

HEADINGS BASED TEST

(WITH ANSWER KEY)

Q1. Fill in the blanks

1. Once work has been divided into small and manageable activities then those activities which are similar in nature are grouped together. Such sets facilitate specialization. Called _____
2. The _____ can be defined as the framework within which managerial and operating tasks are performed. It specifies the relationships between people, work and resources. It allows correlation and coordination among human, physical and financial resources and this enables a business enterprise to accomplish desired goals. The _____ of a firm is shown in an organization chart.
3. _____ refers to the number of subordinates that can be effectively managed by a superior. This determines the levels of management in the structure.
4. _____ refers to systematic effort to delegate to the lowest level all authority except that which can be exercised at central points
5. Grouping of jobs of similar nature under functional and organizing these major functions as separate departments creates a functional structure
6. In a manufacturing concern division of work into key functions will include production, purchase, marketing, accounts and personnel. These departments may be further divided into sections. Thus, a _____ structure is an organizational design that groups similar or related jobs together.
7. 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. Generally, manpower is grouped on the basis of different products manufactured. Each division is multifunctional because within each division functions like production, marketing, finance, purchase etc, are performed together to achieve a common goal
8. The _____ organization is a system of well-defined jobs, each bearing definite measure of authority, responsibility and accountability.
9. _____ organization is a system of consciously coordinated activities of two or more persons toward a common objective.
10. The structure in a formal organizational is _____
 - a. Functional.
 - b. Divisional
 - c. Functional/ divisional
11. _____ Organization is a network of personal and social relations not established or required by the formal organisation but arising spontaneously as people associate with one another.
12. Interaction among people at work gives rise to a 'network of social relationships among employees 'called the _____ organisation.
13. Informal organisation emerges from within the _____ organisation when people interact beyond their officially defined roles. When people have frequent contacts, based on their interaction and friendship they tend to form groups which show conformity in terms of interest.

14. Examples of such _____ organisation groups formed with common interest may be those who take part in cricket matches on Sundays, meet in the cafeteria for coffee, are interested in dramatics etc.
15. _____ organisation has no written rules, is fluid in form and scope and does not have fixed lines of communication
16. _____ merely means the granting of authority to subordinates to operate within prescribed limits.
17. _____ refers to 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. It also satisfies the subordinate's need for recognition and provides them with opportunities to develop and exercise initiative.
18. _____ does not mean abdication. The manager shall still be accountable for the performance of the assigned tasks
19. _____ 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.
20. An organisation is _____ when decision-making authority is retained by higher management levels whereas it is _____ when such authority is delegated.
21. Complete _____ would obviate the need for a management hierarchy. On the other hand, complete decentralization would obviate the need for higher managerial positions.
22. An organisation can never be completely _____ or _____
23. As it grows in size and complexity , there is a tendency to move towards _____ decision making
24. 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).
25. Types of Organisation Structures
(i) _____ (ii) _____

Q2. Identify the steps in the process of organising from the following statements

1. Suppose twelve students work for the school library in the summer vacations. One afternoon they are told to unload a shipment of new releases, stock the bookshelves, and then dispose of all waste (packaging, paper etc). If all the students decide to do it in their own way, it will result in mass confusion. However, if one student supervises the work by grouping students, dividing the work, assigning each group their quota and developing reporting relationships among them, the job will be done faster and in a better manner.

From the above description, identify the steps in the process of organizing quoting the lines

2. 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.
3. Activities which are similar in nature are grouped together. Such sets facilitate specialization departments can be created using several criteria as a basis are territory (north, south, west etc.) And products (appliances, clothes, cosmetics etc.).
4. It is necessary to define the work of different job positions and jobs are then allocated to the members of each department in accordance to their skills and competencies. Once departments have been formed, each of them is placed under the charge of an individual. Work must be assigned to those who are best fitted to perform it well.
5. Each individual should also know who he has to take orders from and to whom he is accountable.
6. The establishment of clear relationships helps to create a hierarchal structure and helps in coordination amongst various departments.

