

The centralization and decentralization business essay



Centralization is the degree to which decision making takes place at upper levels of the organization. If top managers make key decisions with little input from below, then the organization is more centralized. On the other hand, the more that lower-level employees provide input or actually make decisions, the more decentralization there is. Keep in mind that centralization-decentralization is relative, not absolute-that is, an organization is never completely centralized or decentralized .

Some of the factors that affect an organization's use of centralization or decentralization.

More centralization

More Decentralization

Environment is stable

Environment is complex, uncertain

Lower-level managers are not as capable or experienced at making decisions as upper-level managers

Lower-level managers are capable and experienced at making decisions.

Lower-level managers do not want a say in decisions

Lower-level managers want a voice in decisions

Decisions are relatively minor

Decisions are significant

Organization is facing a crisis or the risk of company failure

Corporate culture is open to allowing managers a say in what happens

Company is large

Company is geographically dispersed

Effective implementation of company strategies depends on managers retaining say over what happens.

Effective implementation of company strategies depends on managers having involvement and flexibility to make decisions

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Centralization and decentralization

In some organizations, top managers make all the decisions. Lower-level managers merely carry out top management's directives. At the other extreme, there are organizations where decision making is pushed down to those managers who are closest to the action. The former organizations are highly centralized; the latter are decentralized.

The term centralization refers to the degree to which decision making is concentrated at a single point in the organization. The concept includes only formal authority, that is, the rights inherent in one's position. Typically, it's said that if top management makes the organization's key decisions with little or no input from lower-level personnel, then the organization is centralized. In contrast, the more that lower-level personnel provide input or

are actually given the discretion to make decisions, the more decentralization there is.

An organization characterized by centralization is an inherent different structural animal from one that is decentralized. In a decentralized organization, action can be taken more quickly to solve problems, more people provide input into decisions, and employees are less likely to feel alienated from those who make the decisions that affect their work lives.

Consistent with recent management efforts to make organizations more flexible and responsive, there has been a marked trend toward decentralizing decision making. In large companies, lower-level managers are closer to "the action" and typically have more detailed knowledge about problems than do top managers. Big retailers like Sears and JC Penney have given their store managers

Chain of command

Twenty years ago chain-of command concept was a basic cornerstone in the design of organizations. As you'll see, it has far less importance today. But contemporary managers should still consider its implications when they decide how best structure their organizations.

The chain of command is an unbroken line of authority that extends from the top of the organization to the lowest echelon and clarifies who reports to whom. It answers questions for employees such as "To whom do I go if I have a problem?" and "To whom am I responsible?"

We can't discuss the chain of command without discussing two complementary concepts; authority and unity of command. Authority refers to the right inherent in a managerial position to give orders and expect the orders to be obeyed. To facilitate coordination, each managerial position is given a place in the chain of command, and each manager is given a degree of authority in order to meet his or her responsibilities. The unity-of-command principle helps preserve the concept of an unbroken line of authority. It states that a person should have one and only one superior to whom he or she is directly responsible. If the unity of command is broken, a subordinate might have to cope with conflicting demands or priorities from several superiors.

Time change and so do the basic tenets of organizational design. The concepts of chain of command, authority, and unity of command have substantially less relevance today because of advancements in computer technology and the trend toward empowering employees

Corporate planning

Peter Drucker defined corporate planning as

The continuous process of making present risk-taking decisions systematically and with the greatest knowledge of their futurity; organizing systematically the efforts needed to carry out these decisions, and ensuring the results of these decisions against the expectations through organized, systematic feedback.

Strategic plans

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Management plans

Management plans

Operational plans

Operational plans

Operational plans

Operational plans

Corporate plans

The purpose of planning on a corporate basis is to define and clarify the goals of the organization as a whole. It involves making appraisals of the organization's major strengths and weaknesses, and considering the external opportunities and threats posed by the organization's environment. These will all affect which goals the organization will be able, realistically, to achieve. Corporate planning also involves transforming long-term strategies into sufficiently detailed medium-term and operational plans (which can be changed if necessary) to help to ensure that the organization's overall objectives are achieved.

Why corporate planning is necessary

A system of corporate planning, involving the coordination of plans for the entire business over a period of several years, is necessary for several reasons.

