to perform while doing a particular work.

**2. Departmentation.** In order to bring in coordination, after defining the jobs, activities of similar nature have to be grouped together under one department and one manager like sales department.

**3. Span of Control.** Span of control means how many jobs and workers can a manager handle effectively. This varies from manager to manager and from organisation to organisation. Span of control also classifies the chains of command and communication for each manager and his subordinates.

**4. Delegation of Authority.** After deciding the span of control, the level and amount of authority to be given to each manager is decided and delegated. The authority that the manager receives is further delegated to his subordinates to get the job done.

**Note:** *Organisational structure refers to the superior-subordinate relationship throughout the organisation whereas span of control refers to superior-subordinate relationship between two levels.*

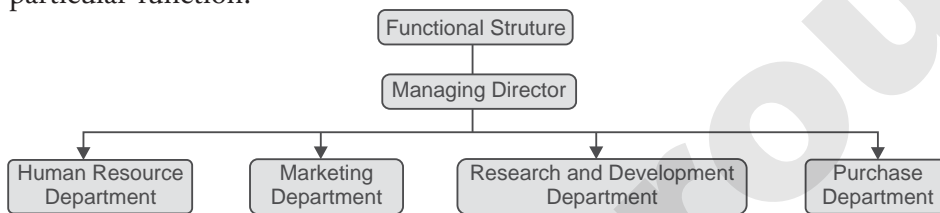
### TYPES OF ORGANISATIONAL STRUCTURES

The type of organisational structure depends upon the nature of organisation and types of the products being manufactured. Such structure can be broadly classified into two categories:

## FUNCTIONAL STRUCTURE

“The structure which is based on grouping the whole organisation on the basis of major and basic functions is known as Functional Structure, i.e., Production, Selling, Marketing, Finance, Personnel (Human Resource), etc. Such structure is adopted by an organisation which specialises in production and sale of a single product but on a large scale.”

If necessary, each major function may be further divided into sections and sub-sections i.e., Production Department may be divided into Stores Department, Assembly Department, Quality Control Department, Repairs and Maintenance Department, etc. Each functional department is under one coordinating head known as Departmental Head or Departmental Manager, who has the required knowledge and experience for that particular function.



**Suitability.** Such structure is adopted by an organisation which specialises in production and sale of a single line of product but on a large scale, has diversified activities and operations and requires high degree of specialisation.

### Advantages of Functional Structure

1. **Efficient Management.** Since only one kind of function is performed under one head in one department, it can be run very efficiently.

2. **Supervision.** An individual manager becomes familiar with all the related tasks and activities in his department; as a result, it is easy for him to supervise the staff more closely.

3. **Coordination with a Department.** Within one department, when all the efforts and activities of an organisation are directed towards the objectives of the same department, achievement of coordination becomes easy.

4. **Reduced Wastage.** Since all activities and functions of similar nature are performed under one department only, there are no chances of duplication of work. This way, wastage of time, effort and money is reduced.

### Disadvantages of Functional Structure

1. **Avoidance of Organisational Goals.** Each departmental head gives weightage to the objectives of his department. Thus, organisational goals are ignored.

2. **Coordination Among Departments.** The problem of maintaining coordination arises among departments as the performance of one department affects the functioning of another.

**Example:** Sales department may instruct to manufacture innovative products but production department may have problems of resources.

**3. Conflicts of Interest.** Many a times, it becomes difficult to hold any departmental manager responsible for the problems and the issues that may arise.

**Example.** If the sales are declining, it is difficult to hold any head such as sales manager, production manager, marketing manager or quality control manager responsible.

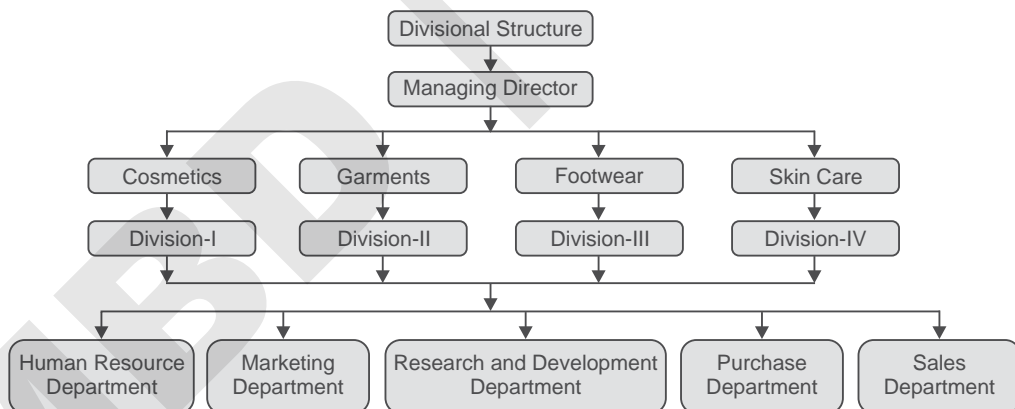
**4. Functional Empires.** Departmental heads may place more emphasis on objectives of their own departments. Such practices may lead to functional empires and can hinder the interaction between two or more departments at the cost of organisational interests.

## DIVISIONAL STRUCTURE

*It refers to an organisational structure in which, the whole organisation is divided into various divisions on the basis of number of products being manufactured by it. For each kind of product, there is a separate division headed by the divisional manager, and then further, each division occupies functional structure though functions may vary from one product line to another.*

There is no relation of one division to another division; one division does not affect the working of other. Each division is multifunctional. Manpower is grouped on the basis of different products manufactured. Therefore, such structure is adopted by an organisation which deals in multiple products.

**Example.** Bajaj Auto Ltd., an automobiles company, deals in three kinds of divisions namely; scooters, motorcycles and three wheelers. Each division has its own customers and does not affect one another.



**Suitability.** Such structure is suitable for those enterprises which deal in more than one product.

### Advantages of Divisional Structure

**1. Effective Coordination.** There is no problem of coordination between various divisions since each division runs independently. This leads to better functioning of the organisation.

2. **Faster Decision Making.** Since all activities relating to one product are handled by one divisional head, decision-making is faster in each division.

3. **Accountability.** As individual divisional head deals in his own product line therefore, it is easy to hold such heads accountable for the non-achievement of their own goals.

4. **Training.** By working in such a system, personnel, i.e., staff members, get good knowledge about all aspects of a product. This provides an excellent training ground for managerial positions.

### Disadvantages of Divisional Structure

1. **Duplication of Efforts.** There is a duplication of physical resources. Each division maintains its own facilities, so similar activities are carried out in all the departments.

2. **Costly.** When each division has to maintain its own infrastructure, the operating costs usually run high.

3. **Underutilisation of Capacities.** The plant capacity may not be utilised completely because for each division, individual plant and machinery are installed and if the demand for a product is less, its plant may not run to its full capacity.

4. **Managerial Attention.** Managers in each division may focus only on their product and not on the organisation as a whole because the structure is designed in such a way that one division has almost no coordination with the other.

### DIFFERENCE BETWEEN FUNCTIONAL STRUCTURE AND DIVISIONAL STRUCTURE

Basis	Functional Structure	Divisional Structure
1. Formation	It is based on the basis of departmental functions.	It is based on the number of products and further supported by functional structure.
2. Specialisation	Specialises in different functions like, Production, Purchase, Sales, Marketing, Finance, etc.	Specialises in the different products.
3. Responsibility	Difficult to fix the responsibility of different departments in case of inefficient results.	It is easy to fix the responsibility of a product division for not coming up to expectations.
4. Managerial Development	Managerial development is limited to a specific function.	Managerial development is extended to the whole division.
5. Cost	Less, as each department performs its functions in co-ordination with other departments and thus repetitions of work are avoided.	More, as each division performs its functions for its targets and common resources are utilised without having regard for other divisions and hence repetition of work increases.



## FORMAL AND INFORMAL ORGANISATION

### FORMAL ORGANISATION (FUNCTIONAL AND DIVISIONAL)

#### Meaning of Formal Organisation

*“Formal Organisation refers to the structure of job positions (deliberately/willfully created by the management) each having a definite authority and responsibility to achieve organisation goals.”*

Formal organisation is the structure to which every employee has to adjust. It lays down the rules, pattern of behaviour and channels of communications to be followed by all. Any deviation from the set pattern can result in punishment. Personal touch/feelings have no place in such type of organisation. Managers are chosen as the leaders for each group of workers. Formal organisation is created by top level management and shows all job positions in a hierarchy so that authority-responsibility relations can be defined.

#### Features of Formal Organisation

**1. Superior-Subordinate Relationships.** It specifies the relationships among various job positions. It lets every individual know his superior above him and subordinates under him.

**2. Achieves Objectives.** It is the basis for the achievement of objectives of the organisation because it paves the way to reach objectives, improves communication and avoids all types of confusions.

**3. Achieves Coordination.** When the whole organisation is linked with the help of formal structure in the form of hierarchy, every department, group and individual knows what work they have to perform, from whom they have to receive orders and instructions, from whom they have to get the work done, to whom they are accountable and who are accountable to them. In this way everything is clear in the organisation, and there is no scope for the confusion and perfect coordination can be seen.

**4. Deliberate Creation.** It is deliberately created by the management because unless or until formal structure is created, no relations can be built among all the members in the organisation.

**5. Impersonal relationship.** It creates formal relations among all members in the organisation. It confines all individuals within certain limits, provides limited freedom and restricts interpersonal relations.

#### Advantages of Formal Organisation

**1. Fixation of Responsibility.** It is easy to fix responsibility of all individuals for the non-achievement of the work assigned to them as all are aware of the work they have to perform.

**2. Clears Job Positions.** There is no confusion in the mind of any individual regarding job position, authority and responsibilities attached to their jobs because formal structure clears all doubts in the mind of each individual. This also helps in avoiding duplication of work.

**3. Unity of Command.** Functional organisation creates superior – subordinates relationships among all employees throughout the organisation and thus everyone receives orders and instructions and is accountable to one superior only.

**4. Effective Accomplishment of Goals.** It leads to effective accomplishment of goals as each employee at any level knows about his authority, responsibility, level of accountability and jobs to be performed.

**5. Stability.** Formal organisation recognises only the job positions. It does not adapt itself on the basis of nature of employees but employees have to adapt accordingly. Members may come and go but organisational structure does not change.

### Limitations of Formal Organisation

**1. Delays in Decision Making.** Routine decisions may be taken instantly but whenever a major decision has to be taken by any superior, he has to go according to the path prescribed under formal organisational structure and as per Scalar Chain. Thus, it may delay the decisions and opportunity may be lost.

**2. Kills Creativity.** Formal structure is rigid in nature and everyone has to follow the paths prescribed in it and deviation is not permissible under normal circumstances. In case any employee finds a better way of doing the work, he cannot apply the same unless it is approved by the superior.

**3. Avoidance of Personal Problems of Personnel.** It is possible that rules and regulations created under the formal structure, jobs assigned to different individuals according to their capability and authority given on the basis of their experience and knowledge may not suit to them and it is not possible for any organisation to go as per the convenience of the employees.

## INFORMAL ORGANISATION

### Meaning of Informal Organisation

*“The network of social groups based on friendship, which emerges on its own in a natural manner within the formal organisation is called informal organisation.”*

### IMPORTANCE OF INFORMAL ORGANISATION

To the Organisation	To the Employees
1. Leaders of informal groups can be taken into confidence for introducing new schemes.	1. Feeling of belongingness gives a warm and secure feeling.
2. Feeling of cooperation can improve the speed of work. Also, the work of sick employees can be taken by his friend.	2. It gives them relief from the monotony of the job.
3. Conflicts and hassles are reduced and a friendly work environment can be created.	3. It provides scope for development of skill like leadership.

<p>4. Managers can convey some relevant information unofficially.</p> <p>5. Gives the required break to workers, recharges them for the work ahead and improves their efficiency.</p>	<p>4. Keeps a check on management and stops it from becoming too strict.</p> <p>5. Can get useful information which is not available in a formal organisation.</p>
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These social groups cut across the formal structure, e.g., formally, X may be superior to Y but in an informal organisation, both may be very good friends. Such groups give psychological satisfaction to the workers. Their feelings of belongingness and friendship are satisfied and they feel more secure. Such system is under free communication and behaviour.

### Features of Informal Organisation

**1. Origination.** It originates within a formal organisation as a result of personal interaction among employees.

**2. Behaviour.** Behaviour of the individuals in the informal organisation depends upon the mutual understanding among themselves. There are no formal standards of behaviour.

**3. Channels of Communication.** There cannot be any channel of communication. It can flow from anywhere to anyone even between one belonging to top level and other to bottom level.

**4. Structure.** It has no structure because it originates automatically and spontaneously due to the presence of formal organisation.

