

Unit Four

Organizing Function

4.1 Meaning of Organizing

The word 'Organization' is derived from the word 'organism' which means an organized body with connected interdependent parts sharing common life. **Organization can be compared to a human body.**

The human body consists of hands, feet, eyes, ears, nose, fingers, and mouth, etc. These parts are performing their work independently and at the same time as a whole and one part cannot be substituted by another. The same principles can be identified in the organization also. The organization consists of different departments. Each department performs its work independently and cannot be substituted by another. However, they cannot survive in isolation of others.

When a group of persons working together to achieve a common goal, the problems such as who decides what issues, who does what work and what action should be taken on the basis of certain conditions may arise. These questions will be solved through the organizing function.

Organizing is the process of grouping activities necessary to attain common objectives and the assignment of each grouping to a manager, who has the authority necessary to supervise the people performing the activities.

Different people try to define differently as presented below. These are some of the definitions given by a few of these people.

According to G.R. Terry, "Organizing is the establishing of effective behavioral relationships among persons so that they may work together effectively and gain personal satisfaction in doing selected tasks under given environmental conditions for the purpose of achieving some goal or objectives."

According to **Haney**, "**Organization** is a harmonious adjustment of specialized parts for the accomplishment of some common purpose".

According to **Mooney and Reilly**, "**Organization** is the form of every human association for the attainment of a common purpose".

According to Chaser Bernard, "A system of co-operative activities of two or more persons is called organization". An organization is a systematic arrangement of people to accomplish some specific purpose.

Example: Universities, Corporations, hotels, gas stations, etc.

NB: Organizing is a process of creating a coherent whole (organization), whereas organization is any human association created to achieve some common objectives of members of the group. **In other words**, organizing is the process and organization is a social grouping which is an end.

4.2 The process of Organizing

From the above definitions, it is understood that the functions of organization includes determination of activities, grouping of activities, allotment of duties to specified persons, delegation of authority, defining relationships and the co-ordination of various activities. These functions will be discussed as follows.

1. *Determination of activities*

It includes the deciding and division of various activities required to achieve the objectives of the organization. The entire work is divided into various parts and again each part is sub-divided into various sub-parts. For example, the purchase work may be divided into requisition of items, placing of an order, storage and so on.

2. *Grouping of activities*

The next function of organization is that the identical activities are grouped under one individual or a department. The activities of sales such as canvassing, advertisements debt collection activities are grouped under one department i.e., **Sales Department**. The activities of human resource such as manpower planning, recruiting, selection, placement, training and development, and promotion, etc., are grouped under one department i.e. **Human Resource Department**. And so on.

3. *Allotment of duties to specified persons*

In order to ensure effective performance, the grouped activities are allotted to specified persons. In other words, **the purchasing activities are assigned to the purchase manager**; the production activities are assigned to production manager; the sales activities are assigned to sales manager, the human resource activities are assigned to human resource manager, and the like. Besides, adequate staff members are appointed under the specified persons. The specified persons are specialized in their respective fields. If there is any need, appropriate training would be provided to such persons.

4. *Delegation of authority*

Assignment of duties or allotment of duties to specified persons is followed by delegation of authority. It will be very difficult for a person to perform the duties effectively, if there is no authority to do it. While assigning duties to a specified person, responsibilities are fixed. Thus, the specified person who is assigned with the responsibility needs authority equivalent to the amount of responsibility so as to execute his/her duties (responsibilities). Hence, **the production manager may be delegated with the authority to produce the goods and fixed with the responsibility of producing quality goods**. The **human resource manager may be delegated with the authority to employee right and appropriate employees and fixed with the responsibility of hiring qualified employees**. The same will be true in other areas also.

5. Defining relationship

When a group of persons is working together for a common goal, it becomes necessary to define the relationship among them in clear terms.

If it is done, each person will know who is his/her boss, from whom he/she has to receive orders and to whom he/she is answerable. In another sense, each boss should know what authority he has and over which person. In addition to this the differentiated units in an organization are not surviving alone independently. They are living in harmony through integration; therefore, their relationship must be defined.

6. Co-ordination of various activities

The delegated authority and responsibility should be coordinated by the chief managerial staff. The reason is that there must be a separate and responsible person to see whether all the activities are going on to accomplish the objectives of the organization or not. Every manager has the responsibility to coordinate the activities, the resources and the people assigned under him/her to make sure that the objective is achieved as desired. However, the overall coordination is the duties of the top level executive.

4.3 Nature of Organizing

The functions of management are sitting over the strong **organizational** set up. A palace may be constructed only when a very strong foundation is laid. The same principle is followed here. Organization is the foundation of management. Without organization, the function of management such as planning, organizing, staffing, directing and controlling cannot succeed.

1. Division of Labor

The total work of an organization can be divided into many parts for effective performance of the work. Each part of the work may be completed by one person or a group of persons. But, all the parts of the work are done with the aim to achieve the main objective of the organization. The work is assigned to a person who is specialized in that particular work. Specialization in turn has the following advantages.

- a) It eliminates waste of time, energy and resources.
- b) It increases quality of output, and
- c) It increases quantity of product without any additional capital. It increases productivity.

2. Co-ordination

Though different persons are assigned different works in one organization. But, all the works are performed to achieve the same objective. This implies that there is a need of co-ordination among the workers in an organization.

Each and every department or section of the organization should have relationship with each other to get mutual co-operation. ***This will result in sharing resources and experiences, which will help them to tackle problems and increase productivity.***

3. Objectives Attainment

Organizations define objectives → i.e. organizing states organizational structure clearly → Members can attain objectives. The objectives cannot be achieved without the existence of a good organizational structure. In turn, the organization cannot exist without objectives for a long period. Hence, objectives are the inherent requirements or characteristics of organizations.

4. Authority-Responsibility Structure

An organization means an arrangement of position of executives by adopting rank system. In other words, a subordinate has one boss and a superior has control over the subordinate specifically. The position of each of the executives is defined with regard to the extent of authority delegated and responsibility assigned to him/her to discharge the duties. ***This structure indicates who has authority over whom and the responsibility of each person at different ranks of the structure.***

5. Communication

Every organization has its own communication systems and methods. ***The success of management depends upon the effective system of communication.*** The reason is that each and every person working in an organization should know the techniques of communication and the importance of communication. The channels of communication may be divided into formal, informal, downward, upward or horizontal. It is through communication that organizations achieve mutual co-operation.

