

CHAPTER -5 ORGANISING

CONCEPT SUMMARY

Organizing is the process of defining and grouping, activities and establishing authority relationship among them.

Process: the process of organizing consists of the following steps:

- A. **IDENTIFICATION AND DIVISION OF WORK**– identifying and dividing the total work to be done into small & manageable activities/job.
- B. **DEPARTMENTALIZATION** –grouping of related jobs into larger units called department/divisions
- C. **ASSIGNMENT OF DUTIES**- Allocation of work to the members of each department according to their skills and competencies
- D. **ESTABLISHING REPORTING RELATIONSHIPS**– each individual to know from whom he has to take orders and to whom he is accountable

IMPORTANCE: organizing is considered important because it leads to division of work, clarity in reporting relationship, optimum utilization of resources, growth, better administration and greater creativity.

ORGANIZATIONAL STRUCTURE is the framework within which managerial and operating tasks are performed. It can be functional or divisional.

SPAN OF MANAGEMENT Is the number of subordinates under a superior.

FUNCTIONAL STRUCTURE groups activities on the basis of functions. The advantages of such a structure are:

- 1) Specialization
- 2) Better control
- 3) managerial efficiency
- 4) Ease in training employees.

THE DISADVANTAGES ARE:

- 1) Functional empires
- 2) Conflict of interest
- 3) Inflexibility
- 4) Restriction in managerial development



DIVISIONAL STRUCTURE groups activities on the basis of product. The advantages are:

- 1) Integration
- 2) Product specialization
- 3) Greater accountability
- 4) Flexibility
- 5) Better coordination
- 6) More initiative

THE DISADVANTAGES ARE:

- 1) Departmental conflicts
- 2) Costly process
- 3) Ignoring of organizational interests
- 4) Increase in requirements of general managers.

FORMAL ORGANIZATION is designed by the management to achieve organizational goals. Its advantages are fixation of responsibility, clarity of roles, and unity of command and effective accomplishment of goals. Its disadvantages are procedural delays, inadequate recognition of creativity, limited in scope.

INFORMAL ORGANIZATION arises out of interaction among people at work. Its are speed, fulfillment of social needs, fills inadequacies of formal structure. Its disadvantages are disruptive force, resistance to change and priority to group interests.

DELEGATION is the transfer of authority from superior to subordinate. It has three elements: Authority, responsibility and accountability. Importance of delegation is that it helps in effective management, employee development, motivation, growth and coordination.

DECENTRALIZATION is delegation of authority throughout the organization. Importance of decentralization is that it helps in development of managerial talent, quick decision making burden on top management, development of initiative, growth and better control.

VERY SHORT QUESTION ANSWERS.

1. What is organization structure?

Ans. frame work within which the managerial operational tasks are performed.

2. Which term denotes "the number of subordinates that can be effectively managed by superior?"

Ans. Span of management

3. Identify the type of suitable organization structure for a large scale organization having diversified activities requiring high degree of specialization in operations.

Ans. Functional structure.

4. Where is the divisional structure most suitable?

Ans. Where a large variety of products are manufactured using efficient resources.

5. What do you mean by decentralization?

Ans. It refers to systematic effort to delegate to the lower level all authorities except those which need to exercise at central point only.

6. The director of P&R Ltd, an organization manufacturing Electronic items, have asked Mr. Raj, their marketing manager to achieve a target sale of Rs.1,00,000 per day. Mr. Raj has delegated the task to Mr. keshav, his deputy sales manager working under him. Mr. keshav could not achieve the targets. Is Mr. Raj responsible for the failure of Mr. .keshav ? State the relevant principal in support of your answer.

Ans. Yes, Mr. Raj responsible. The relevant principal in support of absolute responsibility'.



SHORT QUESTION ANSWERS.

Q.1. Organising is the process of defining and grouping the activities of the enterprise and establishing the authority of relationship among them. In the light of this statement explain the steps in the process of organising.

Ans. Steps involved in the process of organising are as follows:

- i) Identification and division of work into manageable activities so that duplication is avoided.
- ii) Departmentalization to group together activities of similar nature to facilitate specialization.
- iii) Assignment of duties to job position for effective performance.
- iv) Establishing reporting relationships so that each individuals knows who he has to take orders from and to whom he is accountable.

Q. 2. State any four points of importance of organising.

Ans. Importance of organising (Any four):

1. It leads to **specialization** by a systematic allocation of jobs resulting in reduced workload and enhanced productivity.
2. It leads to **clarity** in working relationships by specifying who is to report to whom.
3. It leads to **optimum utilization** of resources by avoiding duplication of work and minimizing wastage of resources and efforts.
4. It helps in **adaptation to change** by allowing the organization structure to be suitably modified paving the way for a smooth transition.
5. It helps in **effective administration** by providing a clear description of jobs and working relationships.
6. It helps in **development of personnel** by delegation of work to subordinates.
7. It helps in **expansion and growth** by allowing an enterprise to add more jobs positions , departments and product lines.

Q. 3. Distinguish between 'Delegation and Decentralisation' on the basis of the following:

a) Purpose; b) Scope; c) Status; and d) Nature,

Ans. Difference between delegation and decentralization:

Basic		Delegation	Decentralization
(a)	Purpose	To lessen the burden of the manager	To increase the role of the subordinates in the organization by giving them more autonomy
(b)	Scope	It has narrow scope as it is limited to superior and his immediate subordinate	It has a wide scope as it implies extension of delegation to the lowest level of management
(c)	Status	It is a process followed to share tasks	It is the result of the policy decision of the top management
(d)	Nature	It is compulsory because no individual can perform all tasks on his own	It is optional because it is done at the discretion of the top management.