### Advantages of Informal Organisation

**1. Faster Communication and Quick Feedback.** As it can flow without any level of communication, no individual is bound to follow the set standards. Therefore, communication runs faster and ensures quick feedback.

**2. Fulfills Social Needs.** The needs that cannot be fulfilled under formal organisational structure, the same can be possible under informal organisation. Employees can come into contact, maintain personal relations, share their work and emotions and thus it supports and makes strong formal organisational structure.

**3. Removes Difficulties of Formal Organisation.** The employees can help each other due to their friendly relations, share their personal experiences with their bosses relating to work for which some may feel hesitant to share under superior–subordinate relationships.

### Limitations of Informal Organisation

**1. Spreads Rumours.** Presence of informal organisation is beneficial for the organisation to a limited extent. Regular check and watch is necessary otherwise notorious elements may disturb the functioning of the organisation by spreading rumours.

**2. Resistance to Change.** Presence of strong informal organisation may oppose to the changes which are not beneficial or convenient to them and thus such resistance may hamper the growth of the organisation.

**3. Favours Individual's Interest.** The presence of informal organisation proves to be harmful to the organisation, if the norms set by the informal organisation go in the interest of the members of the group and against the policies of the organisation.

### DIFFERENCE BETWEEN FORMAL AND INFORMAL ORGANISATION

_Basis	Formal Organisation	Informal Organisation
1. Formation	Deliberately planned and created by management.	Emerges naturally as result of social interactions.
2. Purpose	To achieve organisation goals.	To satisfy social and cultural needs. Standard of behaviour according to mutual consent to members.
3. Behaviour of Members	Prescribed standard of behaviour which is enforced strictly.	No definite structure and existence of network of personal relationships.
4. Structure	Well-defined, pyramid shaped structure and network of superior-subordinate relations.	
5. Communication	Official channels to be followed (i.e. scalar chain).	Channels based on the convenience of members.
6. Stability	Stable and predictable.	Neither stable nor predictable.
7. Rules	Violation of rules results in some kind of punishment.	No punishment, only social disapproval or boycott.
8. Leadership	Managers, being superiors become the leaders to the subordinates.	Leaders are chosen by members among themselves.
9. Interdependence	It has its own identity.	Cannot exist without formal organisation.
10. Presentation	Shown on organisational chart.	Cannot be shown anywhere.

### DELEGATION OF AUTHORITY

No manager can effectively handle all the jobs at his own. There are a few basic jobs which he must perform. Rest of the jobs can be transferred to the subordinates along with some authority. Such transfer of a part of work by a superior to his subordinate(s) is known as delegation of authority. So, delegation of authority is based on the principle of Division of Work.

#### Meaning of Delegation of Authority

*“Delegation means transfer of authority of taking decisions (without consulting the superior) by a superior to the subordinate to do a particular task and creation of accountability of the person accepting the delegated work is known as delegation of authority.”*

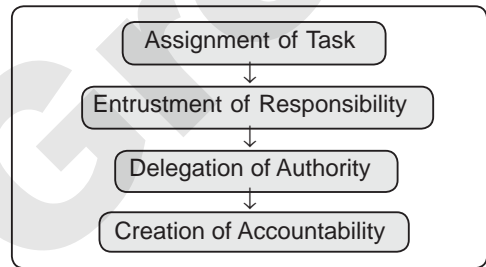
## Features of Delegation of Authority

1. Enables a manager to use his time on priority activities.
2. Satisfies the subordinates need for recognition and provides them with opportunities to develop and exercise initiative.
3. Helps a manager to extend his area of operations otherwise he will have to restrict on one work which may kill his talent.
4. Superior always remains accountable for the lack in the performance of work delegated to subordinates.
5. Authority delegated by a superior can be taken back anytime from the subordinate.
6. Delegation of Authority is based on the Henry Fayol's principle of "Division of Work".

## ELEMENTS OF DELEGATION OF AUTHORITY

According to Louis Allen: "Delegation is the entrustment of responsibility and authority to another and the creation of accountability for performance".

Analysis of the above definition brings three main elements of delegation apart from the assignment of task by a superior to his subordinate, i.e., responsibility, authority and accountability.



Process of Delegation

## (A) Meaning of Responsibility

It is the job given by a superior to his/her subordinate and all the mental and physical efforts involved in performing that particular job.

*It is the obligation to perform the work assigned as desired by a superior from his subordinate within the set of standards and prescribed time limit.*

## Features of Responsibility

1. It is based on the authority as when the responsibility to perform a given task is assigned, it is absolutely necessary to delegate authority to take decisions and use the resources.
2. Without commensurate or proportionate authority it may be very difficult and even impossible to carry out the work entrusted.
3. It is based on Fayol's Principle of "Parity between Authority and Responsibility".
4. Higher authority than responsibility may lead to misuse of authority by a subordinate.

5. Lower authority than responsibility may make him frustrated and renders the work ineffective.
6. It flows downward like authority in the hierarchy of job positions in the organisational structure.
7. It cannot be completely entrusted to a subordinate as a superior is ultimately responsible for the work delegated.

### **(B) Meaning of Authority**

*It is the power to take independent decisions, to hire or fire the people, use financial resources, right to decide, act or not to act, etc.'*

It is the right of an individual to command his subordinates. It arises by the virtue of an individual's position and is highest at the top-level of management and reduces successively as we go down to the operative level.

### **Features of Authority**

1. Authority determines the superior-subordinates relationships.
2. The person making the delegation remains accountable to his superior for his work as well as the work of his subordinates.
3. It is restricted by laws as well as the rules and regulations of the organisation.
4. It is the right to take the decision.
5. It is decided on the basis of work assigned.
6. It reduces the workload of the managers operating at the different levels in the organisation.
7. The managers are able to concentrate on the important, critical and intellectual issues.
8. It flows downward in the hierarchy of job positions in the organisational structure.

### **(C) Meaning of Accountability**

*It refers to the answerability on the performance of work assigned, authority delegated, responsibility entrusted.'*

### **Features of Accountability**

1. Subordinate is always accountable to his superior for the satisfactory performance.
2. Accountability ensures that work is properly discharged as prescribed.
3. It is enforced by a superior to his subordinate by taking regular feedback on the performance of the work assigned.
4. It cannot be delegated.
5. It is imposed by superior to his subordinates.
6. It always moves upward.

## DIFFERENCE BETWEEN AUTHORITY, RESPONSIBILITY AND ACCOUNTABILITY

_Basis	Authority	Responsibility	Accountability
<b>Meaning</b>	It is the right of a superior to command his subordinates.	It is the obligation to perform the work assigned as desired by a superior from his subordinate.	It gives an account of how the work has been done or why it has not been done.
<b>Concept</b>	It is the delegation.	It is the entrustment.	It is the creation.
<b>Direction</b>	It is downward from superior to subordinate.	It is always downward from superior to subordinate.	It is always upward from subordinate to superior.
<b>Delegation</b>	It cannot be entirely delegated.	It can be delegated.	It cannot be delegated at all.
<b>Outcome</b>	Authority is delegated. Authority is derived from assignment of task.	Responsibility is assumed. It is derived from authority.	Accountability is imposed. It is derived from responsibility.

### IMPORTANCE OF DELEGATION OF AUTHORITY

**1. Effective Management.** After the delegation of authority, managers get some free time to concentrate on other important matters. This way, they are able to pay more attention on the crucial issues, take balanced quick decisions and derive job satisfaction; work to the best of their abilities and earn higher rewards.

**2. Employees' Development.** The subordinates who are given a part of manager's responsibility along with his authority, get independence to do work to some extent, feel motivated, derive job satisfaction and work to the best of their abilities and earn higher rewards. It allows hidden talents to be harnessed, enables employees to assume or to discharge challenging jobs and improve their career prospects.

**3. Motivation of Employees.** The subordinates, who work on behalf of their managers, take decisions and tackle situations or problems just as managers do. They feel motivated and also learn to motivate their own subordinates for better performance. Such subordinates can be given managerial responsibility easily in future.

**4. Facilitation of Growth.** An organisation where delegation of authority takes place has very efficiently motivated and satisfied workforce. This leads to higher production and beats the rivals. Such an organisation can expand and diversify its activities successfully.

**5. Basis of Management Hierarchy.** In the absence of delegation of authority, the authority may remain at top level and may be wasted. But delegation of authority gives meaningful flow to the authority, it is only after delegation of authority, that superior-subordinate relations are established. It decides the degree and flow of authority which determines who has to report to whom.

**6. Better Coordination.** The elements of delegation clearly define:

Authority	→	Power
Responsibility	→	Work to be performed
Accountability	→	Answerability on the performance of work.

It clearly states a superior–subordinate relationship which means every employee knows who is his superior and to whom he is superior to. In this way no single work can be duplicated and hence coordination is achieved.

### PRE-REQUISITES OF DELEGATION OF AUTHORITY

Following are the certain conditions that must be kept in mind while delegating the authority:

1. Only the holder of authority can transfer it further.
2. Entire authority can never be delegated.
3. Before transfer of responsibility, proportionate authority must be given to the subordinate.
4. Subordinate must be answerable to the superior for lack of performance in the task.
5. The superior will still remain accountable for the performance of his subordinate to his own superior.

### DECENTRALISATION OF AUTHORITY

#### MEANING OF DECENTRALISATION

*‘An organisation is said to be decentralised if the top management retains authority to take major decisions and declare policies on matters relating to the entire organisation for the coordination and control of the organisation to the lowest level. It also gives authority to the managers at middle and lower levels to take independent decisions.’*

#### NEED FOR DECENTRALISATION OF AUTHORITY

**Centralisation or Decentralisation is a policy of an organisation** to decide what level an authority to take decision is to be passed. When an organisation retains authority to take all decisions while delegating the work by top level to middle level, middle level to lower level and then last lower level to operative level, such policy of retaining authority is **known as Centralisation of Authority**. It can happen where the work is too much standardised in nature and where there is no need to take any initiative by any superior or subordinates but to follow standard instructions. **In real life, it is not possible to maintain complete centralisation** as the employees will continue to disturb their immediate superiors whenever they face any problem.

As the size of the organisation grows, it becomes difficult for the top management to handle all kinds of jobs. The top management has to give authority to the middle level and lower level to take decisions in their respective areas, because in the large organisations, the employees who are directly and closely involved with certain operations tend to have more knowledge than the top management, products are diverse in nature, situations have their own complexity, standard norms cannot be followed always and flexibility to take routine decisions has to be provided for. So, in the big organisations, top management retains the authority to take decisions on overall policy matters of the organisation only. Thus, **decentralisation means dispersal of authority to the lowest level of management.**



Through decentralisation, the top management passes the authority to take decisions to all levels depending upon the competency of superiors and superiors further pass on decision making authority to their immediate subordinates depending upon their competency, such **dispersal of authority at levels is known as ‘Decentralisation of Authority’**. While passing on the authority, top management keeps certain authority to take crucial decisions which can impact the survival of the organisation, retaining such power of decision making is known as **Selective Dispersal of Authority**.

It should also be noted that an organisation may be highly decentralised in some departments and less in others. It is very rightly said that **“when a manager delegates authority, they multiply it by two but when they decentralise it, they multiply it by many”**.

**Conclusion:** ‘Delegation’ is an essential element in the hierarchy of the organisation wherever two or more employees work together whereas ‘Centralisation’ is the choice of the top management to retain the authority to take all decision at its own and ‘Decentralisation’ is the choice to disperse the authority to enable the employees to take routine decisions. Practically, no organisation is found completely centralised or decentralised. Hence, *there is a need for a balance between these co-existing forces*. Thus, it can be said that every organisation is balanced by both centralisation and decentralisation.

#### **DELEGATION OF AUTHORITY VS DECENTRALISATION OF AUTHORITY**

Basis	Delegation of Authority	Decentralisation of Authority
1. Meaning	Transfer of authority by a superior to his subordinate for a particular task.	Dispersal of authority to the lowest managerial level.
2. Need or Purpose	It is compulsory if work has to be done or got done.	Not compulsory, as even in its absence work can be done.
3. Outcome	Formation of superior-subordinate relationship.	Creation of semi-autonomous units.
4. Control/Supervision	Strict control and frequent supervision is exercised.	Control and supervision is exercised only if required and gives more freedom.
5. Importance	A routine act of getting the work done showing faith in subordinates by giving them operational authority.	Decentralisation of authority provides greater flexibility and freedom of action to managers at various levels, to tackle problems quickly and competently.
6. Scope	Narrow, as it involves only two people or levels at a time.	Wide, as it involves all managerial positions.
7. Withdrawal	Delegated authority can be withdrawn by the delegator.	Decentralised authority is a general policy and cannot be withdrawn.
8. No. of Persons	It involves a manager and his immediate subordinate(s).	It involves top management and employees at all levels.
9. Watch	Delegator continues to watch the activities of his subordinates.	A manager does not keep a watch on the activities of his subordinates.
10. Grant of Authority	It is granted by a superior to his subordinate(s).	It is granted throughout the organisation.

