

**INDIAN SCHOOL MUSCAT**  
Senior Section  
Department of Commerce and Humanities

Class : 12

**SOLVED SUPPORT MATERIAL**  
**CHAPTER :5 : ORGANISING**

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**BUSINESS STUDIES (054)**

- Q1 What is Organising? Or What do you understand by Organising?**
- A1 Organising essentially implies a process which coordinates human efforts, assembles resources and integrates both into a unified whole to be utilised for achieving specified objectives.
- Organising can be defined as a process that initiates implementation of plans by clarifying jobs and working relationships and effectively deploying resources for attainment of identified and desired results (goals).
- Q2 Define Organising.**
- Organising is the process of defining and grouping the activities of the enterprise and establishing authority relationships among them.  
*Theo Haimman*
- Q3 ‘Organising involves a series of steps that need to be taken in order to achieve the desired goal.’ Explain in detail.**

**OR**

- A3 Describe in detail the various steps to be taken in the process of organising?**

The following are the steps in the process of organising:-

- (i) **Identification and division of work:** The first step in the process of organising involves identifying and dividing the work that has to be done in accordance with previously determined plans.

The work is divided into manageable activities so that duplication can be avoided and the burden of work can be shared among the employees.

- (ii) **Departmentalisation:** Once work has been divided into small and manageable activities then those activities which are similar in nature are grouped together. Such sets facilitate specialisation. This grouping process is called departmentalisation.(What is departmentalization?)

Departments can be created using several criteria as a basis. Examples of some of the most

popularly used basis are territory (north, south, west etc.) and products (appliances, clothes, cosmetics etc).

(iii) **Assignment of duties:** It is necessary to allocate work to various employees. Once departments have been formed, each of them is placed under the charge of an individual.

Jobs are then allocated to the members of each department in accordance to their skills and competencies, by matching the nature of a job and the ability of an individual. The work must be assigned to those who are best fitted to perform it well.

(iv) **Establishing reporting relationships:** Merely allocating work is not enough. Each individual should also know who he has to take orders from and to whom he is accountable.

The establishment of such clear relationships helps to create a hierarchal structure and helps in coordination amongst various departments.

Q4 **‘It helps in the survival and growth of an enterprise and equips it to meet various challenges.’**

a) **What is the concept/it referred to here?**

b) **How/Why do you feel that it helps in the growth and survival of an enterprise?**

**OR**

**Describe the need/importance/significance/importance/role/benefits of an effective system of Organising?**

A4 The following points highlight the crucial role that organising plays in any business enterprise:

i. **Benefits of specialisation:** Organising leads to a systematic allocation of jobs amongst the work force. **(How is it beneficial?)** as follows-

This reduces the workload as well as enhances productivity because of the specific workers performing a specific job on a regular basis.

Repetitive performance of a particular task allows a worker to gain experience in that area and leads to specialisation. **(What is specialization?)**

ii. **Clarity in working relationships:** The establishment of working relationships clarifies lines of communication and specifies who is to report to whom. **(What are the benefits of the same?)** as follows-

This removes ambiguity in transfer of information and instructions. It helps in creating a hierarchical order thereby enabling the fixation of responsibility and specification of the extent of authority to be exercised by an individual.

iii. **Optimum utilization of resources:** Organising leads to the proper usage of all material, financial and human resources. **(How?)** as follows-

The proper assignment of jobs avoids overlapping of work and also makes possible the best use of resources. Avoidance of duplication of work helps in preventing confusion and minimising the wastage of resources and efforts.

iv. **Adaptation to change:** The process of organising allows a business enterprise to accommodate changes in the business environment. **(How?)** as follows-

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

It also **provides much needed stability to the enterprise** as it can then continue to survive and grow in spite of changes.

- v. **Effective administration: (How?)** Organising provides a clear description of jobs and related duties. This helps to avoid confusion and duplication. Clarity in working relationships enables proper execution of work.

Management of an enterprise thereby becomes easy and this brings effectiveness in administration.

- vi. **Development of personnel: (How?)** Organising stimulates creativity amongst the managers. Effective delegation allows the managers to reduce their workload by assigning routine jobs to their subordinates. And it allows the manager to develop new methods and ways of performing tasks. It gives them the time to explore areas for growth and the opportunity to innovate thereby strengthening the company's competitive position.