4.4 Importance of Organizing

1. Facilitate Administration

Administration aims at earning the highest profit by utilizing the available resources properly. There is a planning, policy making, direction and co-ordination in the administration level to achieve the objectives. Besides, ***the administration classifies the activities of the business department-wise and appoints the officers, assistants, supervisors, and executives to facilitate the achievement of objectives.***

There should be an effective administration to achieve the objectives of the business. Duplication of work, wrong planning, inefficient personnel, lack of motivation, improper allocation of duties and responsibilities, absence of coordination, communication gap, and improper instructions are the ingredients of ineffective administration. This ineffective administration can be removed by having a sound organization. Allen observes that ‘A properly designed and balanced organization facilitates both management and operation of the enterprise. Inadequate organization may not only discourage but also actually preclude effective administration’

2. Facilitates growth and diversification

The structure of the company depends upon the nature and the size of the organization. The structure of the company can be changed whenever the growth and expansion activities are carried out. ***The growth of***

business means an increase in the scale of operation and diversification means starting of production of a new type of product/increasing business line.

3. Increases the efficiency of management

Under good organization, there is a chance of exhausting the worker's ability in full and utilization of resources effectively. Confusion, delay and duplication of work are avoided in good organization. It automatically motivates the employees who are working in an organization and increases the efficiency of management. Under good organization, there is division of work and specialization, which are the tools:

- a) To optimum utilization of workers' ability, resources, materials, and technology, etc. in full;
- b) To placing proportionate importance on the various activities of the enterprise. Money and efforts are spent in proportion to the contribution made by each and every department. More money and time are given to a department that contributes more than others.
- c) To avoid confusion, delay and duplication of work through dividing and regrouping of activities into a manageable whole.

4. Improves the efficiency and quality of work through synergism

It facilitates co-ordination. Through coordination it helps parts to contribute their roles more efficiently and effectively, as every part is a specialist for its duties. No part is working alone. In order to get more results, as the theory of synergism states, "A whole is greater than the sum of the parts" all parts should be coordinated properly.

5. Encourage creativity and initiative

A sound organizational structure will give an opportunity for the staff to show their hidden talents, which will help the enterprise to achieve the business goals and earn higher profits. Clear distribution of authority and responsibility, incentives offered for specialized work and freedom given to personal work, increases the spirit of constructive and creative approach in management. It gives training to new staff members and refresher to existing employees. The spirit of constructive and creative approach in management will be developed through clear distribution of authority and responsibility, incentive offered for specialization work and the freedom given to personal work.

6. Establishes lines of authority /Vertical Division of Labor

As it is already stated, organization is the arrangement of position of executives by adopting rank system. ***This represents who in the organization reports to whom and who has authority over whom.*** This creates order within the group. Its absence almost always leads to chaotic situations where everyone tends to tell everyone else what to do.

7. Improves communication

A good organization structure clearly defines channels of communication among the members of the organization. This develops transparency among members and improves flow of information.

A good organization structure also develops morale, honesty, devotion to duty and loyalty to the business firm. This will help remove corruption, secretiveness and unjustified influence.

8. Facilitates training and development of managerial personnel

A sound organization provides training to new staff members before placement and gives refresher training to the existing staff members to improve their efficiency. The training may be given within the company or outside the economy according to the training to the facilities available. Now-a-days training institutes give training to the needy persons with the help of the different experts from various fields. These training institutes are collected data directly from the field in the training.

9. Prevents the growth of secret, influence and corruption

Sound organization develops the morale, honesty, devotion to duty and loyalty of business organizations. Normally, these help remove corruption, secret and influence. Only unsound organization develops secret, influence and corruption.

4.5 Types of Organizations

Organizations can be classified on the basis of different criteria Such as:

A. On the basis Ownership

- Private (Sole Proprietorship/sole trader, Partnership (General and Limited)
- Government
- Cooperatives
- Companies (PLC and S.C.)

B. On the basis Objective

- Profit making
- Non-profit making

C. On the basis Activity

- Manufacturing
- Service giving
- Merchandising

D. On the basis of authority and responsibility assigned to the personnel and their relationship with each other

- Formal
- Informal

Formal Organization

The formal organization represents the classification of activities within the enterprise, indicates who reports to whom and explains the vertical journal of communication which connects the chief executive to the ordinary workers. In other words, an organizational structure ***clearly defines the duties, responsibilities, authority and relationships as prescribed by the top management.***

In an organization, each and every person is assigned the duties and given the required amount of authority and responsibility to carry out this job. It creates the co-ordination of activities of every person to achieve the common objectives. It indirectly induces the worker to work most efficiently. The inter-relationship of staff member can be shown in the organization chart and manuals under formal organization.

Characteristics of Formal Organization

- It is properly planned.
- The r/ship is shown on organizational chart
- Communication is based on formal channels of communication
- It is based on delegated authority.
- It is deliberately impersonal.
- The responsibility and accountability at all levels of organization are clearly defined.
- Unity of command is normally maintained.
- It has clear superior-Subordinate r/ship
- Duties/responsibilities and authority each member is well-defined(Clear division of labor)
- It is stable

Advantages of Formal Organization

- ✓ The definite boundaries of each worker are clearly fixed and this avoids conflict among the workers.
- ✓ Overlapping of responsibility is easily avoided.
- ✓ Shifting responsibility is very difficult.
- ✓ A sense of security arises from classification of the task
- ✓ There is no chance for favoritism in evaluation and placement of the employee.
- ✓ It makes the organization less dependent on one man.

Limitations of Formal Organization

- ❖ In certain cases, the formal organization may reduce the spirit of initiative of employees.

- ❖ Sometimes authority is used for the sake of convenience of the employee without considering the need for using the authority.
- ❖ It does not consider the sentiments and values of the employees in the social organization.
- ❖ It may reduce the speed of information communication.

Informal Organization

Informal organization is an organization which establishes the relationship on the basis of the likes and dislikes of officers without considering the rules, regulations and procedures. These types of relationships are not recognized by officers but only felt. The friendship, mutual understanding and confidence are some of the reasons for existing informal organization.