## IMPORTANCE OF DECENTRALISATION OF AUTHORITY

1. **Develops Initiative.** When the subordinates are given the power to decide, they develop their own way of handling the situations. In this way they learn the new methods and techniques better than the old ones. The decentralisation of authority helps to identify those executives who have the necessary potential to become dynamic leaders.

2. **Develops Managerial Talents.** Decentralisation gives the employees a chance to prove their abilities and creates a team of qualified manpower who can be considered to fill up more challenging positions through promotions. It also helps to identify those who may not be successful in fulfilling their responsibility.

3. **Quick Decision Making.** In a decentralised organisation, employees are given requisite freedom at all levels to take decisions on the spot and there is no requirement for approval from many levels. The process is much faster. There are also less chances of information getting distorted because it does not have to go through long channels.

4. **Relief to Top Management.** Decentralisation diminishes the amount of direct supervision over the activities of subordinates because they are given the freedom to act and decide within the limits. It also relieves the top management with more time which they can devote to important policy matters.

5. **Facilitates Growth.** Decentralisation awards greater autonomy to the lower levels of management as well as divisional or departmental heads. This allows them to function in a manner best suited to their department and fosters a sense of competition among the departments. Consequently, productivity levels increase and the organisation is able to generate more returns.

6. **Better Control.** Decentralisation makes it possible to evaluate the performance at each level and of each individual. The extent of achievement of objectives can be ascertained, be compared to the predetermined objectives and deviations can be found out and rectified.

## GLIMPSES

- **Organising:** It refers to the creation of organisational structure to form a hierarchy of job positions, bringing together human and physical resources, and establishing productive superior – subordinate relations among them.
- **Process of Organising**
  - (a) Identification and Division of Work
  - (b) Departmentation
  - (c) Assignment of Duties
  - (d) Establishing Authority, Responsibility, Relationship
- **Importance of Organising**
  - (a) Benefits of Specialisation
  - (b) Clarity in Working Relationships
  - (c) Optimum Utilisation of Resources
  - (d) Adaptation to Change
  - (e) Effective Administration (Control)
  - (f) Development of Personnel (Staff)
  - (g) Expansion and Growth
- **Organisational Structure:** It is a system of job positions, the roles assigned to them and the authority–responsibilities relationships among various positions.

- **Requisites/Essentials of an Optimum Organisational Structure**
  - (a) Job Design
  - (b) Departmentation
  - (c) Span of Control
  - (d) Delegation of Authority
- **Functional Structure:** It is the structure which is based on grouping the whole organisation on the basis of major and basic functions is.
- **Advantages of Functional Structure:**
  - (a) Efficient Management
  - (b) Supervision
  - (c) Coordination
  - (d) Reduced Wastage
- **Disadvantages of Functional Structure**
  - (a) Lack of Overall Coordination
  - (b) Delayed Decisions
  - (c) Conflicts
  - (d) Difficulty in Fixing Accountability
- **Divisional Structure:** It is a structure in which the whole organisation is divided into various divisions on the basis of a number of products being manufactured.
  - **Advantages of Divisional Structure**
    - (a) Coordination
    - (b) Faster Decision Making
    - (c) Accountability
    - (d) Training
  - **Disadvantages of Divisional Structure**
    - (a) Duplication of Efforts
    - (b) Costly
    - (c) Underutilisation of Capacities
    - (d) Managerial Attention
- **Formal Organisation:** It refers to the structure of job positions each having a definite authority and responsibility to achieve organisation goals.
  - **Features of Formal Organisation**
    - (a) Superior–Subordinate Relationships
    - (b) Achieves Objectives
    - (c) Achieves Coordination
    - (d) Deliberate Creation
    - (e) Impersonal
  - **Advantages of Formal Organisation**
    - (a) Fixation of Responsibility
    - (b) Clears job Positions
    - (c) Unity of Command
    - (d) Effective Coordination
    - (e) Stability
  - **Limitations of Formal Organisation**
    - (a) Delayed Decision Making
    - (b) Kills Creativity
    - (c) Avoidance of Personal Problems of Personnel
- **Informal Organisation:** It is the network of social groups based on friendship, which emerges on its own in a natural manner within the formal organisation.
  - **Features Informal Organisation**
    - (a) Origination
    - (b) Behaviour
    - (c) Channels of Communication
    - (d) Structure
  - **Advantages of Informal Organisation**
    - (a) Faster Communication
    - (b) Fulfills Social Needs
    - (c) Removes Difficulties of Formal Organisation
  - **Limitations of Informal Organisation**
    - (a) Spreads Rumors
    - (b) Resistance to Change
    - (c) Favors Individual's Interest
- **Delegation of Authority:** It refers to transfer of authority to take decision by a superior to the subordinate to do a particular task and creation of accountability of the person accepting the delegated work.

- **Elements of Delegation of Authority**
  - (a) **Entrustment of Responsibility:** It is the obligation to perform the work assigned as desired by a superior from his subordinate within the standards set and prescribed time limit.
  - (b) **Delegation of Authority:** It is the power to take independent decisions, to hire or fire the people, use financial resources, right to decide, act or not to act, etc.
  - (c) **Creation of Accountability:** It refers to the answerability for the for the performance of the work assigned, authority delegated and responsibility entrusted.
- **Importance of Delegation of Authority**
  - (a) Effective Management
  - (b) Employees' Development
  - (c) Motivation of Employees
  - (d) Facilitation of Growth
  - (e) Basis of Management Hierarchy
  - (f) Better Coordination
- **Decentralisation of Authority:** It refers to the hierarchy of job positions in which the top management retains authority to take major decisions and gives authority to the managers at middle and lower levels to take independent decisions.
  - **Importance of Decentralisation of Authority**
    - (a) Develops Initiative
    - (b) Develops Managerial Talents
    - (c) Quick Decision Making
    - (d) Relief to Top Management
    - (e) Facilitates Growth
    - (f) Better Control

## OBJECTIVE TYPE QUESTIONS

### MULTIPLE CHOICE QUESTIONS (MCQs)

1. Which of the following is not an element of delegation?
 

(a) Accountability	(b) Authority
(c) Responsibility	(d) Informal organisation.
2. A network of social relationship that arises spontaneously due to interaction at work is called
 

(a) formal organisation	(b) informal organisation
(c) decentralisation	(d) delegation.
3. Which of the following does not follow the scalar chain?
 

(a) Functional structure	(b) Divisional structure
(c) Formal organisation	(d) Informal organisation
4. 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.
5. 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.

6. For delegation to be effective, it is essential that responsibility be accompanied with necessary  
 (a) authority (b) manpower (c) incentives (d) promotions
7. 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 the top management.
8. The form of organisation known for giving rise to rumours is called  
 (a) centralised organisation (b) decentralised organisation  
 (c) informal organisation (d) formal organisation.
9. 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.
10. Grouping of activities on the basis of functions is a part of  
 (a) decentralised organisation (b) divisional organisation  
 (c) functional organisation (d) centralised organisation.
11. Decentralisation  
 (a) increases the importance of superiors. (b) decreases the importance of superiors.  
 (c) increases the importance of subordinates.  
 (d) decreases the importance of subordinates.
12. The process of grouping activities into units for the purpose of administration may be referred to as  
 (a) decentralisation (b) departmentation  
 (c) coordination (d) specialisation.
13. Dividing the organisation according to products is  
 (a) divisional organisation (b) functional organisation  
 (c) formal organisation (d) informal organisation.
14. The form of organisation responsible for giving rise to rumours is called  
 (a) centralised organisation (b) decentralised organisation  
 (c) informal organisation (d) formal organisation
15. Which of the following statements is true?  
 (a) Delegation has a wider scope than decentralisation.  
 (b) Delegation has more freedom to take decision than decentralisation.  
 (c) The purpose of delegation is to increase the role of subordinates whereas the purpose of decentralisation is lessening the burden of the managers.  
 (d) Delegation is compulsory whereas decentralisation is optional.
16. It essentially implies a process which coordinates human efforts, assembles resources and integrates both into a unified whole to be utilised for achieving specified objectives. Which concept of the management is highlighted in the above statement?  
 (a) Coordination (b) Scalar Chain  
 (c) Organisational Structure (d) Unity of Direction

17. Once work has been divided into small and manageable activities then those activities which are similar in nature are grouped together. Such sets facilitate specialisation. This grouping process is called .....
- (a) Grouping (b) Coordinating  
(c) Division (d) Departmentalisation
18. Consider the following statements:
1. Delegation and decentralisation are interrelated
  2. Delegation is the part of deecentralisation
  3. Decentralisation is not possible without delegation
  4. Delegation is a wider term than decentralisation
- Which of the following statement is correct?
- (a) 1 & 2 are true (b) 1,2 & 3 are true  
(c) 2,3 and 4 are true (d) All are true
19. Which function of management is related to establish authority and responsibility relationship to improve communication and results?
- (a) Planning (b) Controlling  
(c) Organizing (d) Staffing
20. Zenith Freezers Limited is planning to enter into international markets with different range of products. The type of organisational structure suitable would be
- (a) Functional structure (b) Centralized structure;  
(c) Divisional structure (d) Decentralized structure
21. Which of the following is not an element of the process of delegation?
- (a) Assignment of duties (b) responsibility  
(c) authority (d) creation of responsibility
22. It brings about growth of the personality, help individuals in the progress towards maturity and actualisation of their potentials. This concept refers to
- (a) Training (b) Development  
(c) Education (d) Selection
23. \_\_\_\_\_ gives shape to the organisation structure.
- (a) Extent of delegation (b) Span of management  
(c) No. of employees (d) Planning
- (CBSE Sample Paper 2019-20)
24. The superior remains \_\_\_\_\_ for the tasks assigned to him and not only for the tasks actually performed by him.
- (a) Authoritative (b) Accountable  
(c) Responsible (d) None of the these

#### ANSWERS

1. (d) 2. (b) 3. (d) 4. (a) 5. (a) 6. (a) 7. (c) 8. (c) 9. (b) 10. (c)  
11. (c) 12. (b) 13. (a) 14. (c) 15. (d) 16. (c) 17. (d) 18. (b) 19. (c) 20. (c)  
21. (a) 22. (b) 23. (b) 24. (c).

### FILL IN THE BLANKS WITH CORRECT WORDS

- \_\_\_\_\_ function leads to the creation of an organisational structure which includes the designing of roles to be filled by suitably skilled people.
- Span of management refers to \_\_\_\_\_ of subordinates are under a superior.
- \_\_\_\_\_ essentially implies a process which coordinates human efforts, assembles resources and integrates both.
- \_\_\_\_\_ can be defined as a process that initiates implementation of plans.
- Identifying and dividing the work is the first step in the process of \_\_\_\_\_ function of management.
- Division of work into small and managing similar activities into groups is called \_\_\_\_\_.
- \_\_\_\_\_ is the outcome of the organising process to result in increased profitability of the enterprise.
- Under \_\_\_\_\_ structure, each major function of business is organised as a separate department.
- The number of subordinates that can be effectively managed by a superior is called \_\_\_\_\_.
- The employees of Manic Ltd., a software company, have formed a dramatic group for their recreation. This group refers to \_\_\_\_\_ structure.
- A \_\_\_\_\_ is an organisational design that groups similar or related jobs together.
- Functional structure leads to \_\_\_\_\_ specialisation since emphasis is placed on specific functions.
- Under \_\_\_\_\_ structure, manpower is grouped on the basis of different products manufactured.
- \_\_\_\_\_ can be defined as the framework within which managerial and operating tasks are performed.
- Within each division, the \_\_\_\_\_ tends to be adopted.
- Under divisional structure, each division works as a \_\_\_\_\_ where the divisional head is responsible for the profit or loss of his division.
- When an organisation grows and needs to add more employees, create more departments and new levels of management, it requires to adopt \_\_\_\_\_.
- Functional structure requires \_\_\_\_\_ specialisation whereas divisional structure requires \_\_\_\_\_ specialisation.
- \_\_\_\_\_ specifies clearly the boundaries of authority and responsibility and there is a systematic coordination.
- \_\_\_\_\_ organization originates through well defined policy of the management.
- \_\_\_\_\_ emerges from within the formal organisation.
- \_\_\_\_\_ has no written rules, is fluid in form and scope and does not have fixed lines of communication.
- \_\_\_\_\_ arises as a result of company rules and policies whereas \_\_\_\_\_ arises as a result of social interaction.
- In \_\_\_\_\_, communication takes place through the \_\_\_\_\_.