Delegation also develops in the subordinate the ability to deal effectively with challenges and helps them to realise their full potential.

- vii. **Expansion and growth(How?)** Organising helps in the growth and diversification of an enterprise by enabling it to deviate from existing norms and taking up new challenges.

It allows a business enterprise to add more job positions, departments and even diversify their product lines. New geographical territories can be added to current areas of operation and this will help to increase customer base, sales and profit. Thus, organising is a 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.

**Q5 What is Organisation structure? Is it needed? When?**

**A5** The organisation structure can be defined as the framework within which managerial and operating tasks are performed.

The need for an adequate organisation structure is felt by an enterprise whenever it grows in size or complexity.

**Q6 What is the need/role/purpose/aim/benefits/significance/importance of adopting a proper/effective organisation structure?**

**OR**

**A6 'Organisation structure is the outcome of the organising process.' Justify its need?**

An effective Organisation structure only helps an organisation to survive and grow in the long run due to the following reasons-

- 1) **Effective Coordination:** As an organisation grows, coordination becomes difficult due to the emergence of new functions and increase in structural hierarchies. Thus, for an organisation to function smoothly, proper organisation structure is needed.
- 2) **TO Face Environmental Changes.**
- 3) **Specifies the Relationships between people, work and resources.**
- 4) **Allows correlation and coordination** among human, physical and financial resources and this enables a business enterprise to accomplish desired goals.

5)Ensures a smooth **flow of communication and better control** over the operations of a business enterprise.

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

7)An effective structure will result in increased profitability of the enterprise.

**Q7 What is Span of Management? What is its importance/significance?**

Span of management refers to the number of subordinates that can be effectively managed by a superior.

This determines the levels of management in the structure.(higher, middle and lower levels)

**Q8 Commonly what are the two types of Organisational structure that are found in large organisation/What are the two categories under which an organizational structure can be classified?**

**What are the factors that determine the types of Organisational structure?**

The organisational structure can be classified under two categories which are as follows:

- (i) Functional structure and
- (ii) Divisional structure.

The type of structure adopted by an organisation will vary with the **nature and types of activities** performed by an organisation.

**Q9 A company has its registered office in Delhi, manufacturing unit at Gurgaon and marketing and sales department at Faridabad. The company manufactures the consumer products. Which type of organisational structure should it adopt to achieve its target?**

**OR**

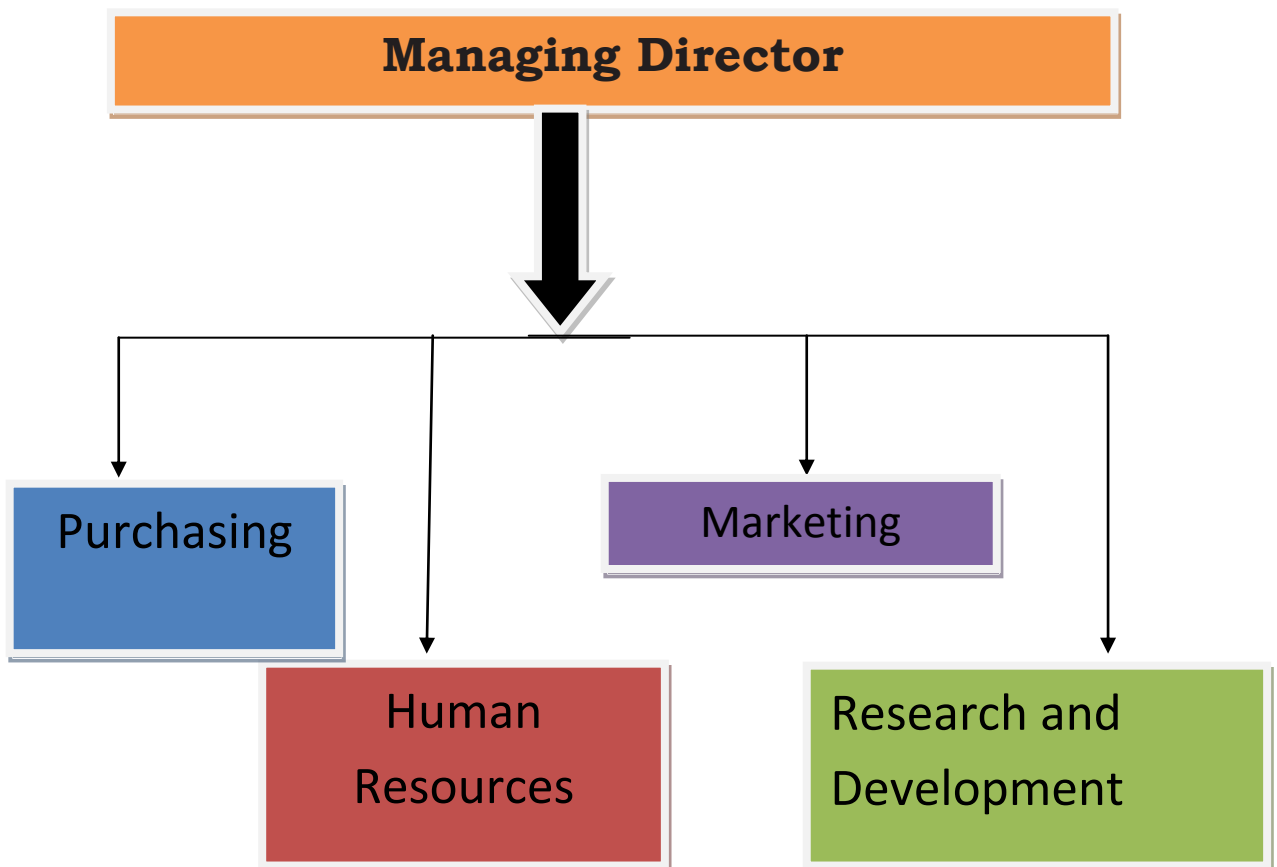
**What is a functional form of organizational structure? Explain where its most suitable, its features merits and limitations.**