It is a network of personal and social relations not established or required by the formal organization. It arises spontaneously as people associate with one another on the basis of the likes and dislikes of members. It does not consider the rules, regulations and procedures of the organization. The relationship does not appear on an organization chart

The informal organization exists under the formal organization. The informal organization or informal relationships may give a greater job satisfaction and result in maximum production. According to C.J. Bernard, "Informal organization brings cohesiveness to formal organization. It brings to the members of a formal organization a feeling of belongingness, status of self-respect and gregarious satisfaction. Informal organizations are important means of maintaining the personality of the individual against certain effects of formal organization which tend to disintegrate personality."

Characteristics of Informal Organization

- It arises without any external causes, i.e. voluntarily.
- It is a social structure formed to meet personal needs.
- It has no place in the organization chart.
- It acts as an agency of social control.
- It can be found on all levels of organization within the managerial hierarchy.
- Its rules and traditions are not written but are commonly followed.
- It develops from habits, conduct, customs and behavior of social groups.
- It is one of the parts of the total organization.
- There is no structure and definiteness to the informal organization.

Advantages of Informal Organization

- ✓ It fills up the gaps and deficiency of the formal organization.
- ✓ It gives satisfaction to the workers and maintains the stability of work.

- ✓ It is a useful channel of communication.
- ✓ Its presence encourages the executives to plan to work correctly and act accordingly.
- ✓ It also fills up the gaps among the abilities of the managers.

Disadvantages of Informal Organization

- ❖ It has the nature of upsetting the morality of the workers.
- ❖ It indirectly reduces the efforts of management to promote greater productivity.
- ❖ It spreads rumors among the workers regarding the functioning of the organization unnecessarily.
- ❖ It acts according to mob psychology.

4.6 Key Elements of Organizing

1. ***Departmentalization***
2. ***Span of Control***
3. ***Delegation of Authority***
4. ***Centralization and Decentralization***

4.6.1 Departmentalization

According to Koontz & O'Donnell, "Departmentalization is a process of dividing the large monolithic functional organization into small and flexible administrative units".

It involves the grouping of common activities or similar activities of a business under a single person's control for the purpose of facilitating smooth administration at all levels.

Departmentalization is an essential activity in the modern business world. All activities cannot be looked after by a single individual.

4.6.1.1 Importance of Departmentalization

- A. Departmentalization increases the operating efficiency of the employees.
The reason is that departmentalization facilitates the grouping of activities, which are similar nature.
- B. There is a fixation of responsibilities to various executives of the organization.
It makes executives to be alert and efficient in their duties.
- C. The departmental heads (managers) are given certain powers and are allowed to make their own decisions. Doing so increases the prestige and skills of the departmental heads.
- D. The workings of the various departments are evaluated by the top management and the departments which are not managed properly are identified.
This makes the departmental heads efficient, responsible and accountable.

- E. There is a possibility of the expansion of the organization because of fixing of the responsibilities to the executives and there is function-wise departmentalization
- F. Besides, departmentalization gives other advantages such as facilitating budget preparation, effective control of expenditure, attaining specialization, better co-ordination among the managerial personnel, etc.

4.6.1.2 Factors Considered in Departmentalization

A. Specification

Departmentalization should yield the advantages of specialization.

Specialization may be functional such as sales, finance, production and personnel.

B. Control

There should be a proper control mechanism under departmentalization and simplification of control process. Departmentalization should facilitate organizational control.

C. Co-ordination

The whole business activities are grouped department wise and it requires co-ordination in order to direct organizational activities in the same direction.

D. Securing Attention

Sometimes, certain functions emerge within a unit that desires a special treatment. Hence, the activity may be entrusted to a separate division or a higher level of organization according to its importance.

E. Recognition of Local Conditions

Local conditions may include such factors as the area dispersion, diversity of customers' needs, types of product and availability of specialized man power

F. Economy

The whole purpose of departmentalization is achieving economic operation in an organization. Cost of departmentalization should not exceed benefits generated from departmentalization.

4.6.1.3 Bases or Types of Departmentalization

There are certain basic methods of dividing the duties and responsibilities within an organization structure.

- A. Departmentalization by functions
- B. Departmentalization by products(Goods or services)
- C. Departmentalization by regions (area or location) or territory
- D. Departmentalization by customers
- E. Departmentalization by process
- F. Departmentalization by time

G. Departmentalization by numbers

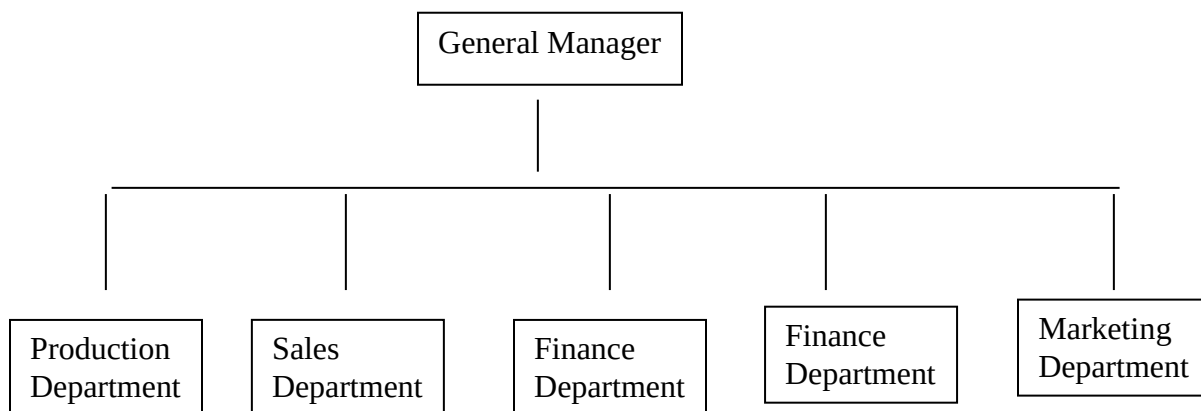
H. Departmentalization by marketing channel

A. Departmentalization by Enterprise Function

Functional departmentalization is *perhaps the most logical and basic form of departmentalization*. It is a form of departmentalization in which everyone engaged in one functional activity, such as marketing or finance, is grouped into one unit. It works best when the organizational environment is stable and tight control over processes and operations is desired.

