



# Collegedunia NCERT Solutions

Step-by-step solutions, alternate methods & exam tips for Class 12 Business Studies

## Chapter 5: Organising

### About this Chapter

Organising is the second managerial function and creates the structure of authority and responsibility through which the plan is delivered. This chapter covers the four-step organising process, two organisation structures (functional and divisional), formal vs informal organisation, the elements of **delegation** (authority, responsibility, accountability) and **decentralisation**.

**Topics covered:** Organising Process • Structure - Functional & Divisional • Formal vs Informal • Delegation • Decentralisation • Span of Management

#### Quick Formula Sheet

##### Four-step Organising Process:

Identify and divide work → Departmentalise → Assign duties → Establish authority and reporting relationships.

##### Three Elements of Delegation:

Authority + Responsibility + Accountability (A-R-A).

##### Functional vs Divisional:

Functional: split by function (production, marketing).

Divisional: split by product / region / customer.

Also see for this chapter: [Revision Notes](#) | [Handwritten Notes](#)

### Very Short Answer Type

**Q 5.1** Identify the network of social relationships which arises spontaneously due to interaction at work.

#### SOLUTION

**Concept used.** An **informal organisation** is the network of social and personal relationships that emerges spontaneously when employees interact at work. It is not designed by management and does not appear on the organisation chart.

**Step 1.** In every workplace, employees from different departments and levels meet during work, breaks, and after hours.

**Step 2.** Through repeated interaction they form friendships, common interest groups,

and informal communication networks (sometimes called the “grapevine”).

**Step 3.** These networks arise on their own, without management designing them, and they exist alongside the formal organisation structure.

**Step 4.** Such a network is termed the *informal organisation*.

**Final Answer:** The network of social relationships that arises spontaneously from workplace interaction is called the *informal organisation*.

**EXPERT’S SOLUTION** : Priya Sharma, MBA HR, IIM Bangalore

**Strategic angle.** The keyword in the stem is *spontaneously*. Informal organisation is the only NCERT concept that uses this word. Spot it, write the answer.

**Step 1.** Management never designs the informal organisation; it emerges by itself when people interact during work.

**Step 2.** It coexists with the formal organisation but is invisible on the official organisation chart of the firm.

**Step 3.** Informal organisation channels information faster than formal channels through the grapevine, and helps morale because employees can vent their grievances informally.

**Why this matters.** CBSE often follows up this VSA with a short answer on how informal organisation supports the formal organisation. Memorise both halves of the topic.

**Final Answer:** Informal organisation.

#### Exam Tip

“Spontaneously” and “social relationships at work” are the two trigger phrases for informal organisation. Either phrase in the question stem is enough to lock in the answer.

**Q 5.2** What does the term ‘Span of management’ refer to?

#### SOLUTION

**Concept used.** **Span of management** (also called span of control) is the number of subordinates that can be effectively managed by a superior. It is a critical organising decision because it determines the shape of the organisation chart (tall vs flat).

**Step 1.** Each manager can supervise only a limited number of subordinates effectively;

beyond that limit, supervision becomes diluted and control weakens.

**Step 2.** Span of management refers to this maximum effective number for a given manager and a given task.

**Step 3.** A wide span means many subordinates per manager (flat organisation, fewer levels); a narrow span means few subordinates per manager (tall organisation, many levels).

**Step 4.** Factors affecting the span include the manager's capability, subordinates' competence, nature of work, and availability of information systems.

**Final Answer:** Span of management refers to the number of subordinates that can be effectively managed by a superior. It shapes whether the organisation is tall or flat.

**EXPERT'S SOLUTION** : Aditya Verma, M.Com, Delhi School of Economics

**Strategic angle.** Span of management is a one-mark VSA in some sessions and a sub-part of a 4-mark short answer in others. The full answer has three pieces: definition, what determines it, and its effect on hierarchy.

**Step 1.** Definition: number of subordinates per manager that can be supervised effectively given the manager's time and task.

**Step 2.** Determinants: manager's capability, subordinates' competence, task complexity, and the quality of information systems available to the manager.

**Step 3.** Effect on hierarchy: wide span gives a flat hierarchy with fewer levels; narrow span gives a tall hierarchy with many levels and more layers of supervision.

**Why this matters.** A narrow span concentrates control in fewer hands but adds levels; a wide span dilutes control but empowers subordinates. The choice ties directly into decentralisation.

**Final Answer:** The number of subordinates a manager can effectively supervise, which controls the organisation's number of levels.

### Exam Tip

A wide span gives a flat hierarchy; a narrow span gives a tall one. Use this rule of thumb whenever a case asks about levels in the organisation.

**Q 5.3** State any two circumstances under which the functional structure will prove

to be an appropriate choice.

### SOLUTION

**Concept used.** A **functional structure** groups activities by function (production, marketing, finance, HR). It suits organisations that need depth of specialisation in each function and are not yet diversified into multiple product lines or regions.

**Step 1.** *Circumstance 1: Single product or limited product line.* When a firm produces one main product (or a small related set), splitting by function gives every product the depth of expertise it needs. Adding divisional layers would only duplicate effort.

**Step 2.** *Circumstance 2: Need for specialisation in each function.* When deep functional expertise is required (an engineering firm, a tax-consulting firm), the functional structure pools all specialists of one type into one department where they reinforce each other.

**Final Answer:** Functional structure is appropriate when (a) the firm has a single or limited product line, and (b) deep functional specialisation is required.

### EXPERT'S SOLUTION : Sneha Iyer, MBA Marketing, NMIMS Mumbai

**Strategic angle.** The CBSE rubric on this question rewards naming the two circumstances and giving one short justification for each. Avoid the trap of listing four or five overlapping circumstances.

**Step 1.** Pick two clearly different circumstances: one based on product range, one based on function depth.

**Step 2.** Add a one-line example under each so the marker can trace your answer to a real situation.

**Step 3.** Avoid mixing in advantages of functional structure (cost savings, easier control); the question asks for circumstances, not advantages.

**Why this matters.** Functional structure is the default choice for new and single-line firms. Once a firm diversifies into multiple unrelated products or regions, the divisional structure takes over.

