

Gujarat Board Textbook Solutions Class 12 Organization of Commerce and Management Chapter 4 Organizing

1. Select the correct alternative and write answer to the following questions :

Question 1. When more than one person is working towards the achievement of common goal, the structure so formed is called

- (A) Planning
- (B) Organization
- (C) Control
- (D) Directing

Answer:

(B) Organization

Question 2. What is possible from the following due to departmentalization of work?

- (A) Specialization
- (B) Planning
- (C) Co-ordination
- (D) Directing

Answer:

(A) Specialization

Question 3. Which organization is called army organization?

- (A) Matrix
- (B) Functional
- (C) Linear
- (D) Informal

Answer:

(C) Linear

Question 4. _____ in which type of organization, work is given more importance than department?

- (A) Linear
- (B) Functional
- (C) Informal
- (D) Matrix

Answer:

(B) Functional

Question 5. The network framed naturally by human relations is called

- (A) Informal organization
- (B) Linear organization
- (C) Formal organization
- (D) Matrix organization

Answer:

(A) Informal organization

Question 6. A person who is at bottom level and receives orders is called

(A) Subordinate

(B) Superior

(C) Project manager

(D) Officer

Answer:

(A) Subordinate

Question 7. Organization framed with the mixture of project structure and general structure is called

(A) Linear organization

(B) Matrix organization

(C) Functional organization

(D) Informal organization

Answer:

(B) Matrix organization

Question 8. What is it called where authority is centrally delegated at higher management level?

(A) Decentralization

(B) Centralization

(C) Decapitalization

(D) Transmission

Answer:

(B) Centralization

Question 9. From the following, what should be implemented to prepare future managers?

(A) Decentralization

(B) Centralization

(C) Decapitalization

(D) Work distribution

Answer:

(A) Decentralization

Question 10. What cannot be delegated from the following?

(A) Authority

(B) Responsibility

(C) Accountability

(D) Work

Answer:

(C) Accountability

2. Answer the following questions in one sentence each :

Question 1. What is organization?

Answer:

The activity conducted by the co-operation of two or more people and their co-ordination is called organizing.

Question 2. What is called delegation of Authority?

Answer:

Delegation of authority is such a kind of process in which the administrator gives a part of the powers to his sub-ordinates along with duties and the helpers, with the help of others, for the purpose of work . performance, accepts such powers consciously.

Question 3. What is Informal Organisation?

Answer:

Informal organization is the formation of internal relations formed on its own, in order to provide contribution to some result achievements, formed without any formal planning.

Question 4. What is Matrix Organisation?

Answer:

Matrix organization is a modern kind of organization, which has two different types of structures. One is the simple kind of structure, which is a part of decision making process and the other is a structure solving technical problems and is called project structure. This combination results in matrix organization.

Question 5. What is Responsibility?

Answer:

Responsibility is the duty assigned by the top level officer to the subordinates for a particular work.

Question 6. What is accountability?

Answer:

Accountability is when the delegated authority holder has to provide proper explanation and follow reporting process to the top level management.



3. Answer the following questions in short :

Question 1. “Organising is Body and Planning is a Brain of Business Enterprise” – Explain.

Answer:

- The goal of the organization is decided by planning process. Planning is the first as well as most important part of the business.
- The success of management does not come by just planning but also on the effective implementation of planning.
- After planning comes the organization. The success and goal achievement of any unit/work depends on proper division of work, distribution of authority and responsibility, delegation of authority among the employees. All these tasks are done under organizing.
- So, in a way we can say that planning is the soul of business whereas the work is done under organizing and so organizing works as the body.

Question 2. “Distribution of Authority and Responsibility is a base of an Organisation” –

Explain.

Answer:

- Under organizing, the authority and responsibility of each individual is decided. It is also decided who will report to whom.
- Divisional heads, sub-divisional heads and skill based heads are finalized and then all the heads are given power and responsibilities so that they can perform their work well.
- In addition to this, the post of each person is also clarified. His role, authority and responsibility in the organization is also decided
- Over and above all these, the power and responsibilities are divided and balanced among employees of various posts.
- Doing so gives every employee a clear picture of his roles and the contribution – he has to make to achieve business goals. Moreover, this also removes any confusion regarding every individual’s role in the organization.
- Hence, distribution of authority and responsibility is the base of an organization.

