

Chapter 5 · Organising

CBSE Class 12 Business Studies (054) · Part A · Unit 4+5 = 14 marks · Ultimate Revision Sheet

60-SECOND RECALL

Definition	Process of identifying and grouping the work to be performed, defining and establishing authority relationships and coordinating them for a common objective.
Process (4 steps)	Identification & division of work → Departmentalisation → Assignment of duties → Establishing reporting relationships
Importance (6)	Specialisation, Clarity in working relationships, Optimum utilisation of resources, Adaptation to change, Effective administration, Development of personnel, Expansion & growth
Structures	Functional (by function) Divisional (by product)
Delegation	3 elements: Authority, Responsibility, Accountability (A-R-A)
Golden rule	Authority is delegated , responsibility is assumed , accountability is imposed and cannot be delegated

1. Meaning & Process

WRITE THIS VERBATIM Organising is the process of identifying and grouping the work to be performed, defining and establishing authority relationships, and coordinating them so as to achieve organisational objectives. Organising can be viewed as a **structure** (the framework) and as a **process** (the steps).

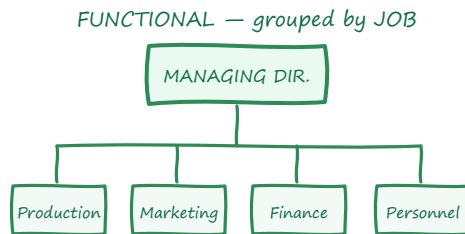
#	Step	What happens
1	Identification and division of work	Total work is divided into manageable activities so that duplication is avoided and the burden is shared. Leads to specialisation .
2	Departmentalisation	Activities of a similar nature are grouped together into departments — either functionally (production, finance, marketing) or divisionally (by product).
3	Assignment of duties	Each department's work is allotted to individuals as per their skill and competence , so the right person handles the right job.
4	Establishing reporting relationships	Each individual is told whom to report to and who reports to him , creating a hierarchy and a clear scalar chain.

2. Importance of Organising

1. **Benefits of specialisation** — repetitive performance of the same job leads to specialisation, which increases efficiency and reduces the burden on any one person.
2. **Clarity in working relationships** — each person knows whom to report to, which removes confusion about authority and responsibility and eases communication.
3. **Optimum utilisation of resources** — proper assignment of jobs avoids overlapping of work and wastage of resources and effort.
4. **Adaptation to change** — a well-designed structure can be modified to suit changes in the environment, allowing the organisation to survive and grow.
5. **Effective administration** — clear description of jobs and relationships removes confusion and makes management more effective.

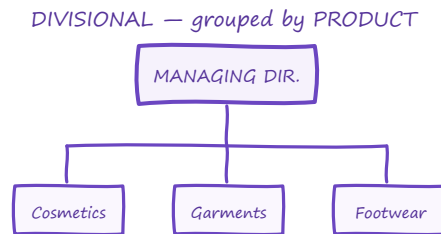
6. **Development of personnel** — delegation reduces the workload of managers, who can then explore new areas; it also develops subordinates' ability to handle challenges.
7. **Expansion and growth** — the organisation can add more job positions, departments and even product lines, helping it grow.

3. Organisational Structure — Functional vs Divisional



Use when: ONE product, large scale, specialisation matters

Risk: departments chase their own goals, not the firm's



each division has ALL functions inside it

Use when: MANY products, each large enough to run itself

Risk: duplication of effort and cost

The case tells you which: if it names **products**, answer divisional. If it names **jobs**, answer functional.

Same company, two ways to cut it up. The question always hands you the clue in its wording.

Basis	FUNCTIONAL structure	DIVISIONAL structure
Formation	Grouping jobs of a similar nature into departments (production, finance, marketing, HR)	Organisation divided into divisions by product , each with its own functions
Suitability	Large organisations with one product line , high operational specialisation required	Organisations producing multiple products / diversified product lines
Specialisation	Functional specialisation	Product specialisation
Responsibility	Difficult to fix on a department	Easy — divisional head is accountable for profit
Managerial development	Difficult — each manager knows only one function	Easier — the divisional head handles all functions
Cost	Economical — functions are not duplicated	Costly — each division duplicates all functions

Functional — Advantages

- Occupational specialisation
- Promotes control and coordination within a department
- Increases managerial and operational efficiency
- Minimises cost — no duplication of effort
- Makes training of employees easier

Functional — Disadvantages

- Creates **functional empires** — departmental interests above organisational interest
- Problems in **coordination** between departments
- **Conflict of interest** between departments

- **Inflexibility** — managers gain experience of only one function

Divisional — Advantages

- Product specialisation
- Fixes **accountability** for performance and profit
- Promotes **flexibility** and faster decisions
- Facilitates **expansion and growth** — new divisions can be added

Divisional — Disadvantages

- Conflict among divisions over resource allocation
- **Costly** — duplication of activities across divisions

- Divisional head may pursue *divisional interest* over organisational interest

4. Formal vs Informal Organisation

Basis	FORMAL	INFORMAL
Meaning	Structure of authority relationships created deliberately by management to achieve organisational objectives	Network of social relationships that arises spontaneously out of interaction at work
Origin	Arises as a result of company rules and policies	Arises as a result of social interaction
Authority	Arises by virtue of position	Arises by virtue of personal qualities
Behaviour	Governed by rules and procedures	No set rules; governed by group norms
Flow of communication	Through the scalar chain	Any direction — the grapevine
Leadership	Manager is the leader	Anyone accepted by the group is the leader

Advantages of formal: easier to fix responsibility · no overlapping of work · unity of command maintained · leads to achievement of goals · stability in the organisation.

