

## Organising

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**1. Statement I :** Delegation is the entrustment of responsibility and authority to another, and the creation of accountability for performance.

**Statement II :** Irrespective of the extent of delegated authority, the manager shall still be accountable to the same extent as before delegation. (2024)

**Choose the correct option from the following :**

(A) Statement I is true and Statement II is false.

(B) Statement II is true and Statement I is false.

(C) Both the Statements are true.

(D) Both the Statements are false.

**Ans.** (C) Both the Statements are true.

**2. Online retailer 'Bizen' has grown to be the biggest provider worldwide in the field of e-commerce. Its revenues are growing steadily year after year. It owes its success to the rapid rate of digitisation and its organisational structure. 'Bizen's Managing Director, Mohit makes strategic decisions and has control over the entire organisation. In 'Bizen', jobs of similar nature are grouped together into Human Resource Department, Marketing Department, Purchase Department and Research and Development Department. These departments are further divided into sections and all departmental heads report to Mohit who is the co-ordinating head. This ensures efficiency in the utilization of manpower and minimizes duplication of efforts. The type of organizational structure of 'Bizen' is : (2024)**

(A) Informal organisational structure

(B) Divisional organisational structure

(C) Functional organisational structure

(D) Both (B) and (C)

**Ans.** (C) Functional organisational structure

**3. Explain how the following factors affect the working capital requirement of a business : (2024)**

(i) Operating efficiency

(ii) Credit availed

**Ans.** Factors affecting working capital requirement of a business:

(i) Operational efficiency:

- Firms manage their operations with varied degrees of efficiency.
- Such efficiencies may reduce level of raw material, finished goods and debtors, resulting in lower working capital.

(ii) Credit availed:

- A firm allows credit to its customers and also gets credit from its suppliers.
- To the extent the firm avails credit on purchases, the working capital requirement is reduced.

**4. Explain how the following factors affect the choice of capital structure of a company : (2024)**

**(i) Flexibility**

**(ii) Cost of equity**

**Ans.** Factors affecting choice of capital structure:

(i) Flexibility:

- If a firm uses its debt potential to the full, it loses flexibility to issue further debt.
- It must maintain some borrowing power to take care of unforeseen circumstances.

(ii) Cost of equity:

- When a company increases debt, the financial risk faced by the equity holders, increases. Consequently, their desired rate of return may increase.
- If debt is used beyond a level, cost of equity may go up and share price may decrease sharply inspite of increased earning per share(EPS).



## Previous Years' CBSE Board Questions

### 5.1 Concept and Importance

#### MCQ

1. The process of defining and grouping the activities of the enterprise and establishing authority relationship among them is:

- (a) Directing (b) Staffing  
(c) Management (d) Organising

(2023)

2. 'Rainbow World School' planned its annual alumni meet to get in touch with old students. Task groups like invitation committee, decoration committee and food committee were formed and placed under the overall supervision of the official in-charge of the event. Reporting relationships were established among various groups to enable smooth interaction and clarity about each group's contribution towards the event.

- (a) Planning (b) Directing  
(c) Organising (d) Staffing

(Term-1, 2021-22)

3. The process that initiates implementation of plans by clarifying jobs, working relationships and effectively deploying resources for attainment of identified and desired results is called:

- (a) Coordination (b) Management  
(c) Organising (d) Delegation

(Term-1, 2021-22)

#### VSA (1 mark)

4. Define 'Organising'.  
(NCERT, AI 2019)

OR

Define 'organising' as a function of management.  
(Delhi 2014 C, AI 2014)

5. Differentiate between 'formal' and 'informal' organisation on the basis of 'origin'. (Delhi 2017)

6. Alliance Ltd. is engaged in manufacturing plastic buckets. The objective of the company is to manufacture 100 buckets a day. To achieve this, the efforts of all departments are co-ordinated and interlinked and authority-responsibility relationship is established among various job positions. There is clarity on who is to report to whom.

Name the function of management discussed above.

**(Delhi 2015)**

7. To make the sports day of the school successful, the headmaster of the school divided all the activities into task group, each dealing with a specific area like holding of events, arrangement of medals, refreshments etc. Each group was placed under the overall supervision of a senior teacher. The physical education teacher was made responsible for holding different events, the home science teacher for refreshment and the maths teacher for medals.

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

**(AI 2015 C)**

**SA II (4 marks)**

8. Explain any four points of importance of 'Organising.

**(Delhi 2019)**

## **5.2 Organising Process**

### **MCQ**

9. Which one of the following is not a step in the process of 'organising'?

- (a) Identification and division of work
- (b) Departmentalisation
- (c) Span of management
- (d) Assignment of duties

**(Delhi,**

**Term-1, 2021-22)**

10. 'While performing the organising function, jobs are allocated to the members of each department in accordance with their skills and competencies'.

Identify the step in the organising function being discussed above:

- (a) Identification and division of work.
- (b) Departmentalisation.
- (c) Assignment of duties.

(d) Establishment of reporting relationship.  
(Term 1, 2021-22)

11. The step of 'organising' process in which each individual comes to know from whom he has to take orders and to whom he is accountable is called:

- (a) Identification and division of work
- (b) Departmentalisation
- (c) Assignment of duties
- (d) Establishing reporting relationships.

(2021 C)

VSA (1 mark)

12. Give the meaning of 'organising as a process'.  
(AI 2016)

SA II (4 marks)

13. Organising involves a series of steps that need to be taken in order to achieve the desired goal. Explain these steps.  
(Delhi 2019)

### 5.3 Structure of Organisation-Functional and Divisional-Concept. Formal and Informal Organisation-Concept

MCQ

14. Which type of organisation structure has a likely disadvantage of pursuing departmental interests at the cost of organisational interests leading to creation of functional empires wherein importance of a particular function may be over-emphasised?

- (a) Formal organisational structure
- (b) Functional organisational structure
- (c) Divisional organisational structure
- (d) Informal organisational structure

(Term-1, 2021-22)

15. The framework within which managerial and operating tasks are performed, which specifies the relationship between people, work and resources and allows coordination among different resources to accomplish desired goals is known as

- (a) Organisation chart
- (b) Levels of management

(c) Span of management  
(Term-1, 2021-22)

(d) Organisation structure

16. The type of organisational structure in which jobs of similar nature are grouped together on the basis of functions to form departments is called:

(a) Functional structure

(b) Divisional structure

(c) Informal structure

(d) Grouped structure

(Term-1, 2021-22)

17. Which organisational structure is suitable for business having a large variety of products?

(a) Functional

(b) Divisional

(c) Informal

(d) Vertical

(Term-1, 2021-22)

18. Sunshine Industries which started off as a single product company has over the years diversified into varied product categories and the need for a more evolved structural design was felt to cope with emerging complexity. Suggest the organisation structure that would be suitable for Sunshine Industries now:

(a) Functional structure

(b) Divisional structure

(c) Operational structure

(d) Occupational structure

(Term-1, 2021-22)

19. Agile Pvt. Ltd. manufactures athletic footwear. Owing to its popularity among sports teams across the country, it recently decided to enter into manufacturing of sports clothing and accessories.

