



CLASS -12

# BUSINESS STUDIES

PART-1

## Chapter 5: Organising



# Organising

## Meaning of Organising:

The organising function leads to the creation of an organisational structure which includes the designing of roles to be filled by suitably skilled people and defining the inter relationship between these roles so that ambiguity in performance of duties can be eliminated. The aim of organizing is to enable people to work together for a common purpose.

## Steps In The Process Of Organising:

### 1. Identification & Division Of Work:

The first step in the process of organizing involves identifying and dividing the work in accordance with the predetermined plans. The work is divided into manageable activities so that duplication of work can be avoided and the burden of work can be shared among the employees.

### 2. Departmentalization:

- Once work is divided into small activities, similar and related jobs are grouped together. This grouping is called departmentalization.
- E.g. departmentalization on the basis of territory, products etc.

### 3. Assignment Of Duties:

- It is important to state clearly the work of different job positions and allocate work accordingly to employees.
- Once departments are formed, individual department heads are appointed for each departments.
- The work must be assigned to those who are best fitted to perform it well.
- E.g. finance job should be assigned to persons having qualifications and experience in finance e.g. C.A's or MBA finance.

### 4. Establishing Reporting Relationships

- Establishing authority and responsibility relationship helps to create a hierarchal structure and also helps in coordination amongst various departments.
- Superior subordinate relations between different people and job positions is to be created, so that everybody knows from whom he/she is to taking orders and to whom he/she can issue orders.

## Importance of organising:



### 1. Benefits of specialization:

- Organising leads to a systematic allocation of jobs amongst the work force.
- The division of work into smaller jobs reduces workload and enhance productivity and repetitive performance leads to specialization.

### 2. Clarity in working relationships:

- Organising helps in defining all the jobs and also clarifying the limits of authority and responsibility of each job. IMPORTANCE OF ORGANISING Benefits of specialization Clarity in working relationships Optimum utilization of resources Effective Administration Adaption to Change Development of Personnel Expansion and growth
- It helps in creating a hierarchical order thereby enabling the fixation of responsibility and specification of the extent of authority to be exercised by an employee.

### 3. Optimum utilization of resources:

- Organisation leads to usage of all natural resources, financial resources and human resources.
- The proper assignment of jobs avoids duplication of work and minimizes wastage of resources.

### 4. Effective Administration:

- It provides a clear description of jobs and related duties, which helps to avoid confusion and duplication of work.
- Clarity in working relationships enables proper execution of work, which results ineffective administration.

### 5. Adaption to Change:

- The process of organising is flexible which allows a business enterprise to accommodate changes in the business environment.
- It also provide stability to an enterprise.

### 6. Development of Personnel:

- A well designed organization structure encourages initiative and relative thinking on part of the employees.
- When managers delegate their authority, it reduces their workload and thus can give time on important areas of growth and opportunity to innovate thereby.

### 7. Expansion and growth:

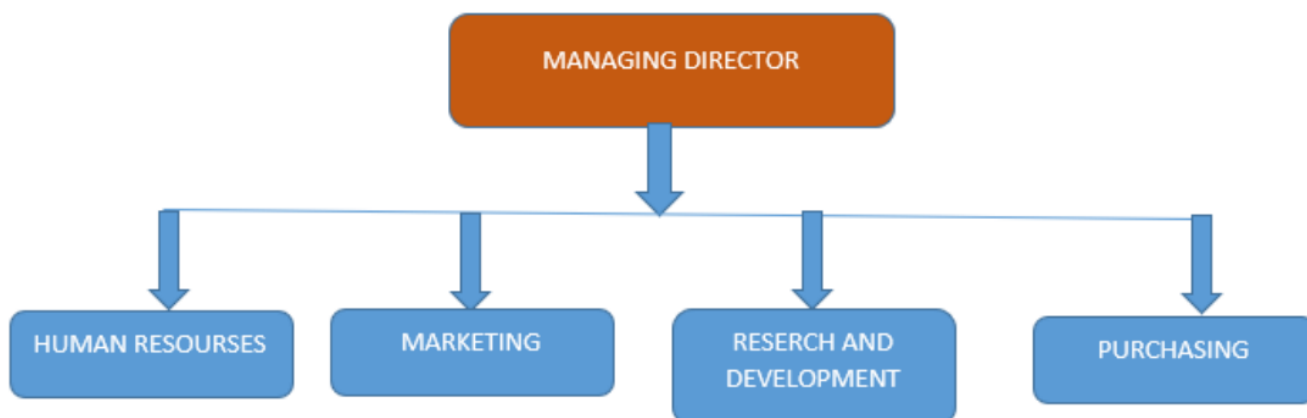
- Organising helps in growth & diversification of an enterprise.
- By adding more job positions, departments, products lines, new geographical territories etc. and thus will help to increase customer base, sales and profit.

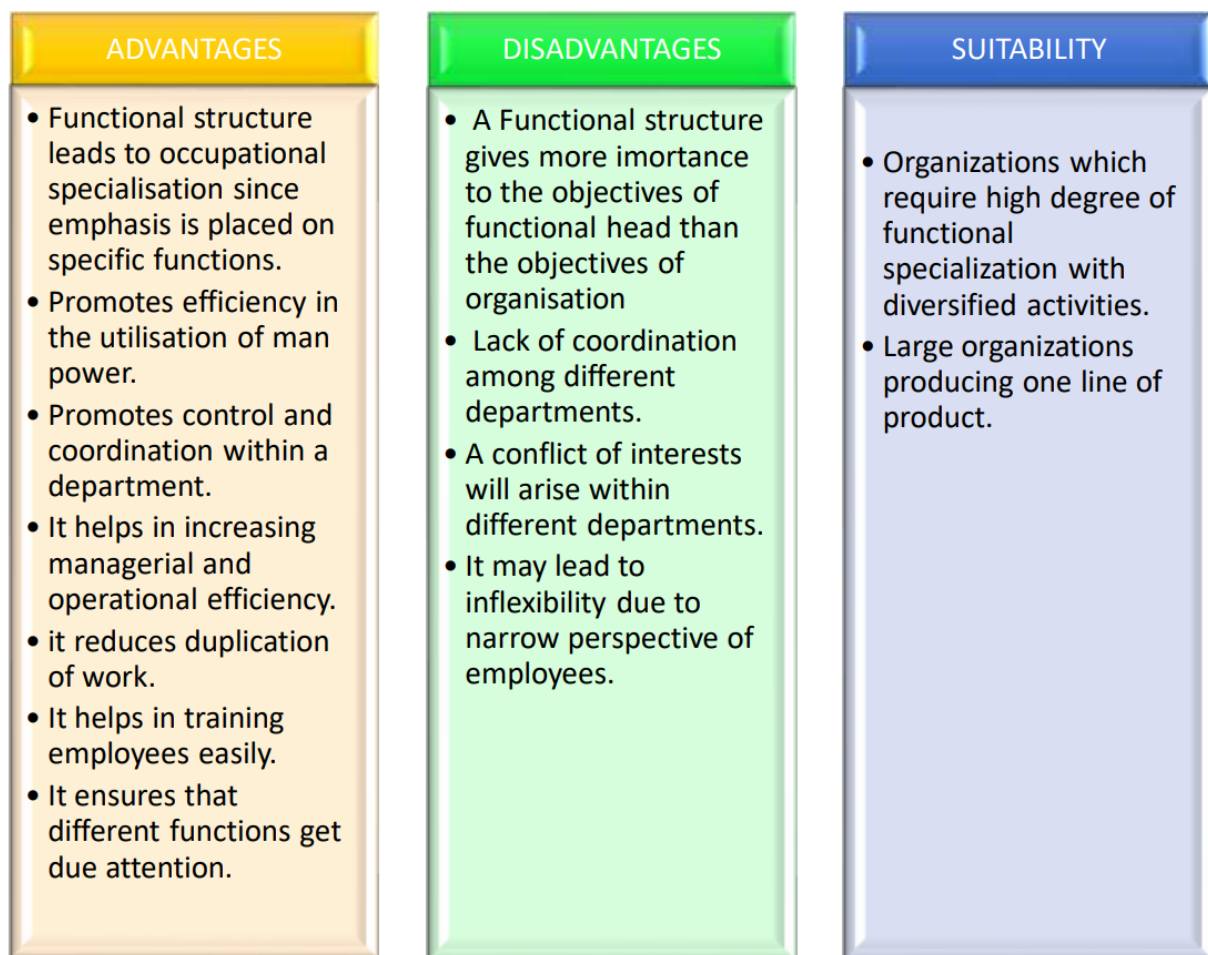
## Organisational structure:

The organisation structure can be defined as the framework within which managerial and operating tasks are performed. It specifies the relationships between people, work and resources in an organisation. Under the organizational structure, various posts are created to perform different activities for the attainment of the predetermined objectives of the enterprise. The structure provides a basis or framework for managers and other employees to perform their functions. Span of management refers to the number of subordinates that can be effectively managed by a superior. The Span of management largely gives shape to the organization structure. This determines the levels of management in the structure.

### 1. Functional structure:

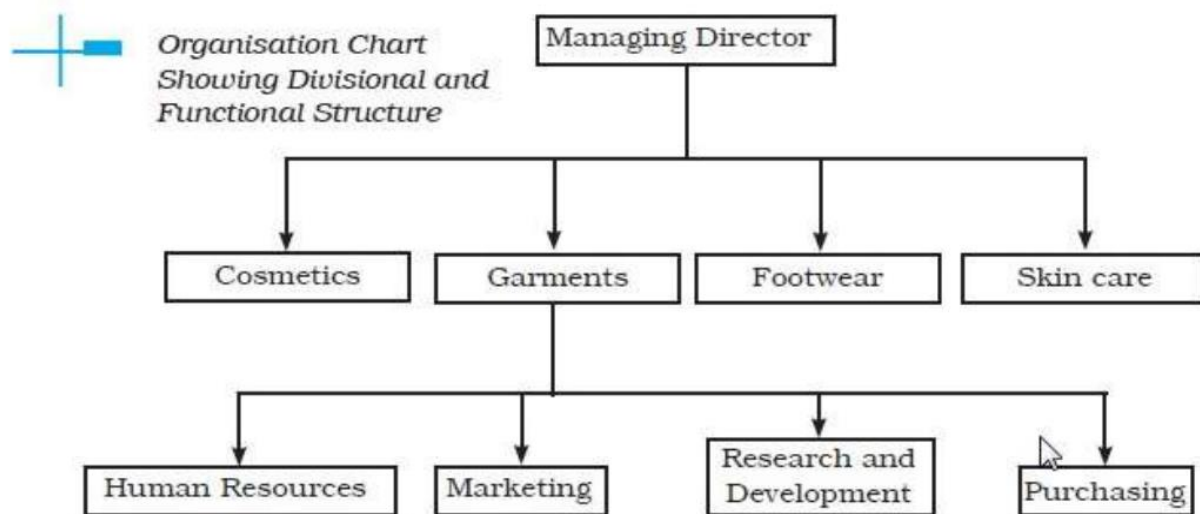
In functional structure activities are grouped and departments are created on the basis of specific functions to be performed. For example, all the jobs related to production are grouped under production department, sales departments etc.





## 2. Divisional organisation structure:

Dividing the whole enterprise according to the major products to be manufactured (like metal, plastic, cosmetics etc.) is known as divisional organisation structure.





## ADVANTAGES

- Product specialisation helps in the overall development of the skills of departmental heads.
- It helps in the fixation of responsibility and accountability of departmental heads
- provides a proper basis for assessing performance and results of each division.
- It facilitates expansion and growth, as new divisions can be added without interrupting existing divisions

## DISADVANTAGES

- Conflicts may arise among different divisions on allocation of resources.
- It may lead to increase in costs since there may be a duplication of activities in different product divisions.
- It provides managers with the authority to supervise all activities related to a particular division.

## SUITABILITY

- This structure is suitable in organizations producing multi product or different lines of products requiring product specialization.
- Growing companies which intend to add more lines of products in future adopt this structure.

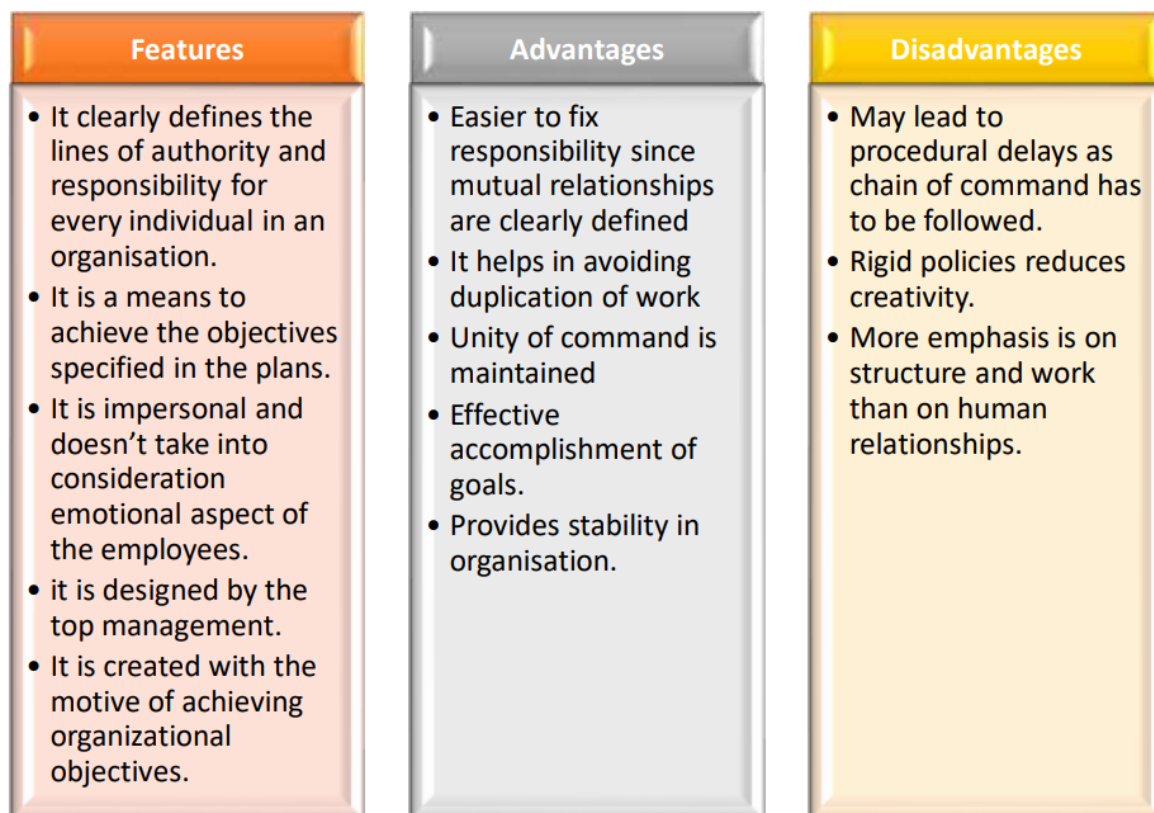
## Comparative view: Functional and Divisional Structure:

Basis For Comparison	Functional Structure	Divisional Structure
Meaning	Functional Structure is one in which the reporting relationships of the organization are bifurcated according to their functional area.	An organizational structure wherein the organizational functions are classified into divisions as per product or service lines , market, is called Divisional Structure.
Basis	Functional areas	Specialized divisions
Responsibility	Difficult nsito fix respobility on a particular department.	Easy to fix responsibility for performance.
Autonomy of decisions	Managers do not have autonomy of decisions.	Managers have autonomy of decisions.

Cost	Economical, as the functions are not repeated.	Expensive as it involves repetition of resources.
Appropriate for	Small and simple organizations.	Large and dynamic organizations.

### 3. Formal organisation:

Formal organisation refers to the organisation structure that is designed by the management to accomplish organizational goals. In a formal organisation the boundaries of authority & responsibility is clearly defined and there is a systematic coordination among the various activities to achieve organizational objectives.



### 4. Informal organisation:

Interaction among people at work gives rise to a 'network of social relationships among employees' called the informal organisation. The main purpose of this organization structure is the psychological satisfaction of the employees with common interests. For example, employees with similar interest in books, films, religion etc. may form their own informal groups.

## FEATURES

- It originates from the personal interaction of employees within a organisation.
- The standards of behaviour evolve from group norms.
- It doesn't have fixed channels of communication.
- It emerges spontaneously and not created by management.
- It is a complex network of social relationships among members.

## ADVANTAGES

- It leads to faster spread of information and feedback as formal channels of communication is not followed.
- It enhances job satisfaction and a sense of belongingness in the organisation.
- It provides quick solutions to the problems.

## LIMITATIONS

- Informal organisation spread rumours, sometimes it goes against the interests of the organisation.
- It resists change and lays stress on adopting the old techniques.
- Members of the group may give more priority to group interests over the organisational objectives.

### Difference between Formal Informal Organisation:

Basis of difference	Formal organisation	Informal organisation
Meaning	'Formal organisation' refers to the relationship between authorities as defined by the management.	Refers to the relationship based on personal and informal relationship among the employees.
Origin	The structure originates from the rules and policies of the management.	The structure originates from the social interactions among the employees.
Authority	Authority is defined by the profile and managerial positions.	Authority is defined by the personal qualities of the employees.
Flow of communication	Communication flows through the scalar chain.	No planned route of communication is followed.



Nature	Formal organisations are rigid	Informal organisations are flexible
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## Delegation:

“Delegation of authority merely means the granting of authority to subordinates to operate within prescribed limits.” -**Theo Haimman**

Delegation refers to the downward transfer of authority from a superior to a subordinate employees. It is a pre-requisite to the efficient functioning of an organisation because it enables a manager to use his/ her time on high priority activities. Importance of delegation is that it helps in effective management, employee development, motivation, growth and coordination.

## Elements of delegation:

1. **Authority:** Authority refers to the right to take decisions in order to guide the activities of others. Authority determines the superior subordinate relationship. Laws and the rules and regulations of the organisation restrict authority. Authority flows downward.
2. **Responsibility:** Responsibility is the obligation of a subordinate to perform properly the assigned duty. If the subordinate has the responsibility for a job, he/ she must be given necessary authority to carry out that task.
3. **Accountability:** Accountability implies being accountable for the final outcome. When a superior assigns a work to a subordinate, he/she is answerable to the superior for its outcome.

## Difference between Authority, Responsibility and Accountability:

Basis	Authority	Responsibility	Accountability
1. Meaning	Right to command	Obligation to perform an assigned task	Answerability for outcome of the assigned task.
2. Origin	Arises from formal position	Arises from delegated authority	Arises from responsibility
3. Flow	Downward – from Superior to Subordinate	Upward – from Subordinate to Superior	Upward – from Subordinate to Superior
4. Withdrawal	Can be withdrawn anytime by giving notice.	Cannot be withdrawn once created.	Cannot be withdrawn once created.

## Importance of delegation:

1. **Reduction of Executives' work load:** It reduces the work load of officers. They can thus utilize their time in more important and creative works instead of works of daily routine.
2. **Employee development:** Employees get more opportunities to utilize their talent which allows them to develop those skills which will enable them to perform complex tasks.
3. **Quick and better decision are possible:** The subordinate are granted sufficient authority so they need not to go to their superiors for taking decisions concerning the routine matters.
4. **High Morale of subordinates:** Because of delegation of authority to the subordinates they get an opportunity to display their efficiency and capacity.
5. **Better coordination:** The elements of delegation – authority, responsibility and accountability help to define the powers, duties and answer ability related to various job positions which results in developing and maintaining effective coordination.

## Decentralisation:

“Decentralisation refers to systematic efforts to delegate to the lowest level, all authority except the one which can be exercised at central points”. -**Louis Allen**

Decentralisation means delegation of authority throughout all the levels of the organisation. This empowers lower levels to take decisions regarding problems faced by them without having to go to the upper levels. In other words decision making authority is given to all the employees at all levels depending on the job each one of them are handling.

An organisation is centralized when the decision making authority is retained by the top level management.

## Importance of decentralisation:

1. **Develops initiative among subordinates:** It helps to promote confidence and self reliance in the subordinates as they are given freedom to take their own decisions.
2. **Develops managerial talent for future:** Training given by the organisation and the experience gained from handling the projects increases the talent of the managers and employees.
3. **Quick decision making:** Since the managerial decisions are taken at all levels nearest to the point of action helps them to take better and quick decisions.
4. **Relieves the top management:** By the delegation of work, the daily managerial jobs are assigned to the subordinates, which leaves enough time with the superiors to look into priority areas.
5. **Facilitates growth:** It allows the departmental heads and employees to perform in the best