Question 3. “Formal and Informal Organisations are Complementary to each other.” –

Explain.

Answer:

In the formal organizational structure, individuals are assigned various job positions. While working at those job positions, the individuals interact with each other and develop some social and friendly groups in the organization i.e. they form informal organizational structure.



- The existence of informal structure depends upon the formal structure because people working at different job positions interact with each other to form informal structure and the job positions are created in formal structure.
- So, if there is no formal structure, there will be no job position, there will be no people working at job positions and there will be no informal structure.
- Although formal organization goes as per procedures, divisions and work allocations, the informal organization makes the execution more effective and harmonious and serves as a complement of formal organization.

Question 4. When is Decentralisation Possible?

Answer:

- The decision of decentralization largely depends on the size of the unit and the approach of the administrators.
- It is a policy matter and so it can be possible only if the management decides to go for it.
- A large scale unit raises the need of decentralization.

4. Answer the following questions in brief :

Question 1. Describe characteristics of Informal Organisation.

Answer:

Characteristics informal organization:

1. As the name suggest, the structure of this type of organization is informal.

- It develops from inter-relationships and interactions.
- This kind of structure is naturally formed when the employees working together work for a commonly defined goal.

2. Based on human relations:

- This kind of structure is based on human relations.
- It is formed between people who share similar feelings, interests, values, hobbies, habits and beliefs.

3. Ever-changing:

- The informal structure is ever changing.
- When an employee leaves one group and joins another work group, the new informal structure is created or changed, as per the change in work environment.

4. Universal:

- This structure is universal i.e. it is not only found in businesses.

- It is found in all places wherever human activities take place.

5. Informal communication:

- The channel of communication is informal i.e. the communication is done informally and mainly orally.
- As a result, there are chances to have more opinions and fewer facts in it. This kind of communication is very fast.

6. Small size:

- The size of this organization is mostly small because it forms due to individual relationships, exchange of ideas, sharing same wave-length, etc.
- A large organization can have several such informal organizations but members in each would mostly less.

7. Lack of control:

These organizations are formed on the basis of circle and mindset of ' individuals. Hence, no control can be maintained within an informal organization.

8. Complements formal structure:

- Since informal organization emerges from formal organization it is said that informal organization complements formal organizations.
- In the modern times, informal communication structure is used widely. This helps to reduce industrial disputes and maintain discipline. Hence this structure is more popular.

Question 2. Explain Functional Organisation with its formation.

Answer:

Functional (Work-based) Organization

- Linear organization gives more importance to department than work. This is the greatest limitation of this kind of structure.
- Keeping this limitation in mind, the 'work based' or say 'function based' organization came into existence.
- An organization with a functional structure is divided based on functional areas, such as IT, finance, or marketing.
- In this structure, the experts with specialized knowledge are given special responsibilities for areas of their expertise. This type of structure is called ' functional organization. For example, Human Resource Manager will look after the recruitment, transfer, promotions, etc.

