
2.3 CENTRALISATION AND DECENTRALISATION

Centralisation refers to consolidating decision making in one coordinating head. Decentralisation refers to delegation of decision making to subordinate units. Both centralisation and decentralisation are intended to improve organisational effectiveness. Theories are of little avail in suggesting which is the proper thing to do in a given situation. At one point Ford Motor Company suffered because of centralisation and General Motors because of decentralisation.

If one were discerning enough, it is possible to identify two basic types of centralisation and decentralisation.

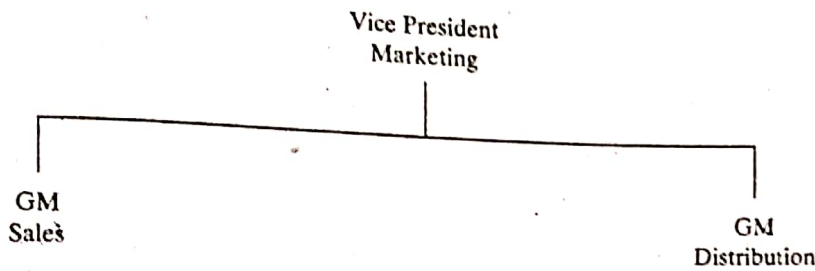
a) **Geographic/territorial** concentration (centralisation) or dispersal (decentralisation) of operation. If all operations are under one roof or in one geographic region, Geographic regions could refer to a city (eg. Bombay), State (Maharashtra), country (India) or continent (Asia). (Figure I).

b) **Functional concentration or decentralisation.** As an example, personnel functions in an organisation could be concentrated in one separate department or handled in various functional departments as shown in Figure II.

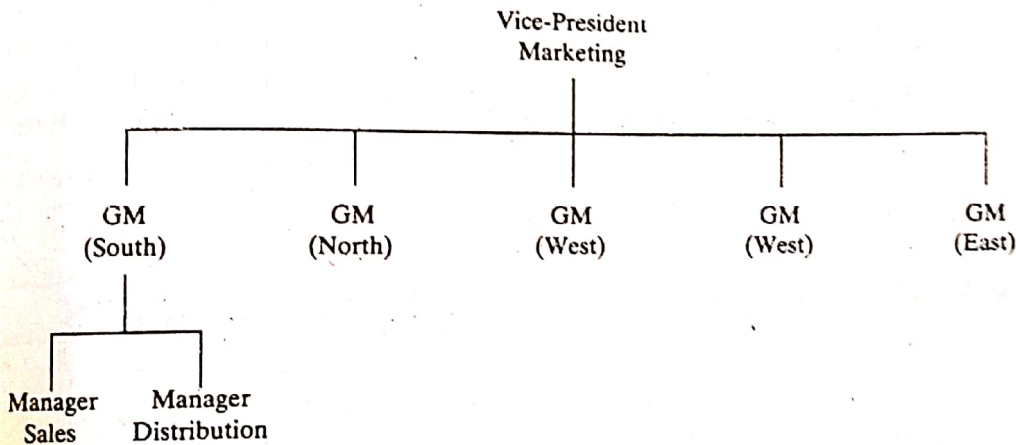
However, from a practical point of view, merely by looking at charts it is difficult to determine to what extent authority is concentrated or dispersed. There is need therefore to analytically study how the chain of command operates in an organisation. In reality centralised form will have some amount of decentralisation and vice versa. The difference is one of degree. "Centralised decentralisation" seems to be the dominating mode in organisation design and structure.

Figure 1: Marketing Function in an Organisation with All-India Operations

a) Centralised



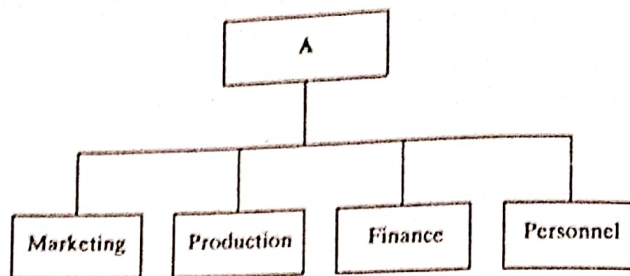
b) Decentralised (geographic/territorywise)