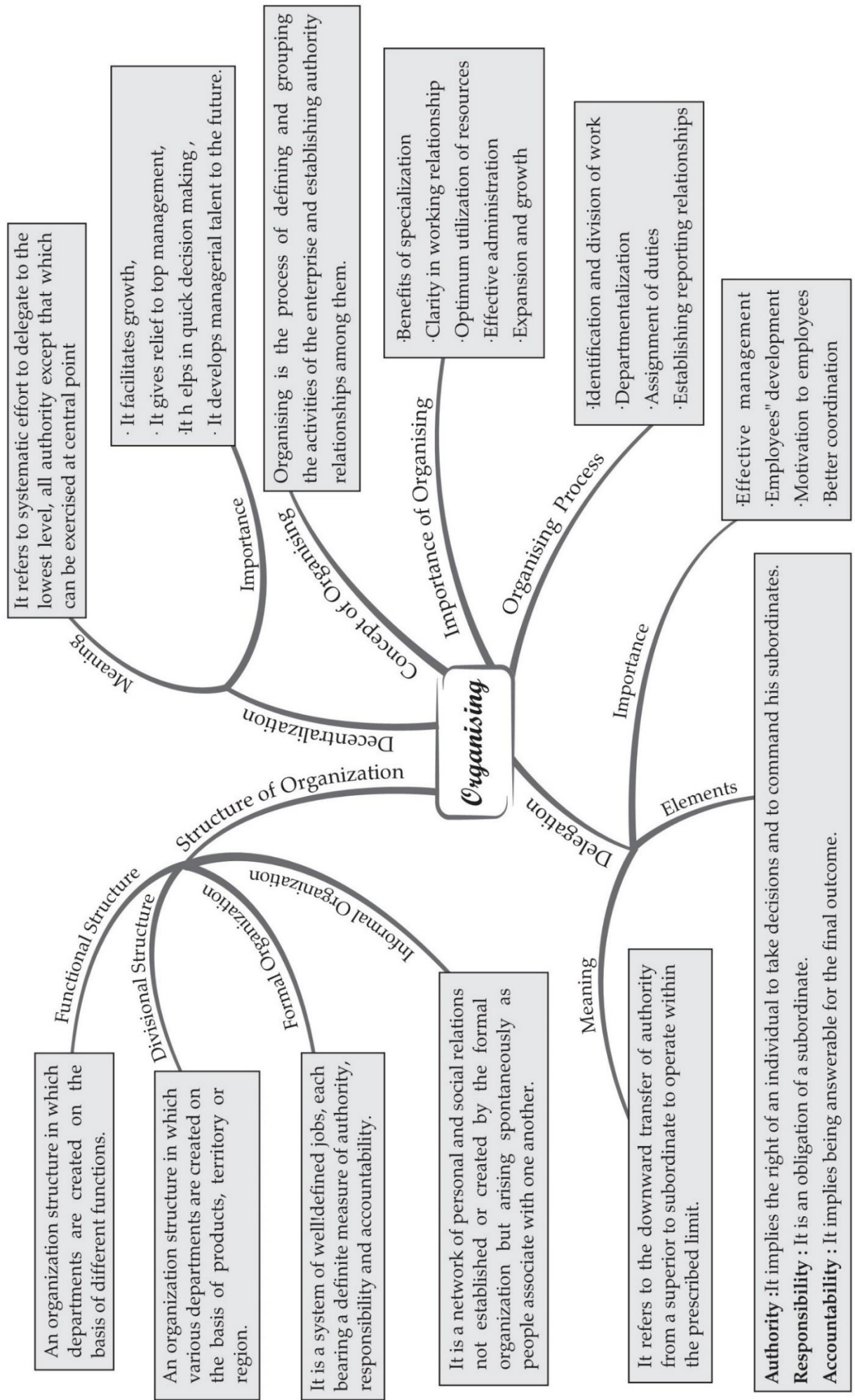
possible manner considering all the aspects of their department, which in turn increases productivity, efficiency and facilitates growth.

6. **Better Control:** Evaluation of performance is possible at each level, which results in complete control over all the other activities.

### Difference between Delegation and Decentralisation:

Basis for comparison	Delegation	Decentralisation
Meaning	Delegation means handing over an authority from one person of high level to the person of low level.	Decentralization is the final outcome achieved, when the delegation of authority is performed systematically and repeatedly to the lowest level.
What it is?	Technique of management	Philosophy of management.
Requirement	Yes, for all organization delegation of authority is very necessary.	No, it is an optional philosophy which may or may not be adopted by the organization.
Liberty of Work	Subordinates do not have full liberty.	A substantial amount of freedom is there.
Relationship	Creates superior-subordinate relationship.	A step towards creation of semi-autonomous units.

CHAPTER - 5 ORGANISING



## Important Questions

### Multiple Choice questions-

Question 1. Authority, Responsibility and Accountability are the elements of \_\_\_\_\_

- (a) Decentralisation
- (b) Informal Organisation
- (c) Delegation
- (d) None of the above

Question 2. \_\_\_\_\_ is helpful in increasing the role of the subordinates in the organisation

- (a) Delegation
- (b) Decentralisation
- (c) Centralisation
- (d) None of the above

Question 3. The form of organisation known for giving rise to rumors is called

- (a) Centralised organisation
- (b) Formal organization
- (c) Decentralised organisation
- (d) Informal organisation

Question 4. Organisation establishes a relationship between

- (a) People, work, and resources
- (b) Customer, work, and resources
- (c) People, work, and management
- (d) Customer, work, and management

Question 5. Grouping of activities on the basis of functions is a part of

- (a) Decentralised organisation
- (b) Centralised organisation
- (c) Functional organisation
- (d) Divisional organisation

Question 6. Meaning of authority is \_\_\_\_\_

- (a) Subordinate to Superior relationship
- (b) Right to avoid taxes
- (c) Right to Command
- (d) None of the above



Question 7. The span of management refers to

- (a) Number of managers
- (b) Number of subordinates under a superior
- (c) Length of term for which a manager is appointed
- (d) Number of members in top management

Question 8. A tall structure has a

- (a) Narrow span of management
- (b) Wide span of management
- (c) No span of management
- (d) Fewer levels of management

Question 9. For delegation to be effective it is essential that responsibility be accompanied by necessary

- (a) Manpower
- (b) Incentives
- (c) Promotions
- (d) Authority

Question 10. Grouping of activities on the basis of product lines is a part of

- (a) Delegated organisation
- (b) Functional organisation
- (c) Autonomous organization
- (d) Divisional organisation

Question 11. Centralisation refers to

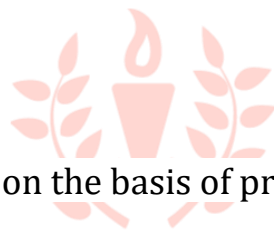
- (a) Opening new centers or branches
- (b) Retention of decision-making authority
- (c) Dispersal of decision-making authority
- (d) Creating divisions as profit centers

Question 12. The possibilities of inadequate profits or even losses due to uncertainties are known as \_\_\_\_\_

- (a) Business risks
- (b) Business contingencies
- (c) Business ventures
- (d) None of the above

Question 13. What is the last step in organising process?

- (a) Identification and division of work



- (b) Departmentalisation
- (c) Assignment of duties
- (d) Establishing reporting relationship

Question 14. Product Specialisation is concerned with\_\_\_\_\_

- (a) Functional Structure
- (b) Divisional Structure
- (c) Normal Structure
- (d) None of the above

Question 15. A network of social relationship that arises spontaneously due to interaction at work is called:

- (a) Informal organisation
- (b) Formal organisation
- (c) Delegation
- (d) Decentralisation

### Very Short-

- 1).Name the organization which is deliberately created?
- 2).Enumerate the steps in the process of organizing?
- 3). Organizing helps in optimum utilization of resources. Which type of resources does it refer?
- 4).Give any one importance of organizing?
- 5).Divisional structure is more suitable for the firms having several products and each product has distinct features. Do you agree?
- 6) Name the type of organization in which:
  - (a) Friendly relationship exists among the members.
  - (b) Official relationship exists among the members.
- 7). Which term denotes “The number of subordinates that can be effectively managed by a superior?
- 8) What are the elements of delegation of authority?
- 9) “A manager is of the view that he is not responsible for the quality of work that he has delegated to his subordinate”. Do you agree with his view points? Justify your answer by giving arguments.
- 10) Scope of decentralization of authority is wider than delegation. Why?

