

# 12th Standard Business Studies

## Organising

### 1. Organising

Identifying and grouping different activities in the organisation and bringing together the physical, financial and human resources to establish most productive relations for the achievement of specific goal of organisation.

According to Henry Fayol, "To organise a business is to provide it with everything useful to its functioning; raw materials, machines and tools, capital and personnel."

### 2. Process of Organising

- (i) Identification and division of work
- (ii) Departmentalisation
- (iii) Assignment of duties
- (iv) Establishing reporting relationships

### 3. Importance of Organising

- (i) Benefits of specialisation
- (ii) Clarity in working relationships
- (iii) Optimum utilisation of resources
- (iv) Adaptation to change
- (v) Effective administration
- (vi) Development of personnel
- (vii) Expansion and growth

**4. Organisation Structure** It can be defined as "Network of job positions, responsibilities and authority at different levels."

The considerations to be kept in mind while forming the organisational structure are

- (i) Job design
- (ii) Departmentation
- (iii) Span of management
- (iv) Delegation of authority

**5. Types of Organisation Structure** The organisational structure can mainly be of two types which are

(i) **Functional Structure** When the activities or jobs are grouped keeping in mind the functions or the job then it is called functional structure.

**(a) Advantages**

- \* Specialisation
- \* Easy supervision
- \* Easy co-ordination
- \* It helps in increasing managerial efficiency
- \* Effective training

**(b) Disadvantages**

- \* The departments become specialised in their own way only.
- \* When departments become too large then the co-ordination decrease.
- \* When the organisational goals is not achieved then it becomes very difficult to make any one department accountable.
- \* Employees get training of one function only i.e., the department to which they belong so they can not be shifted to other department.

**(c) Suitability** It is most suitable when the size of the organisation is large, has diversified activities and operations require a high degree of specialisation.

(ii) **Divisional Structure** When the organisation is large in size and is producing more than one type of product then activities related to one product are grouped under one department.

**(a) Advantages**

- \* Product specialisation
- \* Fast decision making
- \* Accountability
- \* Flexibility
- \* Expansion and growth

**(b) Disadvantages**

- \* Each department will require all the resources as every division will be working as an independent unit.
- \* Conflict on allocation of resources.
- \* Each department focusses on their product only and they fail to keep themselves as a part of one common organisation.

**(c) Suitability**

- \* Organisation producing multi-product.
- \* Organisation which require product specialisation.
- \* Growing companies which plan to add more line of products in future.

**6. Formal Organisation** When the managers are carrying on organising process then as a result of organisation process an organisational structure is created to achieve systematic- working and efficient utilisation of resources. This type of structure is known as formal organisational structure.

**(i) Advantages**

- (a) Systematic working
- (b) Achievement of organisational objectives
- (c) No overlapping of work
- (d) Co-ordination
- (e) Creation of chain of command
- (f) More emphasis on work

**(ii) Disadvantages**

- (a) Delay in action
- (b) Ignores social needs of employees
- (c) Emphasis on work only

**7. Informal Organisation** It 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.

**(i) Advantages**

- (a) Fast communication
- (b) Fulfills social needs
- (c) Correct feedback

**(ii) Disadvantages**

- (a) Spread rumours
- (b) No systematic working
- (c) May bring negative results
- (d) More emphasis to individual interest

**8. Delegation of Authority** “A process of entrusting responsibility and authority to the subordinates and creating accountability on those employees who are entrusted responsibility and authority.”

**9. Importance of Delegation**

- (i) Effective management
- (ii) Employee development
- (iii) Motivation of employees
- (iv) Facilitation of growth
- (v) Basis of management hierarchy
- (vi) Better co-ordination

### **10. Elements of Delegation**

- (i) Responsibility It means the work assigned to an individual. It includes all the physical and mental activities to be performed by the employees at a particular job position.
- (ii) Authority It means power to take decision. To carry on the responsibility every employee need to have some authority. ‘
- (iii) Accountability It means subordinates will be answerable for the non-completion of the task.

**11. Decentralisation** Decentralisation explains the manner in which decision-making responsibilities are divided among hierarchical level.

### **12. Importance of Decentralisation**

- (i) Develops initiative among subordinate
- (ii) Develops managerial talent for the future
- (iii) Quick decision making
- (iv) Relief to top management
- (v) Facilitates growth
- (vi) Better control