



Introduction

This is a learning as well as an exam preparation video.

At the end of the video are practice assignments for you to attempt.

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Chapter 5: Organizing

Chapter 5: Organizing

Meaning

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

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Steps In The Process Of Organizing

1. Identification & Division Of Work:

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

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Steps In The Process Of Organizing

2. Departmentalization:

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

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Steps In The Process Of Organizing

3. Assignment Of Duties:

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

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Steps In The Process Of Organizing

4. Establishing Reporting Relationships

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

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Importance Of Organizing



Chapter 5: Organizing

Importance Of Organizing

1. Benefits of specialization:

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

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Importance Of Organizing

2. Clarity in working relationships:

- Organising helps in defining all the jobs and also clarifying the limits of authority and responsibility of each job. **IMPORTANCE OF ORGANISING** Benefits of specialization Clarity in working relationships Optimum utilization of resources Effective Administration Adaption to Change Development of Personnel Expansion and growth

- It helps in creating a hierarchical order thereby enabling the fixation of responsibility and specification of the extent of authority to be exercised by an employee.

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Importance Of Organizing

3. Optimum utilization of resources:

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

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Importance Of Organizing

4. Effective Administration:

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

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Importance Of Organizing

5. Adaption to Change:

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

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6. Development of Personnel:

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

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Importance Of Organizing

7. Expansion and growth:

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

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Organizational Structure

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

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Organizational Structure

1. Functional structure:

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



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Organizational Structure

Functional Structure Advantages, Disadvantages and Suitability

ADVANTAGES

- Functional structure leads to occupational specialisation since emphasis is placed on specific functions.
- Promotes efficiency in the utilisation of man power.
- Promotes control and coordination within a department.
- It helps in increasing managerial and operational efficiency.
- it reduces duplication of work.
- It helps in training employees easily.
- It ensures that different functions get due attention.

DISADVANTAGES

- A Functional structure gives more importance to the objectives of functional head than the objectives of organisation
- Lack of coordination among different departments.
- A conflict of interests will arise within different departments.
- It may lead to inflexibility due to narrow perspective of employees.

SUITABILITY

- Organizations which require high degree of functional specialization with diversified activities.
- Large organizations producing one line of product.

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Organizational Structure

2. Divisional organisation structure:

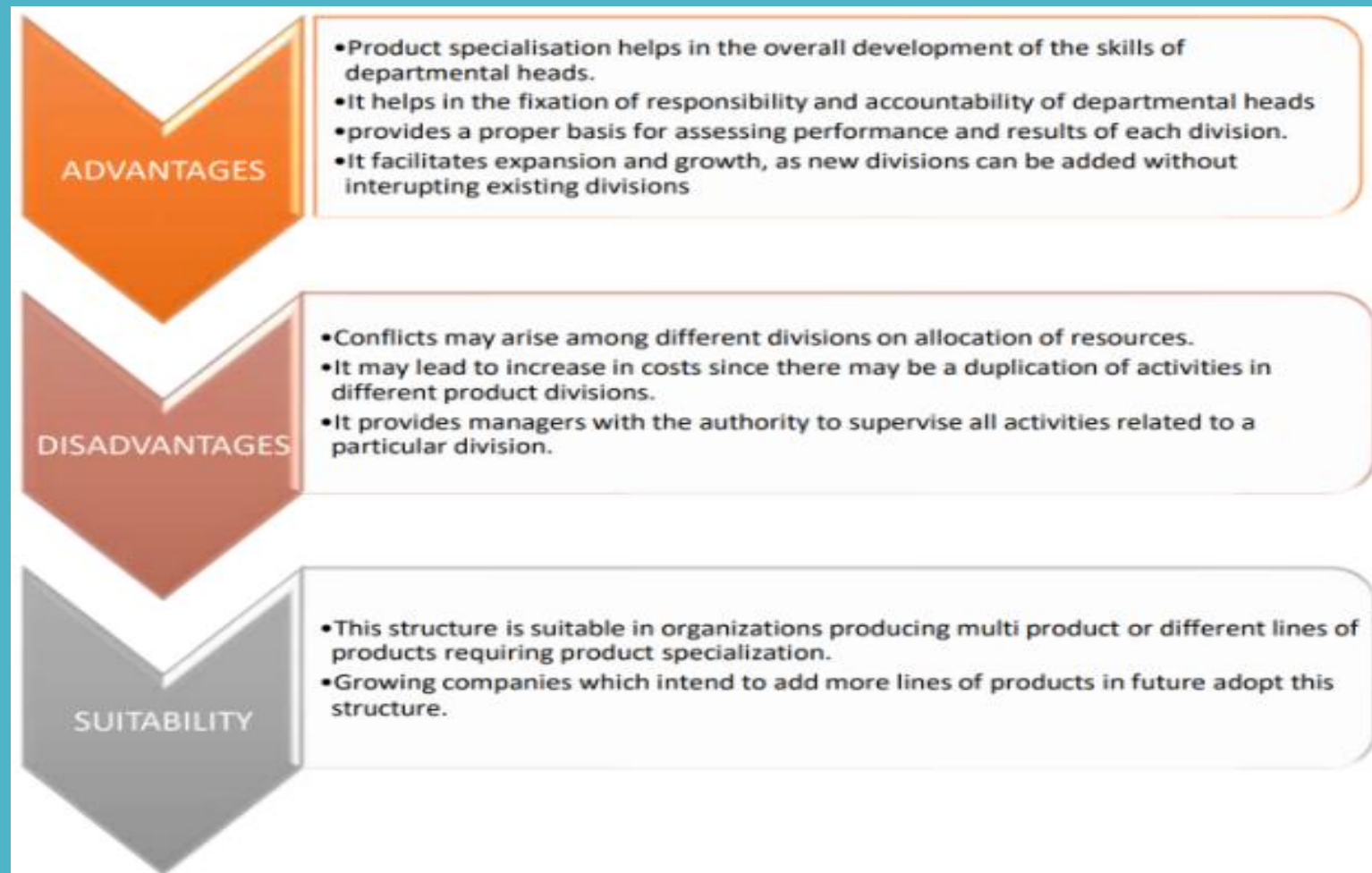
Dividing the whole enterprise according to the major products to be manufactured (like metal, plastic, cosmetics etc.) is known as divisional organisation structure.



