

III. CENTRALIZATION AND DECENTRALIZATION

3.1. Meanings:

Centralization means concentration of authority at the top level of the administrative system.

Decentralization, on the other hand, means dispersal of authority among the lower levels of the administrative system. Thus, the issue of centralization versus decentralization revolves around the location of the decision making power in the administrative system.

In a centralized system of administration, the lower levels (called field offices) cannot act on their own initiative. They have to refer most of their problems to the higher level (called headquarters) for decision-making. They act as only implementing agencies. In a decentralized system of administration, on the other hand, the field offices can act on their own initiative in specified matters. They are given authority to take decisions without reference to the headquarters. Thus, the essence of decentralization is the vesting of decision-making power in the field offices.

Centralization is the opposite of decentralization. It means centralization of authority once decentralized. The word decentralization is derived from Latin.

3.2. Definitions

The following definitions can be noted in this regard:

L.D. White: "The process of transfer of administrative authority from a lower to a higher level of government is called centralization; the converse, decentralization."

Henry Fayol: "Everything that goes to increase the importance of the subordinate's role is decentralization; everything which goes to decrease it is centralization."

3.3. Typologies of decentralization

Broadly, decentralization is of the two types – political and administrative. The decentralization is further subdivided into territorial (vertical) decentralization and functional (horizontal) decentralization. A brief discussion of the typologies of decentralization is as follows:

a) Political Decentralisation:

It stands for the establishment of new levels of government like the autonomous states in India or provinces in Canada. In the federal systems, political authority is divided between central government and the regional governments (State governments in India or Provincial governments in Canada).

The creation of autonomous local governments in Federal States like USA or India and in Unitary States like Britain or Japan also implies political decentralization. Thus the establishment of City Governments in USA, Panchayati Raj and Municipal Corporations in India, County Governments in Britain and Prefectural Governments in Japan are good examples of political decentralization.

b) Territorial Decentralisation:

It stands for the establishments of area administrative units (field offices) by the higher authority (headquarters). For example, the creation of divisions, districts, talukas, circles, and so on in India. These are vested with decision-making powers within specified limits and thus function in an independent manner.

c) Functional Decentralisation:

It implies the vesting of decision-making authority in the specialized units by the central agency. For example, the creation of technical or professional bodies in India like the University Grants Commission, Flood Control Board, Central Social Welfare Board, and so forth.

3.4. Approaches to decentralization

James W. Fesler classified the different approaches to the concept of decentralization in the following four categories:

a) Doctrinal Approach:

It conceives decentralization as an end in itself and not as a means to the realization of some goal. It views decentralization in terms of idealization, that is, a theory which holds that things exist only as ideas in the mind.

b) Political Approach:

It says that the creation of decentralized units with a set of operational autonomy is governed by political factor. For example, the creation of Panchayati Raj as a rural local self-governing body in our country is politically determined.

c) Administrative Approach:

It says that the establishment of autonomous decentralized units in the fields is determined by the factor of administrative efficiency, that is, better decision-making and faster problem-solving. For example, the creation of regions, divisions, districts, sub-divisions, talukas and circles between the state headquarters and the field.

d) Dual-role Approach:

It conceives decentralization as a method of resolving conflicts in field administration between tradition and change. The usage of status-quo oriented colonial field administration to bring about speedy socio-economic change is leading to area-function dichotomy in district administration in our country.

3.5. Merits of Centralisation

These are briefly discussed as follows:

a) It provides for maximum control over the entire organization.

b) It ensures that all the work is performed in the same manner and in accordance with the same general policies and principles.

c) It makes administrative abuses more difficult in matters like employment and handling of personnel, purchase and use of supplies and so on.

d) It ensures economy in administration by avoiding duplication of work.

e) It facilitates the introduction of dynamism in the organization through the active role of personnel leadership.

f) It is suitable for dealing with emergencies and unanticipated matters.

g) It enables the maximum utilization of the human and material resources in the organization and thus develops a corporate personality.

3.6. Demerits of Centralisation

These are provided as follows:

a) It leads to delay in securing action as the field officials have to refer the matter to the higher authorities.

b) It makes the head-office overburdened due to "apoplexy at the top and anemia at the extremities."

c) It leads to autocratic control over subordinates and thus results in lack of flexibility in administration.

d) It makes administration irresponsive as the head office acts without the knowledge of local conditions and requirements.

- e) It does not facilitate people's participation in administrative process.
- f) It does not allow the development of second line of executives.
- g) It is not conducive for the expansion and diversification of the organization.

3.7. Merits of Decentralisation

These are stated as follows:

- a) It increases administrative efficiency by reducing delays, curbing red-tapism and encouraging faster action.
- b) It reduces the workload of the head office and thus enables the top echelons to concentrate on vital issues like policy formulation, examining major problems and so forth.
- c) It develops resourcefulness and self-respect among the subordinates by making them to take decisions with a sense of responsibility.
- d) It makes administration more responsive as the field units act with the knowledge of local conditions and requirements.
- e) It facilitates people's participation in administrative process and thus strengthens democracy at the grassroots level.
- f) It allows the development of second line of executives due to adequate delegation of authority to the lower levels.
- g) It encourages the expansion and diversification of the organization for effective goal-achievement.
- h) It facilitates the adaption of national policies and programmes to the varying conditions of different regions.
- i) It alleviates the problem of communication overload in the organization by reducing paper work at both higher and lower levels.
- j) It encourages competition and comparative standards of evaluation among several competing field units.
- k) It makes possible the experimentations in decision-making and implementation by several units without committing the whole enterprise to an untried course of action.

