

I. SHORT TYPE QUESTIONS AND ANSWERS:

Q.1. Define Organization.

Ans: An identified group of people contributing their efforts towards the attainment of goals is called an organization. Organization is the process of establishing relationships among the members of the enterprise.

Q.2. What is the purpose of Organization?

Ans:

- Facilitates Administration
- Increases the efficiency management
- Stimulates creativity and innovation
- Facilitates growth and diversification and
- Facilitates co-ordination and communication.

Q.3. What is organizing?

Ans: Organizing refers to the formal grouping of people and activities facilitate achievement of the firm's objectives.

Organizing may be defined as the process of

- i) Identifying and classifying the required activities i.e. Job Design
- ii) Grouping the work to be performed i.e., Departmentation
- iii) Defining and delegating responsibility and authority i.e. Delegation of authority
- iv) Span of Control

Q.4. What is Job design?

Ans: Job design is usually broad enough to accommodate people's needs and desires. It may be especially appropriate to design jobs for exceptional persons in order to utilize their potential. People spend a great deal of time on the job and it is therefore important to design jobs so that individuals feel good about their work.

Two important goals of job design are:-

- To meet the organizational requirements such as higher productivity, operational efficiency, quality of products/service etc.
- To satisfy the needs of the individual employees like interests, challenge, achievement etc.

Q.5. What is Organization Structure?

Ans: In organization structure simply by means the systematic arrangement of people working for the organization. The organization is concerned with establishment of positions and relationship between positions. The organization structure has two dimensions.

1. Horizontal
2. Vertical

Q.6. What is an Organizational chart?

Ans: According to George Terry, "Organizational chart is a diagrammatical form, which shows the important aspects of an organization including the major functions and their respective relationships, the channels of supervision, and the relative authority of each employee who is in charge of each respective function".

It is a representation of the framework or structure of an organization. It may be a vertical or top-down chart, horizontal or left to right chart and circle or concentric chart.

Q.7. Uses of Organization Chart

Ans: 1. The organization chart pinpoints the weakness of an organization. This will helps to overcome the short coming of organization.

2. It tells quickly who is responsible for particular function.

3. It is useful in showing nature of an organization and changes if any in the existing staff and new comers.

Q.8. Distinguish between authority and power

Ans: Power is the ability of individuals or groups to induce or influence the beliefs or actions of other persons or groups.

Authority in organization is the right in a position to exercise discretion in making decisions and affecting others.

Q.9. What are the different bases of power?

Ans:

1. Legitimate Power
2. Referent Power
3. Reward Power
4. Coercive Power

Q.10. What is Functional Authority?

Ans: It is the right which is delegated to an individual or a department to control specified processes practices, policies or other matters relating to activities, undertaken by persons in other departments.

Q.11. What is Formal Organization?

Ans: The structure of jobs and positions with clearly defined functions and relationship as prescribed by the top management and bound by rules, systems and procedures.

Q.12. What is Informal Organization?

Ans: A network of interpersonal relationships that arise when people associate with each other.

Q.13. What is Departmentation?

Ans: The organizational process of determining how activities are to be grouped is called departmentation.

Q.14. What is Empowerment?

Ans: Empowerment means that employees, managers or teams at all levels in the organization are given the power to make decision without asking their superiors for permission.

Q.15. What is Decentralization?

Ans: The tendency to disperse decision making authority in an organized structure.

II.LONG TYPE QUESTIONS AND ANSWERS:

Q.1. Define Formal and Informal Organisation? Explain its features, advantages and disadvantages.

Ans:

Formal Organisation:

When the managers are carrying on organising process then as a result of organising process an organisational structure is created to achieve systematic working and efficient utilization of resources. This type of structure is known as formal organisational structure.

Formal organisational structure clearly spells out the job to be performed by each individual, the authority, responsibility assigned to every individual, the superior- subordinate relationship and the designation of every individual in the organisation. This structure is created intentionally by the managers for achievement of organisational goal.