**Final Answer:** Single product line and need for deep functional specialisation are the two circumstances that justify a functional structure.

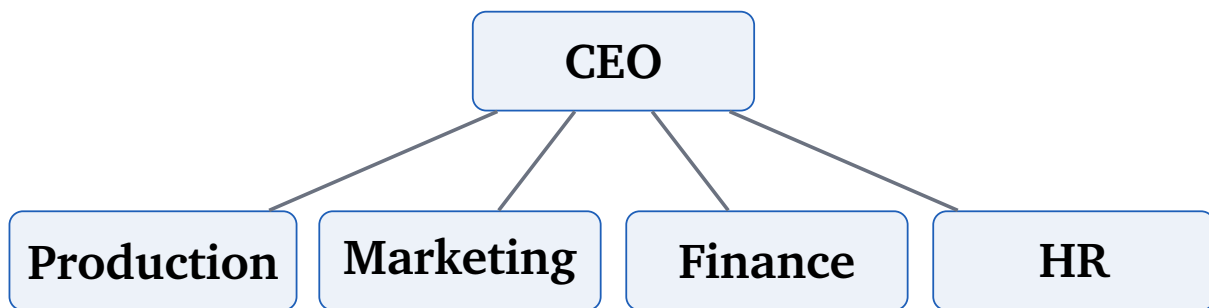
### ♥ Why This Matters

Functional structure is the default for new firms. When a firm starts adding unrelated product lines, the structure must shift to divisional to retain focus.

**Q 5.4** Draw a diagram depicting a functional structure.

#### SOLUTION

**Concept used.** A **functional organisation structure** groups activities by function: the CEO at the top, with heads of Production, Marketing, Finance, and Human Resources reporting directly. Sub-departments may sit under each function.



**Step 1.** The diagram shows the CEO at the top, with four functional heads reporting directly: Production, Marketing, Finance, and HR.

**Step 2.** Each functional head supervises specialists in that function only; specialists from different functions do not mix unless via the CEO.

**Step 3.** This structure pools functional expertise but makes coordination across functions slower because every cross-functional issue routes through the CEO.

**Final Answer:** The functional structure has the CEO at the top with heads of Production, Marketing, Finance, and Human Resources reporting directly, each supervising specialists in that function only.

#### EXPERT'S SOLUTION : Rohan Mehta, B.Com (Hons), SRCC Delhi

**Strategic angle.** CBSE awards full marks when the diagram is clear, labelled, and accompanied by a one-line explanation. A hand-drawn rectangular tree with four functions is enough; do not over-decorate.

**Step 1.** Draw the CEO box at the top of the page.

**Step 2.** Draw four (or five) functional-head boxes connected to the CEO by straight lines.

**Step 3.** Add one line of caption beneath the diagram identifying it as a functional structure.

**Why this matters.** Diagram questions are easy marks if you have practised the layout. Keep boxes uniform in size and lines straight; CBSE does not require artistic quality, only clarity.

**Final Answer:** Functional structure diagram: CEO at top, four functional heads (Production, Marketing, Finance, HR) below, connected by straight lines.

#### Recall

Keep the diagram boxes uniform and the lines straight. CBSE rewards clarity, not artistic quality.

**Q 5.5** A company has its registered office in Delhi, manufacturing unit at Gurgaon and marketing and sales department at Faridabad. The company manufactures the consumer products. Which type of organisational structure should it adopt to achieve its target?

#### SOLUTION

**Concept used.** A **functional organisation structure** groups activities by function. The case mentions one product category (consumer products) and three functional units (registered office, manufacturing, marketing/sales) located in different cities. This is a classic functional split, not a product or region split.

**Step 1.** The company has one product family (consumer products) - not multiple product lines.

**Step 2.** The three units cited are functional units: head office, manufacturing, and marketing/sales. Each handles one function.

**Step 3.** When a single-product firm splits by function across geographical locations, the appropriate structure is functional (not divisional). Divisional would apply only if each location handled a different product range end-to-end.

**Final Answer:** The company should adopt a *functional organisational structure*, since it has one product line split into clear functional units across geographies.

**EXPERT'S SOLUTION** : Vikram Singh, MBA Strategy, IIM Lucknow

**Strategic angle.** The trap in this case is the multiple locations, which can fool students into picking divisional structure. Read carefully: each location handles *one function*, not a separate product line.

**Step 1.** Check for product diversity: one product family means functional, multiple product lines mean divisional.

**Step 2.** Check for the role of each location: function-by-location is functional; product-by-location is divisional.

**Step 3.** Both checks point to functional here, with multiple geographies but one product family.

**Why this matters.** Geographical spread alone does not trigger divisional structure. Only product-level (or region-level with product-level autonomy) differentiation does.

**Final Answer:** Functional organisational structure, because the firm has one product family even though its functions are spread across cities.

**✗ Common Mistake**

Geographical spread alone does not trigger divisional structure. Only product-level differentiation does.

## Short Answer Type

**Q 5.1** What are the steps in the process of organising?

**SOLUTION**

**Concept used.** The **organising process** has four sequential steps as listed in the NCERT textbook. Together they build the structure of authority and responsibility through which the plan is executed.

**Step 1.** *Identification and division of work.* List all the activities required to achieve the planned objectives and divide them into small and manageable activities so that duplication is avoided and the burden of work is shared.

**Step 2.** *Departmentalisation.* Group similar or related activities into departments. Departments may be created on the basis of function, product, region or customer. This grouping facilitates specialisation.

**Step 3.** *Assignment of duties.* Allocate the work of each department to individuals on

the basis of their skills and competencies. Each department is placed under the charge of a person who is best fitted to perform it.

**Step 4.** *Establishing authority and reporting relationships.* Define who reports to whom and the extent of authority each individual will exercise. This creates the chain of command, fixes accountability and builds a hierarchical structure for coordination.

**Final Answer:** The four steps of the organising process per NCERT are identification and division of work, departmentalisation, assignment of duties, and establishing authority and reporting relationships.