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Organizational Structure

Divisional Organizational Structure Advantages, Disadvantages and Suitability



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Organizational Structure

Comparative view: Functional and Divisional Organizational Structure

Basis For Comparison	Functional Structure	Divisional Structure
Meaning	Functional Structure is one in which the reporting relationships of the organization are bifurcated according to their functiona area.	An organizational structure wherein the organizational functions are classified into divisions as per product or service lines , market, is called Divisional Structure.

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Organizational Structure

Comparative view: Functional and Divisional Organizational Structure

Basis For Comparison	Functional Structure	Divisional Structure
Basis	Functional areas	Specialized divisions
Responsibility	Difficult to fix responsibility on a particular department.	Easy to fix responsibility for performance.

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Comparative view: Functional and Divisional Organizational Structure

Basis For Comparison	Functional Structure	Divisional Structure
Autonomy of decisions	Managers do not have autonomy of decisions.	Managers have autonomy of decisions.
Cost	Economical, as the functions are not repeated.	Expensive as it involves repeatation of resources.

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Organizational Structure

Comparative view: Functional and Divisional Organizational Structure

Basis For Comparison	Functional Structure	Divisional Structure
Appropriate for	Small and simple organizations.	Large and dynamic organizations.

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Organizational Structure

3. Formal organisation:

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

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Organizational Structure

Features, Advantages and Disadvantages of Formal Organization

Features

- It clearly defines the lines of authority and responsibility for every individual in an organisation.
- It is a means to achieve the objectives specified in the plans.
- It is impersonal and doesn't take into consideration emotional aspect of the employees.
- it is designed by the top management.
- It is created with the motive of achieving organizational objectives.

Advantages

- Easier to fix responsibility since mutual relationships are clearly defined
- It helps in avoiding duplication of work
- Unity of command is maintained
- Effective accomplishment of goals.
- Provides stability in organisation.

Disadvantages

- May lead to procedural delays as chain of command has to be followed.
- Rigid policies reduces creativity.
- More emphasis is on structure and work than on human relationships.

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4. Informal organisation:

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

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Features, Advantages and Limitations of Informal Organization

FEATURES
<ul style="list-style-type: none">• It originates from the personal interaction of employees within a organisation.• The standards of behaviour evolve from group norms.• It doesnt have fixed channels of communication.• It emerges spontaneously and not created by management.• It is a complex network of social relationships among members.

ADVANTAGES
<ul style="list-style-type: none">• It leads to faster spread of information and feedback as formal channels of communication is not followed.• It enhances job satisfaction and a sense of belongingness in the organisation.• It provide quick solutions to the problems.

LIMITATIONS
<ul style="list-style-type: none">• Informal organisation spread rumours, sometimes it goes against the interests of the organisation.• It resists change and lays stress on adopting the old techniques.• members of the group may give more priority to group interests over the organisational objectives.

