

# NCERT Solutions for Class 12 Business Studies

## Chapter 5 – Organising

### Very Short Answer Type:

1.

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

**Ans:** When one interacts in a work environment, an unofficial social network is created, known as informal organization. This organization is built on a free flow of communication between its employees of the organization.

2.

**What does the term 'Span of management' refer to?**

**Ans:** The number of subordinates a manager can handle efficiently is termed as 'span of management'. This primarily focuses on the nature and structure of an organization. This is divided into two types of span, i.e., Narrow and Wide.

This span of management is based on various factors, for example, leadership, control, decentralisation extent in the organization, nature of work, and the working ability of the subordinates.

3.

**State any two circumstances under which the functional structure will prove to be an appropriate choice.**

**Ans:** Grouping and organising activities of a similar nature together make the functional structure. Under this, each group works separately and has different specifications. Thus, for a large organization that has to perform various functions, a financial structure is mandatory.

Here are two circumstances that are perfect under a functional structure:

1. To execute smoothly, large organizations need to have a functional structure. As the organization will be segregated into different departments, segregation happens very

efficiently and smoothly. And this whole process will also improve the efficiency of the managers, so that the work progresses smoothly.

2. To manage several functions, a high degree of coordination is needed. This is done to improve efficiency. When an organization has clarity in its work, a functional structure helps in promoting coordination between the various departments and thereby ensuring that all functions are going on smoothly.

4.

**Draw a diagram depicting a functional structure.**



5.

**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 organization needs to be followed by this type of organization. This can be justified using the following points:

1. Proper departmentalisation is mandatory for a large organization to perform smoothly. Along with increasing the efficiency of the managers, it also provides a great degree of control over the activities of the organization.
2. This kind of organization likes to handle multiple functions simultaneously, where coordination of a high degree is required. A smooth execution can occur by arranging a proper division of activities among various departments within a functional structure.
3. Under functional structure, specialisation will be promoted, along with performing all the diverse functions effortlessly.

## Short Answer Type:

1.

### **What are the steps in the process of organising?**

**Ans:** The steps involved in the process of organising are:

1. The first step is to calculate and segregate the activities, as per the plan. Actions are taken, keeping in mind the explained objectives. This division asks for clarity of work, eliminating the duplicity.
2. Focusing on similarity, now actions are segregated into groups. This assures that the department categorised for the work has full access to it.
3. Assigning the roles and responsibilities to the person who is perfect for the job is the next step. Work is segregated, keeping in mind the skills of each member.
4. The presence of hierarchy in an organization is the next and the most vital part. Knowing his immediate superior could be bliss. A defined organization ensures the successful functioning of the activities in an organization.

2.

### **Discuss the elements of delegation.**

**Ans:** Delegation is the process by which authority and responsibility are transferred to the subordinates of the organization. The following are the elements present in an organization:

1. The power to directly command a subordinate is provided by the delegation. This hands them the power to make decisions regarding facts like what needs to be done and who will be doing that. Generally, from the top level of management, the chain of command starts and ends at the lower level of management. With the authority being delegated, discipline and obedience stay under control.
2. The subordinate sticking to the given task is an utter responsibility. The duty should be accurately executed by the subordinate. And then the responsibility of a subordinate is towards their superior.
3. At the end, the superior is to hold for any mistakes made by the work assigned to the subordinates. It is the responsibility of the superior to keep an eye on the task done by the subordinates and say if it is satisfactory.

3.