The importance that the real objectives of an organization are identified cannot be emphasized enough, and that, these having been identified, the whole business works towards them using coordinated strategies. A business with disparate goals will, at best, not perform as successfully as it could and, at worst, will tear itself apart. You can imagine the difficulties generated within conglomerates if organizations like Hanson did not have cohesive objectives

The degree of competition for finite resources within an organization increases with the size of the organization, and this creates a need for central planning and control, rather than planning by individual departments or managers

The ever-quickenning pace of change means that organizations have to adapt and react to change corporately to survive, rather than on an individual departmental basis.

Job Design

An organization which has made a particular study of work design consists the following characteristics were crucial if a job is to satisfy human needs.

A degree of autonomy

Job Design

Job design is

the division of an organization's work among its employees and

the application of motivational theories to jobs to increase satisfaction and performance.

There are two different approaches to job design, one traditional, one modern, that can be taken in deciding how to design jobs. The traditional way is fitting people to jobs; the modern way is fitting jobs to people.

Fitting people to jobs is based on the assumption that people will gradually adapt to any work

situation. Even so jobs must still be tailored so that nearly anyone can do them. This is the

approach often taken with assembly-line jobs and jobs involving routine tasks. For managers the main challenge becomes " How can we make the worker most compatible with the work?"

One technique is job simplification, the process of reducing the number of tasks a worker performs. When a job is stripped down to its simplest elements, it enables a worker to focus on doing more of the same task, thus increasing employee efficiency and productivity. This may be especially useful, for instance, in designing jobs for mentally disadvantaged workers, such as those run by Goodwill Industries.

However, research shows that simplified, repetitive jobs lead to job dissatisfaction, poor mental health, and a low sense of accomplishment and personal growth.

Fitting jobs to people

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Fitting jobs to people is based on the assumption that people are underutilized at work and that they want more variety, challenges, and responsibility. This philosophy, an outgrowth of Herzberg's theory, is one of the reasons for the popularity of work teams in the United States. The main challenge for managers is "How can we make the work most compatible with the worker so as to produce both high performance and high job satisfaction?" Two techniques for this type of job design include

Job enlargement and

Job enrichment

Job enlargement: Putting More variety into a job

The opposite of job simplification, job enlargement consists of increasing the number of tasks in a job to increase variety and motivation. For instance, the job installing television picture tubes could be enlarged to include installation of the circuit boards.

Although proponents claim job enlargement can improve employee satisfaction, motivation, and quality or production, research suggests job enlargement by itself won't have a significant and lasting positive effect on job performance. After all, working at two boring tasks instead of one doesn't add up to a challenging a job. Instead, job enlargement is just one tool of many that should be considered in job design.

Job enrichment: Putting More responsibility & other Motivating Factors into a Job.

Job enrichment is the practical application of Fredrick Herzberg's two factor motivator-hygiene theory of job satisfaction. Specifically, job enrichment consists of building into a job

Leadership styles

The leadership styles can be classified according to the philosophy of the leaders. What the leader does determines how well he leads. A style of leadership is a "relatively enduring set of behaviors which is a characteristic of the individual, regardless of the situation"

Some of the styles are follows

Autocratic or Dictatorial leadership

Participative or Democratic Leadership

Laissez- faire or Free- reign Leadership

The leadership style that is to be introduced by the Managing Director in the organization is

Participative or Democratic Leadership

In this type of leadership, the subordinates are consulted and their feedback is taken into the decision making process. The leader's job is primarily of a moderator, even though he makes the final decision and he alone is responsible for the results. The management recognizes that the subordinates are equipped with talents and abilities and that they are capable of bringing new ideas and new methodologies to work setting. Thus the group members

are encouraged to demonstrate initiative and creativity and take intelligent interest in setting plans and policies and have maximum participation in decision making. This ensures better management-labor relations, higher morale and greater jobs satisfaction. This type of leadership is specially effective when the workforce is experienced and dedicated and is able to work independently with least directives, thereby developing a climate which is conducive to growth and development of the organization as well as the individual personality.

The feasibility and usefulness of the participative decision making style is dependent on the following factors

Since participative decision making process is time consuming, there should be no urgency to that decision

The cost of participation of subordinates in the decision making should not be more than the benefits derived from the decision.

The input from the subordinates should be free from any fear of repercussion in the case such input is in conflict with the views held by the management.