The type of organisational structure which is suitable for the company is:

(a) Functional structure

(b) Divisional structure

(c) Horizontal structure

(d) Informal structure

(Term-1, 2021-22)

20. Which statement is not correct, with respect to 'Organisation Structure'?

(a) Ensures coordination among human and physical resources

(b) Ensures smooth flow of communication

(c) Specifies relationship between people, work and resources

(d) Establishes standards for controlling

(2020 C)

**VSA (1 mark)**

21. Ravi Jain was the Chief Executive Officer of Nath Traders. He was worried about the heavy expenditure on advertising. He asked his Finance Manager, Mohit Verma to know the views of the Sales Manager and his team regarding this expenditure.

Mohit Verma was thinking of calling a meeting of the Sales Manager and his team after tea-break. But by chance at the time of tea break, Mohit Verma met with the Sales Manager and his team in the canteen. They all discussed about this expenditure and finalised to give suggestion to reduce this expenditure.

Identify the type of organisation which helped the Finance Manager Mohit Verma, the Sales Manager and his team in finalising the suggestion.

**(Foreign 2019)**

22. Name the type of organisational structure' which promotes efficiency in utilisation of manpower.

**(Delhi 2016)**

23. Name the type of organisational structure which promotes flexibility and initiative. **(AI 2016)**

24. What is meant by 'functional structure' of an organisation? State it's any two advantages.

**(AI 2015)**

25. Define 'Formal organisation'.  
**(Delhi 2015)**

26. State any one advantage of 'Formal Organisation'.  
**(Delhi 2014)**

27. State the suitability of functional structure of organising.  
**(Delhi 2014 C)**

**SA I (3 marks)**

28. State any three limitations of 'divisional structure' of an organisation.  
**(Delhi 2015)**

29. State any three advantages of informal organisation. **(AI 2015 C, Delhi 2015 C)**

30. State any three limitations of informal organisation.  
**(Delhi 2015, AI 2015 C)**



31. State any three advantages of formal organisation.  
(AI 2015 C)

SA II (4 marks)

32. Give the meaning of 'Informal Organisation: State it's any three advantages.  
(Delhi 2019)

33. Give the meaning of 'Formal Organisation. State it's any three advantages.  
(Delhi 2019)

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

From the above information, identify the organisational structure adopted by 'Yumco Ltd. and state any three advantages of the structure so identified.  
(AI 2018)

35. 'Steelo Ltd' decided to set-up its steel manufacturing factory in the backward area of Orissa where very less job opportunities were available. People of that area welcomed this effort of 'Steelo Ltd: To attract people to work in its factory it also decided to provide many other facilities like school, hospital, market etc., in the factory premises. 'Steelo Ltd. started earning huge profits. Another competing company asked its production manager 'Aslam' to investigate the reasons of earning huge profits by 'Steelo Ltd.

Aslam found that in both the companies there was systematic co-ordination among the various activities to achieve organisational goals. Every employee knew who was responsible and accountable to whom. The only difference was that in his organisation communication took place only through the scalar chain whereas 'Steelo Ltd. was allowing flow of communication in all the direction as per the requirement which led to faster spread of information as well as quick feedback.





- (a) Identify the type of organisation which permits 'Steelo Ltd.' the flow of communication in all the directions.
- (b) State another advantage of the type of organisation identified in (a) above.
- (c) State any two values which 'Steelo Ltd. wants to communicate to the society.

(Delhi 2016, AI 2016)

**LA (5 marks)**

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

- (a) Identify the organisational structure of N-Guard Company.
- (b) State any two advantages and two limitations of the structure identified in the above para.

(Delhi 2019)

37. Give the meaning of 'divisional structure' of organising. State it's any four advantages.

(NCERT, AI 2015)

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

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

(Delhi 2015 C)

39. A company has been registered under the Companies Act with an authorised share capital of 400 crore. Its registered office is situated in Mumbai and



manufacturing unit in a backward district of Karnataka. Its marketing department is situated in Hyderabad. The Company is manufacturing consumer goods.

(i) With the help of a diagram suggest a suitable organisation structure for the company.

(ii) State any three limitations of this organisation structure.

(AI 2015 C)

**ET (6 marks)**

40. 'Sweets and More' is one of the India's most popular brands for snacks and sweets. It offers a wide range of sweets, namkeens, cookies and frozen foods. Its organisational structure comprises of separate business units in each of the above categories. Each of these units have a manager responsible for performance, having authority over the unit. Moreover, each of these units is multi-functional as within each unit, different functions like production, marketing, finance, etc. are performed. Though this kind of organisational structure leads to increased cost because of duplication of activities across products, but it provides a proper basis for performance measurement as revenues and costs related to each of these business units can be easily identified.

(a) Identify the organisational structure of 'Sweets and More'.

(b) State three advantages and two disadvantages of the organisational structure identified in (a) above which are not discussed in the above case.

(2023)

41. InfoMed Ltd. is a growing IT firm with rapidly increasing market share. It has recently been awarded 'The Best Organisation to Work in India - 2019' and is the most sought after by job-seekers. In this company, rules and procedures to be followed by employees have been clearly laid down by the top management. There is no ambiguity in the role that each member has to play, as the duties are specified. During lunch time, all employees of the organisation get together in the canteen. This time is much awaited by every employee as it allows them to share their feelings with others. This leads to the success of the organisation.

(a) Identify and explain the types of organisation being discussed in the above case.

(b) State two advantages of each type of the organisation identified in (a) above which have not been discussed in the above para.

(2020 C)



42. Differentiate between formal and informal organisation on the basis of the following:

- (i) Meaning
- (ii) Origin
- (iii) Authority
- (iv) Behaviour
- (v) Flow of communication
- (vi) Nature.

(AI 2014)

### 5.4 Delegation: Concept, Elements and Importance

#### MCQ

43. \_\_\_\_\_ refers to the downward transfer of authority from a superior to a subordinate.

