



Class 12

Business Studies

Chapter – 5_Focus Area 2022

ORGANISING



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Organising

The process of identifying and grouping various activities and bringing together physical, financial and human resources and establishing productive relations among them for the achievement of specific goals.



Organisation Structure

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Organisation Structure

Organization structure is the established pattern of relationships among various parts of the enterprise
It states the relationship among various positions and activities

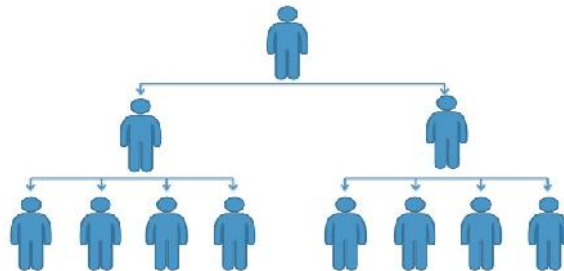


The structure provides a framework for managers and employees for performing their functions

Organisation Structure

The span of management, to a large extent gives shape to the organizational structure

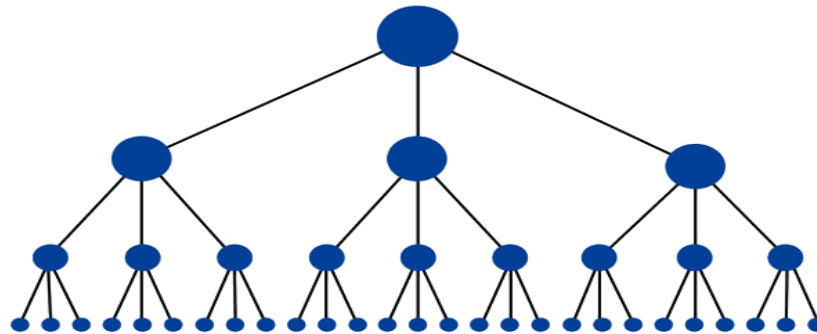
Span of management refers to the number of subordinates that can be effectively managed by a superior



This determines the levels of management in the structure

Organisation Structure

A proper organization structure is essential to ensure a smooth flow of communication and better control over the operations of a business enterprise



Types of Organisation Structure



**Organisation
Structure**

The diagram consists of three overlapping hexagonal shapes. The top shape is blue and contains the text 'Organisation Structure'. Below it are two shapes: an orange one on the left containing 'Functional Structure' and a green one on the right containing 'Divisional Structure'. The shapes overlap in the center, creating a white space where they meet.