25. \_\_\_\_\_ is a pre-requisite to the efficient functioning of an organisation.
26. \_\_\_\_\_ merely means the granting of authority to subordinates to operate within prescribed limits.
27. \_\_\_\_\_ reduces the burden of executives by relieving them of the botheration of taking routine decisions.
28. \_\_\_\_\_ refers to the right of an individual to command his subordinates.
29. Delegation is the entrustment of \_\_\_\_\_ and \_\_\_\_\_ to another and the creation of accountability for performance.
30. \_\_\_\_\_ is the transfer of authority from superior to subordinate.
31. A superior can delegate his \_\_\_\_\_ but he cannot delegate his \_\_\_\_\_.
32. The superior remains \_\_\_\_\_ for the tasks assigned to him and not only for the tasks actually performed by him.
33. It is easier to fix \_\_\_\_\_ in a formal organization.
34. \_\_\_\_\_ refers to failure to fulfill responsibility.
35. \_\_\_\_\_ refers to a duty or an assignment which a person is expected to do in a satisfactory manner.
36. \_\_\_\_\_ refers to the right of an individual to command his subordinates and to take action within the scope of his position.
37. The extent of authority is \_\_\_\_\_ at the top management levels and \_\_\_\_\_ successively as we go down the corporate ladder.
38. \_\_\_\_\_ is the obligation of a subordinate to perform the assigned duty properly.
39. \_\_\_\_\_ cannot be delegated and flows upwards.
40. \_\_\_\_\_ explains the manner in which decision making responsibilities are divided among hierarchical levels.
41. \_\_\_\_\_ not only empowers the employee at the different levels but the departments and divisions also.
42. Delegation of authority takes place at all levels throughout the organisation when the organization is \_\_\_\_\_.
43. An organisation is \_\_\_\_\_ when decision-making authority is retained by higher management levels whereas it is \_\_\_\_\_.
44. When the authority is delegated, responsibility is \_\_\_\_\_ and accountability is \_\_\_\_\_.
45. \_\_\_\_\_ means answerability of the subordinates towards their immediate superior.

#### ANSWERS

- |                           |                            |                          |
|---------------------------|----------------------------|--------------------------|
| 1. Organising             | 2. Number                  | 3. Organising            |
| 4. Organising             | 5. Organizing              | 6. Departmentalization   |
| 7. Organisation structure | 8. Functional              | 9. Span of management    |
| 10. Informal              | 11. Functional structure   | 12. Occupational         |
| 13. Divisional            | 14. Organisation structure | 15. Functional structure |



16. Profit center	17. Divisional structure	
18. Functional / product	19. Formal organisaiton	
20. Formal	21. Informal organization	22. Informal organization
23. Formal organisaiton / informal organization		
24. Formal organisation / scalar chain		25. Delegation
26. Delegation of authority	27. Delegation	28. Authority
29. Responsibility / authority	30. Delegation	31. Authority/ responsibility
32. Responsible	33. Responsibility	34. Abdication
35. Responsibility	36. Authority	37. Highest / reduces
38. Responsibility	39. Authority	40. Decentralisation
41. Decentralisation	42. Decentralized	43. Centralised / decentralized
44. Assumed / imposed	45. Accountability	

### STATE WHETHER THE FOLLOWING STATEMENTS ARE TRUE OR FALSE

1. Defining goals and setting objectives is part of the organising function of management.
2. An authority relationship helps to maintain order in the organization.
3. Informal organisation arises as a result of company rules and policies whereas formal organisaiton arises as a result of social interaction.
4. Authority refers to the right to take decisions inherent in a managerial position.
5. Laws and the rules and regulation of the organization restrict responsibility.
6. Responsibility is the obligation to perform an assigned task whereas accountability is the answerability for outcome of the assigned task.
7. Division of work into small and managing similar activities into groups is called delegation.
8. Formal organisation is flexible whereas informal organisaiton is rigid.
9. The manager is accountable for the performance of the assigned tasks.
10. There is no set behavior pattern under formal organisation.
11. Leaders may be chosen by the group members in the informal organisation.
12. Management skillfully takes advantage of both the formal and informal organisation.
13. If he a manager desires to ensure that all work is accomplished, he must delegate authority.
14. The concept of authority arises from the established scalar chain.
15. Authority refers to the right to take decisions inherent in a managerial position.
16. Laws and the rules and regulation of the organisation restrict responsibility.
17. An organisation can never be completely centralised or decentralised.
18. Authority is generally enforced through regular feedback on the extent of work accomplished.
19. As we go higher up in the management hierarchy, the scope of authority increases.
20. Authority is generally enforced through regular feedback on the extent of work accomplished.
21. Responsibility is the obligation to perform an assigned task whereas accountability is the answerability for outcome of the assigned task.

22. When the decisions taken by the lower levels are numerous, an organisation is regarded as greatly centralised.
23. An organisation can never be completely centralised or decentralised.
24. When the decisions taken by the lower levels are numerous, an organisation is regarded as greatly centralised.
25. Delegation of authority relates to empower the employees with authority.
26. Delegation of authority is based on Fayol's Principle of 'Parity between Authority and Responsibility'.

#### ANSWERS

1. F	2. T	3. F	4. T	5. F	6. T	7. F	8. F	9. T	10. F
11. T	12. T	13. T	14. T	15. T	16. F	17. T	18. T	19. T	20. T
21. T	22. F	23. T	24. F	25. T	26. F				

## REMEMBERING AND UNDERSTANDING QUESTIONS

### VERY SHORT ANSWER TYPE QUESTIONS

(1 MARK)

1. Name the organisation which is deliberately created.

**Ans.** Formal Organisation.

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.

**Ans.** Organising.

3. Identifying and dividing the work is the first step in the process of one of the functions of management. Identify the function.

**Ans.** Organising.

4. Grouping similar nature jobs into larger units called departments is the second step in the process of one of functions of management. Identify the function.

**Ans.** Organising.

5. Organising helps in optimum utilisation of resources. Which type of resources does it refer to?

**Ans.** All material, financial and human resources.

6. Name the function of management which coordinates the physical, financial and human resources and establishes productive relations among them for achievement of specific goals.

**Ans.** Organising.

7. Give any one importance of organising.

**Ans.** Development of personnel.

8. Name the process of grouping together activities which are similar in nature.

**Ans.** Departmentation.

9. What are the possible bases of departmentation?
- Ans.** (a) Departmentation on the basis of products.  
(b) Departmentation on the basis of functions.
10. Organising leads to a systematic allocation of jobs amongst the workforce. Which importance of organising is stated here?
- Ans.** Benefits of specialisation.
11. Organising clarifies lines of communication and specifies who is to report to whom. Mention the importance of organising indicated here.
- Ans.** Clarity in working relationships.
12. Scope of decentralisation of authority is wider than delegation. Why?
- Ans.** Decentralisation implies to extension of delegation to the lowest level of management.
13. What type of relationship is shown by the organisation structure?
- Ans.** Organisation structure specifies superior-subordinate relationship.
14. Why is there need for an organisational structure in an organisation?
- Ans.** An organisational structure facilitates smooth flow of communication at all levels in the organisation.
15. Jobs of similar nature are grouped together to form a department in which type of organisational structure?
- Ans.** Functional Structure.
16. Which type of organisational structure would be suitable if an organisation deals in one line of product?
- Ans.** Functional Structure.
17. Training to the employees is possible in which type of organisation?
- Ans.** Functional Structure.
18. Which type of organisational structure would be suitable if an organisation deals in more than one line of product?
- Ans.** Divisional Structure.
19. In which type of organisational structure do we find duplication of activities?
- Ans.** Divisional Structure.
20. Which type of organisational structure provides chances of growth and expansion?
- Ans.** Divisional Structure.
21. Delegation provides a ready workforce to take up leading positions in new ventures. Which importance of delegation is stated here?
- Ans.** Facilitation of growth.
22. What do you mean by span of management/control?
- Ans.** It means how many number of subordinates can be easily handled by a superior.
23. Which type of organisation clearly specifies well-defined jobs, each bearing a definite measure of authority, responsibility and accountability?
- Ans.** Formal organisation.
24. Which kind of organisation is designated by the management to accomplish tasks?
- Ans.** Formal organisation.

25. State whether principle of Scalar Chain is possible in an informal organisation.  
**Ans.** No.
26. Name the concept which reduces the workload of a superior.  
**Ans.** Delegation of Authority.
27. How many persons are involved in the process of delegation?  
**Ans.** Two.
28. Name the process of granting authority to subordinates to operate within the prescribed limits.  
**Ans.** Delegation of authority.
29. One step in organising involves matching the job with the ability of an individual. Name the step.  
**Ans.** Assignment of duties.
30. What is necessary along with responsibility to make delegation effective?  
**Ans.** Authority.
31. Out of responsibility, authority and accountability, which can be completely delegated?  
**Ans.** Authority.
32. When does accountability arise?  
**Ans.** Accountability arises only when the work is not accomplished by a subordinate as desired by the superior.
33. Which of the following is an ideal situation?  
(a) Authority > Responsibility  
(b) Authority = Responsibility  
(c) Authority < Responsibility  
**Ans.** Authority = Responsibility
34. "It refers to systematic delegation of authority at all levels in an organisation." Name the concept.  
**Ans.** Decentralisation of Authority.
35. When the authority is dispersed and given to managers of the same level, what is this term known as?  
**Ans.** Decentralisation of Authority.
36. Name the concept which involves dispersal of decision-making authority through the levels of authority.  
**Ans.** Decentralisation of Authority.
37. Name the concept which is related to the concentration of authority at higher levels of management.  
**Ans.** Centralisation of Authority.
38. Why is decentralisation important in an organisation?  
**Ans.** To reduce the workload of the managers at all levels, to increase the role of subordinates and professional grooming of all employees in an organisation.

39. When does the need of decentralisation of authority arise?

**Ans.** The need of decentralisation arises when the size of operation expands to spread the working load among all levels among all employees.

40. Is it true for every type of organisation can work without decentralisation but not without delegation of authority?

**Ans.** True, because decentralisation is necessary when the size of operation is large.

41. Decentralisation is an extension of which concept?

**Ans.** Delegation.

42. Out of decentralisation and delegation, which one is a policy matter and other is a routine matter?

**Ans.** Decentralisation is a policy matter whereas delegation is a routine matter.

### SHORT ANSWER TYPE QUESTIONS

(3–4 MARKS)

1. Name and explain the steps in the process of organising which come after 'Identification and Division of Work' and 'Departmentalisation'.

**Ans.** (a) **Assignment of Duties:** (Explain briefly)

(b) **Establishing Reporting Relationship:** (Explain briefly)

2. Aman Kids Garments Ltd. is manufacturing garments and has Production, Sales, Purchase and Finance Departments. Which type of organisation structure would you suggest to them? State any three advantages of this organisation structure.

**Ans.** I would suggest functional structure for Aman Kids Garments Limited.

**Advantages of functional structure:** (Explain briefly)

3. The employees of Sachin Technologies Ltd. a software company, have formed a Dramatic group for their recreation. Name the type of organisation and state its three features.

**Ans.** Informal Organisation

**Features of Informal Organisation:** (Explain briefly)

4. "Authority can be delegated but responsibility cannot be delegated." Comment.

**Ans.** According to the principle of absolute responsibility, authority can be delegated but responsibility cannot be delegated by a manager. The manager remains responsible to his own superior for the task which he may assign to his subordinates. Every superior is responsible to his next superior for the acts of his subordinates to whom he delegates authority for any work.

5. "Delegation of authority helps in reducing the work load of managers and in motivating the subordinates." Explain this statement.

**Ans.** The statement can be understood with the help of following advantages of delegation of authority:

**Importance of delegation of authority:** (Explain briefly)

6. Hindustan Group of Companies under different names of companies is manufacturing computers, soaps and textiles. Which type of organisational structure would suit the requirements of such organisation? State any three advantages of this organisation structure.

**Ans.** Divisional structure would suit structure the requirements of Hindustan Limited.

**Advantages of Divisional Structure:** (Explain briefly)

## ANALYSIS BASED QUESTIONS

### VERY SHORT ANSWER TYPE QUESTIONS

1. Which term denotes “the number of subordinates that can be effectively managed by a superior”?

**Ans.** Span of Control.

2. Name the organisation in which employees are allowed to communicate freely and there are no rules and regulations.

**Ans.** Informal Organisation.

3. Name the type of organisation in which official relationships exist among the managers.

**Ans.** Formal Organisation.

4. Name the elements of ‘Delegation’.

**Ans.** The elements of Delegation are: Authority, Responsibility and Accountability.

5. Whose scope is greater, whether Decentralisation of Authority or Centralisation of Authority?

**Ans.** Decentralisation of Authority.

6. Redtape Shoes Ltd. is manufacturing shoes and has Production, Sales, Purchase and Marketing Departments. Which type of organisational structure would you suggest?