**EXPERT'S SOLUTION** : Anjali Kapoor, CA, ICAI Mumbai

**Strategic angle.** The four-step organising process is one of the highest-yield long answers in this chapter. Memorise the order using the mnemonic *I-D-A-R*: Identify, Departmentalise, Assign, Reporting (authority).

**Step 1.** Each step earns roughly one mark in a 4-mark answer; do not skip steps in favour of writing fewer steps in more detail.

**Step 2.** Add a real-world example under each step (e.g. "marketing and sales activities are grouped into the marketing department") to anchor the answer.

**Step 3.** Close with the role of establishing authority and reporting relationships as the binding step that gives the structure its hierarchy.

**Why this matters.** The organising process feeds into delegation and decentralisation. Once the structure is built, authority flows through it from top to bottom; that is the delegation step in the next concept block.

**Final Answer:** Four-step organising process: identify and divide work, departmentalise, assign duties, establish authority and reporting relationships.

### Exam Tip

Memorise the I-D-A-R mnemonic for the four-step organising process. Each step earns roughly one mark in a 4-mark answer.

**Q 5.2** Discuss the elements of delegation.

**SOLUTION**

**Concept used.** **Delegation** is the downward transfer of authority from a superior to a subordinate. It has three inseparable elements: authority, responsibility, and accountability.

- Step 1.** *Authority.* The right to take decisions and command subordinates. It flows downward from superior to subordinate. Without authority a subordinate cannot perform the assigned task.
- Step 2.** *Responsibility.* The obligation of the subordinate to properly perform the assigned task. It arises out of the superior-subordinate relationship and flows upward in the sense that the subordinate reports back.
- Step 3.** *Accountability.* The answerability of the subordinate to the superior for the outcome of the delegated task. Accountability cannot be delegated; even after delegating authority, the superior remains ultimately accountable.
- Step 4.** These three elements must coexist. Authority without responsibility leads to misuse; responsibility without authority is frustrating; accountability without either is unfair.

**Final Answer:** The three elements of delegation are authority (right to act), responsibility (obligation to perform), and accountability (answerability for outcome). All three must coexist.

**EXPERT'S SOLUTION** : *Karan Reddy, MBA Operations, IIM Calcutta*

**Strategic angle.** The A-R-A model (Authority, Responsibility, Accountability) is the structural answer for every delegation question. Memorise the three definitions and one key relationship rule per element.

- Step 1.** Authority flows downward; responsibility flows upward; accountability is non-delegable. Stating these three directional rules earns half the marks.
- Step 2.** Pair each element with a sentence on what goes wrong if it is missing: missing authority gives frustration; missing responsibility gives misuse; missing accountability gives unfairness.
- Step 3.** Always restate that the three are inseparable; a delegation answer that mentions only authority is incomplete.

**Why this matters.** The same A-R-A model is tested in case studies where a manager assigns work but withholds authority (Long Answer Q7 in this exercise). Identify the missing element and the case answers itself.

**Final Answer:** Authority, responsibility, and accountability - the three inseparable elements of delegation, each with its own directional rule.

#### Recall

Authority flows down, responsibility flows up, accountability cannot be delegated. State these three rules to anchor any delegation answer.

### Q 5.3 How does informal organisation support the formal organisation?

#### SOLUTION

**Concept used.** The **informal organisation** is the spontaneous network of social relationships among employees. Although not designed by management, it complements the formal organisation in several ways.

- Step 1.** *Faster communication.* Informal channels (the grapevine) circulate information much faster than formal channels, which is useful in routine information sharing and emergencies.
- Step 2.** *Fills gaps in the formal organisation.* The formal structure cannot anticipate every situation. Informal relationships help employees handle situations the formal rules do not cover.
- Step 3.** *Higher morale and job satisfaction.* Employees who feel socially connected at work are more motivated, which in turn raises productivity and reduces turnover.
- Step 4.** *Provides feedback to management.* Informal leaders and grapevine messages give management an early signal of employee mood and resistance, helping them adjust formal decisions.
- Step 5.** *Encourages teamwork.* Friendships across departments ease cross-functional cooperation in ways the formal chart cannot.

**Final Answer:** Informal organisation supports the formal organisation through faster communication, gap-filling, higher morale, feedback to management, and cross-functional teamwork.

**EXPERT'S SOLUTION** : Meera Joshi, M.Com (Marketing), Mumbai University

**Strategic angle.** CBSE expects a balanced answer in the 3-4 mark short answer format. Lead with two or three benefits that directly help the formal organisation, then close with the control implication.

**Step 1.** Open with faster communication (the grapevine) - the single most quoted benefit of informal organisation.

**Step 2.** Add gap-filling and morale - two benefits that link directly to firm performance.

**Step 3.** Close with the feedback-loop function: managers can sense employee mood and act before it becomes a formal dispute.

**Why this matters.** Managers should not try to abolish the informal organisation; that only drives it underground. The best stance is to recognise it and use it to support formal decisions.

**Final Answer:** Informal organisation supports the formal organisation by speeding communication, plugging gaps, raising morale, and giving managers an early signal of employee sentiment.

### ♥ Why This Matters

A wise manager works with the informal organisation rather than against it. Suppressing the grapevine only drives it underground and slows the firm.

**Q 5.4** Can a large sized organisation be totally centralised or decentralised? Give your opinion.

### SOLUTION

**Concept used.** **Centralisation** concentrates decision-making at the top; **decentralisation** spreads it across levels. Both are matters of degree, not absolutes. A large organisation cannot be totally one or the other.

**Step 1.** *Total centralisation is impossible in a large firm.* Even a CEO cannot make every decision; routine choices at the shop floor (which supplier to call, which form to use) must be delegated. Total centralisation would slow the firm to a halt.

**Step 2.** *Total decentralisation is equally impossible.* Strategic decisions on direction (entering a new country, acquiring a competitor) cannot be left to junior managers because they need an organisation-wide perspective.

**Step 3.** In practice every large firm blends the two: strategic decisions are centralised at the top, while operational and tactical decisions are decentralised to middle

and lower levels.

**Step 4.** The right balance depends on the firm's size, industry, environment uncertainty, and management philosophy.

**Final Answer:** No - a large organisation can be neither totally centralised nor totally decentralised. Strategic decisions sit at the top while operational decisions are delegated.