Features of Formal organisation:

- (1) The formal organisational structure is created intentionally by the process of organising.
- (2) The purpose of formal organisation structure is achievement of organisational goal.
- (3) In formal organisational structure each individual is assigned a specific job.
- (4) In formal organisation every individual is assigned a fixed authority or decision-making power.
- (5) Formal organisational structure results in creation of superior-subordinate relations.
- (6) Formal organisational structure creates a scalar chain of communication in the organisation.

Advantages of Formal Organisation:

1. Systematic Working: Formal organisation structure results in systematic and smooth functioning of an organisation.
2. Achievement of Organisational Objectives: Formal organisational structure is established to achieve organisational objectives.
3. No Overlapping of Work: In formal organisation structure work is systematically divided among various departments and employees. So there is no chance of duplication or overlapping of work.
4. Co-ordination: Formal organisational structure results in coordinating the activities of various departments.
5. Creation of Chain of Command: Formal organisational structure clearly defines superior subordinate relationship, i.e., who reports to whom.
6. More Emphasis on Work: Formal organisational structure lays more emphasis on work than interpersonal relations.

Disadvantages of Formal Organisation:

1. Delay in Action: While following scalar chain and chain of command actions get delayed in formal structure.
2. Ignores Social Needs of Employees: Formal organisational structure does not give importance to psychological and social need of employees which may lead to demotivation of employees.
3. Emphasis on Work Only: Formal organisational structure gives importance to work only; it ignores human relations, creativity, talents, etc.

Informal Organisation:

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

The informal organisational structure gets created automatically and the main purpose of such structure is getting psychological satisfaction. The existence of informal structure depends upon the formal structure because people working at different job positions interact with each other to form informal structure and the job positions are created in formal structure. So, if there is no formal structure, there will be no job position, there will be no people working at job positions and there will be no informal structure.

Features of informal organisation:

- (1) Informal organisational structure gets created automatically without any intended efforts of managers.
- (2) Informal organisational structure is formed by the employees to get psychological satisfaction.
- (3) Informal organisational structure does not follow any fixed path of flow of authority or communication.
- (4) Source of information cannot be known under informal structure as any person can communicate with anyone in the organisation.
- (5) The existence of informal organisational structure depends on the formal organisation structure.

Advantages of Informal Organisation:

1. **Fast Communication:** Informal structure does not follow scalar chain so there can be faster spread of communication.
2. **Fulfills Social Needs:** Informal communication gives due importance to psychological and social need of employees which motivate the employees.
3. **Correct Feedback:** Through informal structure the top level managers can know the real feedback of employees on various policies and plans.

Strategic Use of Informal Organisation. Informal organisation can be used to get benefits in the formal organisation in the following way:

1. The knowledge of informal group can be used to gather support of employees and improve their performance.
2. Through grapevine important information can be transmitted quickly.
3. By cooperating with the informal groups the managers can skillfully take the advantage of both formal and informal organisations.

Disadvantages of Informal organisation:

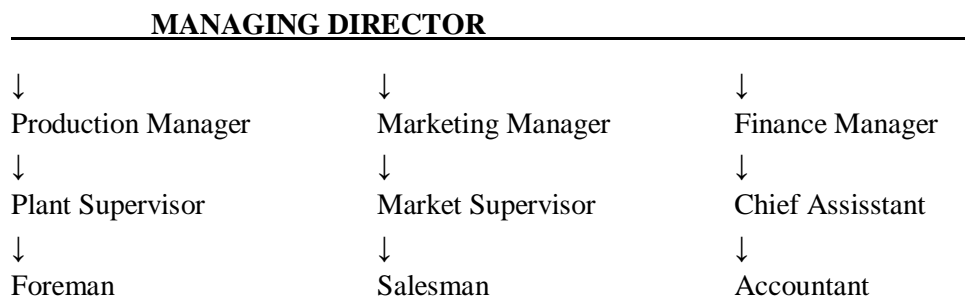
1. **Spread Rumours:** According to a survey 70% of information spread through informal organisational structure are rumors which may mislead the employees.
2. **No Systematic Working:** Informal structure does not form a structure for smooth working of an organisation.

3. May Bring Negative Results: If informal organisation opposes the policies and changes of management, then it becomes very difficult to implement them in organisation.

4. More Emphasis to Individual Interest: Informal structure gives more importance to satisfaction of individual interest as compared to organisational interest.