LONG QUESTION / ANSWERS

1. Difference between functional structure and divisional structure.

Ans.

Basis	Functional structure	Divisional structure
1. Formation	It is formed on the basis of different functions performed in an organization.	It is formed on the basis of different products produced in an organization.
2. Specialisation	Emphasis is given to functional specializing.	Emphasis is given to product line specializing.
3. cost	It is very economical since duplication of work is avoided.	There is duplication of work in various departments hence costly
4. coordination	There is difficulty in coordinating the activities if an enterprise is dealing in many products.	Coordination is easy as all the functions of a particular department can easily be integrated.
5. Suitability	This type of structure is suitable for all types of organizations.	This type of structure is suitable for multi-product or diversified firms.

2. what is meant by 'functional structure' of an organization? State any five advantages of this form of organization structure.

Ans. functional structure is an organization structure formed by grouping of jobs **similar nature under function** and **organizing** these major functions as separate departments like production, finance etc.

Advantages are:

- (a) It leads to occupational specializing since emphasis is placed on specific functions.
- (b) It promotes **control and coordination** within a department because of similarity in tasks being performed.
- (c) It increase **managerial and operational efficiency**
- (d) It **lower costs** as it reduces duplication of effort.
- (e) It ensure that different **function get due attention**.

3. What is meant by 'divisional structure' of an organization? For which type of business enterprise is this structure most suitable? State any four advantages of this firm of organizational structure.

Ans. Divisional structure is an organization structure comprising of separate business units or divisions.

It is suitable those enterprises:

- (i) Where two or more products are manufactured.
- (ii) When an organization grows and diversifies.

Advantages of divisional structure:

- (i) Products specialization helps in development of varied skills.
- (ii) It helps in the fixation of responsibility as divisional heads are accountable for profits, revenues and costs related to their departments.
- (iii) It promotes flexibility, initiative and faster decision making as each division is an autonomous unit.
- (iv) It facilitates expansion and growth as new divisions can be added without interrupting the existing operations.

5. What is meant by 'formal organization' state any three advantages and two limitations of formal organization.

Ans. Formal organization refers to organization structure which is designed by the management to particular task.

Advantages

- (i) It is easier to fix responsibility since mutual relationships are clearly defined.
- (ii) It avoids duplication of efforts since there is no ambiguity in role that each member has to play.
- (iii) It maintains unity of command through an established chain of command .

Limitation

- (i) It may lead to procedural delays as the established chain of command has to be follow which increase the time taken for decision making.
- (ii) It is difficult to understand all human relationship in an enterprise as it places **more emphasis on structure and work.**

6. Give the meaning of 'informal organizations 'and state any three features of it.

Ans. Informal organization is a network of personal and social relation not established by the formal organization but arising spontaneously as people associate themselves with one another.

Feature of informal organization are:

- (i) It originates from within the formal organization .
- (ii) It emerges spontaneously and is not deliberately created by the management.
- (iii) The standards of behaviors evolve from group norms.
- (iv) **It has no definite structure or forms.**
- (v) **Authority arises out of personal qualities.**

HOTS

Q 1 The employees of Manik Ltd., a software company, have formed a dramatic group for Their recreation .name the type of organization so formed and state its three feature.

Ans .Informal organization

Following are its main features;

[1] It originates from **personal interaction** of employees within the organization.

[2] **Flow of communication is independent** and without any specified direction of flow.

[3] It emerges spontaneously when employees frequently meet one another.

Q2. Aman, Avneesh and Amish have decided to start a business of manufacturing toys. They identified the following main activities and which they have to perform:

[1] Purchase of raw materials

[2] Purchase of machinery

[3] Arrangement of finance

[4] Production of toys

[5] Sale of toys

[6] identifying the area where they can sell their toys

[7] selection of employees, In order to facilitate the work they thought that four managers should be appointed to look after

[A] Production **[B]**Finance **[c]** personnel

[A] Identify the function of management involved in the above mentioned Para.

[b] Quote the lines from the above Para which help you in identifying this function.

[c] State the steps followed in the process of management.

Ans. (a) Organizing

(b) Any one of the following lines;

(i) "They identified the following main activities which they have to perform".

OR

(ii) "In order to facilitate the work they thought that four managers should be appointed to look after.....

(c) Steps in the process of organizing:

(i) **Identifying** and dividing the work into manageable activities.

(ii) **Departmentalization/** departmentation where activities of a similar nature are grouped together.

(iii) Assignment of duties to job positions

(iv) **Establishing reporting relationships** so that each individual knows who he has to take orders from and to whom he is accountable.

Value based questions

1. The Informal Organization is used primarily for spreading rumors .Its existence cannot be removed .What values should be imbibed to make the Informal Organization effective and useful?

- (a) Mutual understanding
- (b) Empathy.
- (c) Caring..



2. An Organization should allocate work to employees who are best suited for the job. In practice it is not so, most business organizations are dominated by fresh engineers, B-school graduates. Experience persons are not given preference in the present scenario. What values are missing in these kinds of job allocation? Give suggestions.

- (a) Recognition
- (b) Respect for seniority..

A manager, no matter how capable he / she is, cannot manage to do every task on his/her own. Effective delegation reduces his/her workload .Though work is delegated he/she is still accountable.

What values does accountability bring in?

- (a) Responsibility
- (b) Answerability.
- (c) Cooperation