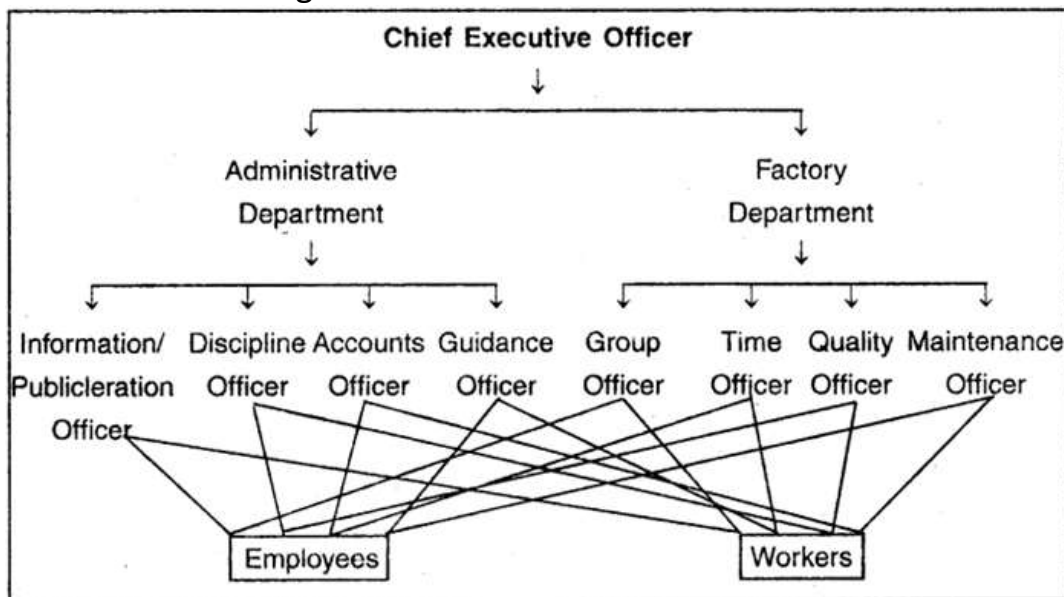


- Thus, in functional organization, the distribution of work is not done according to the departmental but according to the nature of work.

Formation of functional organization:

The core of functional organization lies in giving special importance to work distribution on the basis of specialization.

- Specialized experts are appointed for each kind of work. These experts do not serve only as advisors but they are also administrative heads of their work areas. They are fully responsible for the task assigned to them. For example, the purchase officer is fully responsible for all type of purchase related work.
- The Chief Executive Officer is at the top and holds the supreme powers of the functional organization.



Functional Organization:

- As demonstrated in the chart, the unit can be divided into two (or more) parts. Each unit has its assigned list of activities and works.
- The units then assign the tasks and works to different officers. For example, the factory unit (or department) will assign the work to Quality Control Officer, Chief Maintenance Engineer and so on.
- Each officer then gives orders to the employees under him to perform the task.
- In functional organization, not a single work remains unassigned and at the same time not a single work is assigned twice.
- This structure is more favourable for units where there are a variety of works to be done. For example, IT Industry, Telecom industry, etc.

Question 3. Write a note on Matrix Organisation.

Answer:

Matrix Organization:

- The organizational structure in which people with similar skills are pooled for work assignments, resulting in more than one manager is called a matrix organization.

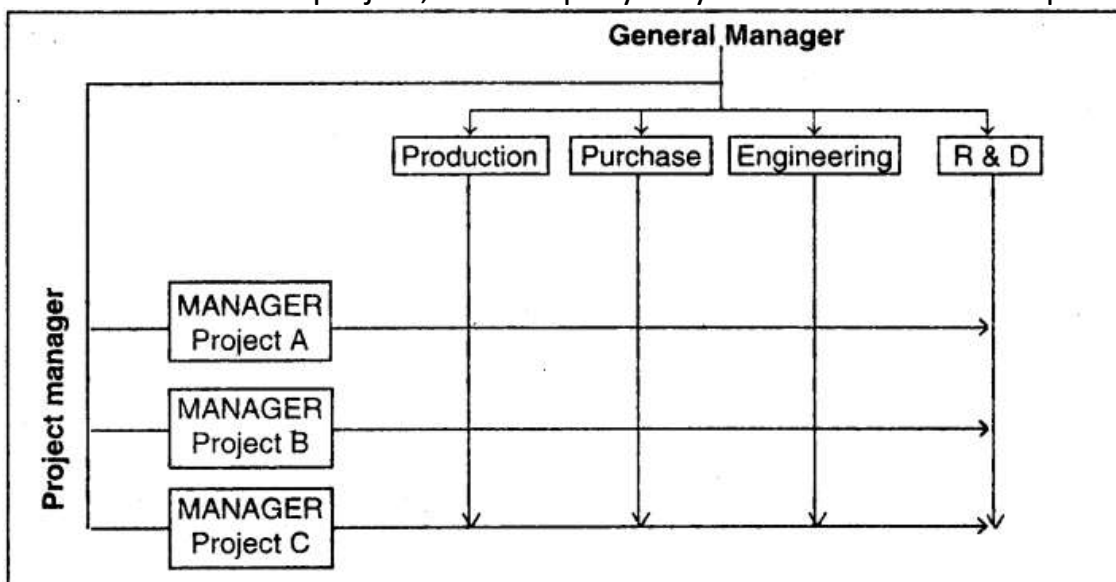
- Matrix organization is a combination of work based (functional organization) and project based organization.
- Matrix management is the practice of managing individuals with more than one reporting line i.e. in a matrix organization structure.
- For example, all engineers may be in one engineering department and report to an engineering manager (i.e. part of functional organization structure), but these same engineers may be assigned to different projects and report to a different engineering manager or a project manager while working on that project. Therefore, each engineer may have to work under several managers at same point of time.