The participation of subordinates should not be of such a degree as to be perceived as a threat to the formal authority of management.

Subordinates should be sufficiently responsible so that there is no leakage of confidential information to outside elements

Participative style of decision making has several advantages. They are

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Active participation in the managerial operations by labour assures rising productivity and satisfaction.

Workers develop a greater sense of self-esteem due to importance given to their ideas and their contributions

The employees become more committed to changes that may be brought by policy changes, since they themselves participated in bringing about these changes

The leadership induces confidence, cooperation and loyalty among workers

It results in higher employee morale

It increases the participants' understanding of each other which results in greater tolerance and patience towards others.

Question 1

Management definitions

The classic definition is still held to be that of Henry Fayol

His general statement about management in many ways still remains valid after 96 years, and has only been adapted by more recent writers, as shown below

Definitions of Management

Definition 1

“ To manage is to forecast and plan, to organize, to command, to coordinate and to control”

HENRY FAYOL (1961)

Definition 2

“ Managements is the art of getting things done through and with the people in formally organized groups”

KOONTZ

and

“ Managing is an operational process initially best dissected by analyzing the managerial functions..... The five essential , managerial functions (are) : planning, organizing, staffing, directing and leading, and controlling “

KOONTZ and O'DONNELL (1984)

Definition 3

“ Managing is the process of planning, organizing, leading and controlling the efforts of organizational members and the use of other organizational resources in order to achieve stated organizational goals”

J. A. F. STONER

Defining the definitions

Fayol's definition of management

He saw forecasting and planning as looking to the future and drawing up a plan of action. Organizing was seen in structural teams, and commanding was described as ' maintaining activity among the personnel'. Coordination was seen as essentially a unifying activity. Controlling meant ensuring that

things happen in accordance with established policies and practice. It is important to note that Fayol did not see managerial activities as exclusively belonging to the management. Such activities are part and parcel of the total activities of an undertaking. Having said this, it is equally important to point out that Fayol's general principles of management take a perspective which essentially looks at organizations from the top downwards. Nevertheless, they do have merit of taking a comprehensive view of the role management in organizations.

Fayol prefaced his famous definition of management by stating what he considered to be the key activities of any industrial undertaking.

He outlined six such key activities, as follows

Technical activities, eg production

Commercial activities, eg buying and selling

Financial activities, eg securing capital

Security activities, eg safeguarding property

Accounting activities, eg providing financial information

Managerial activities, eg planning and organizing

Koontz and O'Donnell's definition of management

The most widely accepted clarification of management functions came from Koontz and O'Donnell. According to them, the functions of management can be broken down to: Planning, Organizing, Staffing, Directing and Controlling.

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Managerial knowledge required for building an efficient and effective organization can be built around these functions. Therefore, the underlying concepts, principles, theory and techniques of management are grouped into these five functions. This framework of presentation of managerial knowledge and skill has been widely adopted.

Management as a process integrates all kind of activities in an organization for the effective utilization and co-ordination of human and non-human resources.

J. A. F. Stoner's definition of management

Here the definition refers to

Management as a process

Management as a team of people who lead the organization.

And also the definition points out that for effective management, the components of management tasks are

Designing the organization structure

Organizing activities and processes

Goal formation

Development of an operating philosophy and strategy

Leading and co-ordinating resources for the attainment of objectives

Creation of an internal environment conducive to work

Ensuring satisfaction of those served (i. e customers)

Organizational survival planning

Performance view for improvements

In order to understand the term management the term split to the parts

Manage+ Men + T

That is manage, men and time in order to achieve the organizational goals more easily and effectively.

Some of the integral elements of the above definitions can be separated and analyzed as follows

Problem-solving process

One of the most important functions of a manager is to make decisions and solve problems. Some of the major problems that the central management must continually face include unpredictable economic trends, changing government regulations, resources shortages and a severe competition for these resources, employee demands, technical problems, and technological changes etc. There are other problems that are comparatively routine in nature and can be solved by some tried and tested mechanisms.

Example

A change in production quality can be easily looked into and the process changed, if necessary. On the other hand, an increase in employee

grievances or employee absenteeism or turnover may require carefully studied unique solutions.

Organizational objectives

All organizations have certain missions and certain objectives for their very existence. Objectives are more specific in nature.