Q.2. Discuss in details the line and staff organization?

Ans: Line and staff organization is a modification of line organization and it is more complex than line organization. According to this administrative organization, specialized and supportive activities are attached to the line of command by appointing staff supervisors and staff specialists who are attached to the line authority. The power of command always remains with the line executives and staff supervisors guide, advice and council the line executives. Personal Secretary to the Managing Director is a staff official.



Features of Line and Staff Organization

1. There are two types of staff :
 - a. Staff Assistants- P.A. to Managing Director, Secretary to Marketing Manager.
 - b. Staff Supervisor- Operation Control Manager, Quality Controller, PRO
2. Line and Staff Organization is a compromise of line organization. It is more complex than line concern.
3. Division of work and specialization takes place in line and staff organization.
4. The whole organization is divided into different functional areas to which staff specialists are attached.
5. Efficiency can be achieved through the features of specialization.
6. There are two lines of authority which flow at one time in a concern :
 - a. Line Authority
 - b. Staff Authority
7. Power of command remains with the line executive and staff serves only as counselors.

Merits of Line and Staff Organization

1. **Relief to line of executives-** In a line and staff organization, the advice and counseling which is provided to the line executives divides the work between the two. The line executive can concentrate on the execution of plans and they get relieved of dividing their attention to many areas.
2. **Expert advice-** The line and staff organization facilitates expert advice to the line executive at the time of need. The planning and investigation which is related to different matters can be done by the staff specialist and line officers can concentrate on execution of plans.
3. **Benefit of Specialization-** Line and staff through division of whole concern into two types of authority divides the enterprise into parts and functional areas. This way every officer or official can concentrate in its own area.
4. **Better co-ordination-** Line and staff organization through specialization is able to provide better decision making and concentration remains in few hands. This feature helps in bringing co-ordination in work as every official is concentrating in their own area.
5. **Benefits of Research and Development-** Through the advice of specialized staff, the line executives, the line executives get time to execute plans by taking productive decisions which are

helpful for a concern. This gives a wide scope to the line executive to bring innovations and go for research work in those areas. This is possible due to the presence of staff specialists.

6. **Training-** Due to the presence of staff specialists and their expert advice serves as ground for training to line officials. Line executives can give due concentration to their decision making. This in itself is a training ground for them.
7. **Balanced decisions-** The factor of specialization which is achieved by line staff helps in bringing co-ordination. This relationship automatically ends up the line official to take better and balanced decision.
8. **Unity of action-** Unity of action is a result of unified control. Control and its effectivity take place when co-ordination is present in the concern. In the line and staff authority all the officials have got independence to make decisions. This serves as effective control in the whole enterprise.

Demerits of Line and Staff Organization

1. **Lack of understanding-** In a line and staff organization, there are two authority flowing at one time. This results in the confusion between the two. As a result, the workers are not able to understand as to who is their commanding authority. Hence the problem of understanding can be a hurdle in effective running.
2. **Lack of sound advice-** The line official get used to the expertise advice of the staff. At times the staff specialist also provide wrong decisions which the line executive have to consider. This can affect the efficient running of the enterprise.
3. **Line and staff conflicts-** Line and staff are two authorities which are flowing at the same time. The factors of designations, status influence sentiments which are related to their relation, can pose a distress on the minds of the employees. This leads to minimizing of co-ordination which hampers a concern's working.
4. **Costly-** In line and staff concern, the concerns have to maintain the high remuneration of staff specialist. This proves to be costly for a concern with limited finance.
5. **Assumption of authority-** The power of concern is with the line official but the staff dislikes it as they are the one more in mental work.
6. **Staff steals the show-** In a line and staff concern, the higher returns are considered to be a product of staff advice and counseling. The line officials feel dissatisfied and a feeling of distress enters a concern. The satisfaction of line officials is very important for effective results.

Q.3. Differentiate between Centralisation and Decentralisation of authority?