**EXPERT'S SOLUTION** : Arjun Nair, MBA HR, XLRI Jamshedpur

**Strategic angle.** The CBSE rubric awards three points here: state the impossibility of both extremes, give one reason for each, and then explain the blended reality.

**Step 1.** State the clear "no" upfront.

**Step 2.** Explain why total centralisation fails: the volume of decisions overwhelms the top.

**Step 3.** Explain why total decentralisation fails: strategic coherence is lost when junior managers make organisation-wide decisions.

**Why this matters.** The blended-reality conclusion sets up the next concept block on delegation vs decentralisation. Decentralisation is best thought of as delegation extended to the lowest possible level.

**Final Answer:** No, both extremes are impossible; a large firm blends centralised strategic decisions with decentralised operational decisions.

### ✗ Common Mistake

Do not write that decentralisation removes the need for centralised decisions. Strategic decisions stay at the top in every large firm.

**Q 5.5** Decentralisation is extending delegation to the lowest level. Comment.

### SOLUTION

**Concept used.** **Delegation** transfers authority from a superior to one immediate subordinate. **Decentralisation** systematically extends this transfer across many levels, pushing decision authority as low as possible within the firm.

**Step 1.** Delegation is a one-step transfer: one superior gives some of their authority to

one subordinate. It happens between two people.

**Step 2.** Decentralisation extends this transfer organisation-wide: every superior delegates downward, until the lowest level that can take a decision has the authority to do so.

**Step 3.** Therefore the statement is correct: decentralisation is the systematic extension of delegation to the lowest feasible level.

**Step 4.** However, decentralisation is also a philosophy and policy of the firm, not just an accumulation of delegations. It requires consistent application across departments and a culture that supports lower-level decision-making.

**Final Answer:** The statement is correct: decentralisation is delegation systematically extended to the lowest feasible level, and it is also a firm-wide policy of pushing authority downward.

**EXPERT'S SOLUTION** : Pooja Bansal, MBA International Business, IIFT Delhi

**Strategic angle.** A "comment" answer in CBSE expects agreement or disagreement with reasoning. The textbook supports agreement here, so the answer is "yes, with two layers of explanation".

**Step 1.** Layer 1: the structural extension - delegation between two people becomes decentralisation when repeated across all levels.

**Step 2.** Layer 2: the policy extension - decentralisation also carries a cultural intent of pushing authority downward consistently.

**Step 3.** Conclude that both layers must coexist for true decentralisation; a firm with only one or two delegations is not decentralised.

**Why this matters.** The "policy" framing distinguishes decentralisation from accidental scattered delegations. A truly decentralised firm has it as a stated philosophy, not a consequence.

**Final Answer:** Yes, the statement is correct - decentralisation is both the structural extension of delegation to the lowest level and the firm-wide policy that sustains it.

### Exam Tip

For "comment" answers in CBSE, agree or disagree explicitly in the first sentence, then justify with two reasoning layers and one example.

**Q 5.6** Neha runs a factory wherein she manufactures shoes. The business has been doing well and she intends to expand by diversifying into leather bags as well as western formal wear thereby making her company a complete provider of corporate wear. This will enable her to market her business unit as the one stop for working women. Which type of structure would you recommend for her expanded organisation and why?

### SOLUTION

**Concept used.** A **divisional organisation structure** groups activities by product line. It suits firms with multiple unrelated product categories, because each division can run end-to-end with its own production, marketing and finance sub-units. Neha's expansion creates three product categories (shoes, leather bags, formal wear), which is the classic divisional trigger.

- Step 1.** Neha's expanded firm has three distinct product categories that share little operational similarity (footwear, bags, apparel each need different production skills and supplier networks).
- Step 2.** A functional structure would force each function (production, marketing) to handle all three product lines together, leading to poor focus and slow decisions.
- Step 3.** A divisional structure gives each product line its own division head with end-to-end responsibility (production, marketing, finance, HR sub-units within the division).
- Step 4.** Reasons to recommend divisional: (a) clear product accountability, (b) faster decisions because each division head has full authority, (c) ease of expansion when a fourth product line is added later, (d) easier performance measurement at division level.

**Final Answer:** Recommend a divisional organisation structure split by product line - shoes division, leather bags division, formal wear division - because each product category needs end-to-end focus and the divisions can be evaluated separately.

**EXPERT'S SOLUTION** : *Rahul Khanna, M.Com (Finance), Christ University Bangalore*

**Strategic angle.** The case has the classic marker of divisional structure: multiple unrelated product lines being added to an existing single-product firm. Anchor the answer to this product-diversity trigger.

- Step 1.** Identify the product-diversity trigger: three distinct product categories.
- Step 2.** Recommend divisional structure with one division per product line, naming

each division explicitly to anchor the case.

**Step 3.** State four benefits of divisional structure that apply specifically to Neha's case: product focus, decision speed, expansion ease, and performance measurement.

**Why this matters.** The same logic applies to long-answer case studies later in this exercise (Q6 - toy company expanding into electronic toys). Once you internalise the product-diversity trigger, multiple case studies become easy.

**Final Answer:** Divisional structure by product line: shoes, leather bags, formal wear - each as a self-contained division.

#### Recall

The product-diversity trigger is the single most reliable marker for recommending divisional structure in a case study.

**Q 5.7** The production manager asked the foreman to achieve a target production of 200 units per day, but he doesn't give him the authority to requisition tools and materials from the stores department. Can the production manager blame the foreman if he is not able to achieve the desired target? Give reasons.

#### SOLUTION

**Concept used.** **Delegation** requires three elements - authority, responsibility, accountability - to coexist. Assigning responsibility without authority makes execution impossible and is unfair to the subordinate.

**Step 1.** The foreman has been given the *responsibility* to achieve 200 units per day. He is expected to perform this task.

**Step 2.** However, the foreman has not been given the *authority* to requisition tools and materials. Tools and materials are essential inputs for production.

**Step 3.** Without the authority over essential inputs, the foreman cannot perform the assigned task. He must constantly seek approvals from the production manager for routine requisitions, which delays work.

