

Chapter 5: Organising

- Complete decentralisation is also not possible as the manager cannot delegate all his authority without surrendering his position as a manager.

So, an organisation can never be completely centralised or decentralised.

Q22. Distinguish between centralisation and decentralisation.

Ans.

| Basis | Centralisation | Decentralisation |
|----------------------------|---|---|
| Meaning | It refers to concentration of authority at the top level. | It refers to evenly and systematic distribution of authority at all levels. |
| Delegation of authority | There is no delegation as authority for decision-making is retained at the top level. | There is systematic delegation of authority at all levels of management. |
| Suitability | It is suitable for small organisations. | It is suitable for large organisations. |
| Freedom of decision-making | There is no freedom of decisions-making at middle and lower levels. | Managers at all levels enjoy freedom of decision-making. |

Q23. Distinguish between delegation and decentralisation.

Ans.

| Basis | Delegation | Decentralisation |
|-------------------|--|--|
| Meaning | It refers to a process of sharing of tasks or responsibility and authority between a manager and his subordinates. | It refers to evenly and systematic distribution of authority at every level of management. |
| Freedom of action | Less freedom is given to subordinates to take decisions as control is in the hands of superior. | More freedom is given to subordinate to take decisions. |
| Status | This process is done as a result of division of work. | This is the result of policy decision of top level. |
| Scope | It has narrow scope as it is limited to the superior and his immediate subordinate. | It has wide scope as it implies extension of delegation to the lowest level of management. |
| Purpose | It aims to reduce the work load of manager. | It aims to enhance role of subordinates in organisation by giving them more autonomy. |
| Nature | Delegation is a necessary act because no individual can perform all tasks on his own. | Decentralisation is an optional policy decision. It is done at the discretion of top management. |
| Responsibility | It is the responsibility of every manager. | It is the responsibility of top level management. |
| Authority | The maximum authority is retained at top level. | The authority is systematically distributed at every level. |

Q24. Decentralisation is extending delegation to the lowest level. Comment.

Or

"If we delegate the authority, we multiply it by two; if we decentralise it, we multiply it by many". Comment.

Ans. The given statement is correct. In delegation, authority is multiplied by two as authority is shared between superior and subordinate. However, in decentralisation, authority is multiplied by many as authority is shared between different superiors and subordinates at all levels of management. So, it is rightly said that decentralisation is extending delegation to the lowest level.

Q25. Discuss the various points of importance of decentralisation.

Ans. Decentralisation is important because of following reasons:

- Develops initiative among subordinates:** Decentralisation gives individuals an opportunity to learn by doing. It promotes their self-reliance and confidence and also provides a positive work climate with greater freedom. It also helps to identify executives with potential to become dynamic leaders.
- Develops managerial talent for the future:** Decentralisation provides a better means to develop future managers as it gives them a chance to take decisions, exercise judgement and perform activities of top executives. Decentralisation creates a pool of qualified manpower, who can be considered to fill up more challenging positions through promotions.
- Quick decision-making:** Decentralisation facilitates prompt decision-making as decisions are taken by the subordinates at the point of action. They are not required to wait for consultation or instructions from the higher authorities.
- Relief to top management:** Decentralisation relieves the top management from routine and time-consuming operations. They can concentrate on key areas, like strategic planning, major policy formulation, etc. It also reduces the need for direct supervision as subordinates are given freedom to act and decide within the limits.
- Facilitates growth:** Under decentralisation, managers enjoy considerable freedom to manage the affairs of their departments. This allows them to function in a manner best suited to their department and promotes competition amongst the departments. As each department put its best efforts, the overall productivity increases and organisation is able to generate more returns for expansion purposes.
- Better control:** Decentralisation makes it possible to exercise control by evaluating performance of each and every manager. Managers can be held accountable for their results. Feedback from all levels helps to analyse variances and improve operations. Control systems, such as balance score card and management information system (MIS) have been evolved for accountability of performance.