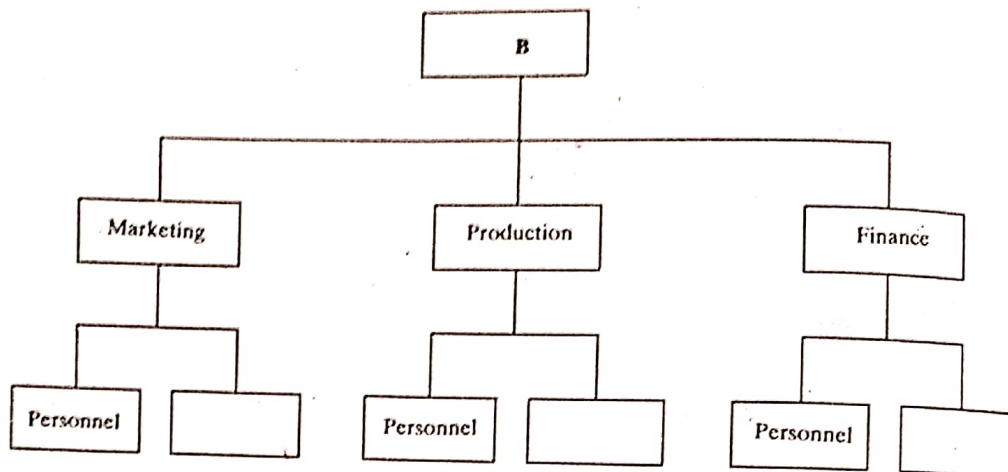
Alfred P. Slogan played an instrumental role in developing a model of central control of decentralised operations for General Motors based on the following twin premises:

- 1 The responsibility attached to the chief executive of each operation shall in no way be limited. Each such organisation headed by its chief executive shall be complete in every necessary function and enabled to exercise its full initiative and logical development (Decentralisation of operations)
- 2 Certain central organisation functions are absolutely essential to the logical development and proper coordination of the Corporation's activities: Centralised staff services to advise the line on specialized phases of the work, and central measurement of results to check the exercise of delegated responsibility.

Figure II: Personnel as a centralised function



Personnel as a decentralised function



2.4 VERTICAL AND HORIZONTAL STRUCTURES

The classical bureaucratic model of organisation though pervasive, has been considered inappropriate to the changing requirements of modern times. A bureaucratic organisation was considered to be too inflexible and hierarchical to adapt to the changes occurring in organisations and technology. Parkinson's laws and Peter Principle highlight the negative aspects of bureaucratic organisations. Whatever be the criticism against bureaucracies, it is realised that to some extent they have become essential. Therefore, writers and organisations began to explore ways to modify the bureaucratic organisation structures. In essence these new structures reflect modifications to the classical principles of delegation of authority and standard of control. Delegation extends the scope of the principle to the point of an abiding organisation-wide philosophy of management. A tall organisation structure means a series of narrow spans of control, and a flat one incorporates wide spans and limited layers of control at horizontal levels. Both the structures have their advantages and disadvantages. They should be viewed on relevant concepts and not as ideal absolutes. A tall structure calls for control and close supervision over the subordinates. But close supervision may not necessarily produce better control. Similarly in a flat organisation with wide spans, it may not be possible to keep close control over subordinates but it provides for decentralisation, individual initiative and self-control. Tall structures are less favourably viewed in modern organisation analysis. From a behavioural point of view it is held that self-control is better than imposed control. The choice in this regard however rests ultimately on management assumptions about individuals and groups in organisations.

2.5 MECHANISTIC AND ORGANIC SYSTEMS

Burns and Stalker propose two contrasting forms of management systems to suit different conditions. These are called as mechanistic organic forms. A **mechanistic**

management system is considered appropriate to stable conditions while the organic form is suitable to changing conditions. The contrasting features of both these forms are shown in Table 2.