Example

The mission of a college may be to produce graduates of high quality academic orientation and its objective may be to increase the number of new students entering by 10% in 2 years

Basically, the organizational objectives are profit oriented and the management must plan its activities along those lines. Additionally, it is also the management's responsibility to integrate the personal objectives of its employees into organizational objectives. The personal objectives may be higher remuneration, more challenging responsibilities and participation in decision making process.

Efficiency

Efficiency can be defined as a technique of operations which results in achieving the objectives in an optimum and effective manner so that the resource of time, talents, and capital are utilized fully and without waste. Accordingly, a successful management would devise means that are not only effective in achieving the goals, but also are efficient in utilizing the resources.

Scarce resources

The resources of people, time, capital, raw materials are all finite and limited. They are all scarce in nature and not expandable. Additionally, there is fierce competition for these resources. Management basically is a “trusteeship” of these resources and hence must take conscious efforts to make the most of these resources.

Changing environment

The dynamics of environments is evidenced by the tremendous and fast changes that have taken place in all areas in the last 50 years. The advent of computers and electronics have changed the way in which the information is processed and handled for decision making purposes. The social standards have changed, styles have changed, many laws have changed towards consumer protectionism, technology has changed and the organizations have become much more complex. Accordingly, management must be prepared to predict accurately these changes and formulate ways to meet these new challenges efficiently.

Finally All the features included in the management definitions.

Management is purposeful and goal oriented (It has definite economic and social objectives).

Management is universal (Applied everywhere).

Management is situational (Differs from, situation to situation).

Management is continuous process.

Management is creative.

Management is multi disciplinary(It includes knowledge and information from economics, math, statistics, psychology, sociology etc)

Management is dynamic(Changes as per time)

Management is what manager does(Management is understood by performance)

Mission statemnt

Mission and Vision statements

The planning process begins with two attributes: a mission statement(which answers the question " What is our reason for being?") and vision statement (which answers the question " What do we want to become?")

The Mission Statement - " What is our Reason for Being ?"

An organization's mission is its purpose or reason for being. Determining the mission is the responsibility of top management and the noard of directors. It is up to them to formulate a mission statement, which expresses the purpose of the organization.

" Only a clear definition of the mission and the purpose of the organization makes possible clear and realistic.... objectives", said Peter Drucker. Wheter the organization is profit or non- profit, the mission statement identifies the

goods or service the organization provides and will provide, and the reasons for providing them (to make a profit or to achieve humanitarian goals' for example)

For example amazon. com

In less than 4 years -from July 1995 to June 1999- internet

That of course, was a victory statement rather than a mission statement. The mission, as expressed on the company's Web site, is to

MISSION STATEMENT

We believe that a fundamental measure of our success will be the shareholder value we create over the long term." states one of the company's annual reports. " This value will be a direct result of our ability to extend and solidify our current market leadership position..... Market leadership can translate directly to higher revenue, higher profitability....."

What is a missions statement?

How to prepare it?

The reason for existence of the organization

Demarcate foundation for future activities

Enduring statement

Identifies the scope of the organization

By answering following questions a company may be able to develop a mission statement

WHY?

Why does the organization exist?

WHAT?

What the organization is trying to achieve?

HOW?

How it intends to achieve its desired ends

Mission

Mission and management

Mission must be communicated to and internalized by managers and employees. This is accomplished through the explicit statements of top management as well as through the value culture system of the organization.

Mission provides criteria for strategy selection by executives. Many potential acquisitions or diversification moves have been ruled

Mission identifies the basic tasks of an organization for which it should exist and strive, and plans its processes and activities to accomplish them.

Though the terms "mission" and "purpose" are often used interchangeably, "mission" implies that the identified tasks should enable the organization to

link its activities to the needs of the society and legitimize its existence by social expression of its business purpose. The mission statement of a consumer- durables manufacturing company could be: “ To manufacture, disturb and service world-class quality of household consumer durable article at competitive prices for catering to the need of society for higher quality of living and comfort”. In this mission statement, the last few words add to the flavor of social expression of its business.

Characteristics of a mission

A mission statement is more than a statement of specific details

It usually is broad in scope for at least two major reasons

A good mission statement allows for the generation and consideration of a range of feasible alternatives and strategies without unduly stifling management creativity.