**Step 4.** Therefore the production manager cannot fairly blame the foreman. The principle of *parity of authority and responsibility* - one of the textbook principles of delegation - has been violated.

**Step 5.** The production manager is the one who erred by delegating responsibility without matching authority. He is accountable for the failure.

**Final Answer:** No - the production manager cannot blame the foreman. The principle of parity of authority and responsibility has been violated; responsibility was given without the matching authority over essential inputs.

**EXPERT'S SOLUTION** : Divya Menon, CMA, Institute of Cost Accountants Kolkata

**Strategic angle.** The case has a textbook violation of parity: responsibility without authority. The CBSE rubric expects naming the principle and identifying the missing element.

**Step 1.** Name the textbook principle: parity of authority and responsibility. Both must be equal.

**Step 2.** Identify the missing element in the case: authority over tool and material requisitions.

**Step 3.** Conclude with whose fault it is: the production manager (the delegator), not the foreman (the delegate).

**Why this matters.** Case studies on delegation almost always test one of two principles: parity of authority and responsibility, or absoluteness of accountability. Spot the principle, name it, identify the violation.

**Final Answer:** No - parity of authority and responsibility is violated. The production manager is at fault for delegating responsibility without the authority over essential inputs.

### ✗ Common Mistake

When responsibility is assigned without authority, the delegator is at fault. The delegate cannot be blamed for failure.

## Long Answer Type

**Q 5.1** Why is delegation considered essential for effective organising?

### SOLUTION

**Concept used.** **Delegation** is the downward transfer of authority from a superior to a subordinate. Without delegation, an organisation cannot scale because every decision would route to the top. The textbook lists five reasons delegation is essential.

- Step 1.** *Effective management.* Delegation frees the manager from routine work so they can focus on strategic decisions that only they can take.
- Step 2.** *Employee development.* When subordinates exercise authority, they develop decision-making skills, which prepares them for higher positions and builds the talent pipeline of the firm.
- Step 3.** *Motivation of employees.* Being trusted with authority signals confidence in the subordinate, which raises morale and motivation. The employee feels respected as a contributor, not just a worker.
- Step 4.** *Facilitation of growth.* As the firm grows, no single manager can supervise every activity. Delegation is the mechanism that lets the firm add departments, regions, or product lines without losing control.
- Step 5.** *Basis of management hierarchy.* Delegation is what creates the superior-subordinate relationships that build the organisation chart. The hierarchy itself is a product of repeated delegations.
- Step 6.** *Better coordination.* Clear delegation clarifies who decides what, which reduces overlap and gaps between departments.

**Final Answer:** Delegation is essential for organising because it enables effective management, employee development, motivation, facilitation of growth, formation of hierarchy, and better coordination.

**EXPERT'S SOLUTION** : Suresh Pillai, MBA Entrepreneurship, IIM Ahmedabad

**Strategic angle.** A 5-6 mark long answer needs five to six numbered points. Use the textbook's exact list and add one real-world example under each to anchor the answer.

- Step 1.** Lead each reason with the title in bold so the marker can tick it off.
- Step 2.** Tie each reason to a concrete benefit: development to talent pipeline, motivation to retention, growth to scalability.
- Step 3.** Close with the coordination point because it links delegation to the wider organising function.

**Why this matters.** Delegation is the bridge between organising and staffing - it is what makes the structure work day to day. CBSE often links delegation to motivation (a directing-function topic) in case studies.

**Final Answer:** Six reasons: effective management, employee development, motivation, facilitation of growth, formation of hierarchy, and better coordination.

**Additional drilldown.** Pair each of the six reasons with one Indian business example: Tata's talent-pipeline approach (employee development), Infosys' regional empowerment (growth), Reliance's functional empowerment of CXOs (effective management). These named examples lift a 5-mark answer into the 6-mark band by adding concrete anchoring that CBSE markers explicitly reward.

### ♥ Why This Matters

Delegation is the bridge between organising and staffing. Without it, an organisation chart is just a drawing - work cannot actually flow.

**Q 5.2** What is a divisional structure? Discuss its advantages and limitations.

### SOLUTION

**Concept used.** A **divisional organisation structure** groups activities by product, region, or customer. Each division is a self-contained unit with its own functional sub-departments (production, marketing, finance, HR within the division).

**Step 1. Definition.** The activities related to one product line (or region, or customer segment) are grouped under one divisional head. Each division operates as a near- autonomous unit with its own sub-functions.

**Step 2. Advantages:**

- Product specialisation - each division becomes expert in its product line.
- Quicker decisions - division head has end-to-end authority and need not coordinate with other product lines.
- Accountability for performance - each division's profit and loss can be measured separately.
- Flexibility - one division can change strategy without disturbing the others.
- Expansion - adding a new product line means adding a new division, not restructuring the whole firm.

**Step 3. Limitations:**

- Departmental conflict - divisions may compete for firm-wide resources (capital, talent).
- Duplication of resources - each division has its own production, marketing and finance, which duplicates capacity across divisions.
- Higher cost - duplication raises overhead.
- Ignoring organisational interest - division heads may prioritise their division over the firm.

**Final Answer:** Divisional structure groups activities by product (or region or customer); advantages include product specialisation, quick decisions, accountability, flexibility and ease of expansion; limitations include conflict, duplication, higher cost, and parochial interest.

**EXPERT'S SOLUTION** : Neha Agarwal, B.Com (Hons), LSR Delhi

**Strategic angle.** A 6-mark answer rewards three blocks: definition, five advantages, four limitations. Avoid running the advantages and limitations into one paragraph; the marker awards points by ticking off each item.

**Step 1.** Open with a one-line definition and a one-line example.

**Step 2.** List advantages as a bulleted block, four to five items.

**Step 3.** List limitations as a separate bulleted block, three to four items.

**Why this matters.** The divisional vs functional choice is the highest-yield 6-mark case in this chapter. Knowing both sides of divisional structure prepares you for any case that asks “recommend a structure” or “which structure should the firm adopt”.