Ans:

| BASIS FOR COMPARISON | CENTRALIZATION | DECENTRALIZATION |
|--------------------------|--|---|
| Meaning | The retention of powers and authority with respect to planning and decisions, with the top management, is known as Centralization. | The dissemination of authority, responsibility and accountability to the various management levels, is known as Decentralization. |
| Involves | Systematic and consistent reservation of authority. | Systematic dispersal of authority. |
| Communication Flow | Vertical | Open and Free |
| Decision Making | Slow | Comparatively faster |
| Advantage | Proper coordination and Leadership | Sharing of burden and responsibility |
| Power of decision making | Lies with the top management. | Multiple persons have the power of decision making. |
| Reasons | Inadequate control over the organization | Considerable control over the organization |
| Best suited for | Small sized organization | Large sized organization |

Q4. Define Organizing? Discuss in details its principles.

Ans: Organizing is the process of defining and grouping activities, and establishing authority relationships among them to attain organizational objectives.

The following are the five principles of Organizing –

Work Specialization

Also called division of labor, work specialization is the degree to which organizational tasks are divided into separate jobs. Each employee is trained to perform specific tasks related to their specialized function.

Specialization is extensive, for example running a particular machine in a factory assembly line. The groups are structured based on similar skills. Activities or jobs tend to be small, but workers can perform them efficiently as they are specialized in it.

In spite of the obvious benefits of specialization, many organizations are moving away from this principle as too much specialization isolates employees and narrows down their skills to perform routine tasks.

Also it makes the organization people dependent. Hence organizations are creating and expanding job processes to reduce dependency on particular skills in employees and are facilitating job rotation among them.

Authority

Authority is the legitimate power assigned to a manager to make decisions, issue orders, and allocate resources on behalf of the organization to achieve organizational objectives.

Authority is within the framework of the organization structure and is an essential part of the manager's job role. Authority follows a top-down hierarchy. Roles or positions at the top of the hierarchy are vested with more formal authority than are positions at the bottom.

The extent and level of authority is defined by the job role of the manager. Subordinates comply with the manager's authority as it is a formal and legitimate right to issue orders.

Chain of Command

The chain of command is an important concept to build a robust organization structure. It is the unbroken line of authority that ultimately links each individual with the top organizational position through a managerial position at each successive layer in between.

It is an effective business tool to maintain order and assign accountability even in the most casual working environments. A chain of command is established so that everyone knows whom they should report to and what responsibilities are expected at their level. A chain of command enforces responsibility and accountability. It is based on the two principles of *Unity of command and Scalar Principle*.

Unity of command states that an employee should have one and only one manager or supervisor or reporting authority to whom he is directly accountable to. This is done to ensure that the employee does not receive conflicting demands or priorities from several supervisors at once, placing him in a confused situation.

However, there are exceptions to the chain of command under special circumstances for specific tasks if required. But for the most part organizations to a large extent should adhere to this principle for effective outcomes.

Scalar principle states that there should exist a clear line of authority from the position of ultimate authority at the top to every individual in the organization, linking all the managers at all the levels. It involves a concept called a gang plank using which a subordinate may contact a superior or his superior in case of an emergency, defying the hierarchy of control. However, the immediate superiors must be informed about the matter.

Delegation

Another important concept closely related to authority is delegation. It is the practice of turning over work-related tasks and/or authority to employees or subordinates. Without delegation, managers do all the work themselves and underutilize their workers. The ability to delegate is crucial to managerial success.

Authority is said to be delegated when discretion is vested in a subordinate by a superior. Delegation is the downward transfer of authority from a manager to a subordinate. Superiors or managers cannot delegate authority they do not have, however, high they may be in the organizational hierarchy.

Delegation as a process involves establishment of expected outcomes, task assignment, delegation of authority for accomplishing these tasks, and exaction of responsibility for their accomplishment. Delegation leads to empowerment, as employees have the freedom to contribute ideas and do their jobs in the best possible ways.

Span of Control

Span of control (also referred to as Span of Management) refers to the number of employees who report to one manager. It is the number of direct reportees that a manager has and whose results he is accountable for.

The span may be wide or narrow. A wide span of control exists when a manager has a large number of employees reporting to him. Such a structure provides more autonomy. A narrow span of control exists

when the number of direct reportees that a manager has is small. Narrow spans allow managers to have more time with direct reports, and they tend to spark professional growth and advancement.

Q5. Define Organisational Structure? Discuss its various types.