### **How does informal organisation support the formal organisation?**

**Ans:** An informal organization is the network of relations that is automatically formed from the social interactions happening outside of the office. It is not amended by the permission of the management, rather these relationships are built on friendship between co-workers and with the support of formal traces of origin, from formal organizations:

1. In an informal organization, which will eventually lead to communication channels outside the organization, a free flow of communication will begin. And this is the way communication spreads easily, aiding the formal organization.
2. In a setting of an informal organization, people seem to develop good bonding among themselves and also cater to the organization. This not only assists in increasing coordination among the members but also escalates mutual trust and respect among each other. As a result of this bonding between the team members, conflicts and clashes are reduced.
3. Organizational objectives are generally fulfilled by informal organizations. Managers can enquire about the workers' issues and ask for suggestions on how to improve the work conditions. The more content and happy the workers are, that's the speed the organization excels.
4. A harmonious work environment is created with the cooperation of both workers and the manager. Peace is one of the priorities on the list to create a successful organization.
5. Workers are more efficient in an informal organization. This is because the workers are relatively relaxed, hence understand the importance and actively participate in the organizational growth.

4.

**Can a large sized organisation be totally centralised or decentralised? Give your opinion.**

**Ans:** Irrespective of the organization being centralised or decentralised, it will anyhow be difficult to perform, the moment the balance between the two systems is compromised, in the making of the best possible utilisation.

According to centralisation, the decision-making capacity or authority is vested in the people sitting at the top level of the management. This is the department where all the decisions are made. Whereas, in decentralisation, the decision-making power is distributed among the lower-level managers and is done equally without being overly partial.

Now, none is perfect and thus both centralisation and decentralisation are needed by the organization, to perform at its best potential. No growing organization will rely just on centralization to manage all its functions. As it would dim down the decision-making procedure. And just having a decentralised system eases the load on decision-making.

Also, it is quite unfair for the organization to just trust the upper-level people's decision, making it a risk to the integrity of the organization. Thus, a balance between centralisation and decentralisation in an organization is very much necessary to run efficiently.

5.

**Decentralisation is extending delegation to the lowest level.**

**Comment.**

**Ans:** Both decentralisation and delegation are quite similar. Both are related to transferring responsibility and authority. In the case of delegation, authority is divided between the two individuals, i.e., the superior delegating its authority to the subordinate, whereas in decentralisation, the authority is multiplied by many. Thus, decentralisation is promoted by the delegating authority present at each level of management. For example, how the act of decentralisation helped to promote delegation at the lowest level.

6.

**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?**

**Ans:** This organization structure, followed by Neha, is known as the divisional organization structure. Under this system, segregated departments will be responsible for taking care of different products, assisted by separate personnel, and managing the departments.

The divisional structure is recommended for the following reasons:

1. The overall performance of the department is dependent on the head of each department in the organization. This segregation of departments made it easy to identify the best and the worst employees, and it can be enacted accordingly.
2. Each department has an allotted specialist to handle the decision-making, making it easy.
3. More divisions are allowed to be added without affecting the performance of the organization. This is one of the perks of having a divisional structure.

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.**

**Ans:** No, in this scenario, the foreman cannot be blamed by the production manager. And this is because even when there is responsibility, no authority is served. Both authority and responsibility are mandatory to finish the task appropriately. An upgradation from a superior to a subordinate is called delegation.

The workload gets reduced from the manager's plate, allowing him to focus on other important aspects. It also aids in improving the subordinates with more knowledge and experience in authority.

The following points talk about how delegation is important in organising:

1. As the work gets divided fairly between the subordinate and the manager, time management improves.
2. Employees are no longer deprived of the chance to perform well and work on their skills. Thus, results in the development of the skillset of the employees.
3. Through this act of delegation, employees become both responsible and motivated, making them feel a part of the organization and that their contribution matters.
4. Delegation can be a life-changing point in both the managers and the subordinates' lives, supporting their career growth.
5. This leads to forming an organised structure in the organization. And the lines of the hierarchy make the journey smoother.
6. Both managers and workers become more coordinated. As a well-explained working relationship it makes things more categorised in the company.

## **Long Answer Type:**

1.

**Why delegation is considered essential for effective organising?**

**Ans:** Delegation means giving authority from a higher-up to a lower-up. It is an important idea for running a business well since it makes the manager's job easier and lets them focus on the most important tasks. Also, the managers can do more work once they give it to their subordinates. It also gives the people underneath them greater chances to grow. It helps jobs

get done faster because subordinates may now show what they can do and take the lead. The following points show how important it is to delegate tasks in order to stay organized.