The company should adopt a **functional structure** because of its different functions.

**Meaning:-**

Grouping of jobs of similar nature under functional and organising these major functions as separate departments creates a functional structure. All departments report to a coordinating head.

**Organisation Chart Showing Functional Structure**



**Features:**

1. A functional structure is an organisational design that groups similar or related jobs together.
2. Such grouping of related /similar jobs forms different departments.
3. All departments report to a coordinating head.
4. These departments may be further divided into sections.
5. For example, in a manufacturing concern division of work into key functions will include production, purchase, marketing, accounts and personnel.

**Suitability:** It is most suitable when:-

- a) The size of the organisation is large,

- b) It has a diversified activities and,
- c) The operations require a high degree of specialisation.

**Advantages:** The functional structure has many advantages to offer. Important among them are as follows:-

- (a) A functional structure leads to **occupational specialisation** since emphasis is placed on specific functions.
- (b) This promotes **efficiency in utilisation of manpower** as employees perform similar tasks within a department and are able to improve performance.
- (c) It promotes **control and coordination** within a department because of similarity in the tasks being performed.
- (d) It helps in increasing managerial and operational efficiency and this result in **increased profit**.
- (e) It leads **to minimal duplication of effort** which results in economies of scale and this lowers cost.
- (f) It makes **training of employees easier** as the focus is only on a limited range of skills.
- (g) It ensures that different functions get due attention.

**Disadvantages:** The functional structure has certain disadvantages which an organisation must take into consideration before it adopts it. Some of them are as follows:

- (a) A functional structure places **less emphasis on overall enterprise objectives** than the objectives pursued by a functional head.
- (b) Pursuing departmental interests at the cost of organisational interests can also **hinder the interaction between two or more departments**.
- (c) It may lead to **problems in coordination** as information has to be exchanged across functionally differentiated departments.
- (d) **Inter-departmental conflicts** can also arise because of point no.(c) above and in the absence of clear separation of responsibility.
- (e) It may **lead to inflexibility** as people with same skills and knowledge base may develop a narrow perspective and thus, have difficulty in appreciating any other point of view.
- (f) Functional heads **do not get training for top management positions** because they are unable to gather experience in diverse areas.

Q10 Neha runs a factory wherein she manufactures shoes. The business has been doing well and she intends to expand by diversifying into leather bags as well as western formal wear thereby making her company a complete provider of corporate wear. This will enable her to market her business unit as the one stop for working women. Which type of structure would you recommend for her expanded organisation and why?