Ans: Organizational structure defines the manner in which the roles, power, authority, and responsibilities are assigned and governed, and depicts how information flows between the different levels of hierarchy in an organization.

Types of Organisational Structures

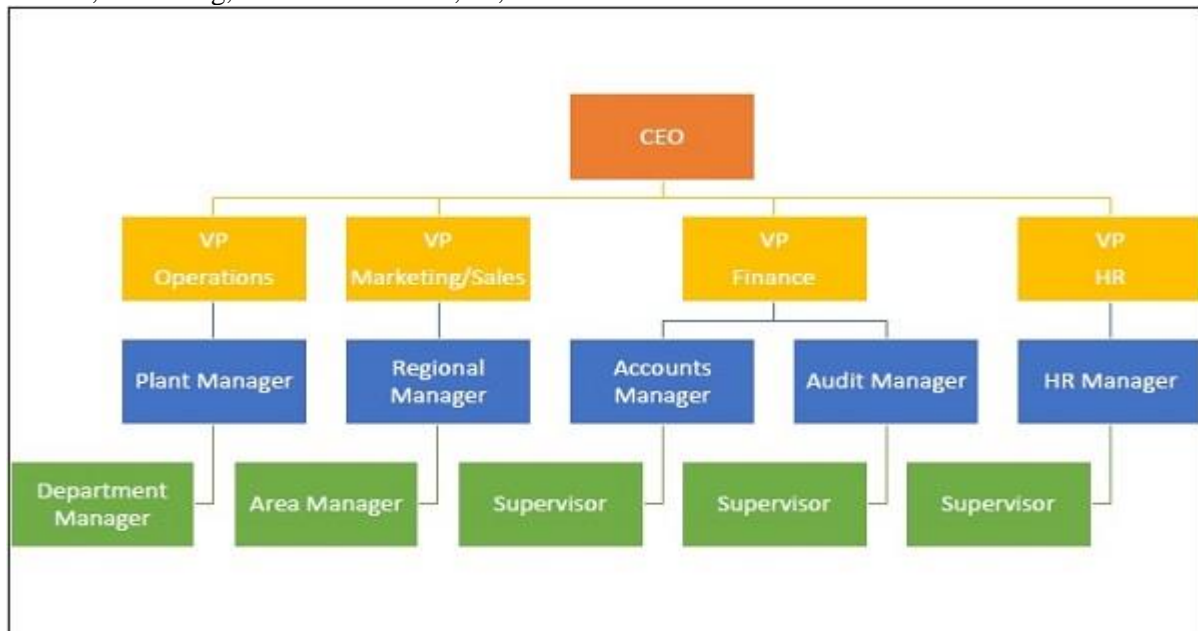
Common Organization Structures

Managements need to seriously consider how they wish to structure the organization. Some of the critical factors that need to be considered are –

- The size of the organization
- Nature of the business
- The objectives and the business strategy to achieve them
- The organization environment

Functional Organization Structure

The functional structure is the most common model found in most organizations. Organizations with such a structure are divided into smaller groups based on specialized functional areas, such as operations, finance, marketing, Human Resources, IT, etc.