Q3. Identify the point of importance of organising from the following

1. It helps in the survival and growth of an enterprise and equips it to meet various challenges.
2. 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.
3. Specifies who is to report to whom.
4. This removes ambiguity in transfer of information and instructions.
5. It helps in creating a hierarchical order thereby enabling the fixation of responsibility and extent of authority to be exercised by an individual.
6. Organising leads to the proper usage of all material, financial and human resources.
7. Avoidance of duplication of work helps in preventing confusion and minimising the wastage of resources and efforts.
8. 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.
9. It also provides much needed stability to the enterprise as it can then continue to survive and grow in spite of changes.
10. Clarity in working relationships enables proper execution of work. Management of an enterprise thereby becomes easy and this brings effectiveness in administration.
11. 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.
12. 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.

Q4. Identify the type of Organisation structure

Sunita opened her own travel agency. The success of her travel agency depends on a harmonious relationship between the customer and the employees of the travel agency. In order to achieve this objective she has divided the entire work of the agency into three subheads based on the functions namely operations, sales and administration. Operations include travel counsellor, reservation and ticketing and customer care. Sales include the accounts executive. Administration includes book keeper, cashier and utility personnel. This division of work on the basis of functions has resulted into a _____

Q5. From the following statements related to advantages of functional and divisional structure. Identify the structure:

1. It ensures that different functions get due attention.
2. 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.
3. It helps in increasing managerial and operational efficiency and this results in increased profit.
4. 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.
5. It also helps in fixation of responsibility in cases of poor performance of the division and appropriate remedial action can be taken.
6. It promotes control and coordination within a department because of similarity in the tasks being performed.
7. It leads to minimal duplication of effort which results in economies of scale and this lowers cost.
8. It promotes flexibility and initiative because each unit functions as an autonomous unit which leads to faster decision making.
9. It facilitates expansion and growth as new units can be added without interrupting the Existing operations by merely adding another divisional head and staff for the new product line.
10. Leads to occupational specialisation since emphasis is placed on specific functions.
11. This promotes efficiency in utilisation of manpower as employees perform similar tasks within a department and are able to improve performance.
12. It makes training of employees easier as the focus is only on a limited range of skills.

Q6. From the following statements identify the disadvantages of functional /divisional structure :

1. It may lead to increase in costs since there may be a duplication of activities across products. Providing each division with separate set of similar functions increases expenditure.
2. A structure places less emphasis on overall enterprise objectives than the objectives pursued by a functional head. Such practices may lead to functional empires wherein the importance of a particular function may be overemphasised. Pursuing departmental interests at the cost of organizational interests can also hinder the interaction between two or more departments.
3. It may lead to problems in coordination as information has to be exchanged across functionally differentiated departments.
4. A conflict of interests may arise when the interests of two or more departments are not compatible.

5. The sales department insisting on a customer friendly design may cause difficulties in production. Such dissension can prove to be harmful in terms of fulfilment of organisational interest. Interdepartmental conflicts can also arise in the absence of clear separation of responsibility.
6. 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.
7. 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. Functional heads do not get training for top management positions because they are unable to gather experience in diverse areas.
8. 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.

Q7. From the following statements identify the suitability relating to functional /divisional structure :

1. **Suitability:** it is most suitable when the size of the organisation is large, has a diversified activities and operations require a high degree of specialisation.
2. **Suitability:** it is suitable for those business enterprises where a large variety of products are manufactured using different productive resources. When an organisation grows and needs to add more employees, create more departments and introduce new levels of management, it will decide to adopt a divisional structure.