OR

What is a Divisional form of organizational structure? Explain where its most suitable, its features merits

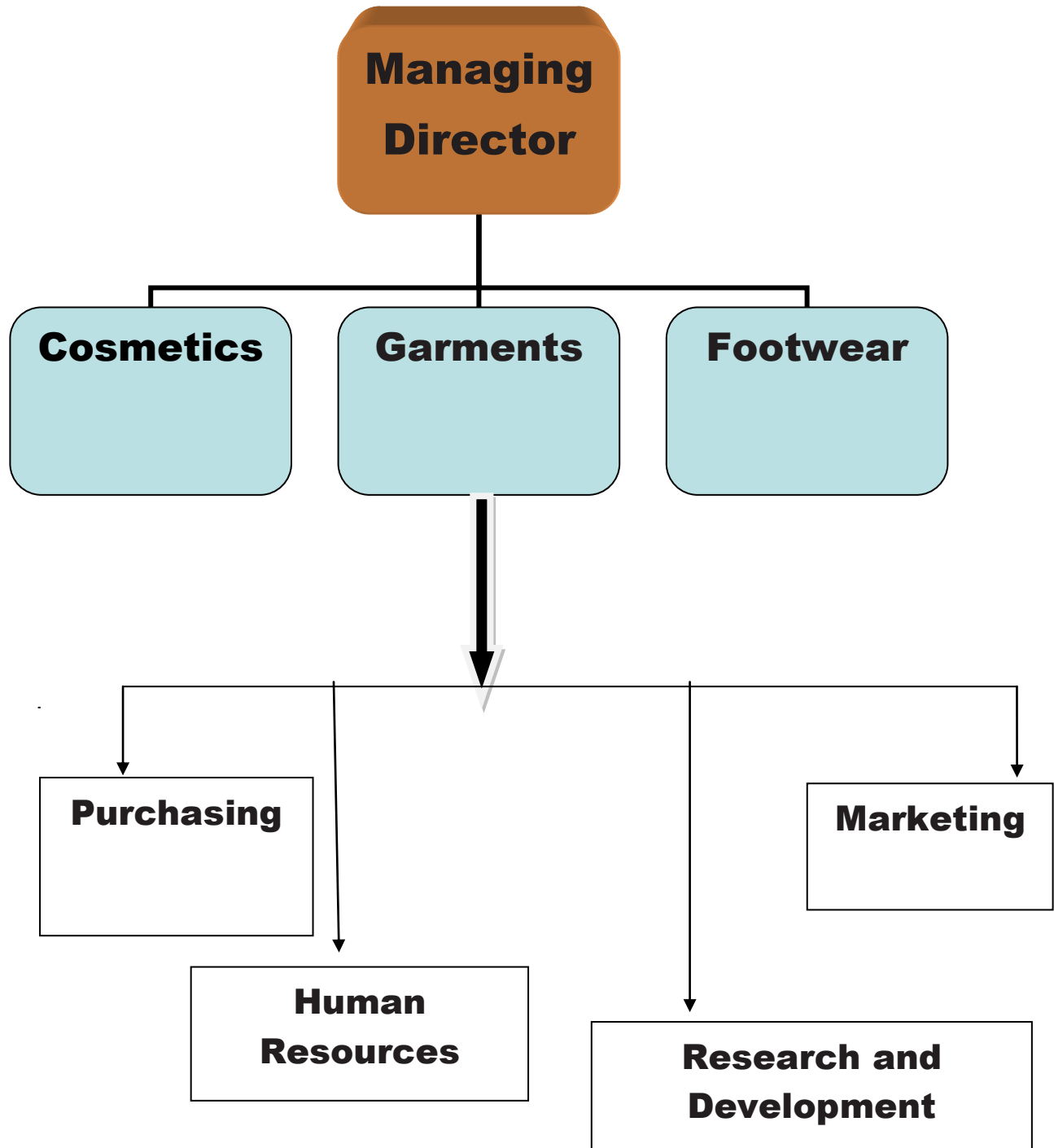
and limitations.

A10 Neha should adopt a **Divisional structure** as she has diversified into varied product categories.

**Meaning:-**

In a divisional structure, the organisation structure comprises of separate business units or divisions. Each unit has a divisional manager responsible for performance and who has authority over the unit.

