

Ways of Manifesting the Decision-Making Authority at the Level of the Organization

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Abstract

The emergence of the New Public Management meant a challenge addressed to the traditional model of public administration, the decentralization of the managerial authority, being one of the characteristics of the new current.

The paper follows the possible forms of structuring the decision-making authority, at the level of an organization, through centralization or decentralization, types that can be practiced by organizations, having different dimensions.

Briefly, opinions on the significance of the process of concentrating power, in case of centralization, or its dissemination, in the context of decentralization, are shown, the choice of one of the variants, being conditioned by elements that can influence the activity.

For each of the two models, there were given evidence of both characteristic features and possible advantages and disadvantages as a result of their practice, which are also relevant to the aspects that differentiate them.

Knowing the distinctions that manifest, the advantages and possible risks that each model implies, is of particular interest in the business world, in the context of competition and other factors that require the optimization of decisions.

Key words: management, decision-making authority, organization, centralized, decentralized, managers.

J.E.L. classification: D73; I22; I23; I25

1. Introduction

The form of structuring the decision-making authority, at the level of an organization, can be centralized and, respectively, decentralized. The two types, which can be practiced, as the case may be, by large or medium companies, but also some small enterprises, are also relevant for the challenges addressed to the traditional form of public administration, with the emergence of the New Public Management, decentralization of managerial authority being one of the characteristics of the new current.

Both the formula of power concentration and its dissemination each reflect the consequences of the modality of authority exercise, concerning the way of operations coordination, the level of taking responsibilities, the ability to adapt to market needs, employee motivation, the effects on organization costs. The form of organization is reflected in the efficiency of the use of the resources available to the organization, the quality of the goods and services achieved.

The paper aims to present possible variants of structuring the activity of an organization, of the features that characterize them, signalling the advantages and disadvantages of their practice, relevant, at the same time, regarding the aspects that distinguish them.

2. Theoretical background of the forms of structuring the authority

2.1. Centralization

The meaning of the concept of centralization refers to the concentration of the programming and decision-making action at the level of the central management of the organization or of the group

of managerial personnel that coordinates the activities of the sectors, departments. (Arkupal Acharya)

By virtue of the form of centralized organization, traditionally practiced, the central management is account for exercising control over activities up to the last link, on the hierarchical scale and, implicitly, the responsibility for the distribution of tasks among employees.

The concentration of the authority supposes, at the same time, the non-involvement of the subordinates in the decision-making, to these being account for attributions of fulfilling the functions incumbent on them and, respectively, of the received orders. (Surbhi, 2015)

Fayol expresses, shortly, the significance of the forms of exercising authority in an organization "everything which goes to increase the importance of the subordinate's role is decentralisation and everything which goes to reduce it is centralisation." (Fayol quoted in Arkupal Acharya, p.1)

2.2. Decentralization

The process of decentralization of authority, echo of the adoption of New Public Management reforms, manifested itself in the context of external competition pressures that require faster decision-making, with some organizations opting for this form of manifestation of authority.

Decentralization, the opposite concept to centralization, consists in disseminating the authority and responsibility of decision-making from the "top" level of the organization, to the middle or last level. This form of extension of the delegation of authority to subordinates go through the hierarchical scale of the organization up to the lowest level. (Surbhy, 2015)

The process provides the managers of the operative divisions with favorable conditions for obtaining superior results, as well as the increase of independence in organizing and carrying out the activity (Surbhy, 2015).

According to the definitions formulated by specialists, decentralization:

- "[...] 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 quoted by Smriti Chand, p.1);
- "[...] is simply a matter of dividing up the managerial work and assigning specific duties to the various executive skills." (Newman, Summer and Wairen quoted in Smriti Chand, p. 2).

The preference for one of the options for structuring an organization depends on elements that can influence its activity, such as the culture and environment in which it evolves, strategies adopted in the short or long term, relations with customer, managerial technique used.

At the present stage, no type of organization is known in the fully centralized or decentralized form, respectively, in fact, practicing a mix of the two models (Arkupal; Surbhy, 2015).

The two forms of functioning of a unit, through centralization or decentralization, assume the emergence, both of some benefits but also of some possible risks, resulted in the development of the activity.