**Functional
Structure**

**Divisional
Structure**

Functional Structure



Types of Organization Structure

Functional Structure

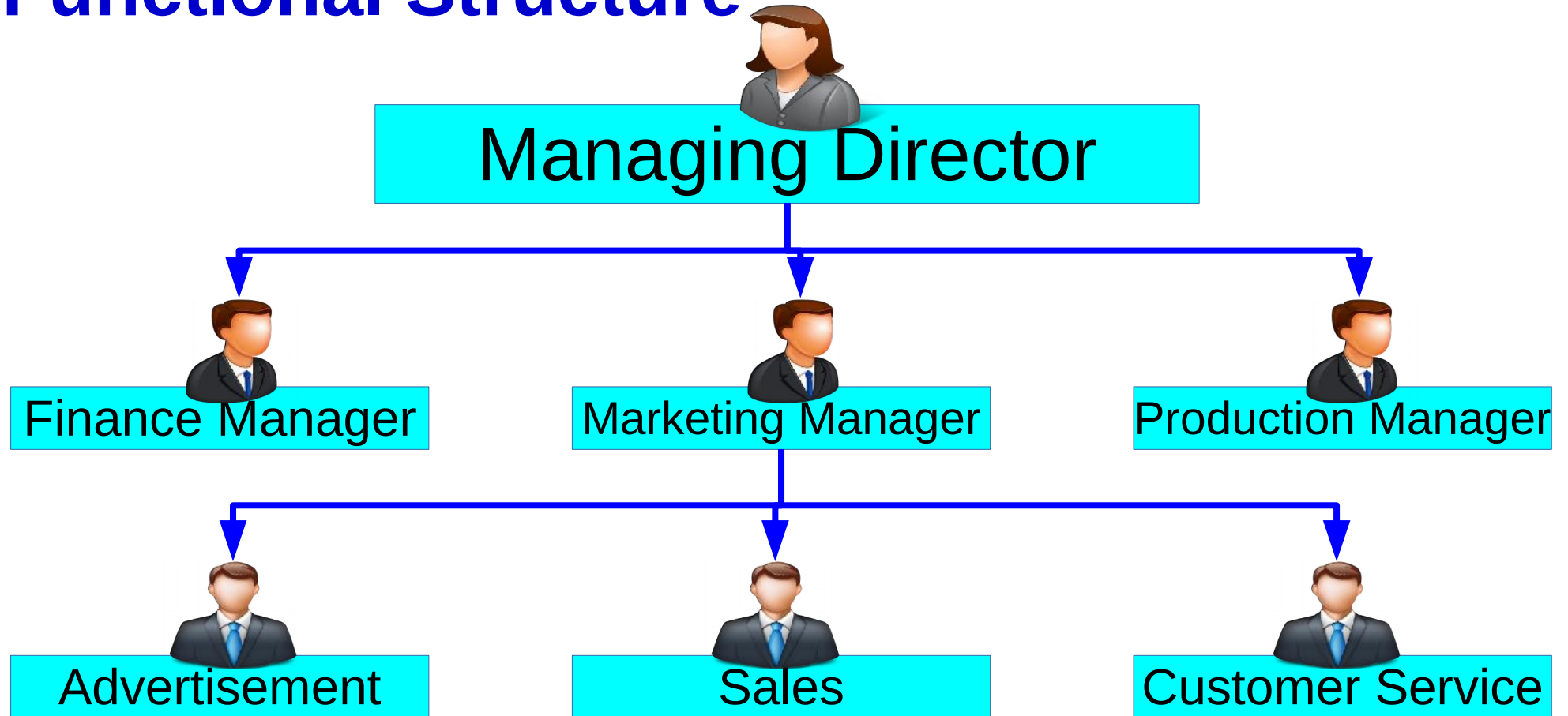
This organization structure is **formed on the basis of different functions** or work to be done in the enterprise



Eg: Production, Marketing, Finance, Human Resource etc.