**Organisation Chart Showing Divisional and Functional Structure**



## Features:

1. The organisation structure comprises of separate business units or divisions.
2. Each unit has a divisional manager responsible for performance and who has authority over the unit. Generally, manpower is grouped on the basis of different products manufactured.
3. Each division is multifunctional because within each division functions like production, marketing, finance, purchase etc, are performed together to achieve a common goal.
4. Each division is self-contained as it develops expertise in all functions related to a product line.
5. In order words, within each division, the functional structure tends to be adopted. However, functions may vary across divisions in accordance with a particular product line.
6. Each division works as a profit center where the divisional head is responsible for the profit or loss of his division. For example, a large company may have divisions like cosmetics, clothing etc.

**Advantages:** 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**.

(c) It also helps in **fixation of responsibility** in cases of poor performance of the division and appropriate remedial action can be taken.

(d) It **promotes flexibility and initiative** because each division functions as an autonomous unit which leads to faster decision making.

(d) It **facilitates expansion and growth** as new divisions can be added without interrupting the existing operations by merely adding another divisional head and staff for the new product line.

**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.

(c) Providing each division with separate set of similar functions **increases expenditure**.

(d) It provides managers with the authority to supervise all activities related to a particular division. In course of time, such **a manager may gain power and** in a bid to assert his independence **may ignore organisational interests**.

**Suitability:** Divisional structure is suitable for those business enterprises where:-

- a) A large variety of products are manufactured using different productive resources,
- b) When an organisation grows and needs to add more employees,
- c) create more departments and introduce new levels of management.

Conclusion:-

- 1.) Management must continuously review its plans and objectives and accordingly the organisation



structure of the enterprise should also be subjected to periodic review to determine if modification is required.

- 2.) An organisation structure, at all times should contribute towards the achievement of the enterprise's objectives and should provide scope for initiative so that contribution of personnel can be maximum and effective.

**Q11 Differentiate between Functional and Divisional Structure of Organising.  
OR**

**A11 How is a functional structure different from a divisional structure?**

**Comparative view: Functional and Divisional Structure**

<b>Basis</b>	<b>Functional Structure</b>	<b>Divisional Structure</b>
Formation	Formation is based on functions	Formation is based on product lines and is supported by functions.
Specialisation	Functional specialisation.	Product specialisation.
Responsibility	Difficult to fix on a department.	Easy to fix responsibility for performance.
Managerial Development	Difficult, as each functional manager has to report to the top management.	Easier, autonomy as well as the chance to perform multiple functions helps in managerial development.
Cost	Functions are not duplicated hence economical	Duplication of resources in various departments, hence costly.
Coordination	Difficult for a multi-product company.	Easy, because all functions related to a particular product are integrated in one department.

**Q12 What is Formal Organisation? Define Formal Organisation**

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

The formal organisation is a system of well-defined jobs, each bearing a definite measure of authority, responsibility and accountability.

*Louis Allen*

**FEATURES:-**

- (a) It specifies the **relationships among various job positions and the nature of their inter-relationship**. This clarifies who has to report to whom.(It specifies clearly the boundaries of authority and responsibility.)
- (b) It is a means to achieve the objectives specified in the plans, as **it lays down specific rules and procedures essential for their achievement**.

(c) **Efforts of various departments are coordinated, interlinked and integrated** through the formal organisation.

(d) It is **deliberately designed by the top management** to facilitate the smooth functioning of the organisation.

(e) It places **more emphasis on work to be performed** than interpersonal relationships among the employees.

(f) The structure in a formal organisation can be functional or divisional.

**Advantages:** Formal organisation offers many advantages. Some of the important ones are:

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

(b) There is **no ambiguity in the role that each member has to play** as duties are specified.

© This also helps in **avoiding duplication of effort**.

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

(e) 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.

(f) It **provides stability to the organisation.(why?/How?)** This is because behaviour of employees can be fairly predicted since there are specific rules to guide them.

**Limitations:** The formal organisation suffers from the following limitations:

(a) The formal communication may lead to **procedural delays** as the established chain of command has to be followed which increases the time taken for decision making.

(b) Poor organisation practices **may not provide adequate recognition to creative talent**, since it does not allow any deviations from rigidly laid down policies.