Table 2: Distinction between Mechanistic and Organic System

Mechanistic System	Organic System
a) the specialized differentiation of functional tasks into which the problems and tasks facing the concern as a whole are broken down	a) the contributive nature of special knowledge and experience to the common task of the concern
b) the abstract nature of each individual task, which is pursued with techniques and purposes more or less distinct from those of the concern as a whole; i.e., the functionaries tend to pursue the technical improvement of means, rather than the accomplishment of the ends of the concern	b) the "realistic" nature of the individual task, which is seen as set by the total situation of the concern
c) the reconciliation, for each level in the hierarchy, of these distinct performances by the immediate superiors, who are also, in turn, responsible for seeing that each is relevant in his own special part of the main task	c) the adjustment and continual redefinition of individual tasks through interaction with others
d) the precise definition of rights and obligations and technical methods attached to each functional role	d) the shedding of "responsibility" as a limited field of rights, obligations and methods. (Problems may not be passed upwards, downwards or sideways as being someone else's responsibility)
e) the translation of rights and obligations and methods into the responsibilities of a functional position	e) the spread of commitment to the concern beyond any technical definition
f) hierarchic structure of control, authority, and communication	f) a net work structure of control, authority, and communication. The sanctions which apply to the individual's conduct in his working role derive more from presumed community of interest with the rest of the working organisation in the survival and growth of the firm, and less from a contractual relationship between himself and a nonpersonal cooperation, represented for him by an immediate superior
g) a reinforcement of the hierarchic structure by the location of knowledge of actualities exclusively at the top of the hierarchy, where the final reconciliation of distinct tasks and assessment of relevance is made	g) omniscience no longer imputed to the head of the concern; knowledge about the technical or commercial nature of the here and now task may be located anywhere in the network; this location becoming the adhoc centre of control authority and communication
h) a tendency for interaction between members of the concern to be vertical, i.e., between superior and subordinate	h) a lateral rather than a vertical direction of communication through the organisation, communication between people of different rank also, resembling consultation rather than command
i) a tendency for operations and working behaviour to be governed by the instructions and decisions issued by superiors	i) a content of communication which consists of information and advice rather than instructions and decisions
j) insistence on loyalty to the concern and obedience to superiors as a condition of membership	j) commitment to the concern's task and to the "technological ethos" of material Progress and expansion is more highly valued than loyalty and obedience
k) a greater importance and prestige attached to internal (local) than to general (cosmopolitan) knowledge, experience, and skill	k) importance and prestige attached to affiliations and expertise valid in the industrial and technical and commercial milieu, external to the firm

Source: Based on Tom Burns and G.M. Stalker 1961. The Management of Innovation, Tavistock Publications, London.

It is observed that organic systems are not hierarchical in the same way as mechanistic systems and they remain stratified based on expertise. Also, people's commitment to the cause of the organisation is supposed to be more in organic than

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mechanistic systems. In an organic form the hierarchic command gives way to consensus based commitment. The two forms of systems represent two ends of a continuum than being dichotomous. The relation of one form to the other is elastic and an organisation may oscilate from one end (mechanistic) to the other end (organic) as the transition occurs in its conditions from relative stability to relative change.

2.7 MATRIX ORGANISATION ¹

Matrix organisation structure originated with the United States Aero Space Programme of the 1960s and the Aero Space agency's extraordinary and conflicting

1. This section is based on Stanley M Dairs and Paul Lawrence, 1977. Matrix, Addison Wesley, Reading, Massachusetts.

needs for system (for innovation) and order (for regulation and control). A matrix organisation employs a multiple command system that includes not only a multiple command structure, but also related support mechanisms and associated organisational culture and behaviour pattern. A matrix organisation is not desirable unless (i) the organisation must cope with two or more critical sectors (functions, products, services, areas); (ii) organisational tasks are uncertain, complex and highly interdependent; and, (iii) there are economies of scale. All three conditions need to be present simultaneously before a matrix is indicated.