(i) **Managerial Efficiency:** When managers delegate work to their subordinates, they can focus on other important things. The manager can focus on other important areas when they give their subordinates regular tasks. It also gives them the chance to look into and try out new things. For instance, if the boss gives the subordinate the fundamental tasks, he can focus on finding methods to make things more efficient.

(ii) **Employee Proficiency:** Managers provide their subordinates the chance to use their skills by giving them jobs to do. In this way, the subordinates can show what they can do, learn new things, and go up in their careers. So, in a manner, delegating tasks helps get future managers ready.

(iii) **Motivation:** Delegation not only makes managers and employees more productive, but it also gives employees psychological benefits. It functions as a motivational guide for the workforce. It makes both the boss and the employee feel like they can trust each other and are committed to each other. When a person is given responsibility, they feel more confident and are motivated to do their best for the company.

(iv) **Growth:** Delegation makes it easy for things to develop and expand. Delegation helps train managers who are skilled and experienced and can step up to lead when the company is growing. In other words, personnel who have been trained and equipped through delegation help the company grow and expand more quickly.

(v) **Hierarchical Structure:** Delegation is what makes up the hierarchical structure of an organization. It sets the hierarchy of who is in charge and who has to report to whom. It clearly lays down who reports to whom, which helps the organization run smoothly.

(vi) **Coordination:** Delegation helps people work together. It makes it less likely that people will do the same work by making clear who reports to whom. Delegation includes things like authority, responsibility, and accountability, which all help make the working relationship transparent and boost productivity.

## 2.

### **What is a divisional structure? Discuss its advantages and limitations.**

**Ans:** A system where tasks are segregated into two departments is well known as a divisional structure. Each department is assigned its head, making the process clearer and stronger. Here are some of the advantages of having a divisional structure.

1. Managers and workers both have enough opportunity to develop in their respective fields and become specialists in the product. This eventually increases the efficiency of the workforce.
2. The performance of each division or department can be tracked individually. And this way, the best and worst performance is identified.
3. This decision-making process is fastened because the divisions are prioritized. The faster a decision one made, the faster it can be implemented, making it beneficial for the organization.
4. An existing divisional structure enables the possibility of having more divisions, making the situation more worthwhile and easier to function.

The disadvantages are:

1. The allocation of funds and resources is a controversial topic.
2. Duplication of any work among departments can lead to huge problems. There is a chance of some activities being common across all departments, and thus employing different personnel for each department can drive the cost higher.
3. There is a high chance that to focus better on improving the individual departments, the growth of the organization deteriorated altogether.

**3.**

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

**Ans:** Ranging from the top level to the lower level, Decentralisation is the delegation of authority among various levels in an organization. Decentralisation is not a must for every organization, but it helps in the long run. Here are a few points that state the need for decentralisation:

1. Decentralisation promotes that lower-level managers should be independent and make their own decisions. This provides the manager with more confidence and a feeling of responsibility.
2. By enabling executives to assume greater roles in making choices, decentralization provides them with an opportunity to develop. Managers are urged to operate separately, make critical decisions, and deal personally with real-world issues whenever responsibility is transferred to lesser ranks. They gain trust, hone their talents, and improve their problem-solving abilities thanks to this hands-on training. It additionally provides students a stage on which to display their skills, creativity, and direction. Their achievements are more readily apparent to upper management, as a consequence, improving their prospects of advancement towards more advanced and accountable roles. Decentralization thereby promotes individual professional growth in addition to the organization's advantages, like quicker decision-making and higher adaptability.

3. Decentralisation assists in understanding and calculating the performance of each department to determine how each one of them acts as an asset to the organization, in fulfilling its objectives.

4. Decentralised organization aids in making decisions. No approval is required from the top-level to perform basic-level functions, thus unnecessary delays can be avoided.

5. Managers at lower levels get an opportunity through this system of decentralisation. The drive to outperform one another boosts productivity and fosters individual growth.