- (a) Organising
  - (b) Decentralisation
  - (c) Accountability
  - (d) Delegation
- (2023)

44. The obligation of a subordinate to properly perform the assigned duty is called:

- (a) Authority
  - (b) Responsibility
  - (c) Accountability
  - (d) Decentralisation.
- (2023)

45. Grouping activities of similar nature together to facilitate specialisation is called

- (a) Delegation
  - (b) Departmentalisation
  - (c) Decentralisation
  - (d) Division of work
- (Term-1, 2021-22)

46. Which of the following concepts of organising provides more control by superiors leading to less freedom to subordinates to take their own decisions. It is a compulsory act.

- (a) Departmentalisation
  - (b) Decentralisation
  - (c) Delegation
  - (d) Accountability
- (Term-1, 2021-22)



47. \_\_\_\_\_ is the right to command and \_\_\_\_\_ is the obligation of a subordinate to properly perform the assigned duty.

(a) Authority, responsibility

(b) Accountability, authority

(c) Authority, accountability

(d) Responsibility, accountability

(Term-1, 2021-22)

48. The element of delegation which relates to the obligation of a subordinate to properly perform the assigned duty is known as:

(a) Authority

(b) Responsibility

(c) Accountability

(d) Centralisation

(Term-1, 2021-22)

49. The purpose of 'Departmentalisation' in the process of 'organising' is:

(a) to adapt changes in the business environment.

(b) to facilitate specialisation.

(c) to facilitate expansion and growth of the organisation without pages interrupting the existing operations.

(d) to help in increasing managerial efficiency.

(Term-1, 2021-22)

Read the following test and answer the no. 50 to 55 on the basis of the same: JS Printing Solution Ltd. is a company manufacturing printers and scanners. The management of this company is known for speedy and prompt delivery of orders. As a result, the market share of this company is growing. The company grabbed a new project to supply 1,500 printers to Uprise Bank Ltd. for its various branches, within two weeks. The Production Manager, Ashok, made one of his efficient subordinates, Deepak the incharge of the project and also gave him the right to command workers in order to meet the target. Now Ashok could use his time on high priority areas. He felt that this will also give an opportunity to Deepak to gain experience and develop himself for higher positions. On getting the charge, Deepak was very happy, his confidence level increased and he was encouraged to do his best to fulfill the responsibility. Considering his responsibility, Ashok kept a track of the completion of work with Deepak and he is providing him the needed guidance to reach the target on time.

(Term-1, 2021-22)

50. Identify the concept of management used by Ashok to ensure accomplishment of the new project.



(a) Functional structure

(b) Divisional structure

(c) Delegation

(d) Decentralisation

**51.** The application of the concept used above allows Ashok to use his time on high priority areas.

This will lead to the organisation towards:

(a) Adaptation to change

(b) Effective Management

(c) Economics of Scale

(d) Reduction in conflicts among different divisions

**52.** 'On getting the charge, Deepak was very happy his confidence level increased and he was encouraged to do his best to fulfill the responsibility given to him'.

The concept discussed above helps in:

(a) Departmentalisation.

(b) Reduction in conflicts among different divisions.

(c) Motivating the employees.

(d) Promoting control and co-ordination within a department.

**53.** The concept discussed above provides benefits to:

(a) Superior only

(b) Subordinate only

(c) Both superior and subordinate

(d) Neither superior nor subordinate

**54.** The concept discussed above helps in facilitation of growth of an organisation as:

(a) the subordinate gets freedom from routine work.

(b) duplication of effort is avoided.

(c) the subordinate gains experience and he is in a position to take up leading positions in new ventures.

(d) It makes training of employees easier.

**55.** Which of the following statement is not true about the concept discussed above?

- (a) It is a process followed to share tasks.
- (b) It is necessary in all organisations.
- (c) It helps to lessen the burden of a manager.
- (d) It is a philosophy that implies selective disposal of authority.

56. 'Delegation' is the process of sharing the 'authority' and 'responsibility':

- (a) At two levels
- (b) At three levels
- (c) At multiple levels
- (d) Authority and responsibility cannot be shared.

(2021 C)

**VSA (1 mark)**

57. For delegation to be effective, it is necessary that authority granted must be commensurate with assigned \_\_\_\_\_.

(2020 C)

58. What is meant by 'Delegation'?

(AI 2019)

59. Give the meaning of authority as an element of delegation.

(Delhi 2016, 2014)

60. Give the meaning of 'responsibility' as an element of delegation.

(Delhi 2016, AI 2014)

61. Give the meaning of accountability as an element of delegation.

(Delhi 2016, AI 2016)

**SA I (3 marks)**

62. Explain the following points as importance of delegation of authority:

- (a) Motivation of employees
- (b) Employee development
- (c) Basis of management hierarchy

(2020 C)

**SA II (4 marks)**



63. It helps a manager to extend his area of operations as without it, his activities would be restricted to only what he himself can do.

Identify the activity referred to, in the above statement and state its elements.

(AI 2015 C)

LA (5 marks)

64. State any five points which highlight the importance of delegation of authority. (Delhi 2015)

ET (6 marks)

65. Kartik opens a bakery shop in the local market. With the increasing demand of his bakery products, he feels it will be impossible for him to handle all the work himself. So, he appoints Bhavana to perform tasks on his behalf, thereby reducing his workload. It enables Kartik to use his time on high priority activities.

(a) Identify and explain the concept of 'organising' discussed in the above case.

(b) Explain the two essential elements of the concept identified in (a) above.

(2021 C)

66. 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.

(i) Identify and briefly explain the concept used by Aman Chadha in the above case which helped him in focusing on objectives.

(ii) Also, state any four points of importance of the concept identified in (i) above. (Delhi 2017)



## 5.5 Decentralisation: Concept and Importance

### MCQ

67. Vijay was founder of a leading chain of Automobile shops dealing in high end cars. He believed in retaining all decision-making authority with him. He wanted tight control over the entire business. Getting overburdened with work, he decided to focus only on crucial decision. He asked the vice president of his company to help him with routine matters. This case study reflects a shift from one concept of organisation to another which is:

- (a) Delegation to decentralisation
- (b) Centralisation to decentralisation
- (c) Decentralisation to delegation
- (d) Centralisation to delegation

**(Term-1, 2021-22)**

68. An organisation can never be completely centralised or decentralised. As it grows in size and complexity there is a tendency to move towards \_\_\_\_\_ making decision.