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Difference Between Formal and Informal Organization

Basis of Difference	Formal Organization	Informal Organization
Meaning	'Formal organisation' refers to the relationship between authorities as defined by the management.	Refers to the relationship based on personal and informal relationship among the employees.

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Organizational Structure

Difference Between Formal and Informal Organization

Basis of Difference	Formal Organization	Informal Organization
Origin	The structure originates from the rules and policies of the management.	The structure originates from the social interactions among the employees.

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Difference Between Formal and Informal Organization

Basis of Difference	Formal Organization	Informal Organization
Authority	Authority is defined by the profile and managerial positions.	Authority is defined by the personal qualities of the employees.

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Organizational Structure

Difference Between Formal and Informal Organization

Basis of Difference	Formal Organization	Informal Organization
Flow of communication	Communication flows through the scalar chain.	No planned route of communication is followed.
Nature	Formal organisations are rigid	Informal organisations are flexible

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Delegation

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

-Theo Haimman



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Delegation

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

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Elements of Delegation

1. Authority:

Authority refers to the right to take decisions in order to guide the activities of others. Authority determines the superior subordinate relationship. Laws and the rules and regulations of the organisation restrict authority. Authority flows downward.

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Elements of Delegation

2. Responsibility:

Responsibility is the obligation of a subordinate to perform properly the assigned duty. If the subordinate has the responsibility for a job, he/ she must be given necessary authority to carry out that task.

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Elements of Delegation

3. Accountability:

Accountability implies being accountable for the final outcome. When a superior assigns a work to a subordinate, he/she is answerable to the superior for its outcome.

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Elements of Delegation

Difference between Authority, Responsibility and Accountability:

Basis	Authority	Responsibility	Accountability
Meaning	Right to command	Obligation to perform an assigned task	Answerability for outcome of the assigned task.
Origin	Arises from formal position	Arises from delegated authority	Arises from responsibility

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Elements of Delegation

Difference between Authority, Responsibility and Accountability:

Basis	Authority	Responsibility	Accountability
Flow	Downward – from Superior to Subordinate	Upward – from Subordinate to Superior	Upward – from Subordinate to Superior
Withdrawal	Can be withdrawn anytime by giving notice.	Cannot be withdrawn once created.	Cannot be withdrawn once created.

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Importance of Delegation

- 1. Reduction of Executives' work load:** It reduces the work load of officers. They can thus utilize their time in more important and creative works instead of works of daily routine.
- 2. Employee development:** Employees get more opportunities to utilize their talent which allows them to develop those skills which will enable them to perform complex tasks.

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Importance of Delegation

3. Quick and better decision are possible: The subordinate are granted sufficient authority so they need not to go to their superiors for taking decisions concerning the routine matters.

4. High Morale of subordinates: Because of delegation of authority to the subordinates they get an opportunity to display their efficiency and capacity.

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Importance of Delegation

5. Better coordination: The elements of delegation – authority, responsibility and accountability help to define the powers, duties and answer ability related to various job positions which results in developing and maintaining effective coordination.

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Decentralisation

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

-Louis Allen

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Decentralisation

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

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

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Importance of Decentralisation

- 1. Develops initiative among subordinates:** It helps to promote confidence and self reliance in the subordinates as they are given freedom to take their own decisions.
- 2. Develops managerial talent for future:** Training given by the organisation and the experience gained from handling the projects increases the talent of the managers and employees.

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Importance of Decentralisation

3. Quick decision making: Since the managerial decisions are taken at all levels nearest to the point of action helps them to take better and quick decisions.

4. Relieves the top management: By the delegation of work, the daily managerial jobs are assigned to the subordinates, which leaves enough time with the superiors to look into priority areas.

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Importance of Decentralisation

5. Facilitates growth: It allows the departmental heads and employees to perform in the best possible manner considering all the aspects of their department, which in turn increases productivity, efficiency and facilitates growth.

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

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Importance of Decentralisation

Difference between Delegation and Decentralisation

Basis	Delegation	Decentralisation
Meaning	Delegation means handing over an authority from one person of high level to the person of low level.	Decentralization is the final outcome achieved, when the delegation of authority is performed systematically and repeatedly to the lowest level.

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Importance of Decentralisation

Difference between Delegation and Decentralisation

Basis	Delegation	Decentralisation
What it is?	Technique of management	Philosophy of management.
Requirement	Yes, for all organization delegation of authority is very necessary.	No, it is an optional philosophy which may or may not be adopted by the organization.

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Importance of Decentralisation

Difference between Delegation and Decentralisation

Basis	Delegation	Decentralisation
Liberty of Work	Subordinates do not have full liberty.	A substantial amount of freedom is there.
Relationship	Creates superior-subordinate relationship.	A step towards creation of semi- autonomous units.

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