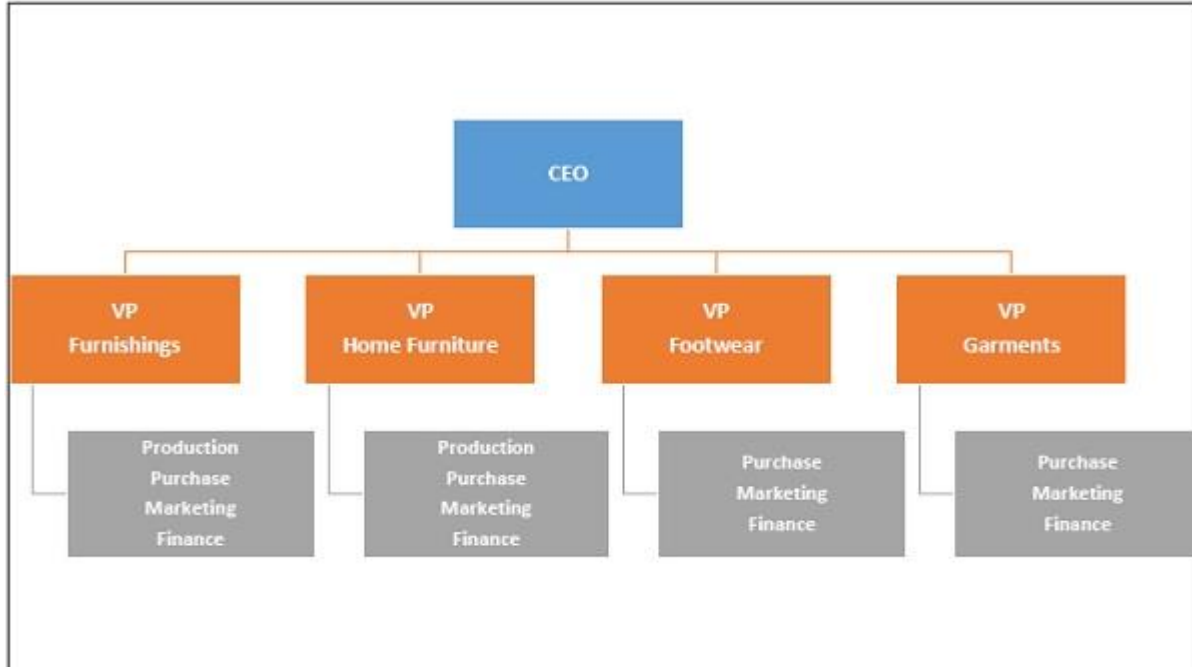
The organization's top management team consists of several functional heads (such as the VP Operations, VP Sales/Marketing). Communication generally occurs within each functional department and is communicated across departments through the department heads.

This structure provides greater operational efficiency as employees are functionally grouped based on expertise and shared functions performed. It allows increased specialization as each group of specialists can operate independently.

In spite of the above benefits there are some issues that arise with this structure. When different functional areas turn into silos they focus only on their area of responsibility and do not support other functional departments. Also expertise is limited to a single functional area allowing limited scope for learning and growth.

Product Organizational Structure

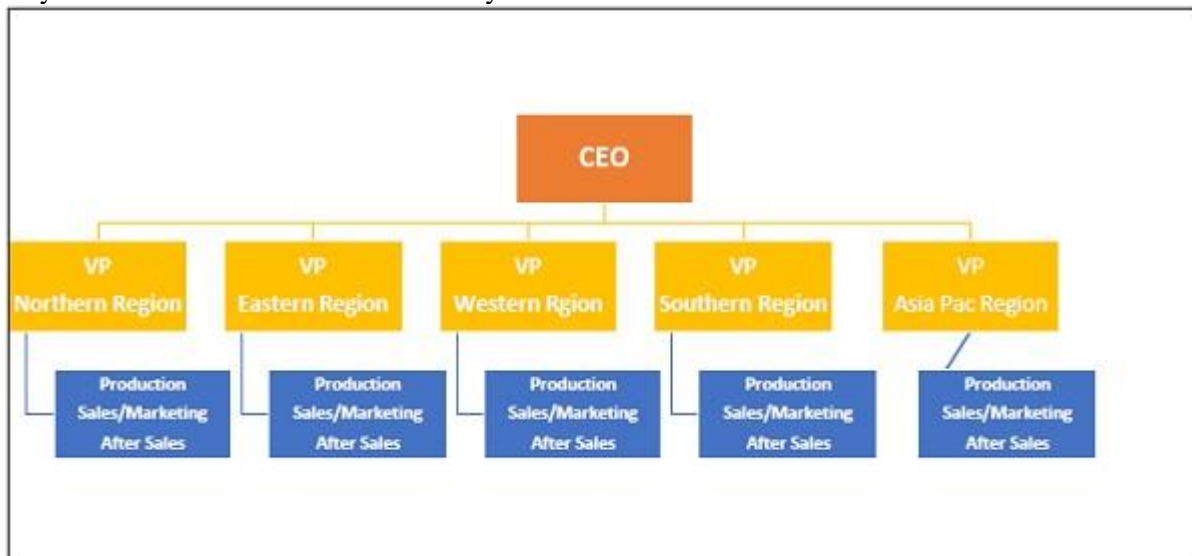
This is another commonly used structure, where organizations are organized by a specific product type. Each product category is considered a separate unit and falls within the reporting structure of an executive who oversees everything related to that particular product line. For example, in a retail business the structure would be grouped according to product lines.



