

Line and Staff Authority and Decentralization



Objectives

- To discuss in detail the following:
 - Line and staff authority types
 - Decentralization

Outcomes

At the end of this session, the students will be able to understand the following

- Line and staff authority types
- Decentralization

Outline

UNIT III ORGANIZING

Nature and purpose – Formal and informal organization – Organization chart – Organization structure – Types – Line and staff authority – Departmentalization – delegation of authority – Centralization and decentralization – Job Design - Human Resource Management – HR Planning, Recruitment, selection, Training and Development, Performance Management, Career planning and management.

Authority and Power

- Power: The ability of individuals or groups to induce or influence the beliefs or actions of other persons or groups
- Authority: The right in the position to exercise discretion in making decisions affecting others
- Power – legitimate power, power from expertness, referent power, reward power, coercive power
- Organizational authority – power to exercise discretion in decision making which arises from the power of position or legitimate power

Empowerment

- Empowerment – means that employees, managers, or teams at all levels in the organization are given the power to make decisions without asking their superiors for permission
- Idea: those closest to the task are best able to make the decision – provided that they have the required competencies
- i.e., the employees and teams accept responsibility for their actions and tasks

Empowerment

- This concept is illustrated as:
- Power should be equal to responsibility ($P = R$)
- If $P > R$, it could result in autocratic behavior of the superior who is not held accountable for his or her actions.
- If $P < R$, it could result in frustration, because the person has not the necessary power to carry out the task for which he or she is responsible
- Empowerment of subordinates means that superiors have to share their authority and power with their subordinates
- Thus an autocratic leadership may not be appropriate in 21st century organization
- Most employees want to be involved and want to participate in decisions, which creates a sense of belonging and raises self-esteem

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Empowerment

- Effective management requires that empowerment be sincere, based on mutual trust, accompanied by relevant information for the employees to carry out their task, and given to competent people. Moreover, employees should be rewarded for exercising their decision authority

Empowerment at the Ritz-Carlton Hotel under the Leadership of Horst Schulze⁶

www.ritzcarlton.
com

Customers are important—and so are employees. At the Ritz-Carlton Hotel, not only customers but also employees are treated with dignity and respect, as illustrated by the company's slogan "Ladies and gentlemen serving ladies and gentlemen." The president, Horst Schulze, empowers employees by authorizing the front-desk staff to spend up to \$2,000 to serve customers and to ensure the satisfaction of their guests. Sales managers' authority is even higher: \$5,000. Employees are encouraged to propose recommendations for quality improvement. The aim is to obtain twice as many suggestions from employees as the number of complaints from customers. Treating both employees and customers with respect has helped earn Ritz-Carlton the prestigious Malcolm Baldrige National Quality Award. ■■

Line / Staff concepts and Functional Authority

- Line authority gives a superior line of authority over a subordinate. It exists in all organizations as an uninterrupted scale or series of steps
- **Scalar principle in organization:** the clearer the line of authority from the ultimate management position in an enterprise to every subordinate position, the clearer will be the responsibility for decision making and the more effective will be organizational communication
- Line authority refers to the direct chain of command within an organization, where supervisors have direct control over subordinates and the ability to make decisions that affect their work. This is the traditional hierarchical structure where authority flows downward from the top management to lower-level employees.

Line / Staff concepts and Functional Authority

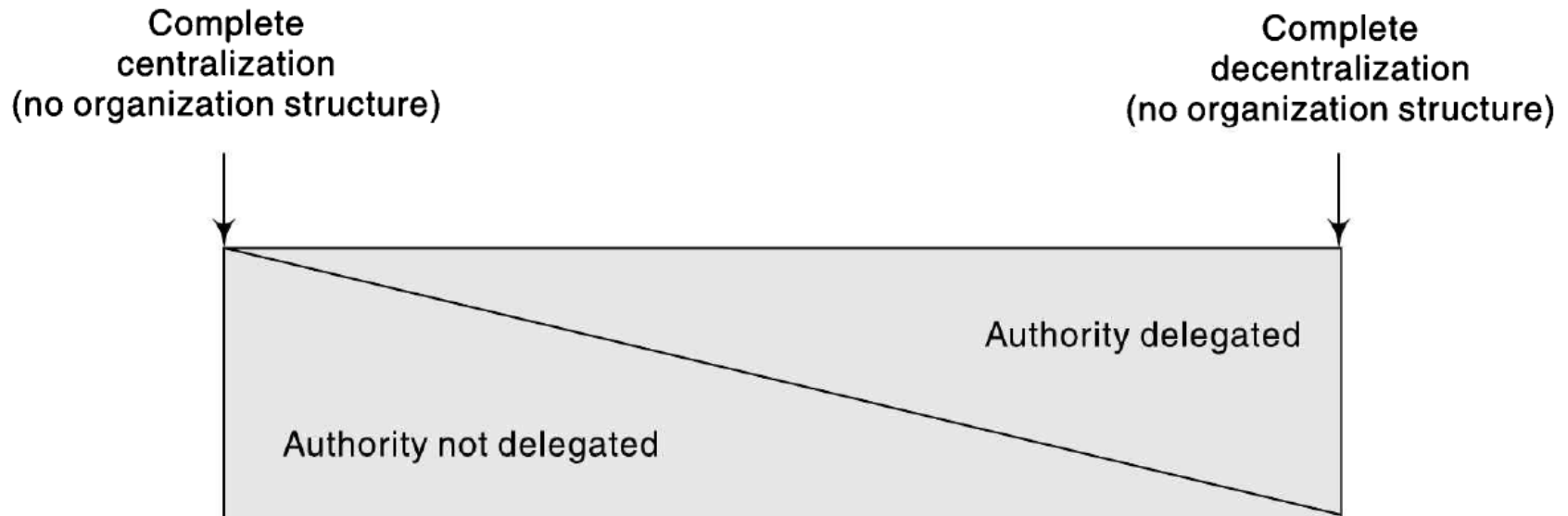
- In contrast, staff authority refers to the advisory or supportive role that certain departments or individuals play within an organization. Staff personnel provide expert advice, information, and services to support the activities of line managers, but they do not have direct control over line employees. Staff authority is based on specialized knowledge and expertise rather than formal position in the hierarchy.
- Human resource managers typically have staff authority rather than line authority. HR professionals advise and assist line managers on personnel-related matters such as hiring, training, compensation, and employee relations. However, HR managers do not directly control the work of line employees. Their authority comes from their expertise in human resource management rather than formal position in the chain of command. Line managers retain the decision-making power and responsibility for the performance of their subordinates.