It is used mainly (but not only) by smaller firms that offer a limited line of products, because: (1) it makes efficient use of specialized resources, (2) it makes supervision easier, (3) it makes it easier to mobilize specialized skills, and bring them to bear where they are most needed.

Each department is headed by one responsible person, who is directly responsible to the General Manager. According to George R. Terry, “the functions or activities are the pivot around which effective executives develop effective and efficient organization”.



Advantages of Departmentalization by Function

- It is a logical reflection of functions.
- It maintains power and prestige of major functions.
- It follows the principle of occupational specialization /fosters development of expertise
- It simplifies training.
- It furnishes means of tight control at the top.
- It requires little internal coordination.
- It requires fewer interpersonal skills.

Disadvantages of Departmentalization by Function

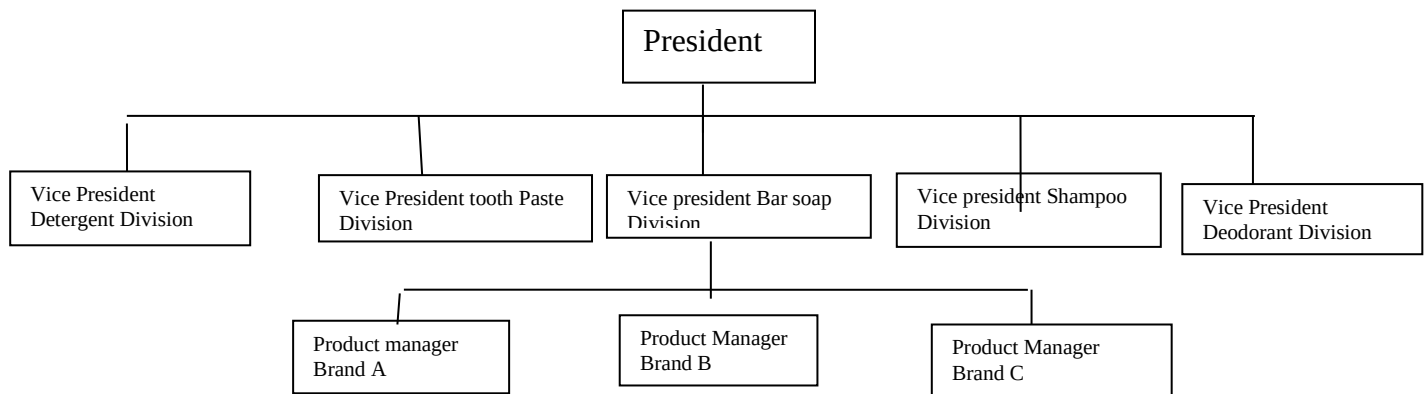
- Overspecializes and narrows viewpoints of key personnel.
- Reduces coordination between functions.
- Responsibility for profits is at the top only.
- Slows adaptation to changes in environment.

- Limits development of general managers.
- Slows response time in large organization.
- Causes bottlenecks due to sequential task performance.
- Does not encourage innovation; has narrow perspective
- Fosters conflicts over products priorities.
- Does not foster development of general managers.
- Obscures responsibility for the overall task.

B. Departmentalization by Product or Service

This type of departmentalization is made by the large multi-product companies. A single business unit may manufacture and sell different types of products. Then, each department is responsible for a product or related family /product line/ or service. The co-ordination function is performed by the top management.

It is a logical pattern to follow when a product type calls for manufacturing technology and marketing methods that differ greatly from those used in the rest of the organization.



Advantages of Product Departmentalization

- It places attention and effort on product line.
- It facilitates use of specialized capital, facilities, skills and knowledge.
- It permits growth and diversity of products and services.
- It improves coordination of functional activities.
- It places responsibility for profits at the product level.
- It furnishes measurable training round for general managers.
- It flexible strategy could be developed for different products.

Disadvantages of Product Departmentalization

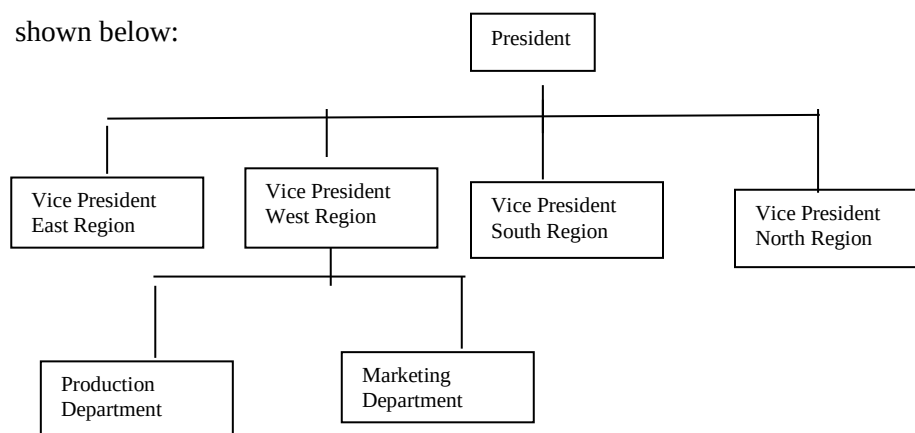
- It is expensive.
- It requires more persons with general managerial abilities.
- It presents increased problem of top management control.
- It there is a danger of duplication of work.
- It creates conflicts between divisional tasks and corporate priorities.

C. Departmentalization by Region or Area or Territory or Geography

The business activities are grouped in area-wise and each area is in charge of a single person. This arrangement follows logical pattern when a plant must be located as close as possible to its sources of raw materials (mining and oil producing companies), its major markets, and its major sources of specialized labor.

Territorial departmentalization is especially attractive to large-scale firms or other enterprises whose activities are physically or geographically dispersed and its customer's needs and characteristics vary greatly. It is most often used in sales and in production; it is not used in finance, which is usually concentrated at the headquarters.