2.3. Advantages and disadvantages of the ways of structuring an organizations; distinctive elements

In the following, for each of the two forms, some opinions are presented regarding the advantages and respectively the possible disadvantages as a result of practicing these ways of structuring an organization, relevant, at the same time, and regarding the aspects that distinguish them.

Table no. 1 Particularities of the form of structuring the organization - centralization

Advantages	Disadvantages
<p>1. Uniformity and consistency The vertical, hierarchical character of the communication flow, the centralization of decision-making and the exercise of control, associated with the use of the same equipment models, at departmental level, ensures the uniformity of actions, reflected in the consistency of performances.</p>	<p>1. An overload of managers The high degree of authority and the multiple responsibilities that account for the manager in the organization, diminish the availability of engaging in major issues, of perspective, for the efficiency of organization.</p>
<p>2. Concentration of authority in decision making, unification of operations The centralization technique ensures the manager, authority in decisions-making and their clarity, unification of the organization's operations. The leader has the opportunity to make decisions, taking into account the requirements, in order to achieve the objectives, an important element for the maintenance and success of the organization, in a competitive environment.</p>	<p>2. The risk of errors emergence The concentration of the authorities at the top of management, without the involvement of managers from the lower levels, creates the possibility of errors emergence in the exercise of power, in situations where the managers do not have no sufficient skills.</p>
<p>3. A simple and clear structure In a centralized organization, there are usually met two levels: managerial and operational. The first level has the responsibility of decision making (work organization, resource allocation, procedures, etc.). The second is responsible for the execution of orders sent from the top management. Thus, the conditions for a good coordination of operations, a close supervision of the activity of subordinates are facilitated.</p>	<p>3. Decreasing motivation in the unfold activity In a centralized organization system, the managers at lower levels do not have the possibility to develop their personal skills, to have initiatives, their competences being limited to perform the tasks assigned, the situation being found in the case of other employees, too. This limitation of the possibilities of involvement in the activity, of manifestation of the personality, attracts the diminution of the interest and moral motivation of the subordinates.</p>
<p>4. Quality of work Conditions for a better quality of work, due to the standard procedures used at the level of the organization, of a close supervision of the employees, implicitly through the use of advanced techniques; it is important accumulation and strengthening the experience of employees are created.</p>	<p>4. Difficulties in quick adaption to change The competition requires the business environment, dynamism in decision-making regarding the activity of the sectors. In centralized organizations, the possibility to sustain a high pace is not guaranteed, being conditioned by the efficiency of management. Because a large part of the workload of managers is consumed to solve routine problems, the time given to some unscheduled decision-making is limited, what can negatively influence the competitiveness of the organization.</p>
<p>5. A pronounced coordination of operations The clear distribution of tasks between employees and their close supervision provide conditions for the good coordination of activities, eliminating situations of overlapping execution of several operations. From this perspective, the centralization is a recommendable formula for small organizations, with small businesses, because the manager can directly follow all the activities of the organization, an important aspect for the position held in competitive conditions.</p>	<p>5. An inappropriate formula for the structure of large companies It is not recommendable for organizations that develop large businesses and have branches in various locations, the communication of the decisions of the central managerial group having to go through the levels of the managerial hierarchy. The transmission of documents, from or to the central group, means consumption of working time and can lead to delays in decision making and, respectively, affect work performance.</p>

<p>6. Decreased costs The use of some standardized operating procedures, with a small number of levels and positions of management and, respectively, specialists create possibilities to decrease the costs of the organization, therewith benefiting from the competence and qualification of the organization's members .</p>	
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Source: processing from Arkupal Acharya, „What are the advantages and disadvantages of centralization of authority ?”, <http://www.preservearticles.com/201101143291/advantages-and-disadvantages-of-centralisation-of-authority.html>; „Disadvantages of Centralization”, Accounting-Management, <https://accountlearning.blogspot.com/2013/05/disadvantages-of-centralization.html>; „Advantages of Centralization”, Accounting-Management, <http://accountlearning.blogspot.ro/2013/05/advantages-of-centralization.html>.