- (a) centralised
- (b) concentric
- (c) decentralised
- (d) innovative

**(Term-1, 2021-22)**

69. Name the concept which explains the manner in which decision-making responsibilities are divided among hierarchical levels:

- (a) Organisational structure
- (b) Span of management
- (c) Delegation
- (d) Decentralisation

**(Term-1, 2021-22)**

70. In 'Delight Ice Creams Ltd: decision making authority is concentrated at the top level and no authority has been delegated among the subordinates.

On the other hand, in 'Tasty Ice Creams Ltd'. a big organisation as compared to 'Delight Ice Creams Ltd'. decision making authority is always delegated among more than one person.



Identify the principle of management discussed above.

- (a) stability of Personnel
- (b) Centralisation and Decentralisation
- (c) Authority and Responsibility
- (d) Scalar Chain

(Term-1, 2021-22)

**VSA (1 mark)**

71. Define 'Decentralisation.

**OR**

Give the meaning of 'Decentralisation.

(Foreign 2016, 2015)

**SA II (4 marks)**

72. What is meant by 'Decentralisation? State any three points that highlight the importance of decentralisation in an organisation.

(Delhi 2019)

73. One of the questions that needs to be answered in the organising function is 'At what level are decisions made? Decision making authority in an organisation can be pushed down to the lower levels or it may lie with the top management. However, it is not an 'either or' concept.

When an organisation grows in size or complexity, there is a tendency towards sharing decision making authority with the lower levels. This is because in large organisations, employees who are closely involved with certain operations tend to have more knowledge about them than the top management.

An important concept of organising function is discussed above. Identify the concept and state any three points of its importance.

(AI 2019)



## CBSE Sample Questions

### 5.1 Concept and Importance

#### MCQ

1. \_\_\_\_\_ is the process by which the manager brings order out of chaos, removes conflict among people over work or responsibility sharing and creates an environment suitable for teamwork.

- (a) Planning (b) Organising  
(c) Staffing (d) Controlling

(2020-21)

### 5.2 Organising Process

#### MCQ

2. Rishabh joined an entertainment company Avtaar, as a creative head. As a manager looking after the creative unit of the company, one of the functions he has to perform is the process of organising. Which step of the process will he need to perform after identifying and dividing the work that has to be done in accordance with previously determined plans?

- (a) Identification and division of work  
(b) Departmentalisation  
(c) Assignment of Duties  
(d) Establishing Reporting Relationships

(2022-23)

3. Arrange the following steps in the process of organising in the correct sequence:

- (a) Assignment of duties  
(b) Departmentalisation  
(c) Identification and division of work  
(d) Establishing reporting relationship

Choose the correct option:

- (a) (a) → (b) → (d) → (c) (b) (c) → (b) → (a) → (d)  
(c) (c) → (b) → (d) → (a) (d) (b) → (c) → (a) → (d)

(Term-1, 2021-22)



4. \_\_\_\_\_ is the process of dividing work into manageable activities and then grouping the activities which are similar in nature.

- (a) Coordination
  - (b) Departmentalisation
  - (c) Organisation Structure
  - (d) Delegation of authority
- (2020-21)

### 5.3 Structure of Organisation-Functional and Divisional-Concept.

#### Formal and Informal Organisation-Concept

#### MCQ

5. Aarohan Ltd. is a company manufacturing automobile where division of work into key areas includes production, purchase, marketing, accounts and personnel. Which of the following is a disadvantage of the organisation structure of Aarohan Ltd.?

- (a) It may lead to increase in cost.
- (b) Managers may gain power and assert independence and ignore organisation interests.
- (c) It ensures that different functions get due attention.
- (d) Heads do not get training for top management positions.

(2022-23)

6. Name the outcome of the function of management which includes designing of roles to be filled by suitably skilled people and defining the inter relationship between roles so that ambiguity in performance of duties can be eliminated.

- (a) Organisation structure
- (b) Delegation of authority
- (c) Decentralisation
- (d) Controlling

(2022-23)

7. Which type of organisational structure will you suggest for a firm which has diversified activities and operations requiring a high degree of specialisation?

- (a) Centralised structure
- (b) Decentralised Structure
- (c) Divisional structure

(d) Functional structure  
(Term-1, 2021-22)

8. Name the concept that refers to the number of subordinates that can be effectively managed by a superior and determines the number of levels of management in the organisation.

- (a) Organisation structure
  - (b) Span of management
  - (c) Hierarchy of authority
  - (d) Delegation of Authority
- (Term-1, 2021-22)

9. \_\_\_\_\_ ensures that the heads of separate business units in the organisation are responsible for profit or loss of their unit and have authority over it.

- (a) Span of management
  - (b) Divisional Structure
  - (c) Functional structure
  - (d) Hierarchy of Authority.
- (2020-21)

#### 5.4 Delegation: Concept, Elements and Importance

##### MCQ

10. \_\_\_\_\_ ensures that the subordinate performs tasks on behalf of the manager thereby reducing his workload and providing him with more time to concentrate on important matters.

- (a) Decentralisation
  - (b) Delegation of authority
  - (c) Authority
  - (d) Accountability
- (Term-1, 2021-22)

11. For the following two statements choose the correct option:

Statement I: Accountability can be delegated.

Statement II: Responsibility can be delegated completely.

Choose the correct option from the options given below:

- (a) Statement I is correct and II is wrong.
- (b) Statement II is correct and I is wrong.

- (c) Both the statements are correct.  
(d) Both the statements are incorrect.  
(Term-1, 2021-22)

## 5.5 Decentralisation : Concept and Importance

### MCQ

Read the following text and answer the question number 12-17 on the basis of the same.

'Sarathi', the name has been associated with the manufacturing and sale of Fashion products since 1960, when Kapil Saarthi opened his first retail fashion clothing outlet in Ahmedabad. Sarthi Cosmetics was incorporated in India in 1940 and became a member of S&M family of companies in 1959. Sarthi Perfumes began operations in Gujarat in an existing administrative S&M facility in 1985. An important difference between S&M and most other companies is that instead of operating as one large corporation it operates as 180 smaller companies each focused on a specific product and area, implying selective dispersal of authority, recognising the decision makers need four autonomy, as decision making authority is pushed down the chain of command. it enables the company to maintain short lines of communication with customers and employees, and accelerate the development of talent.

(Term-1, 2021-22)

12. Identify the philosophy that is being followed by S&M through which it is dividing the decision making responsibilities among hierarchical levels.

- (a) Delegation of authority
- (b) Decentralisation of authority
- (c) Division of work
- (d) Span of management.

13. 'Why is there, need to apply the philosophy being followed by S&M, with caution?