Q8. Comparative view: functional and divisional structure

Basis		
Formation	Formation is based on functions	
Specialisation		Product specialisation.
Responsibility		Easy to fix responsibility for performance
Managerial Development	Difficult, as each functional manager has to report to the top management	
Cost		Duplication of resources in various s, department hence costly.
Coordination	Difficult for a multiproduct company	

Q9. From the following statements identify the advantages of formal and informal organization

1. Independent channels of communication without specified direction of flow of information are developed by group members.
2. It specifies the relationships among various job positions and the nature of their interrelationship. This clarifies who has to report to whom.
3. It emerges spontaneously and is not deliberately created by the management.

4. It is a means to achieve the objectives specified in the plans, as it lays down rules and procedures essential for their achievement
5. The standards of behaviour evolve from group norms rather than officially laid down rules and regulations. It has no definite structure or form because it is a complex network of social relationships among Members.
6. Efforts of various departments are coordinated, interlinked and integrated through the organization
7. It is deliberately designed by the top management to facilitate the smooth functioning of the organisation
8. It places more emphasis on work to be performed than interpersonal relationships among the employees.
9. This organization originates from within the formal organization as a result of personal Interaction among employees.

Q10. From the following statements identify the advantages of formal and informal organization

1. It is easier to fix responsibility since mutual relationships are clearly defined.
2. Prescribed lines of communication are not followed. Thus, the informal organisation leads to Faster spread of information as well as quick feedback.
3. 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.
4. It contributes towards fulfilment of organisational objectives by compensating for inadequacies in the formal organisation. For example, employee's reactions towards plans and policies can be tested through the informal network.
5. Unity of command is maintained through an established chain of command.
6. It leads to effective accomplishment of goals by providing framework for the operations to be performed and ensuring that each employee knows the role he has to play.
7. It provides stability to the organisation. this is because behaviour of employees can be fairly predicted since there are specific rules to guide them.
8. It helps to fulfil 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.

Q11. From the following statements identify the limitations of formal and informal organization

1. 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.
2. Poor organization practices may not provide adequate recognition to creative talent, since it does not allow any deviations from rigidly laid down policies.
3. The management may not be successful in implementing changes if the _____ opposes them. Such resistance to change may delay or restrict growth.

4. 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.
5. It is difficult to understand all human relationships in an enterprise as it places more emphasis on structure and work. Hence, the formal organisation does not provide a complete picture of how an organization works.
6. When an informal organization spreads rumours, it becomes a destructive force and goes against the interest of the formal organisation.

Q12. Formal and informal organisation: a comparative view

Basis	Formal organisation	Informal organization
Meaning		
Origin		
Authority		
Behaviour		
Flow of communication		
Nature		
Leadership		

Q13. From the following identify the essential elements of delegation (authority/ responsibility / accountability)

1. _____ refers to the right of an individual to command his subordinates and to take action within the scope of his position.
2. The concept of _____ arises from the established scalar chain which links the various job positions and levels of an organisation. It 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. _____ flows from top to bottom, it 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.
4. _____ 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.
5. _____ 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.
6. _____ flows upwards i.e., a subordinate will always be responsible to his superior.
7. When an employee is given responsibility for a job he must also be given the degree of _____ necessary to carry it out.
8. _____ of authority, undoubtedly empowers an employee to act for his superior But the superior would still be accountable for the outcome:
9. _____ implies being answerable for the final outcome. Once authority has been delegated and responsibility accepted, one cannot deny accountability.
10. It cannot be delegated and flows upwards i.e., a subordinate will be _____ to a superior for satisfactory performance of work.
11. It can be stated that while _____ is delegated, _____ is assumed, _____ is imposed.
12. Responsibility is derived from _____ and accountability is derived from _____

Q14. Overview of the elements of delegation

Basis	Authority	Responsibility	Accountability
Meaning			
Delegation			
Origin			
Flow			

Q15. From the following statements identify the importance of delegation

1. By empowering the employees, the managers are able to function more efficiently as they get more time to concentrate on important matters.
2. Freedom from doing routine work provides them with opportunities to excel in new areas.

