



SNS COLLEGE OF TECHNOLOGY

Coimbatore-35

An Autonomous Institution



Accredited by NBA – AICTE and Accredited by NAAC – UGC with ‘A++’ Grade
Approved by AICTE, New Delhi & Affiliated to Anna University, Chennai

DEPARTMENT OF COMPUTER APPLICATIONS

23CAT604– PRINCIPLES OF MANAGEMENT

I YEAR I SEM

UNIT 3 – ORGANISATION

TOPIC 6 – Centralization And Decentralization



CENTRALIZATION

“Centralization” is the systematic and consistent reservation of authority at central points in the organization.

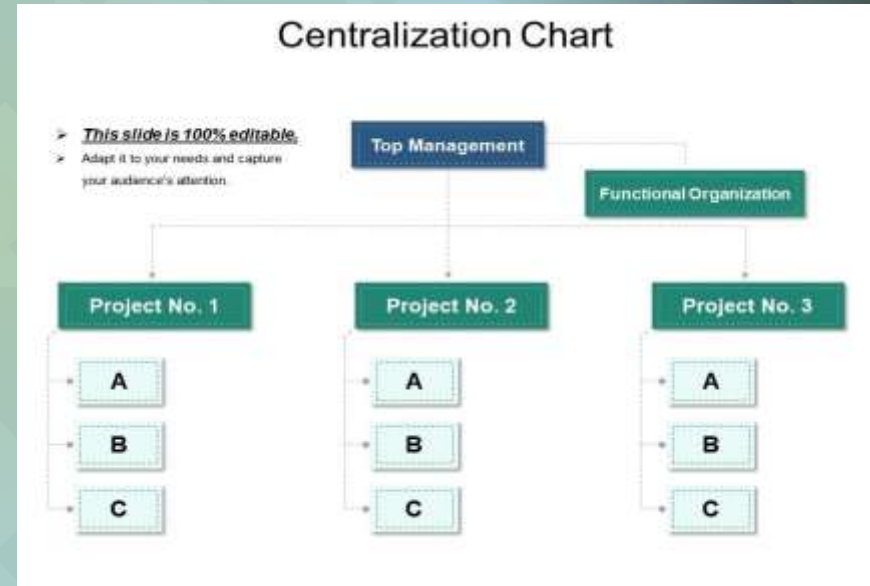
When the power to take decision rests with the top management it is called as ‘**Centralisation**’.





The implication of centralization can be

1. Reservation of decision making power at top level. Reservation of operating authority with the middle level managers.
2. Reservation of operation at lower level at the directions of the top level.







Applications of Centralized Structures



Small businesses often operate in a centralized manner simply because of the smaller size of their workforces

A small business owner may be the only manager in the entire company, with all other employees reporting directly to the owner. Organizational designs can change as small companies grow, however

Example

A trucking company is an example of a company with a centralized organizational design

Trucking company managers make all operational decisions, sending information to individual drivers through dispatchers

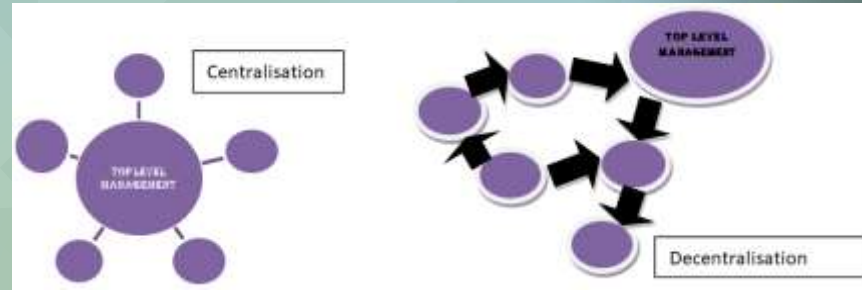




ASSESSMENT-I

When decision-making authority is retained organisation is said to be by higher management levels, an

1. Decentralised
2. Centralised
3. Fragmented
4. None of the above



Low level management has a complete authority to make decisions in case of:

1. Centralization
2. Decentralization
3. Scalar Chain
4. Order



DECENTRALIZATION



“Decentralization” is a systematic delegation of authority at all levels of management and in all of the organization

1. “Everything that increasing the role of subordinates is decentralization and that decreases the role is centralization”
2. Authority is retained by the top management for taking major decisions.
3. Decentralization pattern is wider in scope.





Decentralized organizations grant decision making authority to the managers of subunits.

Most firms are neither totally centralized nor totally decentralized



Applications of Decentralized Structures



Franchise organizations are good examples of a decentralized structure.

Product development and marketing decisions are taken by top management of franchise companies. The franchise owners are given full independence in running their individual stores.

Staffing decisions, working hours and compensation are decided by the franchise owners.

Example

Companies with a wide geographical reach also can benefit from a decentralized structure





The structure of Centralization and decentralization



Bottom-to-top approach

Top-to-bottom approach



Decentralized approach



Centralized approach





Centralization and decentralization tendencies



Complete centralization
(no organization structure)

Complete decentralization
(no organization structure)





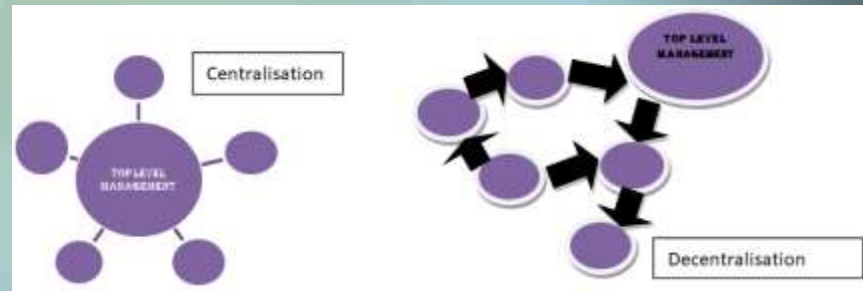
ASSESSMENT-II

Which of the following is not an element of delegation?

1. Responsibility
2. Authority
3. Accountability
4. Decentralisation

Which of the following is a function of how much decision-making authority is pushed down to lower levels in the organization?

1. Departmentalization
2. Centralization
3. Span of control
4. Power





Advantages of Centralisation

A clear chain of command

Centered vision

Decreased expenses

Fast execution of choices

Disadvantages

Bureaucratic administration

Deferrals in work

Remote control

Absence of representative devotion

Advantages of DeCentralization

Advancement of the Managerial Personnel

Expansion of exercises

Successful Control and Supervision

Enhancement of Management

Disadvantages

Problems of Coordination
External Factors

Increase the administrative price

High Cost of operation





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Thank You