- (a) As it can cause a delay in communication
- (b) As it can cause disintegration of the organisation
- (c) As it can increase the workload of the top management
- (d) As it can reduce the chances of growth of the firm.



14. The application of the philosophy discussed above can foster a sense of competition amongst the departments, which in turn will help the firm in the following manner:

- (a) Facilitates growth
- (b) Better control
- (c) Relief to top management
- (d) Quick decision making.

15. Quote the line from above which highlights the importance of the philosophy towards providing management education to employees.

- (a) 'Maintain short lines of communication'
- (b) 'Accelerate the development of talent'
- (c) 'Selective dispersal of authority;
- (d) 'Recognises autonomy' decision makers need for autonomy'

16. As "The decision-making authority is pushed down the chain of command" at S&M enterprises, it provides the benefit of quick decision making to the organisation because:

- (a) There is no requirement for approval from many levels
- (b) Organisation is able to generate more returns
- (c) There are innovative performance systems
- (d) It's a means of management education

17. The philosophy being followed by S&M is not followed by most other companies.

This tells us that the philosophy is:

- (a) Optional
- (b) Compulsory
- (c) Limited to superior and his subordinate
- (d) Merely done to lessen the burden of the manager

**LA (5 marks)**

18. An important difference between S&M Ltd and most other companies is that instead of operating as one large corporation it operates as 180 smaller companies each focused on a specific product and area, implying selective dispersal of authority, recognising the decision makers need for autonomy, as decision making authority is pushed down the chain of command. It enables the company to maintain short lines of communication with customers and



employees and accelerate the development of talent. Identify the philosophy that is being followed by S&M Ltd. through which it is dividing the decision-making responsibilities among the hierarchical levels. State any five points of importance of the philosophy identified. (2020-21)

**ET (6 marks)**

19. Jojo and Jojo is a company known for its consumer business of baby oil and bandages, but many people do not know that the company also runs a medical device and diagnostics business, as well as a pharmaceutical company. With more than 1,80,000 employees worldwide the company has chosen to share decision making authority with lower levels and place it nearest to the point of action. Therefore, the response does not take time. This propagates the belief that people are competent, capable and resourceful who can get a chance to prove their abilities. And enables the company in identifying those executives who have the necessary potential to become dynamic leaders, so that the checking required on decisions taken by lower levels of management is the least. This makes it possible to evaluate performance at each level and each department can be individually held accountable for their results. By quoting the lines given above identify and briefly explain the benefits of the concept discussed above. (2022-23)



## ANSWERS

### Previous Years' CBSE Board Questions

1. (d): Organising
2. (c): Organising is mentioned in the case study as various tasks are divided in committees.
3. (c): Organising
4. Organising refers to the procedure of aligning various activities in an organisation in a certain specific order. It involves designing the roles of the personnel such that the efforts by the employees along with the resources are coordinated towards the accomplishment of the organisational goals.
5. On the basis of origin-Formal organisation arises as a result of company's rules and policies and informal organisation arises out of social interactions.
6. Organising
7. Organising
8. The following points highlight the importance of organising:
  - (i) Clear definition of working relationships: Under organising, the hierarchical structure in the organisation is clearly established, thereby avoiding any ambiguity in the transfer of instructions.
  - (ii) Less duplication of work: As various activities are properly assigned to different personnel; duplication of work is minimised.
  - (iii) Better coordination: Under organising, activities of a similar nature are grouped together in different departments. This ensures better coordination and harmony.
  - (iv) Increased growth and expansion: Through proper organising, an enterprise can expand its business operations and deviate from the traditional norms in a smooth and better manner.
9. (c): Span of management is not a step in the process of 'organising'.
10. (c): Assignment of Duties is highlighted in the given statement.
11. (d): Establishing reporting relationships
12. Organising is a process of defining and grouping activities and establishing authority-responsibility relationship among workers.
13. The following steps are involved in the process of organising:





(i) Identifying and dividing the work: As a first step, various activities in the organisation are identified and divided as per the pre-defined plans and objectives.

(ii) Creating departments: Next, the activities of a similar nature are grouped together in different departments. This is done to promote specialisation.

(iii) Assigning duties: Once, the departments are created, the next step is to assign the roles and responsibilities to the personnel as per their skills and abilities.

(iv) Establishing relationships: In this step, a clear hierarchical structure is established such that every individual clearly knows the various superior-subordinate relationships in the organisation.

**14. (b):** Functional organisational structure

**15. (d):** The organisation structure can be defined as the framework within which managerial and operating tasks are performed.

**16. (a):** The type of organisational structure in which jobs of similar nature are grouped together on the basis of functions to form departments is called Functional structure.

**17. (b):** Divisional structure is suitable for a business having a large variety of products.

**18. (b):** Divisional structure is suitable for the organisations having varied product lines.

**19. (b):** The organisational structure that is suitable for Agile Ltd. is Divisional Structure.

**20. (d):** Establishes standards for controlling

**21.** Informal Organisation helped the Finance Manager Mohit Verma, the Sales Manager and his team in finalising the suggestion.

**22.** Functional structure, promotes efficiency in utilisation of manpower. Functional structure refers to grouping of similar jobs under one department. Each major function is organised as a separate department which leads to specialisation and promotes efficiency.

**23.** Divisional structure is the structure that promotes flexibility and initiative. In divisional Structure, the organisation structure comprises of separate business units or divisions. Each division has a divisional manager responsible for performance and who has complete authority over the division/unit.



**24.** A functional structure is an organisational structure that groups similar or related jobs or functions together.

Advantages of functional structure:

(a) It leads to occupational specialisation since emphasis is placed on specific functions.

(b) It promotes control and coordination within a department because of similarity in the tasks being performed.

**25.** Formal organisation refers to organisation structure which is designed by the management to accomplish a particular task. It clearly specifies the boundaries of authority and responsibility.

**26.** It is easier to fix responsibility as mutual relationship are clearly defined.

**27.** Functional structure of organising is most suitable when the size of the organisation is large, has diversified activities and operations require a high degree of specialisation.

**28.** Limitations of divisional structure of an organisation:

(i) Conflicts: Conflicts may arise among different divisions with respect to allocation of funds. A particular division may seek to maximise profits at the cost of other division.

(ii) Higher cost: It may increase the cost since there may be a duplication of activities across divisions.

(iii) Misuse of authority: Divisional heads may misuse the authority ignoring organisational interests.

**29.** Advantages of Informal Organisation:

(a) As prescribed lines of communication are not followed, it leads to much faster spread of information as well as faster feedback.

(b) It fulfills social needs of the members and allows them to find like minded people. This enhances their job satisfaction.