**Ans.** Functional Structure.

7. Name the term used for downward transfer of authority from a superior to a subordinate or Name the concept which reduces the workload of a manager.

**Ans.** Delegation of Authority.

8. Three Brix Ltd. is manufacturing hosiery products, health hygiene products, and ready made products. Which type of organisational structure would suit the requirements of the company?

**Ans.** Divisional Structure.

9. Define the term ‘Job Description’.

**Ans.** Also known as ‘Job Design’, it includes the activities which the workers are required to perform while doing a particular work along with parity of Authority with Responsibility.

10. In which direction does responsibility flow?

**Ans.** Downward from superior to subordinate.

11. The elements ‘Authority’ and ‘Responsibility’ of delegation of authority are based on one of the Fayol’s principle. Name the principle.

**Ans.** Parity of Authority and Responsibility.

12. Name the term to denote ‘Obligation of a subordinate to carry out assigned activities to the best of his abilities.’

**Ans.** Responsibility.

13. After delegating the authority, does the manager still remain accountable for the work assigned by him to his subordinate?

**Ans.** Yes, because delegation of authority does not mean escaping from the responsibility. The person delegating the authority remains accountable to his own superior for his work as well as the work of his subordinates.

14. If the responsibility is more than authority, what would be the impact on the work performance of a person?
- Ans.** Higher responsibility than authority may make such a person frustrated and render the work ineffective.
15. If the authority is more than responsibility, what would be the impact on the work performance of a person?
- Ans.** Higher authority than responsibility may lead to misuse of authority by a subordinate.
16. In which kind of organisation, is the functional structure more suitable and why?
- Ans.** Functional structure is more suitable in a stable environment where one line of product is produced and where technical efficiency and quality are important aspects.
17. What does bind the individuals in superior-subordinate relationships throughout an organisation?
- Ans.** Organisational Structure.
18. Identify the concepts which relate to the downward transfer of authority from a superior to a subordinate and everything which goes to increase the importance of a subordinate's role.
- Ans.** Delegation and decentralisation.
19. Identify the element of process of one of the function of management whose scope is restricted through the rules and regulations of the organisation but its scope increases with the increase in one's position in the organisation's hierarchy.
- Ans.** Authority, it is the one of the element of the process of delegation.
20. "Delegation is not a process of abdication". Comment. (Sample Paper 2018-19)
- Ans.** Abdication refers to failure to fulfil responsibility. It is not true in the context of delegation as through delegation, a manager is able to concentrate on more areas of operations of his expertise.
21. Name the type of organisational structure which promotes efficiency in utilisation of man power. (Delhi 2016)
- Ans.** Functional structure.
22. Name the type of organisational structure which promotes flexibility and initiative. (Outside Delhi 2016)
- Ans.** Divisional structure.
23. It helps a manager to extend his area of operations, as without it, his activities would be restricted to only what he himself can do. Identify the activity referred to in the above statement and state its elements. (Outside Delhi 2015)
- Ans.** Delegation.
24. Identify the type of suitable organisation structure for a large-scale organisation having diversified activities requiring high degree of specialisation in operations. (Outside Delhi 2013, Delhi/Outside Delhi 2011)
- Ans.** Functional structure. Under this type of structure, diversified activities such as different departments are created on the basis of specialisation by grouping of similar jobs.

#### SHORT ANSWER TYPE QUESTIONS

1. Can an over burdened manager take the help from his subordinates? How? Explain the important things which he should keep in mind while taking such help.
- Ans.** Yes, he can reduce his work load if he delegates the work. For this purpose, he should
- (a) entrust the work along with responsibility assigned.

- (b) delegate the appropriate authority.
- (c) create the accountability for the unsatisfactory work performance of the work.

2. Religare Limited is manufacturing chemicals and textiles. What type of organisational structure would suit the requirement of such organisation? Why?

**Ans.** Divisional organisational structure would suit the requirement of this company manufacturing chemicals and textiles, because

- (a) all activities associated with chemicals and textiles can easily be integrated and coordinated individually.
- (b) decision-making will be faster and effective.
- (c) the performance of divisions of chemicals and textiles can be easily assessed.

3. Name the type of organisation in which:

- (a) Standards of behaviour are evolved by mutual consent among the members.
- (b) Structure of jobs is created with clearly defined functions, authority and responsibility.
- (c) Friendly relationship exists among the members.
- (d) Official relationship exists among the members.

**Ans.** (a) Informal Organisation (b) Formal Organisation (c) Informal Organisation (d) Formal Organisation.

4. In an electrical goods manufacturing company, there are four activities; Marketing, Production, Finance and Personnel. The General Manager is planning to structure the organisation. Which type of organisation structure should be adopted and why? Give reasons.

**Ans.** The General Manager of electrical goods manufacturing company should adopt functional structure, because

- (a) each major function of business is organised as a separate department. The departmental head can manage its operations efficiently.
- (b) coordination within the department is easier since departmental managers, being specialists understand the perfect nature of the jobs involved.

5. Why does informal organisation exist within the framework of a formal organisation?

**Ans.** Reasons of existence of informal organisation:

- (a) Informal organisation arises due to natural desires of the members of an organisation.
- (b) It originates from within the formal organisation to meet the cultural needs.
- (c) It arises for the fulfillment of social interaction, friendship and self satisfaction.
- (d) It arises for the exchange of personal experiences and views, where it is not possible in case of formal organisation.

6. If we delegate the authority we multiply it by two, if we decentralise it, we multiply it by many. How?

**Ans.** Scope of delegation of authority is limited. It is clear that if we delegate the authority, we multiply it by two that is delegator and his subordinate(s) to whom authority is delegated. Scope of decentralisation of authority is wider than delegation. Delegation is a part of decentralisation. It involves many people from top level to bottom level of authority in the organisation.



7. "It is a network of personal and social relations not established or required by the formal organisation but arising spontaneously as people associate with one another." Name this organisation and give its three advantages.

**Ans.** (a) Informal organisation

(b) Advantages of Informal Organisation

1. It brings feeling of belongingness.
2. Informal organisation satisfies social and cultural needs.
3. It provides useful channel of communication.

8. What does the term 'Span of Management' refer to?

**Ans.** Span of management also known as span of control means how many subordinates are handled by a superior. It is one of the basic functions of organisation.

Simple meaning of Span of Management is how many people are directly reporting to one manager.

### LONG ANSWER TYPE QUESTIONS

1. Besides 'Effective management' and 'Employee development' delegation helps the organisation in different ways. Explain any four such ways.

(Outside Delhi Compartment 2014)

**Ans.** Refer: Importance of delegation of authority.

### APPLICATION, CREATIVITY AND EVALUATION BASED QUESTIONS

#### VERY SHORT ANSWER TYPE QUESTIONS

1. Rishabh Shoes India Limited is dealing in the manufacturing shoes and is doing well in the industry. It plans to diversify the product by including manufacturing of sports wears, sports goods and sports equipments. Name the organisational structure it will have to adopt.

**Ans.** Divisional structure, as each product is different from one another.

2. Wockhardt Limited has been in existence for the past thirty years excelling in the field of drugs and medicines. The credit of the success goes to the systematic and clear superior subordinate relationship at all levels in the organisation.

Name the concept followed in the organisation and explain any one point of its importance.

**Ans.** Concept followed in the organisation is decentralisation of authority.

3. As an organisation grows, necessity to divide the work arises. A person can be capable to do many things effectively but still that person requires delegating a part of work to the subordinates. By delegating the work, such person also remains accountable for the desired accomplishment of work done by the subordinates.

State why does a superior remain accountable for the work done by his subordinates?

**Ans.** A superior remains accountable for work done by his subordinates as a superior has to retain a part of responsibility with him.

4. A company has its registered office in Delhi, manufacturing unit at Gurgaon and Marketing and Sales Department at Faridabad. The company manufactures the consumer products. Which type of organisational structure should it adopt to achieve its target?

**Ans.** Functional Structure, as the company is having only one manufacturing unit which

means the company is manufacturing only one line of product relating to consumer products.

**Note:** *Locations of different departments at different locations have nothing to do with the type of organisational structure.*

5. Ravi Jain was the Chief Executive Officer of Nath Traders. He was worried about the heavy expenditure on advertising. He asked his Finance Manager, Mohit Verma to know the views of the Sales Manager and his team regarding this expenditure. Mohit Verma was thinking of calling a meeting of the Sales Manager and his team after tea-break. But by chance at the time of tea-break, Mohit Verma met with the Sales Manager and his team in the canteen. They all discussed about this expenditure and finalised to give suggestion to reduce this expenditure.

Identify the type of organisation which helped the Finance Manager Mohit Verma, the Sales Manager and his team in finalising the suggestion. (CBSE Outside Delhi 2019)

**Ans.** Type of organisation: Informal

**Reason:** Discussion of any official matter out of the official channel/communication refers to informal organisation.

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

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

(Compartment Delhi/Outside Delhi 2018)

**Ans.** Departmentalisation

7. An Indian information technology company, presently employing 10,000 people, desires to expand its business in manufacturing, trading, etc. It wants to become a global company. To achieve its objectives, it started shifting from a centralised to a decentralised management system.

Identify the management function being performed by the company to become a decentralised company. (Compartment Delhi 2016)

**Ans.** Organising.

8. To make the annual function of a school successful, the principal divided all the activities into task groups, each group dealing with a specific area like rehearsals, decoration, stage management, refreshments, etc. Each group was placed under the overall supervision of a senior teacher.

Identify the function of management performed by the principal in doing so.

(Delhi Compartment 2015)

**Ans.** Organising.

9. Alliance Limited is engaged in manufacturing plastic buckets. The objective of the company is to manufacture 100 buckets a day. To achieve this, the efforts of all departments are coordinated and interlinked and authority-responsibility relationship is established among various job positions. There is clarity on who is to report to whom. Name the function of management discussed above. (Delhi 2015)

**Ans.** Organising.

*Reason:* Organising as the function of management ensures clarity in superior-subordinate relationship at all levels through organisational structure.

### SHORT ANSWER TYPE QUESTIONS

1. A company is manufacturing washing machines. There is a well-defined system of jobs with a clear and definite authority, responsibility and accountability in the company but people are not allowed to interact beyond their officially defined roles. As a result the company is not able to adapt to the changing business environment. The workforce is also not motivated due to lack of social interaction. The company is facing problems of procedural delays and inadequate recognition to creative talents.
- (a) Suggest how the organization can overcome the problems faced by it.  
(b) How would you differentiate existing system from your suggestion? Give two reasons.

**Ans.** (a) There is need to allow informal organization. If the organization permits its employees with reasonable limits, the problems the company is facing.  
(b) The existing system can be differentiated from the above suggestion on the basis of the following benefits:

**Benefits of informal organization:** (refer informal organization)

2. The marketing manager of Aditya Electrical Solutions Limited manufacturing generators has been asked to achieve a target sale of 150 generators per day. He delegated the task to 15 sales managers working under him. Five of the sales managers could not achieve their respective targets. Is the marketing manager responsible? Explain in brief with reason to support your answer.
- Ans.** Yes, the marketing manager is responsible. Authority can be delegated but responsibility cannot. The manager always remains responsible for the non-accomplishment of the work to his own superior for the work assigned by him to his subordinates.
3. The production manager asks his foreman to achieve a target production of 200 units per day but he does not give him the authority to receive tools and materials from the stores department. Can the production manager blame the foreman if he is not able to achieve the desired target? Explain in brief with reason to support your answer.

**Ans.** To make any subordinate responsible for the non-completion of his work, it is necessary to give him adequate authority to perform the task. In this present situation, the manager did not give adequate authority to use materials and tools to complete his work. So, he could not complete his work. The foreman cannot be held liable for not achieving his goal.

4. A general manager increases the target of production from 500 units to 700 units per month but the authority to draw raw material was not given by him. The production manager could not achieve the revised production target. Can the production manager be held responsible? Explain with reason.

**Ans.** The production manager is not responsible but it is the general manager who is

responsible as he was required to delegate the authority to the production manager to take routine decision and use the resources of the organisation as required by him. Lack of appropriate authority did not permit him to use the resources. This is the reason why the target could not be met in time.

5. It will be impractical for a manager, no matter how capable he is, to handle all the volume of work by himself. He needs to concentrate more on important jobs. For this he assigns the jobs to his subordinates, allocates resources, gives authority and fixes up the responsibility. This in turn also gives an opportunity for subordinates to develop, exercise initiative and get recognition of their work.
- (a) Name and explain the concept involved in the above process which helps a superior to reduce his work load.
- (b) Briefly explain the elements involved in the above concept.