### Short Questions-

1. Explain the term organization structure in brief.
2. Differentiate between Formal organization and Informal organization?

3. Name and explain the two steps in the process of organizing which come after 'Identification and division of work' and 'Departmentalization'.
4. Aman Ltd. is manufacturing toys and has production, sales, Purchase and Finance Departments. Which type of organization structure would you suggest to them? State any three advantages of this organization structure.
5. Hindustan Ltd. is manufacturing computers, soaps and textiles. Which type of organizational structure would suit the requirements of such organization? State any three advantages of this organization structure.
6. It is a network of personal and social relations not established or required by the formal organization but arising spontaneously as people associate with one another. Name this organization and give its three advantages.
7. "Authority can be delegated but accountability cannot." Explain the statement.
8. The Marketing Manager of an organization has been asked to achieve a target sales of 100 generators per day. He delegates the task to 10 sales managers working under him. Two of them could not achieve their respective targets. Is the marketing manager responsible? Briefly explain the relevant principle in support of your answer.
9. If we delegate the authority we multiply it by two, If we decentralize it, we multiply it by money.
10. "A manager is of the view that he is not responsible for the quality of work that he has delegated to his subordinate". Do you agree with his view points? Justify your answer by giving arguments.

### Long Questions-

1. Explain the terms authority, responsibility, and accountability?
2. Explain in brief the principles of delegation of authority?
3. Differentiate between a delegation of authority and Decentralization?
4. Explain in brief the matrix or Grid organization? Also, mention its merits and demerits.
5. Explain the term Decentralization and mention its importance in business activities?
6. Give the meaning of delegation of authority and its importance?

### Case Study Based Question-

1. Aman Chadha started 'Bulls Eye' a company for providing cyber security solutions to businesses. 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 and 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 (i) above. (CBSE, Delhi 2017)
2. Ramdas, aged 49 is working in an aviation company. He is the senior most employee in his division. He is even senior to the division manager, Kanaputti. Ramdas is considered 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 Nagarjuna, 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 the 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. (CBSE, Sample Paper, 2017)
- a. Identify and state the step of organizing process which has not been carried out properly and contributed to this problem.
  - b. State the two steps of the organizing process which have been taken by Kanaputti to respond to the complaint of Ramdas.
  - c. Also state two points of importance of organizing as reflected in the above case.

### Assertion Reason Question-

1. In these questions, a statement of assertion followed by a statement of reason is given. Choose the correct answer out of the following choices.
  - a. Assertion and reason both are correct statements and reason is correct explanation for assertion.
  - b. Assertion and reason both are correct statements but reason is not correct

explanation for assertion.

- c. Assertion is correct statement but reason is wrong statement.
- d. Assertion is wrong statement but reason is correct statement.

Assertion (A): Delegation is an optional policy decision and is done at the discretion of top management.

Reason (R): No individual can perform all tasks on his own.

2. In these questions, a statement of assertion followed by a statement of reason is given. Choose the correct answer out of the following choices.
- a. Assertion and reason both are correct statements and reason is correct explanation for assertion.
  - b. Assertion and reason both are correct statements but reason is not correct explanation for assertion.
  - c. Assertion is correct statement but reason is wrong statement.
  - d. Assertion is wrong statement but reason is correct statement.

Assertion (A): Organising helps in the growth and diversification of an enterprise.

Reason (R): It allows a business enterprise to add more job positions, departments and even diversify their product lines.

### MCQ Answers-

- 1. Answer: (c) Delegation
- 2. Answer: (b) Decentralisation
- 3. Answer: (d) Informal organisation
- 4. Answer: (a) People, work, and resources
- 5. Answer: (c) Functional organisation
- 6. Answer: (c) Right to Command
- 7. Answer: (b) Number of subordinates under a superior
- 8. Answer: (a) Narrow span of management
- 9. Answer: (d) Authority
- 10. Answer: (d) Divisional organisation
- 11. Answer: (b) Retention of decision-making authority
- 12. Answer: (a) Business risks
- 13. Answer: (d) Establishing reporting relationship
- 14. Answer: (b) Divisional Structure
- 15. Answer: (a) Informal organization

### Very Short Answers-

1. Ans: Formal Organisation



2. Ans:

1. Identification and division of work
2. Grouping Jobs and Departmentalization
3. Assignment of duties
4. Establishing authority relationship

3. Ans: All material, financial and human resources.

4. Ans: Development of personnel.

5. Ans: Yes, I do agree.

6. Ans. a) Informal Organisation b) Formal Organisation.

7. Ans: Span of control.

8. Ans: Responsibility, Authority, Accountability.

9. Ans: No I do not agree with managers view point.

The reasons are as follows:

- i) Principle of delegation by results expected.
- ii) Principle of parity of authority and responsibility
- iii) Principle of absolute responsibility.
- iv) Authority level principle

10. Ans: Decentralization implies extension of delegation to the lowest level of management.

### Short Answers-

**1. Ans. Organization structure:** The organization structure can be defined as the framework within which managerial and operating tasks are performed. It specifies the relationships between people, work, and resources. It allows coordination among human, physical and financial resource to accomplish the desired goals.

An organization structure provides the framework which enables the enterprise to function as an integrated unit by regulating and coordinating the responsibilities of individuals and departments.

According to Peter Drucker, the Organization structure is an indispensable means, and the wrong structure wins seriously impair business performance and even destroy it.

The organization structure can be categorized as –

1. Functional structure
2. Divisional structure.

2. Ans.

Basis	Delegation of authority	Decentralization
1. Nature	It is the first step towards decentralization	Decentralization is the last step in the process of

		delegation. It includes delegation.
2. Freedom to make decisions	Under delegation, subordinates have to follow the directions given by their superiors while making decisions.	Under decentralization, subordinates are free to take decisions
3. Scope	Its scope is limited since it refers to entrusting some part of the authority by the superior to his nearest subordinate on a personal basis.	Its scope is wide since it refers to the wide dispersal of authority to all levels in the entire organization.
4. Routine or important	It is considered to be the routine task of managers.	It is considered to be the very important decision of organizational arrangement.
5. Transfer of Responsibility	Under it, only the authority is transferred and not the responsibility. The ultimate responsibility lies with the delegator.	Under it, authority, as well as responsibility, is transferred. Subordinates are independently responsible for their performance.
6. Power to Control	In it superior has the power to exercise control over his subordinates.	In it superior losses the power to control his subordinates.
7. Temporary or permanent	It is a temporary arrangement where the authority is taken back after the assigned task is completed.	It is a permanent feature where the authority is granted for the future also.
8. Essential or optional	It is essential for all types of organizations because no superior can get the things done from his' subordinates without delegating sufficient authority to them.	It is optional because it is not necessary' that the superior must disperse his authority in a systematic manner throughout the entire organization.
9. Dependence	Decentralization is not essential for delegation i.e. delegation does not depend on decentralization	Delegation is essential for decentralization, i.e. it depends on delegation.