A mission statement needs to be broad to effectively reconcile differences among and appeal to an organization’s diverse stakeholders

Precise

A mission statement should not be so narrow as to restrict the organization’s activities nor it should be so broad as to lose its meaning. A good statement of the mission of the firm should be as precise as possible and indicate major components of strategy.

Current

A mission statement may lose its significance after some time due to changed business conditions. Environmental factors and organizational factors may require modifications of the mission

Enduring

Mission statement should provide continual guidance and inspiration and be challenged in the pursuit of its mission, ever achieving its ultimate goal.

Written in an Inspiring Tone and distinctive

A mission statement should be so framed that is capable of inspiring and encouraging commitment towards attaining the mission. It should distinguish an organization from all organizations of its type

Customer Orientation

A good mission statement describes an organization's purpose, customers, products or services, markets, philosophy and basic technology

A good mission statement reflects the anticipation of customers. Rather than developing a product and then trying to find a market, the operating philosophy of

Benefits of a mission statement

A well-developed mission statement helps top management in a number of ways:

It crystallizes top management's own view of the long-term strategic position of the firm.

It helps to insure that the behaviour of lower-order personnel is directed toward achievement of the corporate mission.

It conveys a message to external stakeholders, such as financial institutions that may influence their investment strategies

It insures organizational confidence, in that top management knows where it wishes to drive the corporation.

It provides a pathway for establishing longer-term strategy.

The mission directs the entire planning endeavor of the corporation . In particular, it directs the

formulation of the growth plan; and guides the nature and pace of growth. So it becomes

the guiding philosophy of the activities of the organization.

The mission is the reference point and guiding spirit and guiding spirit for the growth plan of a firm. It brings the corporate purpose or the long-term objective of the firm into focus.

In evolving the strategies too, the mission plays a guiding role

Mission communicates the corporate vision and purpose to everyone in the firm.

Importance of mission statements

To ensure unanimity of purpose within the organization.

To provide a basis, or standard, for allocating organizational resources.

To establish a general tone or organizational climate.

To serve as a focal point for individuals to identify with the organization's purpose and direction, and to deter those who cannot from participating further in the organization's activities

To facilitate the translation of objectives into a work structure involving the assignment of tasks to responsible elements within the organization

To specify organizational purposes and then to translate these purposes into objectives in such a way that cost, time, and performance parameters can be assessed and controlled.

The Motivational Needs of individuals and groups

Motivation

Motivation is one's willingness to exert efforts towards the accomplishment of his/her goal.

Let us consider a few important definitions on motivation that will help us understand the meaning of motivation more clearly.

Further Luthan¹ defined motivation as a process that starts with a physiological or psychological deficiency or need that activates behavior or a drive that is aimed at a goal or incentive.

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According to Stephen P. Robbins². Motivation is the willingness to exert high levels of efforts toward organizational goals, conditioned by the effort ability to satisfy some individual need.”

In the opinion of Gray and Strake , motivation is the result of processes, internal or external to the individual, that arouse enthusiasm and persistence to pursue a certain course of action,

After going through the above definition , motivation can be defined very simply as the willingness to exert towards the accomplishment of goal or need.

Motivation Cycle or Process

As stated earlier, motivation is a process or cycle aimed at accomplishing some goals. The basic elements included in the process are motive, goals and behaviors

Behavior

Goal

Motive

Tension Reduction

The need for motivation can be imbued with multiplicity of justifications as follows

Organizations are run by people. Hence, managers cannot afford to avoid a concern with human behavior at work. This is because the motivated employees are more productive and quality-conscious than apathetic ones.

Motivation as a pervasive concept affects and is also affected by a host of factors in the organizational milieu. It enables managers to understand why people behave as they behave.

Organizational effectiveness becomes, to some extent, the question of management's ability to motivate its employees. Hence, an appreciation of motivation helps the managers how to motivate their employees.

Machines become necessary in case of complex technology. However, these remain inefficient vehicles of effective and efficient operations without man to operate them. Therefore, organizations need to have employees with required capability and willingness to use the advanced complex technology to achieve the organizational goal.

With the realization that organizations will run in more complex milieu in future, an increasing attention has been given to develop employees as future resources (a 'talent bank'). This facilitates the managers to draw upon them as and when organizations grow and develop.

In sum and substance, the need for and significance of motivation for an organization can be put as follows:

" If we compare management with driving, while the organization is the vehicle, then mot