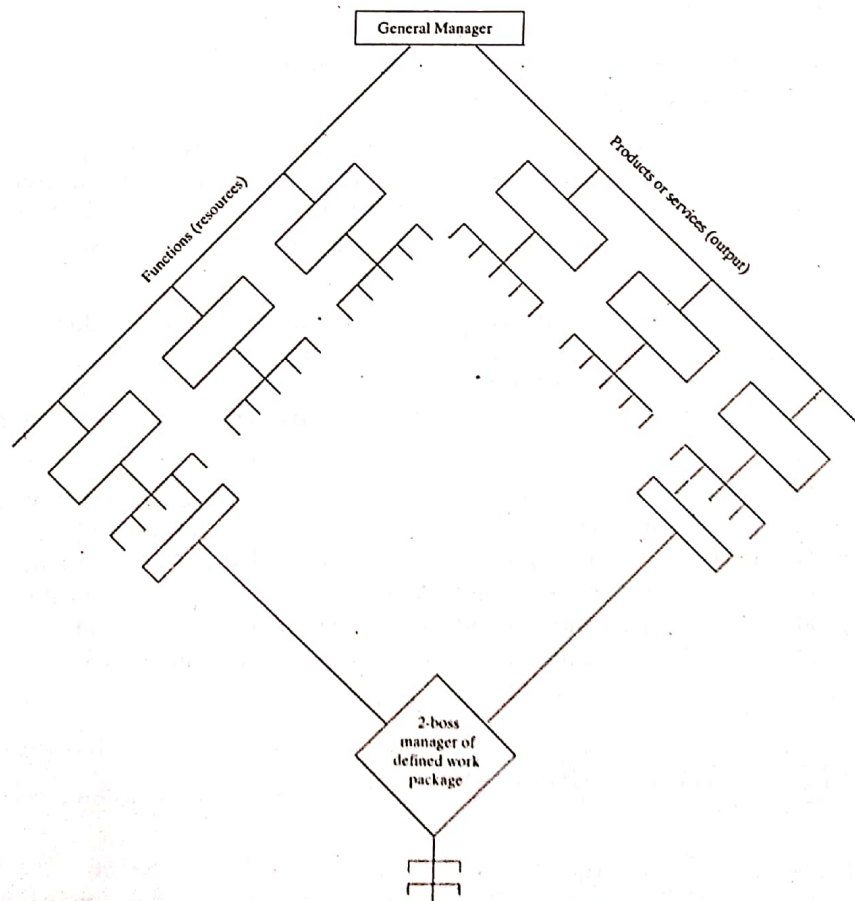
The structure involves the dual chains of command. The system must also operate along two dimensions simultaneously: planning, controlling, appraising and rewarding, etc., along both functional and product lines at the same time. Moreover, every organisation has a culture of its own and, for the matrix to succeed the ethos or spirit of the organisation must be consonant with the new form. Finally, people's behaviour, especially those with two bosses and those who share subordinates, must reflect an understanding and an ability to work within such overlapping boundaries.

The change to a matrix cannot be accomplished by issuing a new organisation chart. People are brought up, by and large, to think in terms of "one person, one boss" and such habits of mind are not easily changed. People must learn to work comfortably and effectively in a different way of managing and organising.

As seen in Figure V each of the three environmental conditions calls for organisational response, and all of them must be present simultaneously for an organisation to appropriately adopt and adapt to the matrix.

Ideally, the matrix form organisation induces (1) the focusing of undivided human effort on two (or more) essential organisational tasks simultaneously, (2) the processing of a great deal of information and the commitment of organisation to a balanced reasoned response, and (3) the rapid redeployment of human resources to various projects, products, services, clients, or markets. Figure VI can help in clarifying how the matrix induces these behaviours.

Figure V: Example of Matrix Design



Source: This section is based on Stanley M Davis and Paul Lawrence, 1977. Matrix, Addison Wesley, Reading, Massachusetts

We see here a Diamond-shaped organisation rather than the conventional pyramid. The top of the diamond represents the same top management symbolized by the top of the pyramid. The two arms of the diamond symbolize the dual chain of command. In the typical case the left arm would array the functional specialist groups or what could be thought of as the resource or input side of the organisation. The right arm arrays the various products, projects, markets, clients, services, or areas the organisation is set up to provide. This is the output or transaction side of the matrix. Depending on how many people holding a specialist orientation, either resource or output, the organisation needs, these groupings can develop several echelons in response to the practical limits of the span of control of any line manager. At the foot of the matrix is the two-boss manager. This manager is responsible for the performance of a defined package of work. The manager is given agreed-upon financial resources and performance targets by superiors on the output side, and negotiated human and equipment resources from the resource manager. The two streams, taken together, constitute the work package. The manager is responsible for managing these resources to meet performance targets. To perform, the manager must handle high volumes of information, weigh alternatives, make commitments on behalf of the organisation as a whole, and be prepared to be judged by the results. This form of organisation induces the manager to think and behave like a general manager.

Even in a fully developed matrix organisation, only a relatively small proportion of the total number of people in the organisation will be directly in the matrix. Whereas a middle-level manager may have two bosses, those people reporting beneath that manager are likely to have only one boss. In an organisation with 50,000 employees only 500-1,500 may be in the matrix; and in one with 500 people, only 50 may be in the matrix. To keep in perspective the proportion of people that will be affected directly, it may be helpful to envision the diamond of the matrix perched on top of the traditional design of the pyramid. Drawn to scale, proportionate to the number of people involved in the matrix, the total organisation chart might look like this:

Figure VI: Matrix Organisation

