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ORGANISING

Decentralization

In many organizations the top management plays an active role in taking all decisions while there are others in which this power is given to even the lower levels of management. Those organisation in which decision making authority lies with the top management are termed as centralised organisation whereas those in which such authority is shared with lower levels are decentralised organisation. Decentralisation explains the manner in which decision making responsibilities are divided among hierarchical levels. Put simply, decentralisation refers to delegation of authority throughout all the levels of the organisation. Decision making authority is shared with lower levels and is consequently placed nearest to the points of action. In other words decision making authority is pushed down the chain of command. When decisions taken by the lower levels are numerous as well as important an organisation can be regarded as greatly decentralised.

Centralisation and Decentralisation

Centralisation and decentralisation are relative terms, as seen from the existing status of various business enterprises. An organisation is centralised when decision-making authority is retained by higher management levels whereas it is decentralised when such authority is delegated. Complete centralisation would imply concentration of all decision making functions at the apex of the management hierarchy. Such a scenario would obviate the need for a management hierarchy. On the other hand, complete decentralisation would imply the delegation of all decision making functions to the lower level of the hierarchy and this would obviate the need for higher managerial positions. Both the scenarios are unrealistic. An organisation can never be completely centralised or decentralised. As it grows in size and complexity, there is a tendency to move towards decentralised decision making. This is because in large organisation those employees who are directly and closely involved with certain operations tend to have more knowledge about them than the top management which may only be indirectly associated with individual operations. Hence, there is a need for a balance between these co-existing forces. Thus, it can be said that every organisation will be characterised by both centralisation and decentralisation.