Geographical or territorial and product departmentalization can be structured according to the chart shown below:



Advantages of Geographical Departmentalization

- It makes effective span of control possible.
- It reduces the cost of operation and gains saving in time.
- The sales may be increased with the help of intimate knowledge about the tastes and preferences of the customers in the local market, as the local persons are appointed as salesmen in each area.
- Regional managers could win the confidence of customers and remove the competitors from the market.
- Accounts are prepared area-wise. So, the profitability of each area is known to the management.
- It provides opportunities to managers to improve their skill in various fields.
- Control process is very easy to manage.

Disadvantages of Geographical Departmentalization

- It increases the number of personnel and involves high cost of operation.
- The control of head office is becoming less effective.
- It may also involve duplication of work.
- A small business concern cannot manage the high cost of operation.
- Conflicts may arise among Regional offices and between Head Office and regional offices on the use of some resources.
-

D. Departmentalization by Customers

It occurs when a division sells most or all of its products to a particular class of customers. This type of departmentalization is preferred when the various needs of customers are different in nature. For example a bank may divide its loan section into a number of heads and assign them to various departments such as loan to businessmen, loan to farmers, loan to professionals, and so on. Similarly, the sales department of a business concern could be divided into industrial goods and consumer goods. The consumable goods could again be sub-divided into perishable and non-perishable in nature.

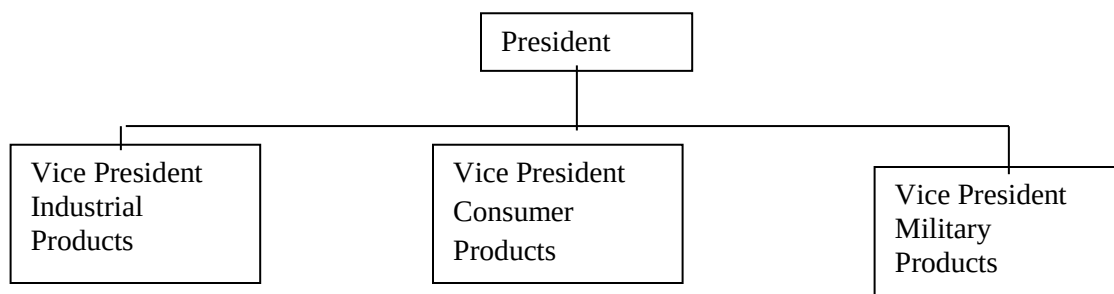
Advantages of Departmentalization by Customers

- It fulfils the expectations and needs of customers.
- It develops specialization among the organizational staff.
- It gives customers a feeling that they have an understanding supplier.
- Customers will get better service and the supplier can boost its sales by understanding customers' needs.

Disadvantages of Departmentalization by Customers

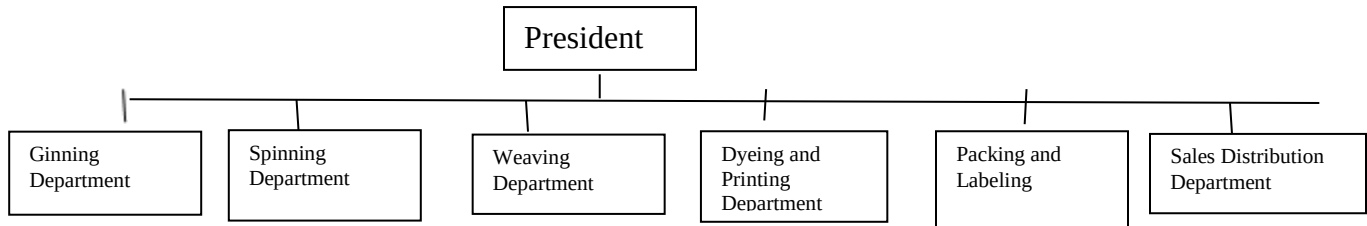
- May be difficult to coordinate operations between competing customer demands.
- Requires managers and staff experts in customers' problems.
- Customer groups may not always be clearly defined.
- There is a wastage of available resources and facilities
- There may be duplication of activities.

The chart below shows an organizational structure of departmentalization by customers.



E. Departmentalization by Process or Equipment

In this kind of departmentalization, people and materials are brought together in order to carry out a particular operation. This type of departmentalization is followed when the production activities are carried on in many places and/sequences. For example, a textile factory may have many departments such as: ginning, spinning, weaving, dyeing and printing, packing and sales distribution. Textile, sugar, beverage and many other factories also follow this kind of departmentalization.



Advantages of departmentalization by process

- Process or equipment departmentalization has economic advantages. The costlier machines can be used effectively and there is no duplication of activities.
- It uses specialized technology for specialized tasks.
- It utilizes special skills and it simplifies training.
- It helps top managers to have effective performance control.

Disadvantages of Departmentalization by process or Equipment

- Coordination of departments is difficult.
- Responsibility for profit is at the top.
- Is unsuitable for developing general managers.
- More specialists are essential for each process.
- Heavy cost of operation - separate rooms for operation and other facilities should be provided for all the process.

F. Departmentalization by Time

Business activities can group together on the basis of the time of performance. If the work is not completed within the normal working hours, extra time will be given to complete after the normal working hours. Whatever may be the work performed after the normal working hours, a separate department will be in charge of this type of activity.

For example, University extension programs have their coordinator. Hospitals, fire departments, air ports, security, and steel furnaces etc. use same methods.

Advantages of departmentalization by time.

- Services can be rendered beyond the typical 8-hour day.
- It enables activities/ processes not to be interrupted.
- Expensive capital equipment can be used for more hours (more than 8 hours a day).
- It is convenient for employees to work at any shift.

Disadvantages of departmentalization by time

- Supervision may be lacking during the night shift.
- There is the fatigue factor, i.e., it is difficult for most people to switch from day to night shift and vice versa.
- The changing of the shifts may cause problems in coordination and communication.
- The payment of overtime rates can increase the cost of the product or service.

G. Departmentalization by Numbers

It was once an important method in the organization of tribes, clans and armies. The essential fact is not what these people do, where they work or what they work with, but that the success of the undertaking depends only upon the number of people involved in it. Its usefulness has declined with each passing century.

Departmentalization by number is still used in the army where soldiers are grouped into squads, battalions, companies, brigades, and regiments. The principles that govern span of management or span of control or span of supervision are used in this type of departmentalization.