Table no. 2 Particularities of the form of structuring the organization - decentralization

Advantages	Disadvantages
<p>1. Concentration of central management for perspective issues Through decentralization and the transfer of some responsibilities to subordinates, the management staff is relieved of the task of solving current activities. He thus has the possibility to focus on initiating important managerial activities, formulating policies and strategies.</p>	<p>1. Difficulties in applying homogeneous policies The dispersal of authority from the high level of management toward the functional management is a difficulty for establishing and applying some uniform procedures, as each manager has its own standards in policy making.</p>
<p>2. Improving the quality of decisions, speeding their adaptation The competencies granted to managers of departments or sectors and their direct involvement in the conduct of business, associated with the experience gained, improves the quality of decisions and accelerates their adaptation, eliminating hierarchical links.</p>	<p>2. Coordination and control issues as a whole The delegation of decision-making competence to the managers of the execution divisions of the organization reduces the possibility of coordination and control of the activity of the entire company, by the central management, existing the risk of some incompletely detailed reporting due to the widely dispersed authority.</p>
<p>3. Better adaptation to market requirements Ensuring the freedom of managers initiative, in the execution sectors of the organization, the decentralization offers the possibility of a better adaptation to market requirements, facilitating the diversification of products, the emergence of new products and services. Increasing the potential to meet market demands can increase the company's profitability.</p>	<p>3. The burden of higher costs Decentralization involves greater financial efforts because:</p> <ul style="list-style-type: none"> • hiring qualified and competent staff to assume some responsibilities implies the need for adequate remuneration; • the presence of administrative staff, in each sector with production activities, sales leads to higher costs than in the formula of the centralized model; • the collection and processing of information in the conditions of division of the organization requires higher expenses than those generated by the processing of information at central level.
<p>4. Promoting work motivation Increasing the responsibility and freedom of managers in activities management and supervising them increases the motivation and interest in increasing performance.</p>	<p>4. Competition and risks in cooperation The pressure to make a profit attracts the competition between the component sectors of the organization and the danger of deteriorating the good cooperation between the sectors and their managers, which can have unfavorable effects at</p>

<p>The executive sectors have the opportunity to use their own capabilities, to have initiatives, contributing to increasing the company's prospects. Louis A., Allen points out that "Decentralisation stimulates the formation of small cohesive groups. Since local managers are given a large degree of authority and local autonomy, they tend to weld their people into closely knit integrated groups." (Louis Allen quoted in Smriti Chand, p. 4)</p>	<p>the company level. The situation may arise if the managers competing on the same market product proceed to reduce the price to increase sales volume, but the process may lead to a decrease in profit throughout at level of the entire organization.</p>
<p>5. Better working and communication relationships By the division of activities it is created the possibility of a better communication and relating between the processes of work and management, as a result of a continuous contact that can be maintained between the department managers and employees.</p>	<p>5. Efficiency issues Failure to cover the necessary of resources at the subunit level or lack of qualified and experienced staff can entail the decrease of the efficiency of their activity.</p>

Source: processing from Louis A. Allen (1958) , "Management and Organization", Published by New York McGraw-Hill Book Company;
https://books.google.ro/books?printsec=frontcover&vid=LCCN57013329&redir_esc=y;
 Smriti Chand, "Decentralisation: Meaning, Advantages and Disadvantages of Decentralisation",
<http://www.yourarticlelibrary.com/organization/decentralisation-meaning-advantages-and-disadvantages-of-decentralisation/25703/>;
 Agarwal Rohit "Advantages and Disadvantages of Decentralisation",
<http://www.yourarticlelibrary.com/accounting/responsibility-accounting/advantages-and-disadvantages-of-decentralisation/52903/>;

3. Research methodology

The research methodology consisted in the study of some materials from the foreign and autochthon specialized literature, corresponding to the chosen topic, the processing of the selected ideas and the author's own interpretation.

4. Findings

The data presented highlight a number of aspects relevant to the performed study.

The particularities of the two ways of manifesting the decision-making authority are relevant for the elements that differentiate them and the effects they have on the activity of an organization. In the sense of the above, we can note situations, in which some elements constituting advantages of one of the structures may be risks in the case of the other and the reciprocal of the situation, risks that may become advantages, as seen in the tables below.