Design of matrix organization:

- In matrix organization we find the combination of work based and project based organization.
In this type of organization, several project managers are appointed for various projects and each project manager is given different type of work responsibilities.
- The responsibility of the project manager is to successfully complete the project assigned to him that too on time.
- For each project, a pool of employees is made from different areas of the company. Each of these employees holds some specific skill which is needed by the project.

Example:

- An IT company has a typical functional organization structure. So, it has various departments such as Research Department, Programming Department, Marketing, Accounts, etc.
- The company takes various projects from its clients. Let us say a project from Vodafone, Torrent Power, etc.
- For Vodafone project, the company may form a team of a computer expert,



Matrix Organization

research expert, production engineer, technical expert and an accounts expert for executing the project. All these experts already work in specific departments of the company and report to their own bosses. But, under the Vodafone project they will also report to their new temporary manager who is handling the Vodafone Project.

The authority of the functional managers goes downwards (vertical) whereas that of project managers goes sideways i.e. horizontal and so the structure of the organization takes a matrix design.

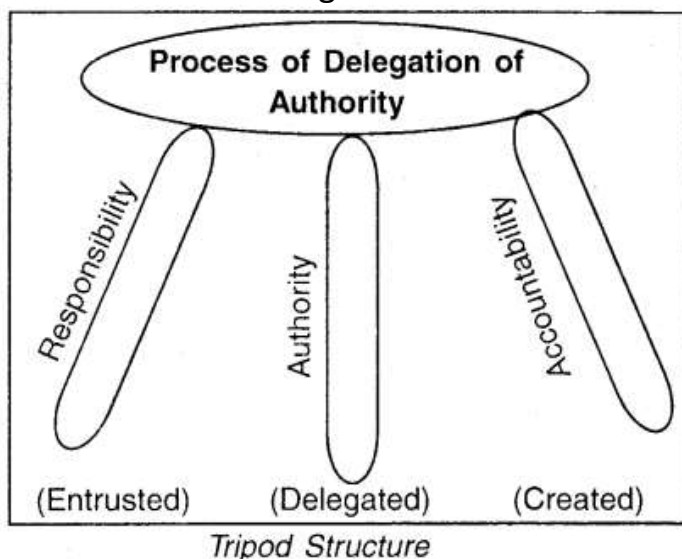
Once when the work is done, they are sent to their respective work areas / to which they belonged.

Question 4. Explain about Elements of delegation of authority.

Answer:

According to Louis Allen, following three elements are included in the **delegation of authority**:

1. Entrustment of responsibility
 2. Conferment of authority
 3. Creation of accountability
- These three elements act as the supports of delegation and so we get a tripod structure wherein delegation rest on these three elements.
 - All the three elements are equally important and independent and yet mutually connected.
 - An effective organizational structure can be formed by balancing these elements.



(A) Entrustment of responsibility:

- The duty assigned by the top level officer to the subordinates for a particular work is called entrustment of responsibility.

- Entrusting responsibility creates a relationship between superior and subordinate because the subordinate is expected to follow the orders given by the superior and also report him about the assigned work duty. Thus, assignment of responsibility flows from top to bottom level.