(c) It is **difficult to understand all human relationships in an enterprise as it places more emphasis on structure and work**.

Q13 **What is informal Organisation? Explain its features, merits/advantages and limitations/disadvantages?**

Interaction among people at work gives rise to a 'network of social relationships among employees' called the informal organisation.

Informal organisation emerges from within the formal organisation when people interact beyond their officially defined roles.

An informal organisation is an aggregate of interpersonal relationships without any conscious purpose but which may contribute to joint results.

*Chester Barnard*

**FEATURES:-**

(a) An informal organisation **originates from within the formal organisation** as a result of personal interaction among employees.

(b) The standards of behaviour evolve from **group norms** rather than officially laid down rules and regulations.

(c) **Independent channels of communication** without specified direction of flow of information are developed by group members.

(d) It **emerges spontaneously** and is not deliberately created by the management.

(e) It has **no definite structure or form** because it is a complex network of social relationships among members.

**Advantages:** The informal organisation offers many benefits. Important among them are given below:

(a) Prescribed lines of communication are not followed. Thus, the informal organisation leads to **faster spread of information as well as quick feedback.**

(b) It helps to **fulfill the social needs of the members** and allows them to find like minded people. This **enhances their job satisfaction** since it gives them a sense of belongingness in the organisation.

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

**Disadvantages:** The informal organisation has certain disadvantages. Some of them are as follows:

(a) Informal organisation may become a disruptive force when **it spreads rumours.** This may work against the interest of the formal organisation.

(b) The management may not be successful in implementing changes if the informal organisation opposes them. Such **resistance to change may delay or restrict growth.**

(c) It **pressurises members to conform to group expectations.** This can be harmful to the organisation if the norms set by the group are against organisational interests.

**CONCLUSION:** Informal organisation cannot be altogether eliminated. The knowledge of such groups can be used to gather **their support and consequently lead to improved organisational performance.** Such groups can also provide useful communication channels. Instead of confronting them, the **management should skillfully take advantage of both the formal and informal organisation so that work continues smoothly.**

Q14 **Compare and contrast Formal and Informal organisation/Differentiate between Formal and informal organisation.**

**Formal and informal organisation: A Comparative view**

Basis	Formal organisation	Informal organisation
Meaning	Structure of authority relationships created by the management	Network of social relationships arising out of interaction among employees
Origin	Arises as a result of company rules and policies	Arises as a result of social interaction
Authority	Arises by virtue of position in management	Arises out of personal qualities
Behavior	It is directed by rules	There is no set behaviour pattern
Flow of Communication	Communication takes place through the scalar chain	Flow of communication is not through a planned route. It can take place in any direction
Nature	Rigid	Flexible
Leadership	Managers are leaders.	Leaders may or may not be managers. They are chosen by the group.

Q14 What is Delegation? Why is delegation considered essential for effective organising?  
 Delegation refers to the downward transfer of authority from a superior to a subordinate. However, The manager shall still be accountable for the performance of the assigned tasks.  
**Delegation of authority merely means the granting of authority to subordinates to operate within prescribed limits.**  
*Theo Haimman*

Q15 Discuss in detail the various elements of Delegation.

The following are the essential elements of delegation:-

**1) Authority:** Authority refers to **the right of an individual(boss/manager) to command his subordinates and to take action within the scope of his position.**

**FEATURES:-**

- 1) The concept of authority **arises from the established scalar chain which links the various job positions and levels of an organisation.**
- 2) Authority also refers to the **right to take decisions inherent in a managerial position** to tell people what to do and expect them to do it.
- 3) In the formal organisation authority originates by virtue of an individual's position and the extent of authority is highest at the top management levels and reduces successively as we go down the corporate ladder. Thus, **authority flows from top to bottom, i.e., the superior has authority over the subordinate.(Why?/How)**
- 4) Authority relationships helps to maintain order in the organisation by giving the managers **the right to exact obedience and give directions to the workforce** under them.
- 5) Authority **determines the superior subordinate relationship** wherein the superior communicates his decision to the subordinate, expecting compliance from him and the subordinate executes the decision as per the guidelines of the superior. The extent to which a superior can exact compliance also depends on the personality of the superior.
- 6) It must be noted that authority is **restricted by laws and the rules and regulation of the organisation,** which limit its scope. However, as we go higher up in the management hierarchy, the scope of authority increases.