H. Departmentalization by Marketing Channels

This type of departmentalization is adopted on the basis of the channel of distribution chosen by the particular business unit. Normally the channel of distribution is selected by the business unit on the basis of nature of goods and marketability of the product.

4.6.2 Span of Management/Span of Control

Span of Management indicates the number of subordinates (people) who report directly to a given manager or the number of people managed efficiently by a single officer in an organization. Span of management may be narrow or wide. ***The alternative names for span of management are Span of Control, Span of Supervision, Span of Authority and Span of Responsibility.***

The limit of the number of members for span of control may be increased or decreased according to the levels of management.

Many management experts suggest a different number of executives for effective control. According to L. Urwick, the ideal number of subordinates is ***four in case of higher level management*** and ***eight to twelve in case of bottom level management***. Ideally there are two types of span of control: Narrow Span and Wider Span.

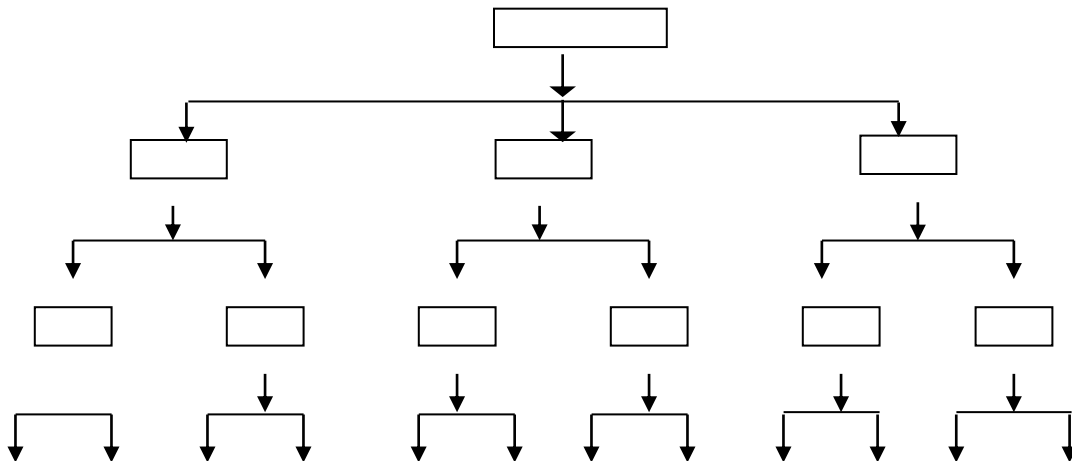
A. Narrow Span of Management

A narrow span of control is where the number of subordinates under a given supervisor are very few.

A narrow span of supervision has the following ***characteristics***:

- ✓ The organizational structure is tall, i.e., there is a long distance between top level management and supervisors.
- ✓ There are many managerial levels between top and lower level management.
- ✓ The number of employees supervised by a manager will be very few.

Organizational structure with a narrow span of control.



Advantages of Narrow Span of Supervision

- Close supervision of employees or work is possible.
- Close control is simple.
- Fast communication between subordinates and superiors is possible.

Disadvantages of Narrow Span of Supervision

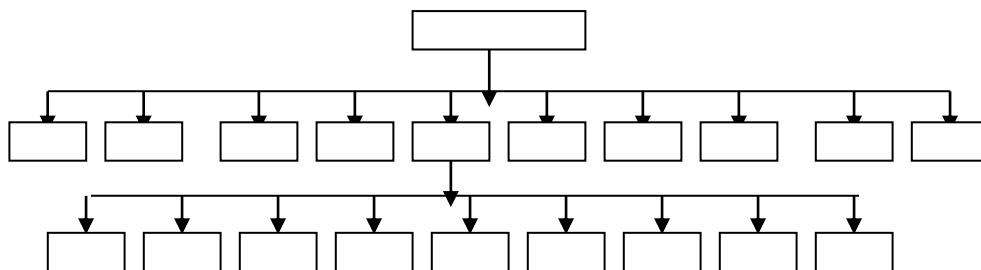
- Superiors tend to get too involved in subordinates' work.
- There are many levels of management, and therefore the cost is high.
- The distance between the lowest level and the top level is long.

B. Wide Span of Management

A Wide Span of control is an arrangement whereby the number of subordinates under a given supervisor are many. A wide span of control has the following **characteristics**:

- ✓ The organizational structure is flat.
- ✓ There are few managerial levels between the top and lower level managers.
- ✓ There are few middle level managers.
- ✓ There is short distance between the top-level management and the supervisors.

Organizational structure with a wide span of control.



Advantages of Wide Span of Supervision

- Superiors are forced to delegate authority.
- Clear policies are required.
- Subordinates are carefully selected.

Disadvantages of Wide Span of Supervision

- There is a tendency of becoming decision bottlenecks on the part of overloaded superiors.
- There is a danger of losing control on the part of superiors.
- A wide span requires exceptionally qualitative managers.

Span of Management should not be too narrow or too wide

If too narrow

- ✓ Managers will be underutilized(High cost)
- ✓ Subordinates will be dependent on their managers because of close and frequent supervision which affects the confidence of subordinates.

If too wide

- ❖ Managers will be harassed(Overutilization/overextended)
- ❖ Subordinates will get little guidance which leads to frustration

4.6.2.1 Factors Affecting Span of Management

No formula exists for determining the ideal span of control. The following are some of the factors which influence the span of management.

A. Subordinates Training or Quality of Subordinates

The better the training of subordinates, the lesser the importance of superior-subordinate relationships. If the subordinates have enough talent to perform the work assigned to them, the manager or the supervisor can control more number of subordinates. Well-trained subordinates require not only less of their manager's time but also fewer contacts with them.

B. Clarity of Delegation of Authority

As managers delegate their authority, they have to clearly define the delegation. If the authority delegates the powers of decision making, planning and execution to the subordinates, the span of control may be increased. Whenever an executive performs the planning and executive work in addition to supervision work, the particular executive can supervise relatively more number of subordinates.

C. Clarity of Plans

If plans are well defined and workable, if the authority to undertake them has been delegated, and if the subordinate understands what is expected, little of a supervisors time will be required. If policies are clear, consistent with the operation and goals of a department, and if the subordinate understands them, there will certainly be fewer demands on the superior's time and attention. This increases the span of management.