Types of Organization Structure

Functional Structure



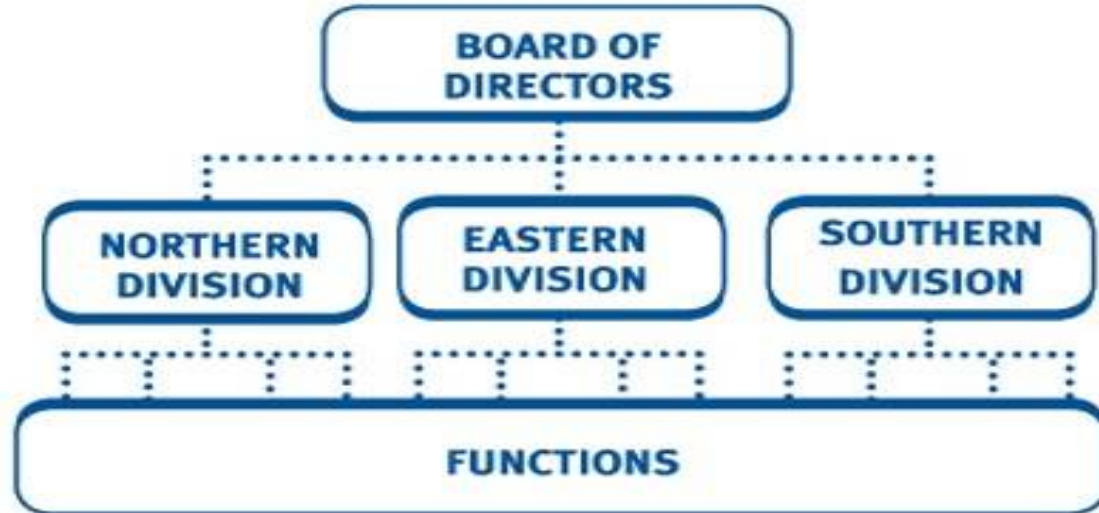
Divisional Structure



Types of Organization Structure

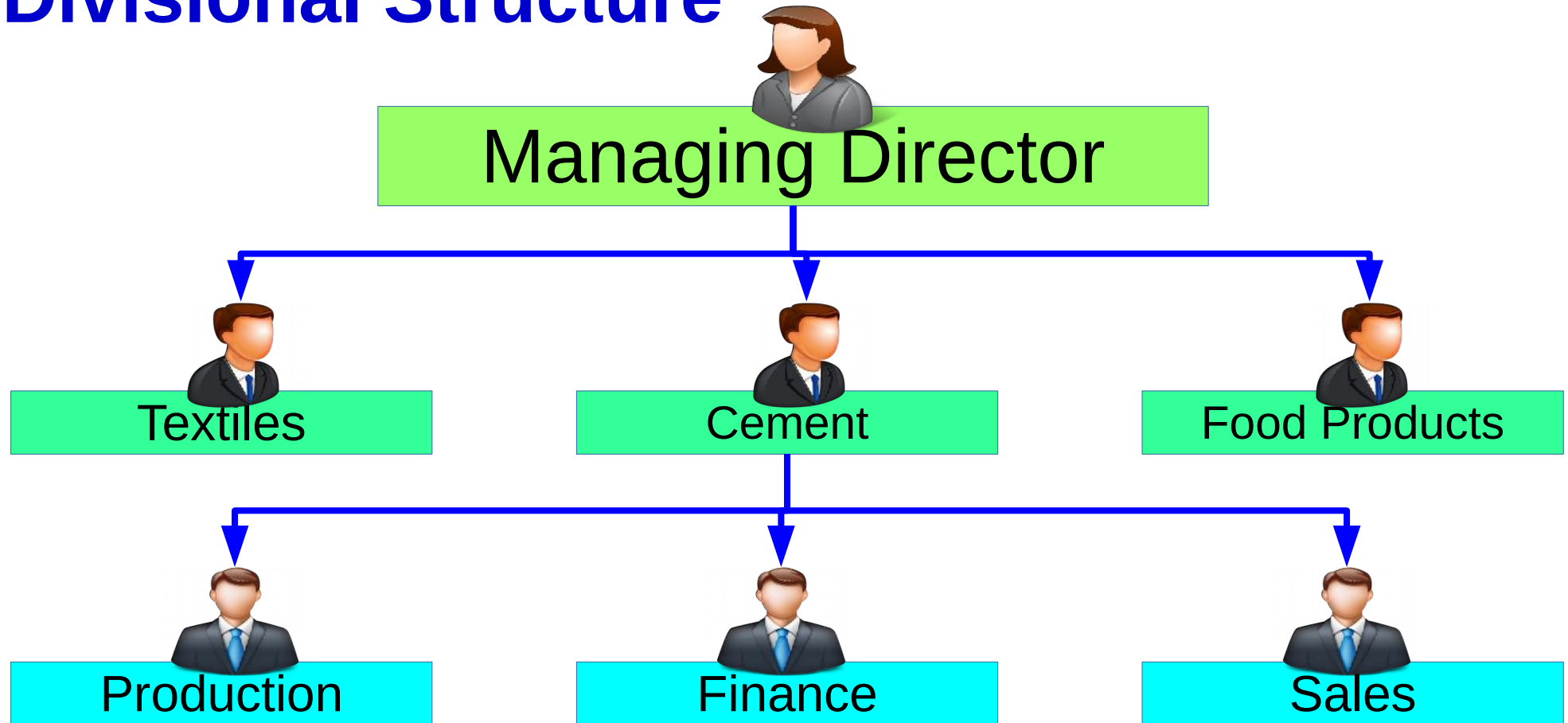
Divisional Structure

It is suitable for large organizations having different products or having business in different areas



Types of Organization Structure

Divisional Structure



Comparison – Functional and Divisional Structure

| Basis | Functional | Divisional |
|------------------------|--|---------------------------------------|
| Formation | Based on functions | Based on product lines |
| Specialization | Based on functions | Based on products |
| Responsibility | Difficult to fix on department | Easy to fix on a department |
| Managerial development | Difficult | Easy |
| Cost | Economical | Increase in cost |
| Coordination | Difficult for a multi product organisation | Easy for a multi product organisation |



Formal Organisation

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Formal Organisation

It refers to the structure of relationships deliberately designed by the top management to attain the objectives

Here the responsibility, authority etc. will be specified



Every subordinate is expected to obey his superior in the formal chain of command

Formal Organisation

“An organization is formal when the activities of two or more persons are consciously coordinated towards a common objective.”

– Chester Bernard



Chester Bernard: American Business Executive and the author of **Functions of Executive**



Informal Organisation

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Informal Organisation

Informal organization structure is developed within the formal organization spontaneously



The network of personal and social relationships on the basis of friendship and common interest is called informal organization

Differences:

Formal Organisation

Vs.