3. 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.
4. Delegation empowers the employees by providing them with the chance to use their skills, gain experience and develop themselves into better future managers.
5. 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.
6. Responsibility for work builds the self-esteem of an employee and improves his confidence. He feels encouraged and tries to improve his performance further.
7. 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.
8. 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.
9. Such clarity in reporting relationships help in developing and maintaining effective coordination amongst the departments, levels and functions of management.

Q16. From the following statements identify the point of importance of decentralisation

1. When lower managerial levels are given freedom to take their own decisions they learn to depend on their own judgment and develop solutions for the various problems they encounter.
2. 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
3. In a decentralised organisation 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.
4. Decentralisation also leaves the top management with more time which they can devote to important policy decisions rather than occupying their time with operational decisions.
5. The productivity levels increase and the organisation is able to generate more returns which can be used for expansion purposes.
6. Feedback from all levels helps to analyse variances and improve operations. Better control systems are being evolved such as the balance score card and management information system.

Q17. Delegation and decentralisation: a comparative view

Basis	Delegation	Decentralisation
Nature		
Freedom of action		
Status		

Scope		
Purpose		



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ANSWER KEY

ALL ANSWERS ARE WRITTEN IN RED INK

Q1. Fill in the blanks

1. Once work has been divided into small and manageable activities then those activities which are similar in nature are grouped together. Such sets facilitate specialization called **departmentalisation**
2. The **Organisational Structure** can be defined as the framework within which managerial and operating tasks are performed. It specifies the relationships between people, work and resources. It allows correlation and coordination among human, physical and financial resources and this enables a business enterprise to accomplish desired goals. The **Organisational Structure** of a firm is shown in an organization chart.
3. **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.
4. **Decentralisation** refers to systematic effort to delegate to the lowest level all authority except that which can be exercised at central points
5. Grouping of jobs of similar nature under functional and organizing these major functions as separate departments creates a **functional structure**
6. In a manufacturing concern division of work into key functions will include production, purchase, marketing, accounts and personnel. These departments may be further divided into sections. Thus, a **Functional** structure is an organizational design that groups similar or related jobs together.
7. The **Divisional 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. Generally, manpower is grouped on the basis of different products manufactured. Each division is multifunctional because within each division functions like production, marketing, finance, purchase etc, are performed together to achieve a common goal
8. The **Formal** organization is a system of well-defined jobs, each bearing definite measure of authority, responsibility and accountability.
9. **Formal organization** is a system of consciously coordinated activities of two or more persons toward a common objective.
10. The structure in a formal organization is **C**
 - a. Functional.
 - b. Divisional
 - c. Functional/ divisional
11. **Informal** organization is a network of personal and social relations not established or required by the formal organisation but arising spontaneously as people associate with one another.
12. Interaction among people at work gives rise to a 'network of social relationships among employees' called the **Informal organisation**.
13. Informal organisation emerges from within the **formal** organisation when people interact beyond their officially defined roles. When people have frequent contacts, based on their interaction and friendship they tend to form groups which show conformity in terms of interest.

14. Examples of such **Informal organisation** groups formed with common interest may be those who take part in cricket matches on Sundays, meet in the cafeteria for coffee, are interested in dramatics etc.
15. **Informal** organisation has no written rules, is fluid in form and scope and does not have fixed lines of communication
16. **Delegation** merely means the granting of authority to subordinates to operate within prescribed limits.
17. **Delegation refers** to the downward transfer of authority from a superior to a subordinate. It is a pre-requisite to the efficient functioning of an organisation because it enables a manager to use his time on high priority activities. It also satisfies the subordinate's need for recognition and provides them with opportunities to develop and exercise initiative.
18. **Delegation** does not mean abdication. The manager shall still be accountable for the performance of the assigned tasks
19. **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.
20. An organisation is **centralised** when decision-making authority is retained by higher management levels whereas it is **decentralised** when such authority is delegated.
21. Complete **decentralisation** would obviate the need for a management hierarchy. On the other hand, complete decentralization would obviate the need for higher managerial positions.
22. An organisation can never be completely **centralised or decentralised**
23. As it grows in size and complexity , there is a tendency to move towards **decentralised** decision making
24. 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).
25. Types of Organisation Structures
 - (i) **Functional**
 - (ii) **divisional**