According to **J.C. Charlesworth**, "Decentralization has a more important justification than mere administrative efficiency. It bears upon the development of a sense of personal adequacy in the individual citizen; it has spiritual connotations."

3.7.1. Demerits of decentralisation

- a) It complicates coordination and integration of the activities of various units due to decrease in the degree of central control over the total organization.
- b) It makes communication among various levels difficult and thereby reduces its effectiveness and authenticity.
- c) It makes administration expensive due to duplication of work and lack of centralized housekeeping services.
- d) It is not suitable for dealing with emergencies and unanticipated matters.
- e) It encourages divisive forces in the organization and thus threatens the organizational integration.
- f) It weakens the national perspective in administration by breeding localism and parochialism.
- g) It increases administrative abuses like corruption, maladministration, nepotism, and so on. These things can be seen in the working of Panchayati Raj in our country.

3.7.2. Effective Decentralization

J.C. Charlesworth suggested the following safeguards to make the decentralization effective:

- a) Field offices should report to one central agency only.
- b) Jurisdictional lines should be meticulously drawn.
- c) Procedures in the several field offices should be of a common standard, although they need not be uniform.
- d) Field office should have a sufficient flexible physical and psychological structure to permit it to adjust to the emergent local conditions.
- e) Field office should not make decisions affecting overall policy, although it should be encouraged to make its own decisions to a point approaching that situation.
- f) A system of ready appeals should be present.
- g) Suggestions from the field to the centre should be freely channeled.
- h) Adequate reporting and inspection methods should provide the centre-head with full and current knowledge of field operations.

Centralisation and decentralisation

One of the issues that a business needs to address is where decision-making power is in the organisational structure. The key question is whether it is kept with senior management at the headquarters or the top of the organisation (**centralised**) or whether it is delegated further down the hierarchy, away from the centre and possibly in different locations (**decentralised**).

Most large businesses do use some decentralisation, especially if they operate from several locations or have added new products or markets. The issue is really how much independence business units or groups within a business should have when it comes to key decisions, especially those that might affect the business as a whole.

Centralised structures

Businesses that have a centralised structure keep decision-making firmly at the top of the hierarchy, amongst the most senior management.

Fast-food businesses use a predominantly centralised structure to ensure that control is maintained over their many thousands of outlets. The need to ensure consistency of customer experience and quality at every location are the main reasons why centralisation is chosen.

Advantages and disadvantages of centralisation are:

Advantages	Disadvantages
<input checked="" type="checkbox"/> Easier to implement common policies and practices for the business as a whole	<input checked="" type="checkbox"/> There are often more layers in the organisation, which will increase costs
<input checked="" type="checkbox"/> Prevents other parts of the business from becoming too independent	<input checked="" type="checkbox"/> Local or junior managers are likely to be much closer to customer needs, therefore the best decisions for the local area may not be taken by the business
<input checked="" type="checkbox"/> Easier to co-ordinate and control from the centre, for example with budgets , which prevents overspending	<input checked="" type="checkbox"/> Lack of authority down the hierarchy may reduce manager motivation
<input checked="" type="checkbox"/> Economies of scale and other savings are easier to achieve; for example, all purchasing may be done centrally, which will mean cheaper unit costs due to bulk purchasing	<input checked="" type="checkbox"/> Customer service does not benefit from flexibility and speed in local decision-making
<input checked="" type="checkbox"/> Greater use of specialist staff, for example in areas such as human resources, finance and marketing	

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| <input checked="" type="checkbox"/> Quicker decision-making (usually) and easier to show strong leadership | |
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Decentralised structures

In a decentralised structure, decision-making is spread out to include more junior managers in the hierarchy, as well as individual business units, such as specific stores, or trading locations.

Good examples of businesses which use a decentralised structure include the major supermarket chains. Each supermarket has a store manager who can make specific decisions about their particular store, such as staffing levels. However, bigger decisions regarding store layout are made by head office. In this instance, every store manager is responsible to a regional or area manager. Hotel chains are also particularly keen on using decentralised structures, so that local hotel managers are empowered to make on-the-spot decisions to handle customer problems or complaints.

The main advantages and disadvantages of using **decentralisation** are:

Advantages	Disadvantages
<input checked="" type="checkbox"/> Decisions are made closer to the customer and therefore are more likely to reflect their specific needs	<input checked="" type="checkbox"/> Decision-making is not necessarily looking to the long term future direction of the business
<input checked="" type="checkbox"/> Better able to respond to local circumstances	<input checked="" type="checkbox"/> More difficult to ensure consistent practices and policies, customers might prefer consistency from location to location
<input checked="" type="checkbox"/> Improved level of customer service	<input checked="" type="checkbox"/> May be some diseconomies of scale and inefficiencies across the business, for example staff may duplicate roles across different sites
<input checked="" type="checkbox"/> Consistent with aiming for a flatter hierarchy	<input checked="" type="checkbox"/> Nobody to provide quick and strong leadership when needed, for example in a crisis situation
<input checked="" type="checkbox"/> Good way of training and developing junior management	<input checked="" type="checkbox"/> Harder to control costs, which means the business may end up over-spending
<input checked="" type="checkbox"/> Should improve staff motivation	