Line / Staff concepts and Functional Authority

- **Functional Authority:**
- The right delegated to an individual or a department to control specified process, practices, policies, or other matters relating to activities undertaken by persons in other departments.
- Also known as limited line authority, gives a staff member power over a specific function or area of expertise.
- For example, members of an accounting department might have authority to request documents they need to prepare financial reports, or a human resource manager might have authority to ensure that all departments are complying with equal employment opportunity laws.

Decentralization of Authority

- Dispersion of authority in an organization
- Decentralization – the tendency to disperse decision-making authority in an organized structure
- Absolute centralization or decentralization – no organization structure



Different Kinds of Centralization

- Centralization of performance – pertains to geographic concentration; for example, a company operating in a single location.
- Department centralization – refers to concentration of specialized activities, generally in one department. For example, maintenance for a whole plant may be carried out by a single department.
- Centralization of management – is the tendency to restrict delegation of decision-making. A high degree of authority is held by managers at or near the top of the organizational hierarchy.

Delegation of Authority

- Authority is delegated when a superior gives a subordinate discretion to make decisions.
- Superiors cannot delegate authority they do not have.
- The process of delegation involves:
 - (1) determining the results expected from a position
 - (2) assigning tasks to the position
 - (3) delegating authority for accomplishing these tasks
 - (4) holding the person in that position responsible for the accomplishment of the tasks
- Delegation is an elementary art of managing.
- Studies reveal that poor delegation is one of the causes of managerial failures.

Personal attitudes towards delegation

- Receptiveness – willingness to give other people ideas a choice
- Willingness to let go – willing to release the right to make decisions to subordinates
- Willingness to allow mistakes by subordinates – everyone makes mistakes, hence a subordinate must be allowed to make some, and their cost must be considered an investment in personal development
- Willingness to trust subordinates – superiors have no alternative to trusting their subordinates
- Willingness to establish and use broad controls

Overcoming weak delegation

- Define assignments and delegate authority in light of results expected
- Select the person in light of the job to be done
- Maintain open lines of communication
- Establish proper controls
- Reward effective delegation and successful assumption of authority

Recentralization

- Centralization of authority that was once decentralized; normally not a complete reversal of decentralization, as the authority delegated is now wholly withdrawn.

Advantages of Decentralization

Advantages

1. Relieves top management of some burden of decision-making and forces upper-level managers to let go.
 2. Encourages decision-making and assumption of authority and responsibility.
 3. Gives managers more freedom and independence in decision-making.
 4. Promotes establishment and use of broad controls that may increase motivation.
 5. Makes comparison of performance of different organizational units possible.
 6. Facilitates setting up of profit centers.
 7. Facilitates product diversification.
 8. Promotes development of general managers.
 9. Aids in adaptation to fast-changing environment.
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Advantages of Decentralization

Limitations

1. Makes it more difficult to have a uniform policy.
 2. Increases complexity of coordination of decentralized organizational units.
 3. May result in loss of some control by upper-level managers.
 4. May be limited by inadequate control techniques.
 5. May be constrained by inadequate planning and control systems.
 6. Can be limited by the lack of qualified managers.
 7. Involves considerable expenses for training managers.
 8. May be limited by external forces (national labor unions, governmental controls, tax policies).
 9. May not be favored by economies of scale of some operations.
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Summary

- Power
- Authority
- Bases of power
- Empowerment
- Scalar principle
- Line
- Staff
- Functional authority
- Decentralization
- Three kinds of centralization
- Process of delegation
- Attitude towards delegation
- Recentralization
- Advantages and limits of decentralization

Test your Understanding