(c) It contributes towards fulfillment of organisational objectives by compensating for inadequacies in the formal organisation. For example, reaction of employees towards policies can be tested through the informal network quickly.

**30.** Following are the three limitations of informal organisation:

(a) Rumours: Informal organisation may create rumours which go against the interest of the formal organisation.



(b) Resistance to change: Informal groups may oppose changes proposed by formal organisation. Such resistance to change may delay or restrict growth.

(c) Conformity: Informal organisation often puts pressure on its members to conform to group expectations. Norms set by informal groups may be against the organisational interests.

**31.** Formal organisation is the organisation structure which is designed by the management to accomplish a particular task.

Advantages of formal organisation:

(a) Clarity: There is no ambiguity in the roles and duties of each member. This avoids duplication of effort.

(b) Responsibility: It is easy to fix responsibility because mutual relationships are clearly defined.

(c) Unity of command: There is a chain of command in which each member is accountable to one superior only.

**32.** An informal structure is a network of social relationships that arises out of personal interactions among the employees of an organisation beyond their officially defined roles. In this regard, it can be said that an informal structure originates from within a formal organisation.

The following are the advantages of an informal organisation:

(i) Faster flow of communication: As no definite path or channel of communication is followed in an informal organisation, information spreads faster.

(ii) Fulfillment of social needs: An informal organisation allows for personal communication beyond the officially defined roles. This enables the employees to interact with like-minded colleagues. This unofficial interaction provides a sense of belongingness among the employees towards one another and towards the organisation.

(iii) Fulfillment of organisational objectives: An informal organisation supports the working of a formal organisation and thereby helps in the fulfillment of the organisational objectives in a better manner. For instance, the managers can interact with the workers informally and assess their views on various matters.

**33.** A formal organisation structure is a well defined structure of authority and hierarchy that clearly specifies the boundaries of authority and responsibility in an organisation. The rules and policies to be followed are clearly stated.

The following points highlights the advantage of the formal organisation:



(a) Reduced confusion: A formal organisation clearly defines the working relationships and the hierarchy. That is, it clearly specifies who should report to whom. In this way, it facilitates unity of command, thereby reducing confusion in the working operations.

(b) High stability: By defining the procedures and rules clearly, a formal organisation makes the behaviour of the employees more predictable, bringing stability to the organisation.

(c) Reduced duplication of work: Since the responsibilities are clearly defined, there is no room for ambiguity in the roles of various employees. This helps in avoiding duplication of work and efforts.

**34.** Organisational structure adopted by Yumco Ltd. is Functional Structure. Advantages of functional structure are:

(a) Specialisation: It leads to occupational specialisation since emphasis is placed on specific functions, which promotes efficiency in utilisation of manpower.

(b) Improves Control: It promotes control & coordination within a department because of similarity in the tasks being performed.

(c) It avoids duplication of efforts leading to better economics of scale.

**35.** (a) The type of organisation which permits, the flow of communication in all the directions is "Informal Organisation". Informal organisation refers to the network of social relations among persons working in an organisation. It emerges from within the formal organisation.

(b) Advantage of Informal Organisation: Help to fulfill social needs of the employees and enhance job satisfaction. It helps to create a sense of belongingness.

(c) Values which are communicated to the society are:

(i) Removing geographical barriers by setting-up factory in backward areas.

(ii) Generation of Employment.

(iii) Fulfilling social responsibility.

Providing education. Thus, promoting 'Right to education'.

**36.** (a) The divisional structure is followed by N-Guard Company. N-Guard Company decided to appoint different engineers for all the regions.

(b) The advantages of a divisional structure are:

(i) Managerial efficiency: A divisional structure provides numerous opportunities for the development of skills and knowledge of the managers. The head of each



division gains experience as he or she deals with a variety of functions simultaneously. This enables the division head to grow professionally and improve proficiency.

(ii) Measurement of performance: In a divisional structure, the performance of each of the divisions is judged on the basis of its profit and loss during a particular period. This type of assessment of performance is easier and helps in taking appropriate and timely corrective action in case of poor performance. The limitations of a divisional structure are:

(i) Departmental conflicts - Sometimes conflicts may arise among different divisions with regard to various decisions and actions of the organisation such as those relating to allocation of funds and resources.

(ii) Increase in cost - As there exists a similar functional structure under each division, the same set of functions are performed under each department. Thus, there is high probability of overlapping of activities, which results in a rise in cost for the organisation.

**37.** Divisional structure is an organisation structure comprising of separate business units or divisions created on the basis of different products, geographical area, customer groups etc.

Advantages of divisional structure:

(i) Executive development: Divisional heads gain experience in all functions relating to a particular product. Development of varied skills prepare them for top management positions.

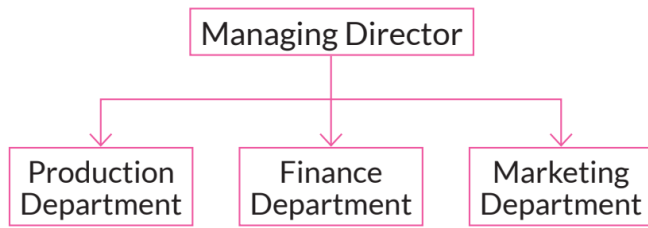
(ii) Accountability: It is possible to measure performance and fix responsibility because resources and costs can be easily accounted for as they are assigned to divisions.

(iii) Easy expansion: For every product a separate division is opened. For example, if a company wants to introduce a new product, it can be introduced easily without disturbing the existing divisions. Hence, corporate expansions can be easily implemented.

(iv) Quick decision making: Every division is independent in itself. The divisional manager can take decisions regarding his division independently without consulting other divisional managers.

**38.** (i) Functional Organisation structure will be most suitable for the company. That is, it should be managed in the form of departments. Here, related and similar functions are grouped in one department under one executive. These departments may be further divided into sections.





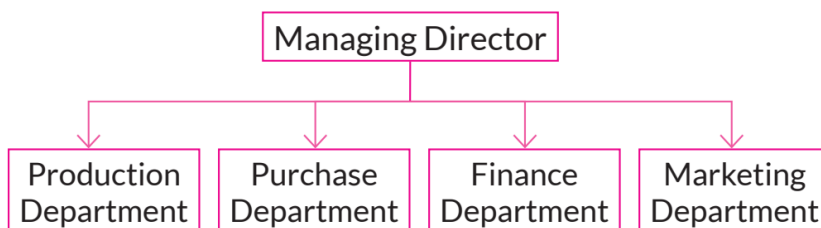
(ii) Advantages of Functional Structure

(a) Specialisation: It promotes occupational specialisation since each department has to perform a specific function. As employees perform similar tasks within a department, it improves their efficiency and they are able to gain specialisation.