(B) Conferment of authority:

- By giving authority to a person, one can expect results and accomplished works.
- During delegation, the administrators should provide enough power to the 'subordinates so that they can further allot or distribute the work in various parts to the lower levels and get the work done.
- Hence delegation of authority is an important step towards allotment of power. This flows from upper to lower level.

(C) Creation of accountability:

The person who has been delegated the power and work is accountable for this work to the higher authorities.

- He needs to provide proper explanation and follow reporting process to the top level management. This is known as accountability.
- The middle level authority holder cannot free himself from his responsibility of getting work done. Note that this accountability flows from lower level to upper level i.e. the lower level is accountable to the middle level and middle to upper level.

5. Answer the following questions in detail:

Question 1. Explain types of organisation.

Answer:

1. Linear Organization:

- Linear organization is the most simple and ancient type of organization.
- This format of organization is used in Army since a very long time and so it is also known as Army organization.
- In linear organization, the top level holds the maximum power. In other words, the power is centralized at the top level.
- The distribution of power and responsibilities is done in straight line from top level to bottom level. .
- Since, the distribution of power is in a straight line from top to bottom level, it is called linear organization.

Formation of linear organization:

- In a linear organization, the greatest power is with the Board of Directors. They take policy based decisions for the organization.

- The Board of Directors empowers the General Manager.
- The General Manager is the main Administrative Head. It is his work to ensure that the lower employees follow the task and decisions taken by the Board of Directors.
- Below the General Manager are the various departments such as production department, administrative department and sales department.
- For each department there is a department head. The department head is responsible for the work going on his entire department.
- Under each department head there are several officers. For example, there will be purchase officer and production officer in the production department. Similarly there will be administrative officer and accounts officer in the administrative department, etc.
- Under such officers, supervisors, foreman and clerks, etc. work. Finally, the workers work under the foreman. ‘

2. Functional Organization:

- Linear organization gives more importance to department than work. This is the greatest limitation of this kind of structure.
- Keeping this limitation in mind, the ‘work based’ or say ‘function based’ organization came into existence.
- An organization with a functional structure is divided based on functional areas, such as IT, finance, or marketing. ‘
- In this structure, the experts with specialized knowledge are given special responsibilities for areas of their expertise. This type of structure is called functional organization. For example, Human Resource Manager will look after the recruitment, transfer, promotions, etc.

Formation of functional organization:

- The core of functional organization lies in giving special importance to work distribution on the basis of specialization.
- Specialized experts are appointed for each kind of work. These experts do not serve only as advisors but they are also administrative heads of their work areas. They are fully responsible for the task assigned to them. For example, the purchase officer is fully responsible for all type of purchase-related work.
- The Chief Executive Officer is at the top and holds the supreme powers of the functional organization.
- A unit can be divided into two (or more) parts. Each unit has its assigned list of activities and works.
- The units then assign the tasks and works to different officers. For example, the factory unit (or department) will assign the work to Quality Control Officer, Chief Maintenance Engineer and so on.
- Each officer then gives orders to the employees under him to perform the task.



3. Formal Organization:

- In order to achieve the predefined goals, the formal structure of relationship established among persons and work is called formal organization.
- Linear organization and functional organization are types of formal organization.
- In formal organization, necessary powers are given to enable the person to perform certain kind of responsibilities.
- The organization also clarifies matters related to delegation of authority among superior officers.

4. Informal Organization:

In the formal organizational structure, individuals are assigned various job positions. While working at those job positions, the individuals interact with each other and develop some social and friendly groups in the organization. This network of social and friendly groups forms another structure in the organization which is called informal organizational structure.

- The informal organizational structure gets created automatically and the main purpose of such structure is getting psychological satisfaction.
- The existence of informal structure depends upon the formal structure because people working at different job positions interact with each other to form informal structure. So, if there is no formal structure, there will be no job position and there will be no informal structure.
- The members while doing the formal work also interact at social level, bring their own values and assumptions during work discussion. The members of informal organization develop friendship, alliances, trusted sources of information and share preferences on how work should be done.