Q2. Identify the steps in the process of organising from the following statements

1. Suppose twelve students work for the school library in the summer vacations. One afternoon they are told to unload a shipment of new releases, stock the bookshelves, and then dispose of all waste (packaging, paper etc). If all the students decide to do it in their own way, it will result in mass confusion. However, if one student supervises the work by grouping students, dividing the work, assigning each group their quota and developing reporting relationships among them, the job will be done faster and in a better manner.
From the above description, identify the steps in the process of organizing quoting the lines

Grouping students, dividing the work	Identification and Division of Work
Assigning each group their quota	Assignment of duties
Developing reporting relationships among them	Establishing reporting relationship
2. 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. **Identification and Division of Work**

3. Activities which are similar in nature are grouped together. Such sets facilitate specialization departments can be created using several criteria as a basis are territory (north, south, west etc.) And products (appliances, clothes, cosmetics etc.). **Departmentalization**
4. It is necessary to define the work of different job positions and jobs are then allocated to the members of each department in accordance to their skills and competencies. Once departments have been formed, each of them is placed under the charge of an individual. Work must be assigned to those who are best fitted to perform it well. **Assignment of duties**
5. Each individual should also know who he has to take orders from and to whom he is accountable. **Establishing reporting relationship**
6. The establishment of clear relationships helps to create a hierarchal structure and helps in coordination amongst various departments. **Establishing reporting relationship**

Q3. Identify the point of importance of organising from the following

1. It helps in the survival and growth of an enterprise and equips it to meet various challenges. **Expansion and growth**
2. 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. **Benefits of Specialization**
3. Specifies who is to report to whom. **Clarity in working relation**
4. This removes ambiguity in transfer of information and instructions. **Clarity in working relation**
5. It helps in creating a hierarchical order thereby enabling the fixation of responsibility and extent of authority to be exercised by an individual. **Clarity in working relation**
6. Organising leads to the proper usage of all material, financial and human resources. **Optimum utilization of resources**
7. Avoidance of duplication of work helps in preventing confusion and minimising the wastage of resources and efforts **Optimum utilization of resources.**
8. 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. **Adaptation to change**
9. It also provides much needed stability to the enterprise as it can then continue to survive and grow in spite of changes. **Adaptation to change**
10. Clarity in working relationships enables proper execution of work. Management of an enterprise thereby becomes easy and this brings effectiveness in administration. **Effective administration**
11. 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. **Development of Personnel**
12. 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. **Expansion and growth**

Q4. Identify the type of Organisation structure

Sunita opened her own travel agency. The success of her travel agency depends on a harmonious relationship between the customer and the employees of the travel agency. In order to achieve this objective she has divided the entire work of the agency into three subheads based on the functions namely operations, sales and administration. Operations include travel counsellor, reservation and ticketing and customer care. Sales include the accounts executive. Administration includes book keeper, cashier and utility personnel. This division of work on the basis of functions has resulted into a **functional structure**

Q5. From the following statements related to advantages of functional and divisional structure. identify the structure:

1. It ensures that different functions get due attention. **Functional Structure**
2. 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. **Divisional Structure**
3. It helps in increasing managerial and operational efficiency and this results in increased profit. **Functional Structure**
4. 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. **Divisional Structure**
5. It also helps in fixation of responsibility in cases of poor performance of the division and appropriate remedial action can be taken. **Divisional Structure**
6. It promotes control and coordination within a department because of similarity in the tasks being performed. **Functional Structure**
7. It leads to minimal duplication of effort which results in economies of scale and this lowers cost. **Functional Structure**
8. It promotes flexibility and initiative because each unit functions as an autonomous unit which leads to faster decision making. **Divisional Structure**
9. It facilitates expansion and growth as new units can be added without interrupting the Existing operations by merely adding another divisional head and staff for the new product line. **Divisional Structure**
10. Leads to occupational specialisation since emphasis is placed on specific functions. **Functional Structure**
11. This promotes efficiency in utilisation of manpower as employees perform similar tasks within a department and are able to improve performance. **Functional Structure**
12. It makes training of employees easier as the focus is only on a limited range of skills. **Functional Structure**