(b) Efficiency: Assigning similar tasks to specific individuals develops operational and management efficiency.

(c) Effective control and coordination: The similarity in task being performed within a department ensures better control and coordination.

**39.** (i) Functional Organisation structure will be most suitable for the company. Here, related and similar functions are grouped in one department under one executive. These departments may be further divided into sections.



(ii) Limitation of Functional Structure:

(a) Departmental interest may supersede organisational interest: Departments may pursue their interests at the cost of organisational interests.

(b) Problem in coordination: There may be lack of cooperation and coordination between different functional departments.

(c) Conflict of interest: A conflict may arise when the interests of two or more departments are not compatible.

Conflicts may also arise in the absence of clear separation of responsibility.

**40.** The divisional structure offers many benefits. Prominent among these are as follows:

(a) Product specialisation helps in the development of varied skills in a divisional head and this prepares him for higher positions. This is because he gains experience in all functions related to a particular product.

(b) Divisional heads are accountable for profits, as revenues and costs related to different departments can be easily identified and assigned to them. This provides a proper basis for performance measurement. It also helps in fixation of responsibility in cases of poor performance of the division and appropriate remedial action can be taken.

(c) It promotes flexibility and initiative because each division functions as an autonomous unit which leads to faster decision making. Disadvantages: The divisional structure has certain disadvantages. Some of them are as follows:

(a) Conflict may arise among different divisions with reference to allocation of funds and further a particular division may seek to maximise its profits at the cost of other divisions.

(b) It may lead to increase in costs since there may be a duplication of activities across products. Providing each division with separate set of similar functions increases expenditure.

**41. (a) Types of organisations:**

(i) Formal Organisation

(ii) Informal Organisation

(b) Advantages of Formal Organisation are:

(i) It is easier to fix responsibility since mutual relationships are clearly defined.

(ii) Unity of command is maintained through an established chain of command.

(iii) It leads to effective accomplishment of goals by providing a framework for the operations to be performed and ensuring that each employee knows the role he has to play.

(iv) It provides stability to the organization as behaviour of employees can be fairly predicted since there are specific rules to guide them.

Advantages of Informal Organisation:

(i) Prescribed lines of communication are not followed leading to faster spread of information as well as quick feedback.

(ii) It helps to fulfill the social needs of the members and enhances their job satisfaction.

(iii) It contributes towards fulfillment of organisational objectives by compensating for inadequacies in the formal organisation.

**42.**

Basis of difference	Formal Organisation	Informal Organisation
1. Meaning	It is deliberately designed and created by the management to achieve certain objectives.	It spontaneously takes shape as a result of interaction among employees.
2. Origin	It is created by the management.	It arises as a result of social interaction among employees.
3. Authority	Authority flows from top to bottom.	Flow of authority can be in any direction.
4. Flow of Communication	Members are required to use established chain of communication.	Communication can take place in any direction.
5. Behaviour	Behaviour and standards of performance are prescribed by the management.	There is no set behaviour pattern in case of informal organisation
6. Nature	Rigid	Flexible

43. (d): Delegation

44. (b): Responsibility

45. (b): Grouping activities of similar nature together to facilitate specialisation is called Departmentalisation.

46. (c): Delegation is compulsory.

47. (a): Authority is the right to command and Responsibility is the obligation of the subordinate to properly perform the assigned duty.

48. (b): Responsibility is the obligation of a subordinate to properly perform the assigned duty.

49. (b): Under the process of 'Departmentalisation', the activities of similar nature are grouped together in different departments.

50. (c): The Concept of Management used by Ashok to ensure accomplishment of the new project is Delegation.

51. (b): Ashok will be able to concentrate on high priority areas, it will lead to effective management.





52. (c): Delegation provides the employees with psychological benefits, which motivate and encourage them to give their best to the organisation.

53. (c): Both superior and Subordinate.

54. (c): the subordinate gains experience and he is in a position to take up leading positions in new ventures.

55. (d): Decentralisation is the philosophy that implies selective disposal of authority.

56. (a): At two levels

57. Responsibility

58. Delegation refers to the transfer of authority and responsibility by the superior to his or her subordinates.

59. Authority refers to the right of an individual to command his subordinates and to take action within the scope of his position. Authority arises from established scalar chain which links the various positions and levels of an organisation. Authority also refers to the right to take decision inherent in a managerial position to tell people what to do and expect them to do it.

60. Responsibility is an obligation of the subordinate to properly perform the assigned duty. It arises from a superior-subordinate relationship.

61. Accountability means that the superior is answerable for the completion of the job/duty assigned to him, though it may have been delegated to a subordinate.

62. (a) Motivation of employees: Delegation is not merely sharing of work but involves trust on the part of the superior and commitment on the part of the subordinate. This builds the self-esteem of the employees thereby improving their confidence. It helps to motivate employees as the employees feel encouraged and try to improve their performance further.

(b) Employee development: Delegation helps in development of employees as the employees get more opportunities to utilise their talent. It empowers the employees by providing them a chance to use their skills, gain experience and develop themselves for higher positions.

(c) Basis of management hierarchy: Delegation helps in establishing a management hierarchy through clear superior-subordinate relationships. It is this degree and flow of authority which determines who has to report to whom which in turn decides the power that each job position enjoys in the organisation.

63. Here, delegation is referred. The process of delegation has three important elements:

(a) Authority: It is the right of an individual to command his subordinates and to take action within the scope of his position. The concept of authority arises from the established scalar chain which links the various positions and levels of an organisation.

(b) Responsibility: It is the obligation of a subordinate to properly perform the assigned duty. It arises from a superior-subordinate relationship because a subordinate is bound to perform the duty assigned to him by his superior.

(c) Accountability: Accountability means being answerable for the final outcome. Delegation of authority empowers an employee to act for his superior but the superior would still be accountable for the outcome.

**64.** Delegation refers to the downward transfer of authority from a superior to a subordinate. It takes place when a manager passes on to his subordinate some of his tasks or functions, together with the necessary authority to perform the tasks.

Importance of delegation of authority:

(a) Effective management: By delegation of authority, managers get freedom from doing routine work. They get more time for strategic planning and policy making.

(b) Employee development: As a result of delegation of authority, employees get more opportunities to utilise their talents and skills. It prepares them to be future managers.