**Ans.** (a) **Delegation of authority:** (Explain briefly)

- (b) Elements of delegation of authority:
- (i) **Authority:** (Explain briefly)
- (ii) **Responsibility:** (Explain briefly)
- (iii) **Accountability:** (Explain briefly)

6. Hindustan Locks Private Limited has been dealing in manual locks manufacturing for the past one century. It enters into digital locks manufacturing for auto industry. The top management of the company has instructed the HR department to redesign the organisational structure of the company.

- (a) In your opinion which organisational structure would be best suitable in the above situation? State with appropriate reason.
- (b) State one advantage and limitation each for the above structure.

**Ans.** (a) **Divisional structure** should be adopted, though the company is carrying on the same line of product but it shall require to establish separate departments for purchase, production, marketing, sales (separate customers' base), etc.

- (b) *Refer:* Advantages and Limitations of Divisional Structure.

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

(a) Identify and explain any two points of importance of the concept being discussed above.

(b) Name and briefly explain a suitable framework for the company within which the managerial and operating task are to be performed. (CBSE Sample Paper 2019-20)

**Ans.** (a) **Importance of Decentralisation:** (Explain briefly)

(b) **Divisional structure:** (Explain briefly)

Reason: The company diversified into several products.

**CBSE marks allocation:** [( ½ mark for identification + 1½ mark for explanation) \* 2 + ((1/2 mark for naming and ½ mark for explanation)]

8. Kavita Ghai was the Managing Director of a restaurant in Lucknow called 'Healthy Kitchen'. The restaurant was doing well and the volume of work started increasing slowly and steadily. Kavita Ghai was not able to manage all the work on her own. The increasing magnitude of work made it impractical for her to handle it all by herself. Moreover her objective is to open more branches of this restaurant at different places. She appointed Nikhil Gupta, as a General Manager of 'Healthy Kitchen', Lucknow and gave him the right to command his subordinates and to take action within the scope of his position. For smooth running of the restaurant she also gave him authority to hire and train the staff as per the requirements.

Kavita Ghai was satisfied with the work of Nikhil Gupta and was able to open other branches of the restaurant in Agra and Kanpur also.

(a) Identify the concept followed by Kavita Ghai which helped her to open the new branches of the restaurant.

(b) Also, explain briefly the two points of importance of the concept identified in (a) above. **(CBSE Outside Delhi 2019)**

**Ans.** (a) Delegation

(b) Importance of delegation of authority

(i) Effective Management: (explain briefly)

(ii) Employee Development: (explain briefly)

9. Voltage fluctuations have been common and quite high in India. They harm our electrical appliances like televisions, refrigerators and air conditioners, often leaving them in a permanently damaged condition. N-Guard Company decided to manufacture stabilizers for North India where the voltage fluctuation ranges from 220 V to 230 V. Once the demand for North India was taken care of, they decided to launch stabilizers of varying voltages from 90 V – 260 V for meeting the requirements of voltage fluctuations in other regions of India also. Three engineers were appointed for South, West and East regions of India, as the voltage was different in all, the three regions. Though all the engineers were appointed to manufacture stabilizers but the product differed from region to region. **(CBSE 2019 Delhi Region)**

(a) Identify the organisational structure of N-Guard Company.

(b) State any two advantages and two limitations of the structure identified in the above para.

**Ans.** Divisional Structure

Advantages and Limitations : (Refer the topic Divisional structure)

Author's opinion : Three engineers had to deal as per different requirements of different regions and they had to work independently. Here, as per situation, production of different voltages does not matter whether these are manufactured within a single manufacturing unit or more.

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

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

- (a) Identify and explain the type of organisation that led to procedural delays and because of which the company could not get the advantage of procuring raw material at cheaper rates.
- (b) Mention two advantages which can be identified in the above case.
- (c) Mention two advantages of the type of organisation identified in (a) above other than those discussed in the above case.
- (d) Identify and explain the limitation as discussed in the above case.

(Compartment Delhi/Outside Delhi 2018 Modified)

- Ans.** (a) Formal Organisation. (Explain Briefly)
- (b) Advantages identified in the above case are:
- (i) Clearly of job positions
  - (ii) Unity of command
- (c) Advantages not present in the above case:
- (i) Fixation of responsibility
  - (ii) Accomplishment of goals
- (c) Delay in decision making (explain briefly)

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

- (a) From the above information, identify the organisational structure adopted by 'Yumco Ltd.'
- (b) State any three advantages of the structure so identified.

(Delhi/Outside Delhi 2018)

**Ans.** (a) Functional structure

**Reason:** Functional structure carries different departments and there is interdepartmental conflicts to make their own personal empires by the departmental heads.

(b) Advantages of functional structure:

1. Efficient management: (Explain briefly)
2. Effective supervision: (Explain briefly)
3. Effective supervision: (Explain briefly)

**Note:** Allocation of marks as per CBSE Marking Scheme [(1 mark for identification of structure +  $\frac{1}{2}$  mark for heading +  $\frac{1}{2}$  mark for explanation) 2 = 4 marks]

12. Progress Limited is facing difficulties in introduction of machinery of latest technology as they are facing resistance from the informal groups who are pressurizing the members to work against organisational interests. As the Human Resource Manager of the company, would you advise the management of the company to confront them or give them some other suggestion to deal with the informal groups?

(CBSE Sample Paper 2017–18)

**Ans.** As a Human Resource Manager, I would advise the following:

- (1) Such person should be identified who is advising the employees to go against the interest of the organisation.
  - (2) Such person and groups should be taken into confidence to gain support from the employees to adapt to the changes in the environment.
  - (3) Instead of confronting, the management should take the advantage of both informal and formal groups to enable the work go smoothly.
13. Kiran Industries is a company manufacturing office furniture. The company chose to diversify its operations to improve its growth potential and increase market share. As the project was important, many alternatives were generated for the purpose and were thoroughly discussed amongst the members of the organisation. After evaluating the various alternatives, Sukhvinder, the Managing Director of the company, decided that they should add 'Home Interiors and Furnishings' as a new line of business activity.
- (a) Name the frame work that the diversified organisation should adopt, to enable it to cope with the emerging complexity. Give one reason in support of your answer.
  - (b) State any two limitations of this framework. (CBSE Sample Paper 2016)

**Ans.** (a) Divisional Structure.

**Reason:** Refer advantages of divisional structure.

*Reason:* The company decided to add 'Home Interiors and Furnishings' as a new line of business activity.

(b) *Refer:* Limitations of divisional structure.

14. Samir Gupta started a telecommunication company, 'Donira Limited', 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 for its products went up. To increase production, the company decided to recruit additional employees. Samir Gupta, who was earlier taking all the decisions for the company had to selectively disperse the authority to the lowest level. He believed that subordinates are competent, capable, and resourceful and can assume responsibility

for effective implementation of their decisions. This paid off and the company was not only able to increase its production but also expanded its product range.

- (a) Identify the concept used by Samir Gupta through which he was able to steer his company to greater heights.
- (b) Also, explain any three points of importance of this concept. (Delhi 2015)

**Ans.** (a) Decentralisation of authority.

- (b) *Refer:* Importance of decentralisation of authority.

**Note:** *Selective dispersal of authority* refers to the decision of top management to decide the limit of authority to be pushed down to the heads working at different levels. The words 'to the lowest level' have been added in the above case to give more clarity.

### LONG ANSWER TYPE QUESTIONS

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

- (a) Which organisational structure should the company adopt?
- (b) Prepare a report with regard to benefits the company will derive from the above step. (NCERT)

**Ans.** (a) As the company is going to add new range of products apart from the existing product, it will have to operate independently for each kind of product. Different divisions will be required to deal with the different products. So, the company is required to adopt **Divisional Structure**.

- (b) **Benefits which the company will derive:**

(*Refer:* Benefits of Divisional Structure)

2. A company manufacturing sewing machines set up in 1945 by the British promoters follows formal organisation culture in totality. It is facing a lot of problems regarding to delay in decision-making. As a 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 (a practice of requiring excessive paperwork and tedious procedures). Employee turnover (employee leaving the organisation) is high and its market share is also declining due to changed circumstances and business environment.

#### Questions:

- (a) You are to advise the company with regard to what change should it bring about in its organisational structure to overcome the problems faced by it.
- (b) Explain how change suggested by you can be made effective.
- (c) Give reasons in terms of benefits it will derive from the changes suggested by you.
- (d) In which sectors can the company diversify keeping in mind the declining market for the product the company is manufacturing?

**Ans.** (a) The suggestion to overcome from all the problems is to encourage increased informal interaction among employees, e.g. letting **informal organisation** to grow



spontaneously within formal organisational set up to a certain extent besides formal organisation.

(b) **Informal organisation can be made effective in the following ways:**

- (i) The management should encourage social and mutual interaction among employees.
- (ii) The management should introduce employee suggestion programme so that good suggestions can be implemented and rewarded.
- (iii) The management should be open while communicating with the employees to enhance sense of belongingness.
- (iv) The management may introduce decentralisation to some extent possibly to promote quick decision-making after providing adequate training to employees.

(c) **The benefits to accrue due to change in the organisational structure:**

**[Hint:** Write the benefits of Informal Organisation.]

(d) **Sectors for Diversification of Products:** The company can open its operation in the sectors like Textile Machinery, Zigzag Machines, Interlocking Machines, Embroidery Machines, Buttoning Units, Sewing Threads, Fabric Cutters, Needle Detectors, etc.

3. Premium Beauty Solutions Limited, manufacturing cosmetics, which enjoyed a preeminent position in business, has grown in size. Its business was very good till 1991 but after that, new liberalised environment has been implemented on many MNCs in this sector. As a result the market share of Premium Beauty Solutions Limited has declined. The company had followed a very centralised business model with directors and divisional heads making even minor decisions. Before 1991, this business model had served the company very well as consumers had no choice, but now the company is under pressure to reform.

**Questions:**

- (a) What organisation structure change should the company bring about in order to retain its market share?
- (b) Suggest the measures the company should take for the effective implementation of the suggested structure.
- (c) How will the changes suggested by you help the firm by keeping in mind that the sector in which the company deals is FMCG? (NCERT - Modified)

**Ans.** The company has always retained decision-making and even operational decision-making at the top level of management. This must have resulted in overburden of work with top-level management who must not have been left with sufficient time to cope up with the changes in the environment and would have killed the initiative, talent and enthusiasm of the employees.

- (a) **Change in the organisational structure:** The company is strongly advised to bring changes in the centralised organisational structure to decentralised structure to empower the employees.
- (b) Measures to make decentralised structure more effective:
  - (i) The company should promote delegation and decentralisation of authority to the largest extent possible.
  - (ii) The lower staff should be given more powers to clinch the deals as the company deals in FMCG sector where consumption is large and customers' preferences are dynamic.

- (iii) There should be effective communication system from top level to bottom for taking quick strategic decisions in the changing situations.
  - (iv) There should be maximum participation in the decision-making to motivate staff for the better results.
- (c) Effects of change in the organisational structure:

[Hint: Write the advantages of decentralisation.]

4. Cee Aar International, which manufactures air conditioners, has well-defined system of job positions and all its employees are aware of their authority and responsibility. However, gradually, the performance has started declining, the employees are losing interest in their jobs and labour turnover has increased.

The company hires the services of The Chopras, an HR consultant, to make a thorough study and it is revealed that the employees are not allowed to interact with one another during working hours and this has led to inefficiency in operations, poor quality in work and killing of talent.

- (a) Identify and explain the suggestion which would have been made by the HR to overcome this situation.
- (b) State two merits and demerits of the suggestion given in case (a).

Ans. (a) The employees need to be allowed to interact socially with other fellow employees within a professional code of conduct and for this purpose, the management should let informal relationship/organisation evolve.

(b) Refer: Merits and demerits of informal organisation.

5. (Case problem based on Unit): Neeraj and Sahil conceived an idea to start a manufacturing business for a highly demanded consumer durables and took loan from a commercial bank under the MSM Eschemes meant for small business entrepreneurs. It was decided to set up a registered office in Mumbai, a marketing unit at Pune and a manufacturing unit in a backward village of Jharkhand to take advantage of Government subsidy. This generated employment opportunities for the villagers. The 2% of their profits were spent on developing pure water sources and development of roads.

- (a) Identify the function of management by highlighting the lines from the above para to support your answer.
- (b) Explain two sources of recruitment that the company can use to recruit vacancies.
- (c) Suggest a suitable organisation structure for the company giving two suitable reasons.

Ans. (a) **Planning**

Quoted Lines: 'They conceived an idea to start a manufacturing business for a highly demanded consumer durables'.

(b) Advertisement in newspaper, labour contractors, local placement agencies, etc.

(c) **Functional structure**

Reasons to adopt functional structure

(i) Business deals in single line of product

(ii) It is immaterial to have separate functions being performed at different places.