Q6. From the following statements identify the disadvantages of functional /divisional structure :

1. It may lead to increase in costs since there may be a duplication of activities across products. Providing each division with separate set of similar functions increases expenditure. **Divisional Structure**
2. A structure places less emphasis on overall enterprise objectives than the objectives pursued by a functional head. Such practices may lead to functional empires wherein the importance of a particular function may be

overemphasised. Pursuing departmental interests at the cost of organizational interests can also hinder the interaction between two or more departments. **Functional Structure**

3. It may lead to problems in coordination as information has to be exchanged across functionally differentiated departments. **Functional Structure**
4. A conflict of interests may arise when the interests of two or more departments are not compatible. **functional Structure**
5. The sales department insisting on a customer friendly design may cause difficulties in production. Such decision can prove to be harmful in terms of fulfilment of organisational interest. Interdepartmental conflicts can also arise in the absence of clear separation of responsibility. **Functional Structure**
6. 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. **Divisional Structure**
7. 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. Functional heads do not get training for top management positions because they are unable to gather experience in diverse areas. **Functional Structure**
8. 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. **Divisional Structure**

Q7. From the following statements identify the suitability relating to functional /divisional structure :

1. **Suitability:** it is most suitable when the size of the organisation is large, has a diversified activities and operations require a high degree of specialisation. **Functional Structure**
2. **Suitability:** it is suitable for those business enterprises where a large variety of products are manufactured using different productive resources. When an organisation grows and needs to add more employees, create more departments and introduce new levels of management, it will decide to adopt a **divisional structure**.

Q8. Comparative view: functional and divisional structure

Basis		
Formation	Formation is based on functions	Based on product lines
Specialisation	Based on functions	Product specialisation.
Responsibility	Difficult to fix on department	Easy to fix responsibility for performance
Managerial Development	Difficult, as each functional manager has to report to the top management	easy
Cost	Economical	Duplication of resources in various s, department hence costly.
Coordination	Difficult for a multiproduct company	Easy for a multi-product organisation

Q9. From the following statements identify Formal And Informal Organization

1. Independent channels of communication without specified direction of flow of information are developed by group members. **Informal Organization**
2. It specifies the relationships among various job positions and the nature of their interrelationship. This clarifies who has to report to whom. **Formal Organization**
3. It emerges spontaneously and is not deliberately created by the management. **Informal Organization**
4. It is a means to achieve the objectives specified in the plans, as it lays down rules and procedures essential for their achievement **Formal Organization**
5. The standards of behaviour evolve from group norms rather than officially laid down rules and regulations. It has no definite structure or form because it is a complex network of social relationships among Members. **Informal Organization**
6. Efforts of various departments are coordinated, interlinked and integrated through the organization **Formal Organization**
7. It is deliberately designed by the top management to facilitate the smooth functioning of the organisation **Formal Organization**
8. It places more emphasis on work to be performed than interpersonal relationships among the employees. **Formal Organization**
9. This organization originates from within the formal organization as a result of personal Interaction among employees. **Informal Organization**

Q10. From the following advantages identify if they are of formal or informal organization

1. It is easier to fix responsibility since mutual relationships are clearly defined. **Formal Organization**
2. Prescribed lines of communication are not followed. Thus, it leads to faster spread of information as well as quick feedback. **Informal Organization**
3. 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. **Formal Organization**
4. It contributes towards fulfilment of organisational objectives by compensating for inadequacies in the formal organisation. For example, employee's reactions towards plans and policies can be tested through the informal network. **Informal Organization**
5. Unity of command is maintained through an established chain of command. **Formal Organization**
6. It leads to effective accomplishment of goals by providing framework for the operations to be performed and ensuring that each employee knows the role he has to play. **Formal Organization**
7. It provides stability to the organisation. this is because behaviour of employees can be fairly predicted since there are specific rules to guide them. **Formal Organization**
8. It helps to fulfil 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. **Informal Organization**