Organization structured by product category facilitates autonomy by creating completely separate processes from other product lines within the organization. It promotes depth of understanding within a particular product area and also promotes innovation. It enables clear focus with accountability for program results.

Geographic Organizational Structure

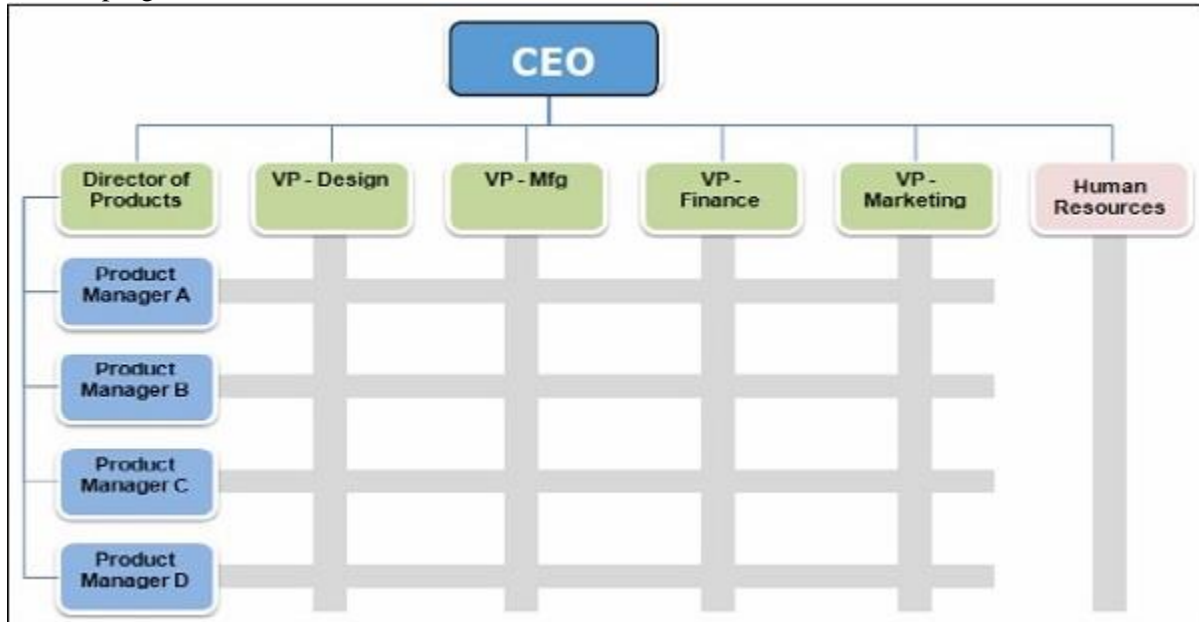
Organizations that cover a span of geographic regions structure the company according to the geographic regions they operate in. This is typically found in organizations that go beyond a city or state limit and may have customers all across the country or across the world.



It brings together employees from different functional specialties and allows geographical division. The organization responds more quickly and efficiently to market needs, and focuses efforts solely on the objectives of each business unit, increasing results.

Matrix Organizational Structure

A matrix structure is organized to manage multiple dimensions. It provides for reporting levels both horizontally as well as vertically and uses cross-functional teams to contribute to functional expertise. As such employees may belong to a particular functional group but may contribute to a team that supports another program.



This type of structure brings together employees and managers across departments to work toward accomplishing common organizational objectives. It leads to efficient information exchange and flow as departments work closely together and communicate with each other frequently to solve issues.

This structure promotes motivation among employees and encourages a democratic management style where inputs from team members are sought before managers make decisions.

However, the matrix structure often increases the internal complexity in organizations. As reporting is not limited to a single supervisor, employees tend to get confused as to who their direct supervisor is and whose direction to follow. Such dual authority and communication leads to communication gaps, and division among employees and managers.