6. (Case problem based on Unit): Most of the automobile companies are facing a sharp decline in the sale of cars over the past few years. After thorough research, the companies came to know that the government's decision to phase out petrol/diesel vehicles with electric vehicles and higher interest rates on loans are the major causes for decline. To boost its sales, it prepared a blue print and took the following steps:

- Modify the existing plant to manufacture electric cars.
  - Unite the car manufactures to submit its representation to the government to provide subsidy as the cost is expected to get doubled and the customer would not be able to buy them.
  - Authorised its marketing manager and executives to offer finance with fabulous schemes and discounts to attract the masses. As a result of these steps, the company was able to sell inventory of cars piled up at different locations.
- (a) State the type of plan adopted by the company to increase sales.
  - (b) By quoting the lines, identify and explain the organising concept involved in the above case.
  - (c) What would happen if the government refuses to provide subsidy?

**Ans.** (a) **Strategy:** (Explain briefly)

(b) **Decentralisation of Operations/Authority:** (Explain briefly)

*Quoted Lines:* "Authorised the marketing managers and executions.....".

(c) If the government fails to provide support in the form of subsidy, reduction in G.S.T. exemptions on low price models and several other incentives, government is likely to fail in its goals and vision as several companies have already shut down their showrooms, manufacturing plants and retrenched lakhs of employees. So, the automobile sector will face severe hardships to survive.

7. **(Case problem based on Unit):** Century Consumer Products India Limited has been manufacturing electronics products. To expand its business operations, it wishes to manufacture electric products. It decided to manufacture and sell Dish Washers in the market. For this purpose, it set up a separate division for which a female specially abled executive was given the charge of Divisional Manager.

- (a) Identify the functions (two) of the management by quoting the lines involved in the above situation.
- (b) Explain with reason the type of organisational structure you would recommend in the above case.
- (c) Which source of recruitment would you find the best to attract the candidates?
- (d) Explain how the functions identified in part (a) are inter-related?

**Ans.** (a) **Functions of Management:**

- **Planning**

*Quoted Lines:* 'decided to manufacture and sell dish washers'.

- **Organising**

*Quoted Lines:* 'to diversify its business from electronics to electronic' and 'decided to set up separate division'.

(b) **Divisional Structure:** (Explain briefly)

*Reason:* The company is going to deal in multiple products.

(c) **Advertisement** in the newspapers would be the best source to recruit the manager.

(d) **Interrelation of Planning and organising:**

**Planning** sets the goals and objectives in advance. These are the basic reasons for existence and survival. All functions of management depends upon how plans have been made to achieve the objectives effectively and efficiently whereas **organising** divides the whole work into manageable divisions, departments and units. It ensures

all types of resources (physical and human resources) are optimally utilised by creating authority responsibility relationship throughout the organisation by creating hierarchy of job positions at all levels.

8. Ramdas, aged 49, is working in an aviation company. He is the most senior employee in his division. He is even senior to the division manager, Kanaputti. Ramdas is considered as one of the most committed, capable and hard-working employees. As a result of his abilities and seniority, he generally received the work assignments of his choice. Although, there was no formal designation of various 'special' projects assigned to Ramdas, he handled them as a matter of routine. A problem developed when an able and intelligent person, Nagarjun, aged 33, was appointed by Kanaputti.

Nagarjun's previous three years' experience in the closely related work made it possible for him to catch on to the routine work of his new job more rapidly than was customary for a new employee. On several occasions, Kanaputti noticed the tension developing between the two employees. However, he didn't want to get involved in their personal issues as long as the work was completed effectively and efficiently by them. One day, the tension between them reached the boiling point and Ramdas complained to Kanaputti stating that his duties were being largely taken over by Nagarjun. Kanaputti issued the order stating a clear allocation of the jobs and related duties between the two. He further clarified the working relationship between them by specifying who was to report to whom. This helped in reducing the workload, enhancing productivity and removing ambiguity.

- Identify and state the steps of the organising process which were not being carried out properly and contributed to this problem.
- State the two steps of the organising process which were taken by Kanaputti to respond to the complaint of Ramdas.
- Also, state two points on the importance of organising, as reflected in the above case. (CBSE Sample Paper 2016–17)

**Ans.** (a) **Assignment of duties:** It relates to defining the work of different job positions and allotting the work according to the skills of the employees.

(b) Steps not carried out properly:

(i) **Assigning the duties:** (explain briefly)

(ii) **Establishing reporting relationship:** (explain briefly)

(c) **Points of importance:** *Refer:* Importance of organising.

9. Aman Chadha started 'Bulls Eye', a company for providing cyber security solutions to business. Its objective is to prevent, detect and respond to cyber attacks and protect critical data. He was a hardworking software engineer and an expert in cyber security. His reputation grew by leaps and bounds as he was not only a person of integrity but also did his work with utmost honesty and sincerity. The business started growing day by day.

He was delighted when he was offered a big project by the Ministry of Defence. While working on the project, he found that the volume of work made it impractical for him to handle all the work by himself. He decided to expand the team. The company maintained a close liaison with a local engineering college. During a campus placement, Ishan and Vrinda were appointed to work for the new project.

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

- (a) Identify and briefly explain the concept used by Aman Chadha in the above case which helped him in focusing on objectives.
- (b) Also, state any four points of importance of the concept identified in (a) above.

(CBSE Delhi 2017)

- Ans.** (a) **Delegation of Authority:** (Explain briefly)  
(b) *Refer:* Importance of delegation of authority.

**Note:** There was confusion whether the answer should be delegation or decentralisation. Here, Aman wished to reduce his work load, so he appointed assistants and shared a part of his job to focus on overall objectives. Thus, it indicates delegation of authority. Delegation takes place between a superior and subordinate(s) at a particular level whereas decentralisation is the result of delegation at all levels in an organisation but in this case, there were no levels of management as there was only one person running the company. Certain points are common between the importance of delegation and decentralisation. Answer also could not be staffing as recruitment was necessary to reduce workload.

- 10. (Case Problems based on unit) :** Shan Spices Limited is a manufacturer of different food-specific spices like Rajmaa Masala, Cholley Masala, Aaloo Parantha Masala, etc. Mr Raghav, the owner of the company, has created different departments for purchase, production, marketing, finance and human resources. There are thirty employees working in the organisation. Planning is of paramount importance to the company as Mr Raghav believes that effective planning leads to the achievement of organisational objectives. So, in order to make the employees focus on objectives, he issued instructions that during the working hours, only official matters will be discussed. He made certain rules and code of conduct for the employees to follow, according to which the employees were not allowed to visit and talk to the employees of other departments except for official work. This resulted in smooth functioning of the organisation.

- (a) Identify the functions of management involved in the above case.
- (b) Identify and state the type of organisation mentioned in the above paragraph.
- (c) Identify and explain the step followed by creating different departments.
- (d) State one feature of the concept identified in (a).
- (e) What was the purpose behind the formulation of rules for the employees that restricted their personal communication with the employees of other departments?

(CBSE Sample Paper 2016–17, Modified)

- Ans.** (a) Functions of management identified in the above case are: 'Planning' and 'organising'.  
(b) Formal organisation: (Explain briefly)  
(c) Departmentalisation (one of the step in the process of organising).

- (d) Clarity on job positions or any other feature. (explain briefly)
- (e) Avoidance of the emergence of informal organisation which may obstruct the fulfillment of organisational goals.

11. Steelo Limited decided to set up its steel manufacturing factory in the backward area of Odisha where less job opportunities were available. People of that area welcomed this effort of Steelo Limited. To attract people to work in their factory, they decided to provide many other facilities like schools, hospitals, markets, etc. in the factory premises. Steelo Limited started earning huge profits. Another competing company asked its production manager, Aslam, to investigate the reasons why Steelo Limited was earning huge profits. Aslam found that in both the companies, there was a systematic coordination among various activities to achieve organisational goals. Every employee knew who was responsible for what work and accountable to whom. The only difference was that in his organisation, communication took place through the scalar chain whereas Steelo Limited was allowing flow of communication in all the directions as per the requirement, which led to faster spread of information as well as quick feedback.

- (a) Identify and explain the type of organisation which permits Steelo Limited the flow of communication in all the directions.
- (b) State two advantages of the type of organisation identified in (a).
- (c) Why Steelo Limited was earning huge profits in the industry?

(Delhi/Outside Delhi 2016, Modified)

**Ans.** (a) Informal organisation. (explain briefly)  
(b) Advantages of informal communication

- (i) It spreads faster communication and ensures quick feedback.
- (ii) It fulfils social needs which is generally not possible in formal organisation set up.

(c) Steelo Limited was earning huge profits due to systematic coordination throughout the organisation.

12. A company has been registered under the Companies Act with an authorised share capital of ₹20,000 crores. Its registered office is situated in Delhi, the manufacturing unit in a backward district of Rajasthan and its marketing department is situated in Bhopal. The company is manufacturing Fast Moving Consumer Goods (FMCG).

- (i) Suggest with the help of a diagram a suitable organisational structure for the company.
- (ii) State any three advantages of this organisational structure.

(Delhi/Outside Delhi Compartment 2015)

**Ans.** (i) Divisional structure (prepare diagram)  
(ii) Refer, advantages of Divisional structure.

13. (Case problem based on Unit): Rajeev, the owner of Pathways Constructions, decided to start a campaign to create awareness among people for developing clean surroundings in their area. He formed a team of 10 members to list the different ways for cleaning the surroundings. One suggested to take the help of local residents, another suggested that they might involve school going children in their venture. One more suggestion was to take the help of unemployed youth. On evaluation of different ways, it was decided to take the help of local residents. To achieve the desired goal, various activities were identified like :

- Purchase of necessary items such as dustbins, garbage bags, brooms, etc.
- Collection of garbage.
- Disposal of garbage, etc.

After identification of different activities, the work was allocated to different members.

- Identify and explain the concepts of management involved in the above situation and quote the lines, which help in their identification.
- Explain one step of process of each function identified highlighted in the above case.

(CBSE SP 2014–15, Modified)

**Ans.** (a) **Concepts Involved:** Planning and Organising (Explain each Briefly)

*Quoted Lines for Planning* (Any one): 'To create awareness.....area' (setting objectives); 'one suggested to take help of local residents'; 'One suggested to take help of unemployed youth'; 'On evaluation of different ways'; 'It was decided to take help of local residents'.

*Quoted Lines for Organising* (Any one): 'To achieve desired goals.....disposal of garbage, etc.'; 'after identification of different activities..... different members'.

(b) **Steps highlighted in the process**

- Planning process
  - Selling objectives: (Explain Briefly)
- Process of organising
  - Identification and division of works.



## N.C.E.R.T. QUESTIONS



### VERY SHORT ANSWER TYPE QUESTIONS

(1 MARK)

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

[Hint: Informal]

- What does the term 'Span of management' refer to?
- State any two circumstances under which the functional structure will prove to be an appropriate choice.
- Draw a diagram depicting a functional structure.
- A company has its registered office in Delhi, manufacturing unit at Gurgaon and marketing and sales department at Faridabad. The company manufactures the consumer products. Which type of organizational structure should it adopt to achieve its target?

[Hint: Refer: Q. No. 4 Application based questions (VSA)]

### SHORT ANSWER TYPE QUESTIONS

(3–4 MARKS)

- What are the steps involved in the process of organizing?
- What are the elements of delegation?
- How does informal organization support the formal organization?
- Can a large sized organisation be totally centralised or decentralised? Give your opinion.
- Decentralization is extending delegation to the lowest level. Comment.
- 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?

[Hint: Divisional structure as Neha is entering into different product which shall require separate manufacturing departments.]

7. 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.

[Hint: Refer, Q. No. 2 under Application Based Questions (SAQ)]

### LONG ANSWER TYPE QUESTIONS

(5-6 MARKS)

1. Why delegation is considered essential for effective organizing?
2. What is a divisional structure? Discuss its advantages and Limitations 3.
3. Decentralisation is an optional policy. Explain why an organisation would choose to be decentralised.
4. Distinguish between centralisation and decentralization?
5. How is a functional structure different from a divisional structure?
6. 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 diversity into manufacture of new range of electronic toys for which a new market is emerging.
  - (a) Which organisation structure should be adopted in this situation?
  - (b) Give concrete reasons with regard to benefits the company will derive from the steps it should take.

[Hint: Refer Q. No. 1 under Application Based Questions (LAT)]

7. A company manufacturing sewing machines set up in 1945 by the British promoters follows formal organisation culture in totality. It is facing lot of problems in delays in decision making. As the result it is not able to adapt to changing business environment. The work force is also not motivated since they cannot vent their grievances except through formal channels, which involve red tape. Employee turnover is high. Its market share is also declining due to changed circumstances and business environment.
  - (a) 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.
  - (b) Give reasons in terms of benefits it will derive form the changes suggested by you.