3. Ans: Identification and division of work: Dividing the total work into jobs is necessary because the entire work cannot be done by individual (ii) departmentalization: In this step combine or group similar jobs into larger units called departments.

4. Ans: I would suggest functional structure for Aman Limited.

Advantages of this structure:

- i. Supervision is facilitated.
- ii. Coordination within the department is easier.

5. Ans: Divisional structure would shoot the requirements of Hindustan limited.

Advantages:

- i. All activities associated with one product can be easily integrated.
- ii. Decision making is faster and effective.
- iii. Performance of individual product can be easily assessed.

6. Ans: Informal organization:

Advantages:

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

7. 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 for the acts of this subordinates to whom he delegates authority for any work.

8. Ans: Yes, Marketing manager is responsible for the non-achievement of the target sales to his superior.

The principle related to this statement is absolute responsibility. It states that authority can be delegated but responsibility cannot be delegated by manager. The manager remains responsible and accountable to his own superior for the task which he may have assigned to his subordinate.

9. Ans: Scope of delegation of authority is limited. It is clear that if we delegate the authority we multiply it by 2 that is delegator and his subordinate to whom authority is delegated. Scope of decentralization of authority is wider than delegation. It involves many people from top level to bottom lower level of authority.

10. Ans: No I do not agree with managers view point.

The reasons are as follows:

- i) Principle of delegation by results expected.
- ii) Principle of parity of authority and responsibility
- iii) Principle of absolute responsibility.
- iv) Authority level principle

## Long Answers-

1. Answer: Meaning and definition of Authority: Management is getting work done through others. This is not possible unless the managers get the adequate authority to

get work done through others. No manager can get work successfully executed through his subordinates in the absence of suitable authority. Authority refers to the right to make decisions and to get the decisions carried out. It is the right to act.

In the field of management, authority means the right to give orders to the subordinates and the power to get them executed for the attainment of organizational goals. Various scholars have defined authority in the following different ways

According to Henry Fayol, "Authority is the right to give orders and the power the exact obedience."

According to George R. Terry, "Authority is the power to exact other to take actions considered appropriate for the achievement of predetermined objectives."

According to Herbert A. Simon, "Authority may be defined as the power to make decisions which guide the actions of another. It is a relationship between two individuals, one superior; the other subordinate. The superior frames and transmits decisions with the expectation that these will be accepted by the subordinate. The subordinate executes such decisions and his conduct is determined by them."

Responsibility: According to Theo Hamman, "Responsibility is the obligation of the subordinate to perform the duty as required by his superior."

According to Davis, "Responsibility is an obligation of the individuals to perform assigned duties to the best of his ability under the direction of his executive."

Thus, responsibility is the obligation of an individual to perform a particular work that arises from the formal relationship of a superior and a subordinate in an organization.

Accountability: When an individual works under some other person, he also becomes answerable to such officer for the proper discharge of his responsibilities. A superior can requisite an account of results from his subordinate of the duties assigned to him. The subordinate has a responsibility to give information and render a report of the task performed by him. Such responsibility is known as accountability.

According to Davis and Filley, "Each member in the organization is obliged to report to his superior how well he has exercised responsibility and made use of authority delegated to him."

Thus, it is clear that accountability arises out of responsibility and goes hand in hand with it.

2. Answer: Delegation is an important instrument in the process of organization and management, requires a few precautions and principles to be followed on the part of the delegator and the delegatee. Some principles are as follows

### **1. Principle of Parity of Authority and Responsibility:**

When somebody is assigned any task, he must also be given adequate authority to perform such a task. For example, if a sales manager is assigned the task of doubling the sales, he must also be given the authority of advertising, appointing salesmen, selecting the channel of distribution, deciding the discount on sales, and incurring selling expenses. The parity of authority and responsibility does not mean that if sales are to be doubled, the selling expenses should be

commensurate with the responsibility. If the authority is more than responsible, it shall lead to its misuse.

## **2. Responsibilities cannot be delegated:**

No superior can evade his responsibilities simply by delegating his authority to subordinates. The ultimate responsibility lies with the superior who delegates the authority. The flow of responsibility is from bottom to top, thus after delegating authority superior remains accountable for the activities of his subordinates towards his own superiors. Similarly, the subordinates remain accountable to their superiors for the performance of assigned duties.

## **3. Principle of Clarity of Authority and Responsibilities:**

It is a very important concept in the area of delegation. The subordinates should be well clear about their rights and responsibilities. It will help them in knowing their area of operation and the extent of freedom of action. So, that there shall arise no conflict between different persons.

## **4. Principle of the standard of performance:**

A subordinate can be self-responsible for failure only when certain standards are established for measuring his performance and such standards are made clear to the subordinates while assigning the work. The subordinate should be well aware of what is expected of him and what type of results should be shown. A delegation without control is like a wild horse without reins. Determination of the standards of performance helps the subordinate in being alert and prudent towards his responsibilities.

## **5. Principle of Unity of Command:**

According to Earnest Dale, every individual should receive orders from only one individual and he should be responsible only towards him. If an employee receives orders from many individuals then he shall get confused about whose orders to obey and whom to report to. A person with more than one boss is like a pawn in a game of chess.

## **6. Authority level principle:**

This principle implies that a subordinate should have complete authority to make decisions at his level or position. If the subordinate has to take the approval of his superior even for small matters then his performance shall be hampered. This is also known as the exception principle.

## **7. Scalar principle:**

According to this principle, authority and responsibility should; move in a straight line from the superior to the subordinate. This principle should be well considered while resorting to the delegation. For example, if there are four persons A, B, C, and D in a straight line and ' if A wants to delegate to C or D, he cannot do so. As per the principle of Scalar chain, A will first have to delegate to B, who in turn will delegate to C and then C will delegate to D. If a superior delegates some work to the subordinate next to the most immediate one then the immediate subordinates shall have an inferiority complex and will not cooperate



fully.

### 8. Principle of completeness of Delegation:

Once a decision is taken as to which tasks are to be assigned, it is important that an individual should be assigned an entire task. There should be no splits i.e., the responsibility for the same task should not be assigned to more than one individual. Otherwise, there will be confusion of authority and responsibility.

3. Answer: The distinction between Decentralisation and Delegation of authority. Though decentralization is the expanded form of delegation, there is a considerable difference in them. Decentralization is much more than delegation. Louis A. Allen says, when a person hands over his work to others it is known as delegation but it will be known as decentralization only when the authority to complete the entire work is handed over to them.