Q11. From the following statements related to limitations. Identify the limitations of formal / informal organization

1. 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. **formal Organization**
2. Poor organization practices may not provide adequate recognition to creative talent, since it does not allow any deviations from rigidly laid down polices. **formal Organization**
3. The management may not be successful in implementing changes if the **Informal Organization** opposes them. Such resistance to change may delay or restrict growth.
4. 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. **Informal Organization**
5. It is difficult to understand all human relationships in an enterprise as it places more emphasis on structure and work. Hence, the formal organisation does not provide a complete picture of how an organization works. **formal Organization**
6. When this organization spreads rumours, it becomes a destructive force and goes against the interest of the formal organisation. **Informal Organization**

Q12. Formal and informal organisation: a comparative view

Basis	Formal organisation	Informal organization
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
Behaviour	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

Q13. From the following identify the essential elements of delegation (authority/ responsibility / accountability)

1. **Authority** refers to the right of an individual to command his subordinates and to take action within the scope of his position.
2. The concept of **authority** arises from the established scalar chain which links the various job positions and levels of an organisation. It 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. **Authority** flows from top to bottom, it 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.
4. **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 increases.
5. **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.
6. **Responsibility** flows upwards i.e., a subordinate will always be responsible to his superior.
7. When an employee is given responsibility for a job he must also be given the degree of **Authority** necessary to carry it out.
8. **Delegation** of authority, undoubtedly empowers an employee to act for his superior. But the superior would still be accountable for the outcome.
9. **Accountability** implies being answerable for the final outcome. Once authority has been delegated and responsibility accepted, one cannot deny accountability.
10. It cannot be delegated and flows upwards i.e., a subordinate will be **accountable** to a superior for satisfactory performance of work.
11. It can be stated that while **Authority** is delegated, **Responsibility** is assumed, **accountability** is imposed.
12. Responsibility is derived from **Authority** and accountability is derived from **Responsibility**

Q14. 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

Q15. From the following statements identify the importance of delegation

1. By empowering the employees, the managers are able to function more efficiently as they get more time to concentrate on important matters. **Effective management**
2. Freedom from doing routine work provides them with opportunities to excel in new areas. **Effective management**
3. 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. **Employee development**
4. Delegation empowers the employees by providing them with the chance to use their skills, gain experience and develop themselves into better future managers. **Employee development**
5. 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. **Motivation of employees**
6. Responsibility for work builds the self-esteem of an employee and improves his confidence. He feels encouraged and tries to improve his performance further. **Motivation of employees**
7. 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. **Facilitation of growth**
8. 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. **Basis of Managerial Hierarchy**
9. Such clarity in reporting relationships help in developing and maintaining effective coordination amongst the departments, levels and functions of management. **Better coordination**

Q16. From the following statements identify the point of importance of decentralisation

1. When lower managerial levels are given freedom to take their own decisions they learn to depend on their own judgment and develop solutions for the various problems they encounter. **Develops initiative among subordinates**
2. 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 **develops managerial talent for the future**
3. In a decentralised organisation 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. **Quick decision making**
4. Decentralisation also leaves the top management with more time which they can devote to important policy decisions rather than occupying their time with operational decisions **relief to top management.**
5. The productivity levels increase and the organisation is able to generate more returns which can be used for expansion purposes. **Facilitates growth**
6. Feedback from all levels helps to analyse variances and improve operations. Better control systems are being evolved such as the balance score card and management information system. **Better control**

Q17. Delegation and decentralisation: a comparative view

Basis	Delegation	Decentralisation
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 executive's 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.



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