5. Matrix Organization:

- The organizational structure in which people with similar skills are pooled for work assignments, resulting in more than one manager is called a matrix organization.
- Matrix organization is a combination of work based (functional organization) and project based organization.
- For example, all engineers may be in one engineering department and report , to an engineering manager (i.e. part of functional organization structure), but these same engineers may be assigned to different projects and report to a different engineering manager or a project manager while working on that project. Therefore, each engineer may have to work under several managers at same point of time.



Formation of matrix organization:

- In this type of organization, several project managers are appointed for various projects and each project manager is given different type of work responsibilities.
- The responsibility of the project manager is to successfully complete the project assigned to him that too on time.
- For each project, a pool of employees is made from different areas of the company. Each of these employees holds some specific skill which is needed by the project.

Question 2. Explain steps for the process of organisation.

Answer:

Steps for process of organizing:

1. Clarification of objectives:

The first and foremost step of organizing is to have a clearly defined goals and their proper understanding. It is important to properly understand what the main goals are and what are the sub-goals. It is also important to understand the basis or structure on which the organization is formed.

2. List of functions:

Once the goals are defined properly, the list of work to be done is prepared.

- While preparing the list it should be taken care that neither a task is left nor it is repeated.
- To check these things, the list of functions is prepared by properly considering the functions.

3. Departmentalization of functions:

- After preparing the list of functions, the works that are similar in nature are classified and similar functions are placed together. Then the division of work is done accordingly.
- For example, work related to purchase is put under purchase department, work related to sales is put under sales department, work related to finance is put under accounts department and so on.
- After this division, specialization needed for each work is planned.
- The division is planned on the basis of nature of unit, geographical area, work area, etc. For example, sales of western India would be taken care by Gujarat zone, sale of central India would be taken care by Madhya Pradesh centre, etc.
- Similarly, work distribution such as advertisement and promotion work, packaging and distributing work, etc. is done as per the department.



4. Determining departmental positions and abilities:

- Once the works are divided into various departments, the type of persons that will handle the responsibilities in each department is decided. The unit also decides the abilities that these people should hold.
- For example, sales officer will be needed for handling the sales department, quality check will be handled by quality inspector, etc.
- Similarly, sub-posts or categories are also decided.

5. Delegation of power and responsibilities:

- Divisional heads, sub-divisional heads and skill based heads are finalized and then all the heads are given power and responsibilities so that they can perform their work well. .
- In addition to this the post of each person is also clarified. His role, authority and responsibility in the organization is also decided
- Over and above all these, the power and responsibilities are divided and balanced among employees of various posts.

6. Establishment of inter-relationship:

- After the proper distribution of work, and delegation of power and responsibilities among different departmental personnel, how all these will be inter-related or will interact is decided. For example, how will sales team and production team inter-relate, how will quality control department and production department inter-relate, etc.
- Through departmentalization, the power and responsibilities are decentralized and at the same can be centralized by forming inter-relations.

7. To prepare organizational chart:

- In order to provide people the perfect idea of positions of each person a proper organizational chart is prepared.
- Such a chart should be properly prepared and should be displayed on the notice board.

Question 3. Explain characteristics of organising.

Answer:



Characteristics of organizing:

1. Goal oriented activity:

- The main objective of organizing is to achieve business goals.
- The business defines the main objective as well as departmental objectives or sub-goals. It also defines individual goals of the employees.
- Organizing is a linear structure that co-ordinates with the goals of business, departmental goals and goals of individual employees. Hence organization is called a goal oriented activity.

2. Planning based:

- Planning is the first step of management. Organization is done on the basis of planning and objectives developed by the management.
- Hence it can be said that organization is based on proper planning.

3. Delegation of authority and responsibilities:

- The workers of the business unit work for the business goals given to them.
- These people are allotted work as per their capabilities and their skills.
- A person is delegated authorities on the basis of his designation.
- Hence organizing is a structure that establishes relationship of authority and responsibility among the people.