Table no. 3 Distinctive elements regarding the particularities of centralization and decentralization

Reference element	Centralization - advantages	Decentralization - risks
<i>Costs</i>	It creates opportunities to reduce costs.	It involves greater financial effort.
<i>Uniformity</i>	Homogeneity of procedures and consistency of performance.	Difficulties in unification procedures.
<i>Coordination</i>	The manager's authority in decision-making ensures the good coordination of operations.	There is a risk of reducing the possibility of coordination and control due to the dispersion of authority to sector managers.
<i>Adaptation possibilities</i>	Recommendable for small businesses.	Not suitable for small businesses.

Source: processing from Arkupal Acharya, „What are the advantages and disadvantages of centralization of authority ???”, <http://www.preservearticles.com/201101143291/advantages-and-disadvantages-of-centralisation-of-authority.html>; „Disadvantages of Centralization”, Accounting-Management, <https://accountlearning.blogspot.com/2013/05/disadvantages-of-centralization.html>; „Advantages of Centralization”, Accounting-Management, <http://accountlearning.blogspot.ro/2013/05/advantages-of-centralization.html>;

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Agarwal Rohit “Advantages and Disadvantages of Decentralisation”, <http://www.yourarticlelibrary.com/accounting/responsibility-accounting/advantages-and-disadvantages-of-decentralisation/52903/>;

Smriti Chand, “Decentralisation: Meaning, Advantages and Disadvantages of Decentralisation”, <http://www.yourarticlelibrary.com/organization/decentralisation-meaning-advantages-and-disadvantages-of-decentralisation/25703/>

Table no. 4 Distinctions between the decentralized and centralized structuring form

Reference elements	Decentralization -advantages	Centralization-risks
<i>Manager's position</i>	The top manager has the availability to devote time and effort to formulating policies and strategies.	The multiple responsibilities of the manager require him a lot of time to carry out current activities, to the detriment of prospective ones.
<i>Quality and speed of decision making</i>	Conditions to increase the quality and speed of tacking-up decisions are created.	The risk of decision errors of top managers who hold full authority.
Adapting to change	Flexibility and fastness in adapting to market requirements.	Has difficulty in decision-making quickly.
Motivation	Ensures the motivation, interest in increasing performance, by giving responsibility for decision making, to the lower echelons too.	There is a decrease in the moral motivation of subordinates because of limiting competencies and involvement.

Source: processing from Arkupal Acharya, „What are the advantages and disadvantages of centralization of authority ???”, <http://www.preservearticles.com/201101143291/advantages-and-disadvantages-of-centralisation-of-authority.html>; „Disadvantages of Centralization”, Accounting-Management, <https://accountlearning.blogspot.com/2013/05/disadvantages-of-centralization.html>; „Advantages of Centralization”, Accounting-Management, <http://accountlearning.blogspot.ro/2013/05/advantages-of-centralization.html>;

Louis A. Allen (1958) , ”Management and Organization”, Published by New York McGraw-Hill Book Company, https://books.google.ro/books?printsec=frontcover&vid=LCCN57013329&redir_esc=y;

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5. Conclusions

The distinctions between centralization and decentralization, respectively, the concentration of the activity at the level of a manager and its distribution to the lower administrative echelons, present a special interest in the business world. The emergence of extreme competition, which manifests itself both internally and externally, requires the optimization of decisions as well as the fastness in their choice (Surbhi, 2015).

The choice of the optimal variant for the organization depends on a series of determining factors for the efficiency and profitability of the company: the size of the company and its location, the existing competitive environment, its resources, but also on the organizational competence and the strategic vision of managers, the way of using resources.

Generally, the centralization is practicable, especially for small companies and decentralization is recommendable for the large ones, but it is possible that the way of structuring an organization do not belong strictly to one of the two forms, making a mix of them; thus, in an organization, there may be both central level controlled activities and competencies delegated, up to a certain level, to departments. (Arkupal, Surbhi, 2015).

It is necessary the existence of an efficient performance evaluation system and the practice of adequate controls, which ensure for the top manager of the company, an effective monitoring of activities.

The risk of increasing the financial efforts involved in the formula of a activity in a decentralized system requires the general manager of a company, in advance of the decision to divide the activity, a careful analysis of the probability of obtaining benefits to cover cost increases (Agarwal).

6. Acknowledgment

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