(c) Motivation of employees: Subordinates feel motivated when they are delegated higher level responsibilities. It enhances their job satisfactions and confidence level.

(d) It facilitates growth of organisation by providing a ready work force to take up leading positions in new ventures.

(e) It establishes a management hierarchy through clear superior-subordinate relationships.

(f) It helps in better coordination by avoiding duplication of work and avoids overlapping of duties.

**65.** (a) The concept of organising discussed in the above case is Delegation. Delegation is the transfer of authority from superior to subordinate, entrustment of responsibility and creation of accountability for performance.

(b) Essential elements of delegation:

(i) Authority: Authority refers to the right of an individual to command his subordinates and to act within the scope of his position. It flows from top to bottom.



(ii) Responsibility: Responsibility as an element of delegation means obligation of a subordinate to perform the assigned duty properly. It flows upwards.

(iii) Accountability: Accountability as an element of delegation means the answerability for the outcome of the assigned task. It flows upwards.

66. (i) The concept used by Aman is 'Delegation'. Delegation refers to the downward transfer of authority from a superior to a subordinate, thus reducing his/her work load. It is essential for the efficient functioning of an organisation because it enables a manager to use his time on high priority activities. The subordinates perform the task on behalf of the superior. It also satisfies the subordinate's need for recognition.

However, delegation does not mean abdication as the superior manager would still be accountable for the performance of the assigned task. Further, the authority granted to a subordinate can be taken back and redelegated to another subordinate.

(ii) Delegation is an integral part of successful running of an organisation. Effective delegation leads to the following benefits to the organisation -

(a) Effective management: By empowering the employees, the managers are able 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 important and new areas.

(b) Employee development: As a result of delegation, employees get more opportunities to utilise their talent. It allows them to develop those skills which will enable them to perform complex tasks and assume those responsibilities which will improve their career prospects.

67. (d): Its movement is from centralisation to delegation.

68. (c): An organisation can never be completely centralised or decentralised. As it grows in size and complexity there is a tendency to move towards decentralised decision-making.

69. (d): The concept of 'Decentralisation' explains the manner in which decision-making responsibilities are divided among hierarchical levels.

70. (b): The principle discussed in the above case study is Centralisation and Decentralisation.

71. Decentralisation refers to systematic effort to delegate to the lower level all authority except that which can be exercised from central point.

72. Decentralisation refers to the dispersal of the decision-making power among the middle-level and lower-level managers. The extent of decentralisation varies



from one organisation to another. The following points highlight the importance of decentralisation:

(a) Initiative: Decentralisation gives some freedom to the lower-level managers and imparts them a higher degree of autonomy to take initiatives. In the process, the lower-level managers learn to face new challenges and find solutions for problems themselves.

(b) Managerial competence: Delegation of authority to lower-level managers provide them the opportunity to gain experience and thereby develop the skills and knowledge to face new challenges. This improves their competence and level of maturity, which in turn helps them to get ready for higher positions.

(c) Control: Decentralisation assists in analysing and evaluating the performances of each department separately. The extent of achievement of each department and its contribution to the overall objectives of the organisation can be easily evaluated in a decentralised system.

**73.** Decentralisation is discussed above in the question.

‘Decision making authority in an organisation can be pushed down to the lower levels or it may lie with the top management’. It refers to the dispersal of the decisionmaking power among the middle level and lower level managers. The extent of decentralisation varies from one organisation to another.

The importance of decentralisation is discussed as follows:

(i) Initiative: Decentralisation gives some freedom to the lower-level managers and imparts them a higher degree of autonomy to take initiatives. In the process, the lower-level managers learn to face new challenges and find solutions for problems themselves.

(ii) Managerial competence: Delegation of authority to lower-level managers provides them with the opportunity to gain experience and there by develop the skills and knowledge to face new challenges. This improves their competence and level of maturity, which in turn helps them to get ready for higher positions.

(iii) Control: Decentralisation assists in analysing and evaluating the performances of each department separately. The extent of achievement of each department and its contribution to the overall objectives of the organisation can be easily evaluated in a decentralised system.



## CBSE Sample Questions

1. (b): Organising
2. (b): Departmentalisation
3. (b): (c) → (b) → (a) → (d)
4. (b): Departmentalisation
5. (d): Heads do not get training for top management positions.
6. (a): Organisation Structure
7. (d): Functional structure
8. (b): Span of management
9. (b): Divisional Structure
10. (b): Delegation of authority
11. (d): Both the statements are incorrect.
12. (b): Decentralisation of authority
13. (b): As it can cause disintegration of the organisation
14. (a): Facilitates growth
15. (b): 'Accelerate the development of talent'
16. (a): There is no requirement for approval from many levels
17. (a): Optional
18. The philosophy discussed here is: Decentralisation.

Importance of Decentralisation:

(i) Develops initiative among subordinates: Decentralisation helps to promote self-reliance and confidence amongst the subordinates.

(ii) Develops managerial talent for the future: Formal training plays an important part in equipping subordinates with skills that help them rise in the organisation but equally important is the experience gained by handling assignments independently.

(iii) Quick decision making: The management hierarchy can be looked upon as a chain of communication. In a decentralised organisation, however, since decisions are taken at levels which are nearest to the points of action and there is no requirement for approval from many levels the process is much faster.



(iv) Relief to top management: Decentralisation diminishes the amount of direct supervision exercised by a superior over the activities of a subordinate because they are given the freedom to act and decide albeit within the limits set by the superior.

(v) Facilitates growth: Decentralisation awards greater autonomy to the lower levels of management as well as divisional or departmental heads. This allows them to function in a manner best suited to their department and fosters a sense of competition amongst the departments.

**19.** The concept discussed in the passage is decentralisation. Importance of Decentralisation:

(i) “Response does not take time”. Quick decision making-In a decentralised organisation since decisions are taken at levels which are nearest to the point of action and there is no requirement for approvals from many levels, the process is much faster.

(ii) “Who can get a chance to prove their abilities”. Develops managerial talent for the future- Decentralisation gives managers a chance to prove their abilities and creates a reservoir of qualified manpower that can be considered to fill up more challenging positions through promotion.

(iii) “Identifying those executives who have the necessary potential to become dynamic leaders”. Develops initiative among subordinates. Decentralisation helps to promote self-reliance and confidence amongst the subordinates. It also keeps them in a state wherein they are constantly challenged and have to develop solutions for the various problems they encounter.

(iv) “This makes it possible to evaluate performance at each level and each department can be individually held accountable for their results.”

Better control - Feedback from levels helps to analyse variances and improve operations.