[Hint: Refer Q. No. 2 under Application Based Questions (LAT)]

8. A company X limited manufacturing cosmetics, which has enjoyed a pre-eminent position in business, has grown in size. Its business was very good till 1991. But after that, new liberalised environment has seen entry of many MNC's in the sector. With the result the market share of X limited has declined. The company had followed a very centralized business model with Directors and divisional heads making even minor decisions.



Before 1991 this business model had served the company very well as consumers had no choice. But now the company is under pressure to reform. (a) What organisation structure change should the company bring about in order to retain its market share?

(a) What organisation structure change should the company bring about in order to retain its market share?

(b) How will the changes suggested by you help the firm? Keep in mind that the sector in which the company is FMCG.

[**Hint:** Refer Q. No. 3 under Application Based Questions (LAQ)]

## EXERCISE

### VERY SHORT ANSWER TYPE QUESTIONS

(1 MARK)

1. Name the process of defining and grouping the activities of the enterprise and establishing authority responsibility relationship among them.
2. State first two steps involved in the process of organising.
3. Name the type of organisation structure in which jobs of similar nature are grouped together to form departments.
4. Name the nature of organisation which is related to the structure of jobs and positions with clearly defined functions and relationships.
5. Name the nature of organisation which is related to meet the personal and social needs of the employees.
6. State which principle of management is followed in an formal organisation to facilitate smooth flow of communication.
7. Divisional structure is more suitable for the firms having several products and each product has distinct features. Do you agree?
8. Name the organisation wherein official relationship among the employees is established.
9. Name the organisation wherein personal relationship among the employees gets established.
10. Name the type of organisation in which:
  - (a) Friendly relationship exists among the members.
  - (b) Official relationship exists among the members.
11. Which term denotes “The number of subordinates that can be effectively managed by a superior”?
12. State two benefits of delegation of authority.
13. Does accountability arise if a work is accomplished by a superior as directed by a superior?
14. Distinguish between delegation and decentralisation of authority on the basis of authority delegated.
15. Distinguish between delegation and decentralisation of authority on the basis of persons involved.
16. What should a company do, be it centralised or decentralised when it grows?
17. “It refers to the systematic delegation of authority from top management to the lower level managers”. Mention it.
18. Does decentralisation increase or reduce the importance of a subordinate in an organisation?

## SHORT ANSWER TYPE QUESTIONS

(3–4 MARKS)

1. “Authority can be delegated but accountability cannot.” Explain with example.
2. Sima, a woman entrepreneur manufactures pickles. She intends to diversify into making ‘ready to eat products’. Which type of organisational structure she should use and why? Also give two advantages and disadvantages of this type of organisational structure.
3. Describe the steps involved in the process of organising.
4. Sunil Garments Ltd. is manufacturing shirts and has four functions – Production, Finance, Marketing and Personnel. Which organisation structure should the company adopt? Explain its two advantages.
5. Delegation of Authority ‘helps in reducing the workload of managers’ and ‘motivates the employees.’ Explain this statement.
6. How does delegation of authority ‘helps in employees’ development’ and ‘facilitates better control’? Comment.
7. ‘Delegation is based on elementary principle of division of work.’ Explain.
8. How is delegation of authority a source of development of managers? Comment.
9. Action Shoes Ltd. is running shoe manufacturing units successfully. So they plan to expand their business activities by adding more lines such as leather bags, belts and garments. Which type of structure would you recommend and why?
10. Can both Responsibility and Accountability be delegated? Explain.
11. “Decentralisation leads to better team work and coordination”. Explain.
12. Why is informal organisation considered better than formal organisation? Give any four reasons.
13. The directors of Bhuvan Computers Ltd., an organisation manufacturing computers, want to double the sales and have given the responsibility to their sales manager. The sales manager further divides this responsibility to five salesmen. These salesmen could not achieve the target. Who is accountable for non-achievement of target and why?
14. Decentralisation is an optional policy. Explain why an organisation would choose to be decentralised.
15. You are a manager in a toy manufacturing company. How will you perform the job of “Grouping of Activities’ as a step towards process of organisation?
16. ‘Delegation of Authority is based on the elementary principle of division of labour.’ Explain.

## LONG ANSWER TYPE QUESTIONS

(5–6 MARKS)

1. The employees of Alpha Resorts & Holidays Ltd. met at the swimming pool on holidays and Sundays.
  - (i) Name the type of organisation formed and state its three features.
  - (ii) Give any two limitations of such type of organisation.
2. Define ‘Formal Organisation’. Explain any two merits and two demerits of formal organisation.
3. What is meant by ‘Divisional Organisational Structure’? State its advantages and two disadvantages.

4. What is meant by 'Functional Organisational Structure'? State any two advantages and two disadvantages of such structure.
5. Describe the steps involved in the process of organising.
6. Super Hygienic Products Ltd. is manufacturing cosmetic products and has Production, Sales, Purchase and Finance departments. Which type of organisational structure would you suggest them? State any three advantages and two disadvantages of this type of structure.
7. "In big organisations, delegation of authority is not required at all levels." Do you agree with this statement? Give reasons in support of your answer.
8. Wise Products Ltd. is manufacturing Computers, Soaps and Textiles. Which type of organisational structure would suit such an organisation? State three advantages of such organisational structure.
9. Every organisation should be characterised by centralisation and decentralisation. Do you agree? Give reasons in support of your answer.
10. Suraj is engaged in the production of electrical goods. The members of the organisation have friendly relationships among them. Which type of organisation has developed in the concern? Explain any four benefits of developing such organisation.
11. You have to create an organisation to implement the plans already finalised by your company. What steps will you take as a manager to form an organisation?
12. "Delegation is necessary in every organisation but decentralisation is not." Explain.
13. Delegation of authority is necessary in all types of organisations. Explain any four reasons in support of your answer.
14. In the textile design unit, the following are the main functions:
 

(a) Purchase	(b) Finance	(c) Marketing
(d) Personnel	(e) Production	

 How would you structure the organisation and why?
15. Informal organisation is considered better than formal organisation. Do you agree with this statement? Give reasons.
16. How does informal organisation emerge in a formal set-up?
17. What factors would you keep in mind while creating the optimum organisational structure?
18. How does the existence of an informal organisation take place? Do you think informal organisation is necessary to co-exist with formal organisation? Give reasons.
19. How does the existence of informal organisation facilitate the growth of formal organisation?
20. Distinguish between delegation and decentralisation of authority on the following bases:
 

(i) Nature	(ii) Purpose	(iii) Freedom of action
(iv) Essentiality	(v) Level of authority	
21. The employees of Manik Softek Ltd., a software company, have formed a dramatic group for their recreation. Name the type of organisation so formed and state its three features.

## PREVIOUS YEAR QUESTIONS

### VERY SHORT ANSWER TYPE QUESTIONS

(1 MARK)

1. Give the meaning of functional structure. (CBSE Compartment 2019)
2. Distinguish between Delegation and Decentralisation on the basis of freedom of action. (Sample Paper 2018–19)
3. Distinguish between Authority and Responsibility on the basis of origin. (Sample Paper 2018–19)
4. What is meant by 'functional structure' of an organisation? (Compartment Delhi/Outside Delhi 2018)
5. Define 'Decentralisation'. (Delhi/Outside Delhi 2018)
6. Differentiate between 'formal and informal' organisation on the basis of 'origin'. (Delhi 2017)
7. Differentiate between 'formal' and 'informal' organisation on the basis of 'flow of communication'. (Outside Delhi 2017)
8. Explain authority as an element of delegation. (Delhi 2016)
9. Explain responsibility as an element of delegation. (Delhi 2016)
10. Explain accountability as an element of delegation. (Delhi 2016)
11. Give the meaning of delegation. (Outside Delhi 2016)
12. Give the meaning of decentralisation. (Outside Delhi 2016)
13. Give the meaning of 'Authority' as an element of delegation. (Delhi 2014)
14. State any one advantage of 'Formal Organisation.' (Delhi 2014)
15. Distinguish between functional structure and divisional structure on the basis of 'formation'. (Outside Delhi Comptt. 2014)
16. What is meant by 'formal organisation' ? (Outside Delhi Comptt. 2014)

### SHORT ANSWER TYPE QUESTIONS

(3–4 MARKS)

1. "Delegation of authority, undoubtedly empowers an employee to act for his superior, but the superior would still be accountable for the outcome. Explain the elements of delegation of authority discussed above. (CBSE Sample Paper 2019-20)
2. Explain 'Authority' 'Responsibility' and 'Accountability' as elements of delegation. (CBSE Compartment 2019)
3. State any three points of importance of Organising. (CBSE Compartment 2019)
4. Explain any three points of importance of decentralisation. (CBSE Compartment 2019)
5. Explain any three points of importance of 'delegation'. (CBSE Compartment 2019)
6. Organising involves a series of steps that need to be taken in order to achieve the desired goal. Explain these steps.

Or

Explain any four points of importance of 'Organising'.

(CBSE 2019 Delhi Region)

7. Distinguish between 'delegation' and 'decentralisation' on the basis of  
(i) Freedom of action, (ii) Status and (iii) Purpose. (Sample Paper 2018-19)
8. Differentiate between formal and informal organisations on the basis of  
(i) origin, (ii) authority and (iii) flow of communication. (Delhi/Outside Delhi 2018)
9. State any four features of informal organisation. (Compartment Delhi Set I - 2017)
10. State any four advantages of formal organisation. (Compartment Delhi Set II - 2017)
11. State any four features of formal organisation. (Compartment Delhi Set III - 2017)
12. State any two advantages and two limitations of informal organisation.  
(Compartment Outside Delhi- 2017)
13. Explain the merits of external sources of recruitment.  
(Compartment Outside Delhi 2016)
14. State any three points which highlight the importance of delegation for an organization.  
(CBSE Sample Paper 2016)
15. State the limitations of informal organisation. (Delhi Outside Delhi Comptt. 2015)
16. State any three advantages of formal organisation. (Delhi Outside Delhi Comptt. 2015)
17. State any three advantages of informal organisation. (Outside Delhi Comptt. 2015)
18. What is meant by 'functional structure' of an organisation? State its any two advantages.  
(Delhi 2015)
19. Define 'organising' as a function of management. (Delhi Comptt. 2014)
20. State the suitability of functional structure of organising. (Delhi Comptt. 2014)
21. Define 'organizing' as a function of management. (Outside Delhi 2014)

#### LONG ANSWER TYPE QUESTIONS

(5-6 MARKS)

1. Explain the steps in the process of organising function of management.  
(CBSE Compartment 2019)
2. Differentiate between Functional structure and Divisional structure.  
(Sample Paper 2018-19)
3. Distinguish between Formal organisation and Informal organisation.  
(Sample Paper 2018-19)
4. "Put simply, decentralization refers to delegation of authority throughout all the levels of the organization." In the light of the above statement, give the meaning of and difference between delegation of authority and decentralisation.  
(CBSE Sample Paper 2017-18)
5. Explain any four differences between 'Delegation' and 'Decentralisation', specifying the bases of difference. (Compartment Delhi Set I - 2017)
6. Differentiate between 'functional' and 'divisional' structure of organisation on any six bases. (Compartment Delhi Set II -2017)
7. Explain 'Authority', 'Responsibility' and 'Accountability' as elements of Delegation.  
(Compartment Delhi Set III -2017)

8. Explain any four points of importance of organizing function of management.  
(Compartment Outside Delhi 2017)
9. 'Organising involves a series of steps in order to achieve the desired goals.' Explain these steps ?  
(Delhi/Outside Delhi 2014)
10. Differentiate between formal and informal organization on the basis of the following:  
(i) Meaning                      (ii) Origin                      (iii) Authority  
(iv) Behaviour                      (v) Flow of communication                      (vi) Nature
11. With the help of any four points, explain the importance of 'Decentralization' in: an organization.  
(Delhi/Outside Delhi 2014)
12. Explain with the help of any four points, the importance of 'Delegation' in an organization.  
(Outside Delhi 2014)
13. With the help of any four points, explain the crucial role that organising plays in an enterprise.  
(Delhi 2014)
14. Explain the concept of 'Functional Structure.' Also, explain any four disadvantages of functional structure.  
(Delhi 2014)
15. Explain the steps in the process of organising.  
(Delhi Comptt. 2014)
16. Differentiate between Formal and Informal organisation on the basis of the following:  
(i) Meaning;                      (ii) Origin;  
(iii) Authoring;                      (iv) Behaviour;  
(v) Flow of Communication; and                      (vi) Leadership.                      (Delhi Comptt. 2014)
17. 'Decentralisation is an important philosophy that implies selective dispersal of authority.' In the light of the statement, explain any four points of importance of decentralisation.  
(Outside Delhi Comptt. 2014)