(ii) **Responsibility:** Responsibility is the **obligation of a subordinate to properly perform the assigned duty.** It **arises from a superior-subordinate relationship** because the subordinate is bound to perform the duty assigned to him by his superior. Thus, **responsibility flows upwards i.e., a subordinate will always be responsible to his superior.**

**IMPORTANT NOTE:-**An important consideration to be kept in view with respect to both authority and responsibility is **that when an employee is given responsibility for a job he must also be given the degree of authority necessary to carry it out.** Thus, for effective delegation **the authority granted must be commensurate with the assigned responsibility. If authority granted is more than responsibility, it may lead to misuse of authority, and if responsibility assigned is more than authority it may make a person ineffective.**

(A) The production manager asked the foreman to achieve a target production of 200 units per day, but he doesn't give him the authority to requisition tools and materials from the stores department. Can the production manager blame the foreman if he is not able to achieve the desired target? Give reasons. (Ans:-NO, the production manager cannot blame the foreman if he is not able to achieve the target production of 200 units per day, because the production manager has not given the foreman the necessary degree of authority to requisition tools and materials from the stores department. Hence he cannot continue without the desired level of production)

(B) A manager enhances the production target from 500 units to 700 units per month but the authority to draw raw material was not given by him. The production manager could not achieve the revised production target. Who is responsible and which principle was violated? (ANS: The Top management is only responsible because the manager was not given any authority to draw raw materials. The principle of **Authority** is violated.

(iii) **Accountability:** Accountability implies **being answerable for the final outcome.** Once authority has been delegated and responsibility accepted, one cannot deny accountability.

**It cannot be delegated and flows upwards i.e., a subordinate will be accountable to a superior for satisfactory performance of work.**

It indicates that the manager has to ensure the proper discharge of duties by his subordinates. It is generally enforced through **regular feedback** on the extent of work accomplished. The subordinate will be expected to explain the consequences of his actions or omissions.

### Overview of the elements of delegation

Basis	Authority	Responsibility	Accountability
Meaning	Right to command.	Obligation to perform an assigned task.	Answerability for outcome of the assigned task.
Delegation	Can be delegated.	Cannot be entirely delegated.	Cannot be delegated at all.
Origin	Arises from formal position .	Arises from delegated authority.	Arises from responsibility.
Flow	Flows downward from superior to subordinate.	Flows upward from subordinate to superior.	Flows upward from subordinate to superior

**Conclusion:-** it can be stated that while **authority is delegated, responsibility is assumed, accountability is imposed.** Responsibility is derived from authority and accountability is derived from responsibility.

Q16 'Delegation is a key element in effective organising.' Justify

OR

Why is delegation considered essential for effective organising?

OR

Discuss the importance/ role/ need/ benefits/merits/advantages/significance of Delegation?

### Importance of Delegation

Delegation ensures that the subordinates perform tasks on behalf of the manager thereby reducing his workload and providing him with more time to concentrate on important matters. Effective delegation leads to the following benefits:

(i) **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 new areas.**

(ii) **Employee development:** As a result of delegation, employees get more opportunities to utilise their talent and this may give rise to latent abilities in them. 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. It makes them better leaders and decision makers. Thus, delegation helps by preparing better future managers. Delegation empowers the employees **by providing them with the chance to use their skills, gain experience and develop themselves for higher positions.**

(iii) **Motivation of employees:** Delegation helps in developing the talents of the employees. It also has psychological benefits. When a superior entrusts a subordinate with a task, it is not merely the sharing of work but involves trust on the superior's part and commitment on the part of the subordinate. **Responsibility for work builds the self-esteem of an employee and improves his confidence. He feels encouraged and tries to improve his performance further.**

(iv) **Facilitation of growth:** Delegation helps in the expansion of an organisation by providing a ready workforce to take up leading positions in new ventures. **Trained and experienced employees are able to play significant roles in the launch of new projects by replicating the work ethos they have absorbed from existing units,** in the newly set up branches.

(v) **Basis of management hierarchy:** **Delegation of authority establishes superior-subordinate relationships, which are the basis of hierarchy of management.** It is the degree and flow of authority which determines who has to report to whom. The extent of delegated authority also decides the power that each job position enjoys in the organisation.