6. Decentralisation reduces the workload of top-level management. More focus can be given to making policies for organizational growth.

4.

**Distinguish between centralisation and decentralisation.**

**Ans:** This is how centralisation differs from decentralisation:

<b>Basis of Comparison</b>	<b>Centralisation</b>	<b>Decentralization</b>
Authority	The top management handles the authority.	Authority is distributed among multiple levels.
Flow of Information	Open and free.	It's vertical.
Work Load	Workload is higher among top-level managers.	The workload is less because the work is being divided between levels.
Scope of Delegation	Very little scope of delegation.	Huge scope of delegation.
Subordinate Initiative	When subordinates introduce an initiative, it automatically has a very limited scope. This happens because they need to follow a pre-decided path as laid out by superiors.	Subordinates are expected to take the initiative. It comes with more freedom to express ideas to improve the organization and make it better.

Decision Making	Slow decision-making, which eventually affects the efficiency	Quick decision-making, because of its presence of authority delegated across levels.
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5.

**How is a functional structure different from a divisional structure?**

**Ans:** This is how functional structure is different from the divisional structure:

Basis of Comparison	Functional structure	Divisional structure
Creation	Functions in an organization determine its functional structure.	The base of products in an organization determines its divisional structure.
Costs	As the duplication of work reduces, it becomes financially stable.	When the same task is performed between various departments, duplication brews.
Decision Making	Centralised decision-making is introduced, as decisions are made by the head of each allocated department.	Decentralised decision-making is introduced, as decision-making authority for each product is different.
Overlapping of work	The number of functional departments needed is fewer.	The number of functional departments needed is more.
Suitability	When the company's focus is on operational specialization, the structure feels more feasible.	For the companies that focus on creating differentiated products.
Functional Hierarchy	Based on important operations, the departments are arranged, which then leads to the formation of a	When departments are arranged keeping in mind the product lines, it often results in the formation of a

	horizontal functional hierarchy that is horizontal.	functional hierarchy, which is vertical.
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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 diversify into manufacture of new range of electronic toys for which a new market is emerging. Which organisation structure should be adopted in this situation? Give concrete reasons with regard to benefits the company will derive from the steps it should take.**

**Ans:** A divisional organization structure should be in a company, as it is the ideal structure for this organization. The benefits one can receive by following this structure are:

1. Every department will have a head who will be accountable for the overall performance of the department. When there is a head in each individual, the process becomes much easier; the best and worst performers can be known, and steps must be taken accordingly.
2. Decisions are made quickly, as each departmental head is allocated wisely.
3. A divisional structure asks for adding more divisions without affecting the functions of the organization or company.

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. 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. Give reasons in terms of benefits it will derive from the changes suggested by you.**

**Ans:** The change that can be suggested in this situation is to adopt some space for an informal structure by making some alterations in its current formal organizational structure. An informal structure comes with the following benefits:

1. Information will move quickly in the absence of any definite channel of communication that needs to be followed.
2. It provides a sense of belongingness to the employees, making the rules of communication extended beyond official roles. Employees feel more secure in the organization and work towards the betterment of the organization together.
3. The working of a formal organization is supported by fulfilling the organizational objectives, making it beneficial for the organization.
4. The product range can be changed by venturing into sewing products. For example, producing machinery with embroidery features.

**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 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. What organisation structure changes should the company bring about in order to retain its market share? How will the changes suggested by you help the firm? Keep in mind that the sector in which the company is FMCG.**

**Ans:** The key shift the organization must make is towards decentralisation. As the organization continues to grow, centralised control will no longer be enough to support its expanding needs.

Empowering employees with greater responsibility and authority will help ensure smoother operations. This approach also promotes quicker decision-making across all levels. Adopting decentralisation will ultimately enhance efficiency and allow the organization to respond more effectively to challenges and opportunities:

1. It improves the efficiency of the work done.
2. It helps in improving the skillset of the managers and also results in more growth opportunities for them.
3. Management is responsible for making quick and timely decisions, as it helps in finding solutions to problems fast.