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Class 12 commerce Sub. BST. Date 31.05.2021

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Organising

Question 1:

Why is delegation considered essential for effective organising?

ANSWER:

Delegation implies transfer of authority, from a superior to his subordinate. It is an essential concept for effective organisation as it lowers the burden on the manager and thereby, facilitates the manager to focus on activities that command high priority. Also, the managers can extend his area of operations once he delegates the work to subordinates. In addition to this, it provides the subordinates with more opportunities for growth. It helps in efficient completion of tasks as the subordinates can now show their skills and exercise initiative. The following points highlight the importance of delegation in effective organising.

(i) **Managerial Efficiency:** Delegation of the work to the subordinates, help the managers to concentrate on other areas of concern. With delegation of routine work to the subordinates, the manger can focus on other high priority areas. Besides, it provides them the opportunity to explore and innovate into new areas. For example, if the manager delegates the basic work to the subordinate he can put his mind into exploring ways to improve efficiency.

(ii) **Employee Proficiency:** By delegating the work, managers empower his subordinates by providing them opportunities to apply their skills. Herein, the subordinates get a chance to prove his abilities, gain experience and develop his career. Thus, delegation in a way helps in preparing future managers.

(iii) **Motivation:** Along with improving the managerial and employee efficiency, delegation provides the employees with the psychological benefits. It acts as a motivational guide for the workers. It imparts a feeling of mutual trust and commitment between the superior and subordinate. With responsibility the employee gains confidence and he gets encouraged to give their best to the organisation.

(iv) **Growth:** Delegation facilitates easy growth and expansion. Delegation helps in the preparation of efficient and experienced mangers that can take up leading positions at times of growth of the organisation. That is, workers trained and prepared through delegation contribute to the expansion and growth of the organisation more efficiently.

(v) **Hierarchical Structure:** Delegation forms the basis of the hierarchical structure of an organisation. It decides the superior-subordinate chain and determines who has to report to whom. It clearly states down the reporting relationships which helps in smooth working of the organisation.

(vi) **Coordination:** Delegation promotes coordination of work. It reduces overlapping of work by defining the reporting relationships. All the elements of delegation such as authority, responsibility and accountability helps in providing a clear working relationship, thereby, increasing efficiency.

Question 2:

What is divisional structure? Discuss its advantages and limitations.

ANSWER:

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

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

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

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

(iii) **Flexibility and Initiative:** As under divisional structure, each division functions independently, decision making becomes quick. Once the departments are divided, the heads have

the authority to take their own decisions whenever needed. This promotes initiative among the personnel as they are now able to take decisions at the right place and right time.

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

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

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

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

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

Question 3:

Decentralisation is an optional policy. Explain why an organisation would choose to be decentralised.

ANSWER:

Decentralisation refers to the dispersal of the decision making power among the middle and lower level managers. It is an optional policy as it depends on the organisation how much power the top level management wants to delegate to the lower levels. An organisation may choose to be centralised or decentralised depending on the objectives and the decisions of the top level managers. Following are a few factors that explain why an organisation would choose to be decentralised.

(i) **Initiative:** Decentralisation allows a sense of freedom to the lower managerial levels as it lets them take their own decisions. It gives them a higher degree of autonomy to take initiative. Moreover, it promotes a feeling of self-confidence and self-reliance among them. When the

power is delegated to lower level managers, they learn to face new challenges and find solutions for the problems themselves. This helps in spotting those potential managers who can take the needed initiative.

(ii) **Managerial Competence:** Once the authority is delegated to the managers at lower levels, it provides them the needed opportunity to develop themselves. It provides them with the opportunity to gain experience and thereby, develop the skills and knowledge to face new challenges. Decentralisation gives them a chance to prove their talent and get ready for higher positions. It also helps in pre-identification of the future managers who are well-equipped with the necessary talent required to deal with managerial problems.

(iii) **Control:** Decentralisation helps in evaluating the performance of the organisation in a better manner. Decentralisation helps in analysing and evaluating the performances of each department separately. Thus, the extent of achievement of each department and their contribution to the overall objectives of the organisation can be easily evaluated.

(iv) **Active Decision Making:** Since through decentralisation, the authority of making decisions is passed on to lower levels of management, decisions are taken quickly and timely. This is because the decision can be taken at the nearest points of action which thereby, helps in easy adjudication of the problems.

(v) **Growth:** Managerial efficiency is developed to a large extent with the help of decentralisation. Decentralisation results in greater authority to the lower level managers. It promotes competition among the managers of various departments. In a race to outperform each other, they give their best shot and thereby, increase the overall productivity and efficiency. The organisation gains from the increased overall performance and thereby, grows.

(vi) **Reduced Workload of Top Managers:** Delegation of authority provides freedom to top level managers. It helps them in shifting the workload to their subordinates and gives them time to concentrate on more important and higher priority work such as policy decisions. Moreover, direct supervision by the top level management is decreased, as the subordinates are given the rights to take the decisions by their own.

Question 4:

How does informal organisation support the formal organisation?

ANSWER:

Informal organisation refers to a complex network of relations that arises out of the social interactions outside the office. They originate from within the formal organisation and are not deliberately created by the management. These relations are based on the friendship which

develops between the working personnel on the basis of like nature. Following are the factors of informal organisation that support the working of formal organisation.

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

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

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

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

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

Question 5:

Distinguish between centralisation and decentralisation.

ANSWER:

Following are the differential factors between Centralisation and Decentralisation.

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

Question 6:

How is functional structure different from a divisional structure?

ANSWER:

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

Basis of Difference	Functional structure	Divisional structure
Creation	These are created on the basis of functions.	These are created on the basis of product-lines along with the functions.
Costs	It is economical as duplication of work is minimised.	It is costly as there is higher rate of duplication of work and resources between various departments.
Decision Making	Decision making is centralised as the decisions are taken by the coordinating head for various departments.	Decision making is decentralised as each division of the product line

		have their own decision making authority.
Duplication of work	Due to functional specialisation overlapping of work is minimised.	Due to each product department having the same functions, overlapping of work is increased.
Suitability	More suitable for companies who focuses on 'operational specialisation'.	More suitable for multi-product companies focussing on 'differentiated products'.
Functional Hierarchy	Horizontal functional hierarchy is formed while the departments are devised on the basis of key operations.	Vertical functional hierarchy is formed while devising the departments on the basis of product-line categories.
Management	Management is difficult as each work has to report to a coordinating head at the top level of management.	Management is easier as different line of department is formed for each product.