Informal Organisation



Formal Vs. Informal Organisation

1 Meaning

Formal Organisation

Structure of authority
created by
management

Informal Organisation

Network of social
relationship among the
employees

Formal Vs. Informal Organisation

2 Origin

Formal Organisation

Established on the basis of company rules and regulations

Informal Organisation

Originated as a result of social interaction

Formal Vs. Informal Organisation

3 Authority

Formal Organisation

Based on the position in
the management

Informal Organisation

Based on personal
qualities

Formal Vs. Informal Organisation

4 Behaviour

Formal Organisation

It is directed by rules

Informal Organisation

There is no set
behaviour pattern

Formal Vs. Informal Organisation

5

Flow of Communication

Formal Organisation

Through the scalar
chain

Informal Organisation

It can take place in any
direction (Grapevine)

Formal Vs. Informal Organisation

6

Nature

Formal Organisation

Rigid

Informal Organisation

Flexible

Formal Vs. Informal Organisation

7 Leadership

Formal Organisation

Managers are
Leaders

Informal Organisation

Leaders are
chosen by the
group

Delegation of Authority

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Delegation of Authority

Delegation means assigning work to others and giving them authority to do

It is the downward transfer of authority from a superior to the subordinate



It enables the managers to distribute their workload to others

Elements of Delegation



Elements of Delegation

1 Authority

It is the right of an individual to command his subordinates and to take action within the limits of his position



Elements of Delegation

2 Responsibility

It is the obligation of a subordinate to perform the duties assigned

It always moves upwards and it cannot be delegated



The authority granted must be in parity with the responsibility otherwise delegation of authority will become ineffective

Elements of Delegation

3 Accountability

Accountability means answerability for the final outcome of the assigned task

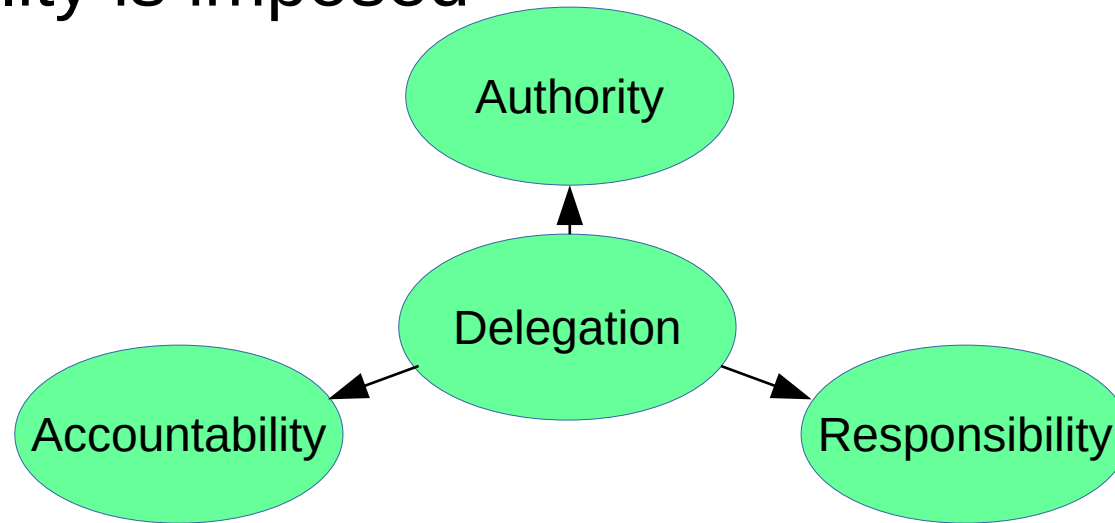
It cannot be delegated and flows upwards



Here a subordinate is accountable to his superior for his performance and at the same time the superior would still be accountable for the outcome

Delegation of Authority

- Authority is delegated
- Responsibility is assumed or accepted
- Accountability is imposed



Responsibility derived from authority while accountability derived from responsibility

Delegation of Authority

A comparative study on the elements of delegation:

| Basis | Authority | Responsibility | Accountability |
|------------|------------------|-------------------------------------|--|
| Meaning | Right to command | Obligation to perform assigned duty | Answerability for outcome of the assigned task |
| Delegation | Can be delegated | Cannot be delegated | Cannot be delegated |
| Comes from | Formal position | Delegated authority | Responsibility |
| Flow | Downward | Upward | Upward |

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THANKS!