For example, when the chief executive of a company hands over the responsibility to make appointments in his department to a particular manager, it is known as delegation. But when all the departmental managers are given authority to make appointments in their respective departments, it is known as decentralization. The extent of decentralization increases when the departmental managers extend this authority to the executives below them:

The distinction between Delegation of authority and Decentralisation. Delegation of authority

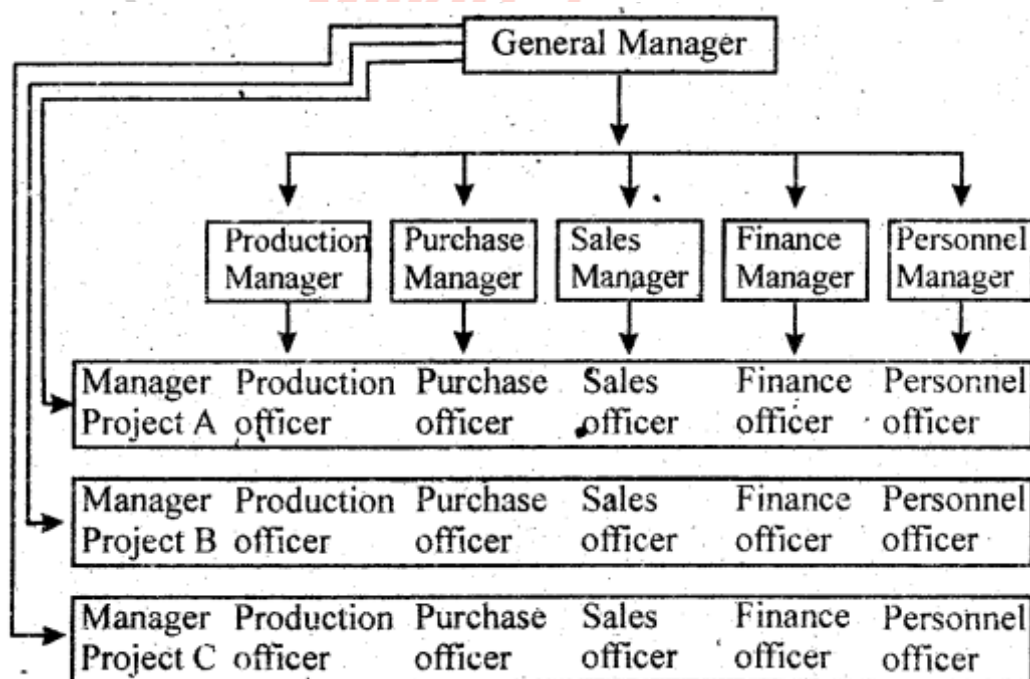
Basis	Formal organization	Informal organizations
(1) Formation	It is formed by the top management in a thoughtful and organized way.	It is formed automatically due to the social relationship.
(2) Purpose	Its main purpose is the achievement of the objectives of the organization efficiently.	Its main purpose is the fulfillment of individual needs and to protect their mutual interests.
(3) Nature or Structure	The activities, rights, and responsibilities are clearly defined in such organizations.	The rules are neither written nor clearly defined.
(4) Authority	In such an organization authority is derived from assigned positions and from above.	In this authority is derived from the acceptance and capabilities of an individual.
(5) Flow of authority or Communication	This authority flows from top to bottom.	This authority flows from top to bottom or horizontally.

(6) Behaviour of Members	In this organization, the relation among employees is according to the position and functions. Thus, the behavior is highly formal.	In this organization, there exists a personal relationship among members. Thus the behavior among them is informal.
(7) Tenure	Due to the establishment of the organization on some logical planning, the tenure is relatively	Since it is based on personal and mutual relationships it is highly flexible and temporary.
(8) Use of organization charts	In this, an organization chart is prepared to present the position of authority and responsibility.	No organization chart is prepared
(9) Size	They can be huge in size.	They are mainly small in size.

#### 4. Answer: Matrix or Grid organization:

When the size and operational field of any organization are too wide and the number of products produced by it and its number of customers is large, it cannot be divided on any of the bases mentioned above. In such a situation, a matrix organization is established. Such organizations are divided on the basis of functions like the production department, purchase department, sales department, finance department, personnel department, etc. Besides this, a separate Project Manager is appointed for different projects.

This is explained through the diagram given below –



From the above diagram, it is clear that a separate Project Manager is appointed to complete the project quickly like Project A, Project B, Project C, etc. The project manager is given full responsibility for that particular project and all the other departmental officers are instructed to co-operate with him. Project Managers make

plans for the project and undertake all the functions of organizing, control, direction, etc. The project manager is responsible for the success or failure of the project. The middle level and lower level officers work under the control of the project manager until the completion of the project and get involved in their normal activities after the completion of the project.

Thus in a matrix organization, two types of organizational structures work together – Functional and Project. Project managers do not wholly use the services of middle level and lower level officers but make use of their services temporarily according to their needs.

#### Advantages of Matrix Organisation:

1. **Quick Completion of the Project:** The project manager makes plans for all the activities of the project like giving orders, direction, etc. Thus the project gets completed quickly.
2. **Advantages of Functional as well as project departmentation:** Advantages of two types of organization-functional and project, can be availed of. Project managers are the experts in their own field and they have the full co-operation of other officers.
3. **Flexibility:** Such type of organization is flexible as it can be easily implemented without bringing many changes in the existing organizational structure.
4. **The economy in costs:** There is no need of appointing special staff for each project. Services of departmental officers can be utilized as and when needed by the project manager which leads to economy in costs.

#### Disadvantages of Matrix organization:

1. **Violation of the Principle of Unity of Command:** The principle of unity of command is not followed because the officers are responsible to their superior as well as to the project manager. Thus they have to follow more than one boss.
2. **The problem of coordination:** There is a problem of coordination between the functions of departmental officers and project managers. There arises a conflict between the functions of the two because departmental officers give priority to the activities of their own department whereas project managers give priority to their project work.
3. **Lack of Fixation of Responsibility:** On non-completion of the project, in time, the project managers normally complain of non-cooperation of the departmental officers.
4. **The problem of communication:** The problem of internal communication arises.

#### 5. Answer: Decentralization:

Decentralisation of authority means systematic dispersal of authority in all departments and at all levels of management. According to Louis Allen decentralization is “the systematic effort to delegate to the lowest levels all authority, except that which can be exercised at central points”. An organization is said to be decentralized when

managers at middle and lower levels are given the authority to make decisions and actions on matters relating to their respective areas of work. The top management retains the authority for taking major decisions and formulating policies for the organization as a whole. Top management also retains authority for overall coordination and control of the organization.

For example, let us take the case of a large steel manufacturing company. The board of directors and managing director of the company lay down the overall objectives and policies of the enterprise. Major decisions on product lines, capital investment, marketing methods are taken by the respective heads of departments. The marketing manager, for instance, is authorized to decide the quality and prices of products, channels of distribution, advertising methods, and organizing sales campaigns. The top management of the company does not interfere with his authority. However, departmental managers are required to keep in view the overall policies of the company while making decisions on matters within their authority. This is how a decentralized organization works.

Centralization and decentralization are opposite terms. They should not be confused with the location of work. An organization having 'branches in different cities may be centralized. Similarly, a company; maybe decentralized even though all its offices are located in one budding. Centralization and decentralization are relative terms. No organization can be completely centralized or completely decentralized. They exist together.

For example, even in a decentralized organization, the top management retains the authority for-overall policy decisions to ensure coordination and control. The degree of centralization and decentralization differs from one organization to another. According to Henri Fayol, "Everything which goes to increase the subordinates. the role is decentralization; everything which goes to decrease it is centralization."

**Importance of Decentralisation:**

The main benefits of decentralization are as follows –

1. **Reduction in Burden of Top Executives:** Decentralisation helps to reduce the workload of top executives.

