

DECENTRALIZATION

Decentralization refers to a specific form of organizational structure where the top **management** delegates decision-making responsibilities and daily operations to middle and lower subordinates. The top **management** can thus concentrate on taking major decisions with greater time abundance.

In a **decentralized** organization, lower level managers are given decision-making authority and the power to run their own departments. **Decentralization** include better, more timely decisions and increased motivation.

Decentralisation implies the dispersal of **decision-making** power at lower levels of management. When the power to take decisions and formulate policies does not lie with one person at the top but is passed on to different persons at various levels, it will be a case of decentralisation.

The following are the **main objectives** which a **decentralized** system of organization seeks to achieve: To relieve the burden of work on the chief executive. To develop the managerial faculties. To motivate the lower level of workers.

Decentralisation is referred to as a form of an organisational structure where there is the delegation of authority by the top management to the middle and lower levels of management in an organisation.

In this type of organisation structure, the duty of daily operations and minor decision-making capabilities are transferred to the middle and lower levels which allow top-level management to focus more on major decisions like business expansion, diversification etc.

Delegation refers to the assigning a portion of work and the associated responsibility by a superior to a subordinate. In simple words, when delegation is expanded on an organisational level, it is called decentralisation.

"Decentralisation refers to tire systematic effort to delegate to the lowest levels all authority except that which can only be exercised at central points." —Louis A. Allen

"Decentralisation means the division of a group of functions and activities into relatively autonomous units with overall authority and responsibility for their operation delegate to time of cacti unit." —Earl. P. Strong

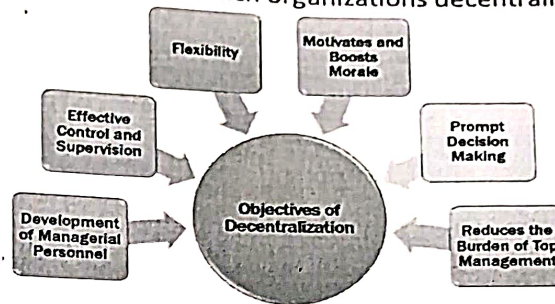
Importance of Decentralisation

1. **Rapid decision making** – Most of the decisions are taken on the spot, and approval from the higher authority is not required. The ability to make a prompt decision allows an organisation to function its operation quickly and effectively.
2. **Administrative development** – The decentralisation process questions the manager's judgement and techniques, when responsibility and challenges to develop solutions are given to them. This questioning method grows confidence, encourages self-reliance, and make them a good decision-maker resulting in the development of the organisation.
3. **Development of executive skills** – It allows the employee to perform task individually, giving them invaluable exposure. This individual performance creates an environment where an individual can enhance their expertise, take ownership & more significant responsibilities, and be suitable for promotion.
4. **Promotes growth** – Decentralisation also allows the heads of the department to work independently. This independence helps the department to grow, have a healthy competition between other departments. Ultimately, the competition will lead to an improvement and enhancement in productivity.
5. **Higher control** – It also evaluates and reviews the performances of each department and gives them a comprehensive perspective of their work. However, controlling is the biggest challenge of decentralisation and stabilised management and scorecard are being developed.

Objectives of Decentralization

Decentralization is an important strategical decision. It changes the whole organizational structure right from the top management to the bottom level. Like other business strategies, decentralization is also purposeful.

Let us understand the various objectives for which organizations decentralize their operations :



Development of Managerial Personnel

Decentralization provides for self-learning of the managers by facing the problem, finding the solutions themselves and taking the correct decisions. It adds on to the skills, experience and expertise of the managers in their respective departments.

Effective Control and Supervision

The managers exercise better control over the operations of the subordinates by taking disciplinary actions. They can make decisions related to production schedules, promotions and leaves taken by the subordinates.

Flexibility

Decentralization leads to flexibility in business operations. It also provides authority to the managers to handle unexpected situations independently. It allows them to manage their respective departments in the way they want to.

Motivates and Boosts Morale

It creates self-dependant managers and drives them to enhance their performance, take the initiative and develop a problem-solving attitude. Decision making also boosts their morale and confidence.

Prompt Decision Making

There are times when the managers have to take immediate and unplanned decisions at operational levels; it is only possible in decentralized organizations.

On the contrary, in a centralized organization, the decision-making process is quite lengthy and complicated, which is ineffective for handling unforeseen operational problems and issues.

Reduces the Burden of Top Management

The management has to take certain crucial strategical decisions which require a lot of analysis and planning. Decentralization releases the management from operational decision making, facilitating them to engage themselves in future strategic planning.

Advantages of Decentralisation

1. Reduces the burden on top executives
2. Facilitates diversification
3. Executive Development

4. It promotes motivation
5. Better control and supervision

Disadvantages of Decentralisation

1. Uniform policies not Followed
2. Problem of Co-Ordination