4. Gives importance to human element:

- Human beings are at the centre of organizing.
- The success of an organization depends on its employees.
- Effective organizational structure is based on developing effective human relationships.

5. Flexibility:

- After forming the organization the management may come across situations where in they would have to make changes in the organization.
- It is possible that unit may experience major changes in business environment, technological advancement, etc. As a result, the organization will have to change based on these situations. Hence, organizing is flexible.

6. Establishment of inter-relationships:

- Organizing establishes inter-relationship among work, positions or departments.
- Organizing clarifies the relationships of one work with the other work and one department with the other department.



7. Monitoring and control:

- Monitoring, controlling and coordinating are the basic requirements of an organization.
- Under monitoring and controlling, organizing checks matters such as whether the employees are performing their task as per the powers and responsibilities assigned to him or not.

8. Group activities:

- in an organization, many people work together for the accomplishment of a common goal.
- Organizing provides such a structure which enables smooth functioning of group activities.

9. Controlled administrative structure:

- Organizing is a specific type of controlled administrative structure.
- In any business unit, rules and controls are required in order to define relationships. Organizing also does the same.

Question 4. Describe importance of decentralisation.

Answer:

Importance of decentralization:

The idea of decentralization is becoming popular in modern times owing to several advantages it holds.

Its importance can be understood through the following points:

1. Quick decisions:

In decentralization, the person who has the power to take the decision is actively involved in his area of decision making. As a result, decisions are taken quickly and effectively.

2. Less work load on top level:

- The top level is the level where most of the policy matter related decisions are taken.



- By adopting decentralization, the decision making powers are given to middle or lower level. Hence, the work load on upper level is reduced.

3. Increases motivation:

- Under decentralization, employees of middle level and lower level are given ^ certain decision making independence.
- These employees become more motivated because they get a feeling that their seniors trust them and their decisions.
- Moreover, when the decisions become correct, they get more motivated and confident.

4. Increase in management abilities:

- Under decentralization, employees of middle level and lower level are given certain decision making independence.
- Hence, these employees become efficient leaders. They develop skills to work in coordination.
- They develop good administrative skills and they learn the methods of controlling the staff.
- All this improves management abilities of these employees and the company produces managers for the future.

5. Effective control:

- Under decentralization, the managers of all the levels have enough power to manage, make decisions and control their respective areas.
- As a result, they can exercise control over the employees, can take decisions if employees makes mistakes and can take disciplinary actions. This makes management easy and controlling effective.

6. Harmony is created:

- Due to decentralization, employees of all levels are included in the decision making process and hence are given importance.
- All the levels of officers and employees i.e. the decision makers and the followers discuss business matters and then take proper decisions.
- This increases interaction among people, feeling of oneness and harmony.



Question 5. Explain importance of delegation of authority.

Answer:

Importance of delegation of power can be understood from the following points:

1. Work-efficient management:

- Due to delegation of power, the officers working on higher level can free themselves from routine and basic work. This helps them to focus more on important areas.
- This also helps to accomplish business objectives easily due to which the business unit gets work-efficient management.

2. Development of employees:

Delegation empowers various employees working in the organization to take decisions on several matters. This improves their decision making ability, confidence and overall development.

3. Motivation:

- Delegation of power enables the employees to develop their abilities.
- When the higher administrator delegates the power to the subordinates, such subordinates not only get the work accomplished but at the same time also gets motivated due to such work accomplishment and the responsibility and power vested on them.

4. Benefit of specialization:

- Different individuals have different abilities and specialization. The administrator may be specialized in marketing but not in finance.
- The administrators can identify specialists from various areas of the organization and delegate them powers based on their specialization. Hence, the organization gets the benefit of specialized skills.

5. Co-ordination:

- Delegation improves the relationship of helper and upper officers.
- The middle and lower level employees get the chance to take their decisions independently. In this way, their opinions are respected and they are able to develop inter personal relations in the organization.
- These things help to improve co-ordination in the unit.

6. Scope for expansion:

- Due to delegation of power, the upper level officers become free from several works.
- Hence, they can focus on expansion of the business.