**Final Answer:** Divisional structure groups by product/region/customer with each division near-autonomous; advantages: specialisation, speed, accountability, flexibility, expansion; limitations: conflict, duplication, cost, parochial interest.

**Additional drilldown.** Use real Indian examples in each block: Tata Motors’ divisional split between commercial vehicles and passenger vehicles illustrates product specialisation; ITC’s separate FMCG, hospitality, agri-business divisions show how diversification triggers divisional structure. Mention these in the advantages block to ground theory in practice.

**Caveat.** The cost duplication and parochial-interest limitations are sometimes mitigated through shared service centres - a hybrid that combines divisional autonomy with centralised common services. CBSE has not yet asked this hybrid by name, but mentioning it shows depth.

### Exam Tip

A 6-mark "discuss advantages and limitations" answer needs both blocks in equal depth. Skipping either side loses half the marks.

**Q 5.3** Decentralisation is an optional policy. Explain why an organisation would choose to be decentralised.

**SOLUTION**

**Concept used.** **Decentralisation** is a deliberate policy of pushing decision-making authority down the hierarchy. It is optional because a firm can choose to remain centralised; when chosen, decentralisation delivers six benefits.

- Step 1.** *Develops managerial talent.* Lower-level managers get the chance to take real decisions, which builds their judgement and decision-making skills.
- Step 2.** *Quicker decision-making.* Decisions are taken at the level where the information is. There is no delay from routing every decision up and back down the hierarchy.
- Step 3.** *Relief to top management.* Top managers are freed from routine decisions and can focus on strategy.
- Step 4.** *Develops initiative.* When employees know they have the authority to decide, they take initiative to suggest and implement improvements.
- Step 5.** *Promotes growth.* Decentralised firms scale more easily because adding new divisions or regions does not overload the top.
- Step 6.** *Better control.* Each unit's performance is measured separately, which makes accountability clearer and weak spots easier to fix.

**Final Answer:** Organisations choose decentralisation to develop talent, speed decisions, free the top, foster initiative, support growth, and tighten control.

**EXPERT'S SOLUTION** : Kavya Rao, MBA Marketing, IIM Shillong

**Strategic angle.** A 5-6 mark answer expects five to six benefits in numbered list form. The textbook order is the recommended order because that is what CBSE marks against.

- Step 1.** Use the textbook's six benefits in the textbook's order.
- Step 2.** Add one example under at least three of them - a global software firm decentralising customer support regionally, for instance.
- Step 3.** Close with the implicit cost (loss of uniformity, risk of inconsistent decisions) so the answer shows balance.

**Why this matters.** The "decentralisation as a policy" framing is what distinguishes it from accidental scattered delegations. CBSE rewards explicitly noting that decentralisation is a deliberate choice, not a side effect.

**Final Answer:** Six reasons to choose decentralisation: talent development, decision speed, top-management relief, initiative, growth support, and better unit-level control.

**Recall**

Decentralisation is a policy choice, not an accident. The textbook explicitly calls it "optional" - which means the firm chose it deliberately.

**Q 5.4 Distinguish between centralisation and decentralisation.****SOLUTION**

**Concept used.** **Centralisation** concentrates decision authority at the top; **decentralisation** distributes it across levels. The two differ on at least five bases, which can be presented as a comparison table.

- Step 1. Meaning.** Centralisation = decision authority concentrated at the top of the hierarchy. Decentralisation = decision authority systematically pushed down to lower levels.
- Step 2. Speed of decisions.** Centralisation slows decisions (every decision routes up). Decentralisation speeds them (decisions taken near the information).
- Step 3. Burden on top.** Centralisation overloads top management. Decentralisation relieves them for strategic work.
- Step 4. Initiative at lower levels.** Centralisation discourages initiative (employees wait for instructions). Decentralisation encourages it.
- Step 5. Suitability.** Centralisation suits small firms, crisis situations, or firms needing uniform policy across the board. Decentralisation suits large firms with diverse products and stable environments.
- Step 6. Control.** Centralisation gives the top tight control. Decentralisation gives unit-level performance visibility but reduces top-down control.

**Final Answer:** Centralisation and decentralisation differ on meaning, decision speed, top-management burden, initiative, suitability, and control - centralisation favours uniformity and tight control, decentralisation favours speed and initiative.

**EXPERT'S SOLUTION** : Manish Gupta, M.Com, Ramjas College Delhi

**Strategic angle.** A "distinguish between" answer is best presented as a two-column table or as bullet pairs (basis - centralisation - decentralisation). Marks are awarded per basis covered.

**Step 1.** List the basis of difference in the first column.

**Step 2.** Give the centralisation answer in column two, the decentralisation answer in

column three.

**Step 3.** Cover five to six bases for a 5-mark answer; cover four for a 4-mark answer.

**Why this matters.** The same five bases get reused in case-study questions ("which approach should the firm adopt?"). Memorising the bases makes both kinds of questions trivial.

**Final Answer:** Centralisation vs decentralisation differ on meaning, decision speed, burden on top, lower-level initiative, suitability, and control.

### Exam Tip

For "distinguish between" answers, lay out a three-column comparison table (basis - X - Y). CBSE markers tick by basis covered.

### Q 5.5 How is a functional structure different from a divisional structure?

#### SOLUTION

**Concept used.** **Functional structure** groups activities by function (production, marketing, finance, HR). **Divisional structure** groups activities by product, region or customer. The two differ on at least six bases.

**Step 1.** *Basis of grouping.* Functional - by function; divisional - by product / region / customer.

**Step 2.** *Specialisation focus.* Functional - functional specialisation; divisional - product specialisation.

**Step 3.** *Responsibility.* Functional - difficult to fix responsibility on one person; divisional - clear, the divisional head owns end-to-end results.

**Step 4.** *Cost of operation.* Functional - lower (no duplication of functions); divisional - higher (functions duplicated across divisions).

**Step 5.** *Coordination.* Functional - hard to coordinate across functions because every cross-functional issue routes through the CEO; divisional - easier within a division because all functions report to the divisional head.

**Step 6.** *Suitability.* Functional - single-product firm needing depth of specialisation; divisional - multi-product firm needing product focus and end-to-end responsibility.