D. Use of Objective Standards

Standards are used in an organization to detect the errors or faults in the performance of work. So, there is no need for executives to spend more time in watching the performance of the subordinates. Then the executive can control more number of subordinates.

E. Rate of Change

The rate of change is an important determinant of the degree to which policies can be formulated and the stability of policies maintained. The higher the rate of change, the greater the number of the decisions to be made and hence, the narrower the span of management will be. One manager cannot make many decisions within a short time if it has many subordinates that perform different and many functions.

F. Variety of Tasks

This refers to the number of different types of jobs being managed. The greater the variety of jobs supervised by a manager, the higher time it requires. As the number of subordinates increases the contact required will be more.

G. Proximity

Physical dispersion of jobs being managed affects span of management. If organizational activities are geographically dispersed, subordinates' performance will be out of their supervisor's sight. Besides, as the number of subordinates increases the problem becomes more.

H. Communication Techniques

Methods of communication may be divided into two, i.e. oral and written. Oral communication requires more time and energy and these can be avoided by the written communication. Clear and concise communication increases span of control. Easy style of leaders may create wide span if it is properly handled.

I. Complexity of Jobs

Complexity of jobs refers to the scope and depth of jobs. Job scope is the number of different types of operations performed in the job. Job depth is the freedom of employees to plan and organize their work to work at their own pace and to move around and communicate as desired.

J. Quality of a Manager

A competent and trained manager can effectively supervise more than one subordinate that do not have specialization. Other factors include the amount of personal contact needed or the degree of interaction required, the utilization of technology, non-managerial responsibilities of the manager, and the size of personnel that exist at the different management levels of organization.

K. Relationships required between supervisor and subordinates

The greater the required relationship the narrower the span of control will be as the supervisors do not have enough time to deal with many subordinates.

4.6.3 Delegation of Authority

It is the downward pushing of authority from superiors to subordinates to make decisions within their area of responsibilities.

It is the process of allocating tasks to subordinates, giving them adequate authority to carry out those assignments, and making them obligated to complete the tasks satisfactorily.

Delegation of authority is the act of entrusting formal authority and assigning responsibility to a subordinate for completion of specific. It is impossible for any person to execute all the work in an organization.

Delegation is a concept describing the passing of formal authority to another person. It is the assignment of part of a manager's work to others along with the authority necessary to achieve expected results.

Delegation is a two-sided relationship. These are: **Assigner /Delegator/Manager VS Assignee/Delegates/Subordinate**). So, it requires sacrifices from both the assigner and the assignee. The superior must be willing to sacrifice a portion of his authority and the subordinate should be prepared to shoulder additional responsibilities.

Once authority is delegated, it can be enhanced, reduced or withdrawn depending upon the requirement.

Once duties are assigned and authorities are given to subordinates, the delegator creates an obligation to perform. This obligation is known as responsibility or accountability.

Responsibility is the obligation to perform a certain task.

A superior cannot delegate all his authority; otherwise he passes his position to his subordinates making himself free.

Normally minor and routine types of jobs are assigned to subordinates. The supervisor is not ready to perform even the ordinary/routine jobs but at the same time, there are certain jobs which cannot be entrusted, example; the preparation of budgets, formulation of policies and forming rules and regulations.

4.6.3.1 Power VS Authority

Power is the ability to exert influence in the organization. It is the ability to influence another person's behavior, beliefs, or actions. It is much broader than authority.

According to Henri Fayol, "Authority is the right to give orders and the power to exact obedience."

Koontz and O'Donnell, "Authority is the power to command others to act or not to act in a manner deemed by the possessor of the authority to further enterprises or departmental purposes."

Terry, "Authority is the power to exact others to take actions considered appropriate for the achievement of a predetermined objective."

Authority is the power to make decisions which guides the actions of others. It is the right to commit resources or the legal/legitimate right to give orders (To tell someone to do or not to do something)

The types and sources of Power

A. Legitimate Power (Position)

A power that one receives as a result of his/her position in the organization. All managers have legitimate power over their subordinates.

B. Reward Power (Resource ownership)

The power to give or withhold rewards for others for carrying out activities or meeting performance requirements. Rewards under the managers' control include: Bonuses, salary increase, promotion and recommendation.

C. Coercive Power (Position or resource ownership)

It is the ability to punish others for not meeting requirements, is the negative side of reward.

D. Referent Power (Charismatic or personality characteristics)

It is a power believed to be given to a person by a supernatural force (GOD). It is a quality of someone given to him/her at birth. This power is more abstract when compared to the others.

E. Expert Power (Knowledge)

It is based on the perception or belief that the influencer has some relevant expertise or special knowledge or information that the influence does not.

N.B: Unlike the first three types, referent and expert power cannot be given to managers along with the job title.

Authority Relations in an organization

There are three types of authority. In an organization, different types of authority are created by the relationships between individuals and between departments.

A. Line authority

It defines the relationship between supervisor and subordinate. It is a direct supervisory relationship. It is direct supervisory authority. In a line authority a superior exercises direct control over his subordinates. Line Authority is represented by the standard chain of command that starts with the most superiors and extends down through the various levels in the hierarchy to the point where basic activities of the organization are carried out.

Line departments are headed by line managers, and are the organization. Line managers exercise line authority.

B. Staff authority

It is advisory in nature. It is related with staff departments that offers advisory services. Its source is staff position. The function of people in a pure staff capacity is to give advice, expertise, technical assistance and support to help line managers to work more effectively in accomplishing objectives. Advisory

authority does not provide any basis for direct control over the subordinates or activities of other departments with whom they consult.

Staff departments provide assistance to the line departments and to each other. They can be viewed as making money indirectly for the company through advice, services and assistance. As an organization develops, its need for expert, timely, and ongoing advice becomes critical. Example: Legal Advisory Dep't

The larger the (size of) the organization, the greater the need and ability to employ staff personnel (i.e. more practical)

C. Functional authority

It is the right which is delegated to an individual or a department to control specified process, practices, or provinces/department or other matters relating to activities undertaken by persons in other department.

Functional authority is not restricted to managers of a particular type of department. It may be exercised by line or staff department heads, more often the latter two, because they are usually composed of specialists whose knowledge becomes the basis for functional controls. It is related with functional expertise and specialization.