They can devote greater time and attention to important policy matters by decentralizing authority for routine operational decisions.

2. **Motivation of subordinates:** Decentralisation helps to improve the job satisfaction and morale of lower-level managers by satisfying their needs for independence, participation, and status. It also fosters team-spirit and group cohesiveness among the subordinates.

3. **Better Decisions:** Under decentralization, the authority to make decisions is placed in the hands of those who are responsible for executing the decisions, as a result, more accurate and faster decisions can be taken as the subordinates are well aware of the realities of the situation. This avoids red-tapism and delays.

4. **Growth and Diversification:** Decentralisation facilitates the growth and diversification of the enterprise. Each product division is given sufficient autonomy for

innovations and creativity. The top management can extend leadership over a giant enterprise. A sense of competition can be created among different divisions or departments.

5. Development of managers: When authority is decentralized, subordinates get the opportunity of exercising their own judgment. They learn how to decide and develop managerial skills. As a result, the problem of succession is overcome and the continuity and growth of the organization are ensured. There is a better utilization of lower-level executives.

6. Effective communication: Under decentralization, the span of an organization is wider and there are fewer levels of an organization. Therefore, the communication system becomes more effective. Intimate relationships between superiors and subordinates can be developed.

7. Efficient supervision and control: Managers at lower levels have adequate authority to make changes in work assignments, rechange production-schedules, recommend supervision, and take disciplinary actions. Therefore, more effective supervision can be exercised. Control can be made effective by evaluating the performance of each decentralized unit in the light of clear and predetermined standards. Decentralization permits management by objectives and self-control.

8. Democratic Management: Decentralisation of authority distributes decision making authority at all levels and in all departments. Therefore, it creates democracy in the management of an organization. People at all levels are involved in decision making.

Decentralization, may, however, create problems of coordination and control. It is costly to set up semiautonomous departments and divisions. Lack of competent managers at middle and lower levels hinders decentralization. The degree of decentralization varies from one organization to another. It may also change from one time period to another in the same organization.

6. Answer: Meaning of Delegation of Authority:

Delegation of authority takes place when a manager assigns a part of his work to others and gives them the authority to perform the assigned tasks. The manager who delegates authority holds his subordinates responsible for the proper performance of the assigned tasks. Thus, the process of delegation involves assigning duties, entrusting authority, and imposing responsibility on subordinates.

Some popular definitions of the delegation are given below –

- Delegation of authority merely means granting of authority to subordinates to operate within prescribed limits. Theo Haimann
- Authority is delegated when enterprise discretion is vested in a subordinate by a superior. The entire process of delegation involves the determination of results expected, assignment of tasks, transfer of authority for the accomplishment of these tasks, and the exaction of responsibility for their accomplishment. – Koontz and O' Donnell.

Importance of Delegation:

When the size of an organization expands, a manager alone cannot do all the work



himself. He has to share his work and authority with others. An executive can extend his personal capacity through delegation of authority. Delegation is the means by which a manager can get results through others. Failure to delegate reduces the efficiency of the individual and blocks the development of his juniors. How one delegate determines how one manages. Just as authority is the key to the manager's job, delegation is the key to the organization.

The main advantages of the delegation are as follows –

1. **Relief to Top Executives:** Delegation of authority enables a manager to share his workload with his subordinates. It reduces the burden of work on senior executives. By transferring routine work to subordinates, a manager can concentrate on important policy matters. He can, therefore, make better use of his valuable time and ability. Delegation facilitates the proper distribution of workload as it takes place at all levels. The manager who delegates authority can achieve greater results than the one who does not. This is because by delegating authority, a manager secures the cooperation and participation of his subordinates.
2. **Scalar Chain:** Delegation of authority creates a chain of superior-subordinate relationships among managers. It provides meaning and content to managerial jobs. It also directs and regulates the flow of authority from the top to the bottom of an organization. It serves as a basis of superior-subordinate relations.
3. **Specialization:** Through delegation, an executive can assign jobs to his subordinates according to abilities and experience. In this way, he can obtain the benefits of the division of work.
4. **Quick Decisions:** When authority is delegated, lower-level employees can take decisions quickly without consulting senior executives. Subordinates are better in touch with local conditions and can take more practicable decisions within the policy framework laid down by top management.
5. **Motivation:** Delegation provides a feeling of status and importance to subordinates. Their independence and job satisfaction increase due to the authority they enjoy. They become more willing to work hard and achieve the targets laid down by higher authorities. Thus, delegation promotes a sense of initiative and responsibility among employees. It inspires employees to make full use of their skills.
6. **Executive Development:** Delegation gives an opportunity to employees to learn decision-making and leadership skills by exercising authority. It helps to improve the quality of personnel at lower levels because they are required to handle situations and solve managerial problems. They acquire competence and problems and can take up higher responsibilities in course of time. In this way, the delegation of authority is a means of developing future managers.
7. **Growth and Diversification:** Delegation of authority facilitates expansion and growth of the organization. As the quality of managerial talent improves, the organization can face future challenges better. It can grow and expand to a bigger size.



## Case Study Answer-

### 1. Answer:

- a. Delegation of authority is the concept used by Aman Chadha in the above case which helped him in focusing on objectives. Delegation of authority is the process of granting of authority to the subordinates to operate within prescribed limits.
- b. The four points of importance of delegation of authority are described below:
  - **Effective management:** It helps the managers to function more efficiently as they get more time to concentrate on important matters. Freedom from doing routine work provides them with opportunities to excel in new areas.
  - **Employee development:** By empowering the employees, they are given more opportunities to utilise their talent and this may help them to become better leaders and decision makers in future.
  - **Motivation of employees:** Delegation also has psychological benefits as helps in building the self-esteem of an employee and improves his confidence and work performance. When a superior entrusts a subordinate with a task, it is not merely the sharing of work but involves trust on the superior's part and commitment on the part of the subordinate. Thus, delegation may give rise to latent abilities in the subordinates.
  - **Facilitation of growth:** With the increase in the competence of the employees, an organisation tends to gain in many ways. The growth and expansion of the firm becomes easy as the capable workforce is ready to take greater responsibilities.

### 2. Answer:

- a. The step of organizing process which has not been carried out properly and contributed to this problem is Assignment of duties. Assignment of Duties: Once departments have been created each of them is placed under the charge of an individual and then jobs are allocated to the members as per their job positions.
- b. The two steps of the organizing process which have been taken by Kanaputti to respond to the complaint of Ramdas are listed below:
  - Assigning the duties
  - Establishing reporting relationship.
- c. The two points of importance of organizing as reflected in the above case are described below:
  - **Optimum utilization of resources:** Organising ensures best possible use of all forms of resources i.e. physical, financial and human resource. It ensures systematic assignment of jobs thereby curbing overlapping of work and avoiding possibilities of duplication of work. This helps in preventing confusion and minimising the wastage of resources and efforts.
  - **Adaptation to change:** The process of organising provides stability to the enterprise as it can then continue to survive and grow inspite of changes in

the business environment. It enables the organisation structure to be suitably modified and the revision of inter-relationships amongst managerial levels to pave the way for a smooth transition.

### Assertion Reason Answer-

1. d. Assertion is wrong statement but reason is correct statement.
2. a. Assertion and reason both are correct statements and reason is correct explanation for assertion.



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