**Final Answer:** Functional and divisional structures differ on basis of grouping, type of specialisation, ease of fixing responsibility, cost, coordination, and suitability - each suits a different stage of firm growth.

**EXPERT'S SOLUTION** : Lakshmi Iyer, MBA Finance, SP Jain Mumbai

**Strategic angle.** A "distinguish" answer with six bases covers a 5-6 mark question fully. Present as a comparison table in the answer booklet; CBSE markers track table cells, not prose.

**Step 1.** Lay out the table with three columns: basis, functional, divisional.

**Step 2.** Cover at least five bases; the six above are the textbook list.

**Step 3.** Close with one sentence on which structure suits which stage of firm growth.

**Why this matters.** CBSE case-based questions on structure choice (Q6 toy company, Q7 sewing machines, Q8 X Ltd cosmetics) all use these bases. Knowing them makes case answers faster and tighter.

**Final Answer:** Functional and divisional structures differ on basis of grouping, specialisation, responsibility, cost, coordination, and suitability.

### ✗ Common Mistake

Cost is lower in functional structure because functions are not duplicated. Many students reverse this and lose a mark.

**Q 5.6** A company, which manufactures a popular brand of toys, has been enjoying good market reputation. It has a functional organisational structure with separate departments for Production, Marketing, Finance, Human Resources and Research and Development. Lately to use its brand name and also to cash on to new business opportunities it is thinking to diversify into manufacture of new range of electronic toys for which a new market is emerging. Which organisation structure should be adopted in this situation? Give concrete reasons with regard to benefits the company will derive from the steps it should take.

### SOLUTION

**Concept used.** When a firm diversifies into a new product line that is materially different from its existing line, the **divisional structure** is the standard

recommendation. The case has the diversification trigger (toys + electronic toys), so the recommendation is divisional.

- Step 1.** The existing toys division uses one set of skills (plastic, mechanical assembly, traditional retail). The new electronic toys line needs different skills (electronics, software, online retail).
- Step 2.** Keeping both lines under the existing functional structure would dilute the focus of each function - the marketing team would have to learn online and offline, production would split between plastics and electronics, and so on.
- Step 3.** Recommend a *divisional structure* with two divisions: Traditional Toys Division and Electronic Toys Division. Each division has its own production, marketing, finance, HR and R&D sub-functions tuned to its product line.
- Step 4.** *Benefits:*
- Product specialisation - each division masters its own technology and market.
  - Quick decisions - the electronic toys division head can respond to fast-changing tech without waiting on the toy division.
  - Clear accountability - the profit and loss of each division is measurable separately.
  - Flexibility - the electronic toys division can pivot its strategy without disturbing the established toys division.
  - Easier future expansion - adding a third product line (say software toys) means adding a third division.

**Final Answer:** Recommend a divisional structure with two divisions - Traditional Toys and Electronic Toys - because the new product line needs different technology and market expertise; the company gains specialisation, decision speed, clear accountability, flexibility, and future expansion ease.

**EXPERT'S SOLUTION** : Tarun Bhatia, MBA Strategy, FMS Delhi

**Strategic angle.** Case-based long answers in this chapter test the structure choice. The case has two markers of divisional structure: (a) a clearly different product line being added, (b) the new line requires materially different skills. Anchor the recommendation to these two markers.

- Step 1.** Name the two markers from the case (different tech, different market).
- Step 2.** Recommend divisional structure and name the two divisions explicitly.
- Step 3.** List four to five benefits, each anchored to the case (e.g. “the electronic toys division head can respond to fast-changing tech” is case-specific).

**Why this matters.** The CBSE rubric awards full marks only when the answer is case-anchored. Generic textbook benefits (without mapping back to the case) lose half a mark per benefit.

**Final Answer:** Divisional structure with Traditional Toys and Electronic Toys divisions; benefits are specialisation, decision speed, accountability, flexibility, and expansion ease.

**Additional drilldown.** Apply the structure-change to a similar past CBSE case: when an FMCG firm added an electronics line (or when an auto firm added an EV line), the textbook recommendation has been divisional structure. The reasoning template - separate technologies, separate markets, end-to-end accountability - is reusable across cases.

**Caveat.** Some firms try a "matrix" structure that combines functional and divisional advantages, but matrix is not in the Class 12 syllabus. If asked, recommend divisional, then mention matrix only as an optional advanced alternative for very large multi-product firms.

### ♥ Why This Matters

Case-based long answers reward case-anchoring. Quote one phrase from the case for every concept you name.

**Q 5.7** A company manufacturing sewing machines set up in 1945 by the British promoters follows formal organisation culture in totality. It is facing lot of problems in delays in decision making. As the result it is not able to adapt to changing business environment. The work force is also not motivated since they cannot vent their grievances except through formal channels, which involve red tape. Employee turnover is high. Its market share is also declining due to changed circumstances and business environment. You are to advise the company with regard to change it should bring about in its organisation structure to overcome the problems faced by it. Give reasons in terms of benefits it will derive from the changes suggested by you.

### SOLUTION

**Concept used.** The case describes a firm relying entirely on the **formal organisation**. The advised change is to recognise and use the **informal organisation** alongside the formal structure. The informal organisation will speed communication, raise morale, and improve adaptability.

**Step 1.** Diagnose the case: 100% formal, slow decisions, red tape, low motivation, high

turnover, falling market share. The common root is over-reliance on formal channels.

**Step 2.** Advise the firm to encourage the *informal organisation* - the spontaneous social network of employees - without disturbing the formal structure.

**Step 3.** Specific changes to suggest:

- Tolerate and use the grapevine for fast information sharing.
- Create open forums (lunch meetings, town halls) where employees can voice concerns informally.
- Recognise informal leaders and engage them in consultations on major decisions.
- Build a culture where informal cross-departmental friendships are encouraged.

**Step 4.** *Benefits the firm will derive:*

- Faster communication through the grapevine reduces delays in decision-making.
- Higher morale because employees can vent grievances informally, reducing turnover.
- Better adaptation to environment because informal channels surface customer and market signals faster than formal reports.
- Cross-functional cooperation because informal friendships ease coordination.
- Sense of belonging because the firm now recognises the human side of work, not just the role definition.