(vi) **Better coordination:** The elements of delegation, namely authority, responsibility and accountability **help to define the powers, duties and answerability related to the various positions in an organisation. This helps to avoid overlapping of duties and duplication of effort as it gives a clear picture of the work being done at various levels.** Such clarity in reporting relationships help in developing and maintaining effective coordination amongst the departments, levels and functions of management.

Thus, delegation is a key element in effective organising.

**Q17 What do you understand by Decentralisation? Define Decentralisation.**

Decentralisation refers to systematic effort to delegate to the lowest level all authority except that which can be exercised at central points.-*Louis Allen*

Decentralisation refers to delegation of authority throughout all the levels of the organisation. **Decision making authority is shared with lower levels** and is consequently placed nearest to the points of action. In other words decision making authority is pushed down the chain of command.

**Q18 How does a Centralised differ from a Decentralised Organisation?**

Those organisations in which decision making authority lies with the top management are termed as centralised organisations whereas those in which such authority is shared with lower levels are decentralised organisations.

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, because in large organisations those employees who are directly and closely involved with certain operations tend to have more knowledge about them than the top management which may only be indirectly associated with individual operations. Hence, there is a need for a balance between these co-existing forces. Thus, it can be said that every organisation will be characterised by both centralisation and decentralisation.

**Q19 Decentralisation is an optional policy. Explain why an organisation would choose to be decentralised?**

**OR**

**Explain the need/importance/significance/benefits of Decentralisation.**

**OR**

**If you were a manager, would you decentralise, knowing that it would mean dispersal of decision making authority?(YES, importance/benefits)**

**1) Develops initiative among subordinates:** Decentralisation helps **to promote self-reliance and confidence amongst the subordinates.** This is because when lower managerial levels are given freedom to take their own decisions they learn to depend on their own judgment.

**2) Develops managerial talent for the future:** Decentralisation gives them a chance to prove their abilities and **creates a reservoir of qualified manpower** who can be considered to fill up more challenging positions through promotions. Thus, it is a means of **management education as** well as an opportunity for trained manpower to use its talent in real life situations.

(iii) **Quick decision making:** 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. There are also less chances of information getting distorted** because it doesn't have to go through long channels.

(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. Also, personal supervision is generally replaced by other forms of control such as return on investment etc. Decentralisation also **leaves the top management with more time which they can devote to important policy decisions** rather than occupying their time with both policy as well as operational decisions. In fact decentralisation is greatest when checking required on decisions taken by lower levels of management is least.

(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. Consequently, with **each department doing its best in a bid to outdo the other, the productivity levels increase and the organisation is able to generate more returns which can be used for expansion purposes.**

(vi) **Better control: Decentralisation makes it possible to evaluate performance at each level and the departments can be individually held accountable for their results.** The extent of achievement of organisational objectives as well as the contribution of each department in meeting the overall objectives can be ascertained. Feedback from all levels helps to analyse variances and improve operations.

**Conclusion:** it must be noted that in spite of its benefits **decentralisation should be applied with caution** as it can lead to organisational disintegration if the departments start to operate on their own guidelines which may be contrary to the interest of the organisation. Decentralisation must always be **balanced with centralisation in areas of major policy decisions.**

Q20

**Compare and Contrast between Delegation and Decentralisation.**

**OR**

**Differentiate between Delegation and Decentralisation.**

**OR**

**How is Delegation different from Decentralisation.**

**Delegation and Decentralisation: A Comparative view**

<b>Basis</b>	<b>Delegation</b>	<b>Decentralisation</b>
Nature	Delegation is a compulsory act because no individual can perform all tasks on his own.	Decentralisation is an optional policy decision. It is done at the discretion of the top management.
Freedom of action	More control by superiors hence less freedom to take own decisions.	Less control over executives hence greater freedom of action.
Status	It is a process followed to share tasks.	It is the result of the policy decision of the top management.
Scope	It has narrow scope as it is limited to superior and his immediate subordinate.	It has wide scope as it implies extension of delegation to the lowest level of management.
Purpose	To lessen the burden of the manager.	To increase the role of the subordinates in the organisation by giving them more autonomy.

\*\*\*\*\*Chapter 5\*\*\*\*\*