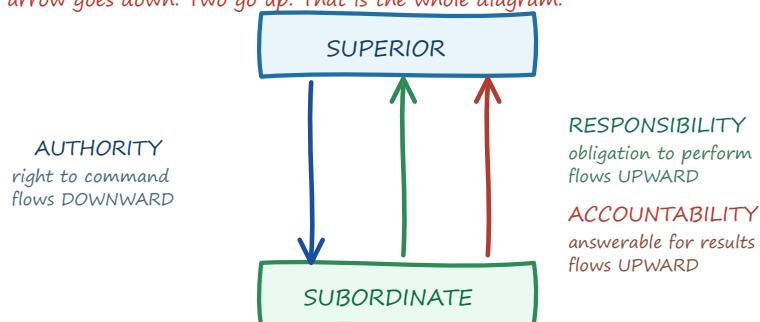
Disadvantages of formal: delay in action · inadequate recognition of creativity · poor recognition of human relationships.

Advantages of informal: fast spread of information · fulfils social needs · contributes to achievement of goals.

Disadvantages of informal: spreads rumours · resistance to change · priority to group interest over organisational interest.

5. Delegation

One arrow goes down. Two go up. That is the whole diagram.



Authority can be delegated. Responsibility and accountability never can — the boss stays answerable.

A manager can hand down the right to act, but never the obligation to answer for it.

DEFINITION Delegation is the downward transfer of authority from a superior to a subordinate. It is a prerequisite to the efficient functioning of an organisation because it enables a manager to use his time on high-priority activities.

Elements of Delegation (3)

Element	Meaning	Key rule
Authority	The right of an individual to command his subordinates and to take action within the scope of his position.	Flows downward ; can be delegated

Responsibility	The obligation of a subordinate to properly perform the assigned duty.	Flows upward ; is assumed , cannot be delegated
Accountability	Being answerable for the final outcome . It arises from responsibility.	Flows upward ; cannot be delegated at all

THE LINE EXAMINERS WANT “*Authority can be delegated, but responsibility and accountability cannot. A manager remains accountable to his own superior for the tasks he has delegated. He may delegate authority but not accountability.*” Also: *authority should always be equal to responsibility.*

Importance of Delegation (6)

1. **Effective management** — managers get more time for high-priority work.
2. **Employee development** — subordinates get the chance to use their skills and prepare for higher roles.
3. **Motivation of employees** — responsibility gives psychological satisfaction and builds commitment.
4. **Facilitation of growth** — trains employees so the organisation can expand into new areas.
5. **Basis of management hierarchy** — the superior-subordinate relationship it creates **is** the hierarchy.
6. **Better coordination** — clarity of authority, duty and accountability avoids duplication and overlapping.

6. Decentralisation

DEFINITION Decentralisation is the systematic dispersal of decision-making authority to the lowest levels of management. Complete centralisation and complete decentralisation are both impossible; every organisation has a **balance** of the two.

Importance (6)

1. **Develops initiative among subordinates** — they learn to take decisions rather than depend on the top.
2. **Develops managerial talent for the future** — creates a reservoir of trained managers.
3. **Quick decision-making** — decisions are taken at the point closest to the action, without going up and down the chain.
4. **Relief to top management** — top managers can focus on policy and strategy.
5. **Facilitates growth** — departmental heads get the autonomy to do things their own way, promoting competition and productivity.
6. **Better control** — performance can be evaluated at each level; departments are held individually accountable.

Basis	DELEGATION	DECENTRALISATION
Nature	Compulsory — no manager can do all the work alone	Optional — top management decides whether to do it
Freedom of action	Less — the subordinate works under the superior's guidance	More — greater independence at lower levels

Scope	Narrow — limited to a superior and his subordinate	Wide — authority is spread throughout the organisation
Purpose	To reduce the burden of the manager	To increase the role of subordinates in the organisation
Relationship	Creates a superior–subordinate relationship	Is the outcome of delegation done on a large scale

7. Case-Study Keyword Triggers 40% of the paper is competency-based

If the case says...	The answer is...
"departments made for production, finance, marketing"	Functional structure
"separate divisions for soaps, cosmetics, food"	Divisional structure
"each divisional head responsible for his own profit"	Divisional — fixes accountability
"departments not cooperating, each protecting itself"	Functional empires (functional disadvantage)
"employees formed a group during lunch and shared news"	Informal organisation / grapevine
"rumour spread quickly among staff"	Disadvantage of informal organisation
"manager gave his subordinate the right to take decisions"	Delegation of authority
"the manager was still answerable to his boss"	Accountability cannot be delegated
"decision-making power given to lower levels across the firm"	Decentralisation
"top management freed to focus on strategy"	Decentralisation — relief to top management
"told each employee whom to report to"	Establishing reporting relationships (step 4)
"grouped similar activities together"	Departmentalisation (step 2)

MOST-ASKED BOARD QUESTIONS

1. [6M] Distinguish between functional and divisional structure / explain their advantages and disadvantages.
2. [6M] Distinguish between delegation and decentralisation.
3. [4-6M] Explain the elements / importance of delegation.
4. [4M] Distinguish between formal and informal organisation.
5. [4M] Explain the steps in the process of organising.
6. [3M] Explain any three points of importance of organising / decentralisation.
7. [1M] Which element of delegation cannot be delegated? → **Accountability**

ANSWER STRATEGY — For structure questions, **always state suitability** ("functional is suitable where there is a single product line; divisional where the firm is multi-product") — it is usually a separate mark. For delegation, remember the flow directions: authority flows **down**, responsibility and accountability flow **up**.