**Final Answer:** Advise the firm to encourage the informal organisation alongside the formal one - through tolerated grapevines, open forums, informal leader engagement, and friendly culture - to gain faster communication, higher morale, better adaptation, cross-functional cooperation, and a stronger sense of belonging.

**EXPERT'S SOLUTION** : Riya Saxena, B.Com (Hons), Hansraj College Delhi

**Strategic angle.** The case has all the symptoms of suppressed informal organisation. The advised change is to allow the informal organisation to operate openly; do not propose abolishing the formal structure.

**Step 1.** Diagnose the case by listing the symptoms (delays, morale, turnover, declining share).

**Step 2.** Advise encouraging informal organisation alongside formal - both must coexist, neither can be removed.

**Step 3.** List four to five benefits, each anchored to a specific symptom (faster communication addresses delays, morale addresses turnover, adaptability addresses falling share).

**Why this matters.** The CBSE rubric here rewards symptom-to-solution mapping. For each symptom listed in the case, name a specific benefit of informal organisation that addresses it.

**Final Answer:** Encourage informal organisation alongside the formal one. Benefits: faster communication, higher morale, better adaptation, cross-functional cooperation, sense of belonging.

**Additional drilldown.** List the five recommended changes precisely: tolerate the grapevine, create informal forums (town halls, lunch meetings), engage informal leaders, encourage cross-departmental friendships, and train HR managers to interpret informal signals. Each change is a concrete step the firm can take from next quarter, which makes the answer credible.

**Caveat.** The formal structure must not be dismantled. The informal organisation supplements, never replaces, the formal one. Stating this explicitly prevents the marker from thinking you missed the textbook balance.

#### Recall

Symptom-to-solution mapping is the highest-yield case-study technique. For each symptom in the case, name a specific benefit of your recommendation that addresses it.

**Q 5.8** A company X limited manufacturing cosmetics, which has enjoyed a pre-eminent position in business, has grown in size. Its business was very good till 1991. But after that, new liberalised environment has seen entry of many MNC's in the sector. With the result the market share of X limited has declined. The company had followed a very centralised business model with Directors and divisional heads making even minor decisions. Before 1991 this business model had served the company very well as consumers had no choice. But now the company is under pressure to reform. What organisation structure changes should the company bring about in order to retain its market share? How will the changes suggested by you help the firm? Keep in mind that the sector in which the company is FMCG.

**SOLUTION**

**Concept used.** The case describes excess **centralisation** in a fast-moving consumer goods (FMCG) firm now facing aggressive MNC competitors. The required change is to **decentralise** decision-making, pushing authority down to divisional and unit heads so the firm can respond fast.

**Step 1.** Diagnose: centralised model, every minor decision at director level, slow response to MNC competition in FMCG. Centralisation is the root cause.

**Step 2.** Advise the firm to *decentralise* - delegate authority systematically down the hierarchy, especially to divisional and product-line heads.

**Step 3.** Specific changes to suggest:

- Empower divisional heads to take pricing, promotion, and product-mix decisions for their product lines without director approval.
- Push routine operational decisions to unit heads and floor supervisors.
- Keep only strategic decisions (entering a new category, acquisition) at the director level.
- Train middle managers in decision-making to prepare them for the new authority.

**Step 4.** *Benefits the firm will derive from decentralisation:*

- Quicker decisions - divisional heads can match MNC pricing or promotional moves in real time.
- Develops managerial talent - middle managers gain decision-making experience, building the talent pipeline.
- Initiative - employees take small improvements without waiting for director approval.
- Relief to top management - directors focus on long-term strategy rather than routine approvals.
- Better control - each division's performance is measurable, sharpening accountability.
- Faster adaptation to environment - FMCG markets change fast, and decentralised firms respond faster.

**Final Answer:** Advise X Ltd. to decentralise decision-making to divisional and unit heads, with only strategic decisions retained at director level. Benefits: faster decisions, talent development, initiative, top-management relief, sharper control, and faster adaptation to the FMCG environment.

**EXPERT'S SOLUTION** : Aman Khurana, MBA Operations, NITIE Mumbai

**Strategic angle.** Case-based long answers test whether the student can match the problem to the right organising concept. The case has three centralisation symptoms (slow decisions, director-level minor decisions, FMCG mismatch). Decentralisation is the only correct recommendation.

**Step 1.** Diagnose the centralisation symptoms in the case.

**Step 2.** Recommend decentralisation with concrete changes (specify what to push down and what to retain).

**Step 3.** List five to six benefits, anchored to the FMCG context (e.g. “match MNC pricing in real time” is case-specific).

**Why this matters.** FMCG firms in liberalised markets are the canonical decentralisation case. The same logic applies to any firm facing fast-moving competitors after a regulatory shift.

**Final Answer:** Decentralise to divisional and unit heads, retaining only strategic decisions at director level. Benefits: decision speed, talent development, initiative, top-management focus, control, and environment adaptation.

**Additional drilldown.** Concretise the decentralisation: divisional heads should be empowered to set price promotions of up to 15 percent without director approval, change advertising spend within a 20 percent envelope, and choose distributors regionally. These specific authority delegations make the recommendation tangible.

**Caveat.** Decentralisation requires investment in training and information systems. List this as the implementation prerequisite so the answer shows realism about how the change will actually be executed in the FMCG firm.

**Exam Tip**

For FMCG and other fast-moving sectors, the default recommendation in any case is decentralisation. Speed of response is the single most cited reason.

**Key Takeaways**

- Organising is the second managerial function - it creates the structure that delivers the plan.
- Four-step organising process (NCERT): Identify and divide work, Departmentalise, Assign duties, establish authority and Reporting relationships (I-D-A-R).
- Two structures: functional (group by function) and divisional (group by product/region/customer).
- Two organisations: formal (designed) and informal (spontaneous, grapevine-driven).

Both coexist.

- Delegation has three elements: **Authority, Responsibility, Accountability.** Accountability cannot be delegated.
- Decentralisation = systematic extension of delegation to the lowest possible level; it is a policy choice, not an accident.

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