Example: The finance manager can give direct command to the marketing manager of the same level about financial affairs.

The legal advisor can give direct command to others concerning the legal affairs of the organization.

It is authority delegated to an individual or department over specific activities undertaken by personnel in other departments.

Line and staff authorities are confused with line and staff departments. A line department is established to meet the major objectives of the company. It is directly responsible to the attainment of company objectives. A staff department assists in meeting the objectives. It is indirectly responsible towards the attainment of the company objectives.

4.6.3.2 The process of Delegation

The following steps will aid more successful delegations of authority:

1. Establishment of definite goals.

The purpose of delegation is to enable efficient accomplishment of organizational objectives. But delegations will be meaningless if the objectives are not properly defined. Subordinates may hesitate to accept the authority, if they do not know exactly what is expected of them.

2. Decide which task can be assigned and the expected results.

The manager maintains complex, dynamic, important, and infrequent activities and delegates others to the lower level managers.

3. Decide who should get the assignment.

The manager should choose the right person from members. Selection must be based on merit or effective performance of their job. Make sure that the person selected is able to handle the tasks properly and able to achieve the desired results.

4. Create an obligation (responsibility)

Assign the task to the right person selected.

5. Delegate the authority

Once you assign tasks to the subordinate, assign formal authority to him so that he can handle the tasks properly. The amount of authority assigned should be equal to the task assigned. The parity principle works here. A and R should commensurate with each other.

6. Establish a feedback system

A manager will remain responsible even after he/she delegate authority. Therefore, it is necessary to establish a suitable control system to keep a careful watch over the performance of subordinates. If the superior finds a deviation from the predetermined procedures, he should take corrective action in time.

7. Reward effective delegation

The subordinate who assumes proper delegation should be rewarded. This will improve his/her morale.

4.6.3.3 Importance of Delegation of Authority

1. Delegation allows for promptness in action

Delegation drives authority down to the place where action is taken. Besides, decision is distributed to the different managers at different levels. This will lower the work burden of managers and hence they can make decisions as problems arise.

2. It enables managers to perform higher-level work

Managers analyze how they spend their time and delegate the less important, routine, simple and stable activities to the lower level managers and focuses on more important, complex, dynamic and infrequent activities. Hence, the manager gets enough time to pursue high level tasks.

3. It can be training experience for supportive staff

It helps to develop subordinates and satisfy customers by giving them better service. Through delegation of authority, tasks are assigned to the lower level managers and managers practice the managerial functions; planning, decision making, organizing, staffing, directing and controlling. In the process they take actions.

4. It can result in better decisions

Good decision is a decision made on time. Delegation of authority enables managers to take decisions on time on the point where the problem arises. Besides, the load of managers will be decrease. This will enable them to make better decisions.

5. It can improve morale

Delegation of authority allows subordinates to participate in the decision making process, in the implementation and in the evaluation process. This will raise subordinates feeling of belongingness and being needed which leads to a genuine commitment on the part of the subordinates. It also gives a very good opportunity to the subordinate to grow.

6. The expansion and diversification of business activities is possible

Delegation of authority allows the participation of subordinates which increases their specialization. The subordinates are fully trained in decision making in various fields of the business by using the delegation of authority. This type of talents of subordinates can be used by the top management in the expansion and diversification of the business activities.

7. Saving of time and reduction of work load

Delegation of authority enables the superior to allot more time to important matters like planning, organizing, staffing, directing, coordinating, controlling and decision making. It also relieves the supervisor from attending to the routine matters. Normally, the routine matters are allocated to subordinates. It helps the superior to carry out more responsible work alone.

Disadvantages of Delegation

1. Control at the top may be more difficult:

The further decisions are removed from the highest level, the more difficult it is to pinpoint problem areas and to take effective corrective action.

2. A manager may over time lose touch with what is really happening in the organization

Without proper communication and feedback channel, the subordinate may make decisions and take actions without the knowledge of the superior.

4.6.3.4 Factors That Determine Delegation of Authority

A. Personal Attitudes of Superiors

1. Receptiveness/Avoidance of Risk.

Decision-making involves some discretion, and a subordinate's decision is not likely to be exactly the one a superior would have made. Therefore, managers who delegate authority must be willing to give other people's ideas a chance and be ready to take the risk, due to the possible mistake that could be committed by the subordinate. Whatever maybe the risk, the superior will have to take the responsibility for it. But only few managers ready to run the risk.

2. Willingness to Let Decision Making Authority Go

A manager who is ready to effectively delegate authority must be willing to release the right to make decisions to subordinates. Some managers' fear that, a subordinate who looks so good might replace him/her and hence they do not delegate.

3. Autocratic Attitude

If the manager has an autocratic attitude, he/she will not be interested to delegate authority and hence delegation will not be effective. ***Some superiors prefer to retain powers in their hands.***

4. Perfectionism/Lack of willingness to Trust Subordinates/ Lack of Confidence on Subordinates.

Many superiors think that they are better than others. This is true to some extent. Superiors have no alternative to trusting their subordinates, for delegation implies a trustful attitude between them. Some people do not like to delegate and argue that it is easier for a manager to do a task than to teach a subordinate how to do it. Superiors also tend to show lack of confidence in subordinates. In the society life cannot be lived without reposing in the ability of others. So each superior is expected to delegate his power to his subordinates. Confidence is developed gradually on the basis of success of the delegation of authority

5. Unwillingness to let others Make Mistakes

If superiors target to be perfect in their job and if they fear subordinates may not be as perfect as them, they avoid delegation. One has to give up the old saying, “If you want something done right, do it yourself.”

6. Inability of the supervisor

If the superior is an inefficient person, the work method and procedures designed by him are likely to be faulty. So, the superior wants to keep all the authority with himself.

B. Attitudes of Subordinates

Sometimes, the subordinates are not willing to accept delegation even though the superiors are very much interested in delegation.

1. Love of spoon-feeding

If a subordinate has been given a chance to take a decision, he may not like to decide things himself. Subordinates often find it easy to ask their superiors for an answer than to find it out for themselves.

2. Fear of criticism

Sometimes, a subordinate may fear that even for a silly mistake in a decision, his superior may criticize him. This suppresses the initiatives of the subordinate and proves drastic to his self-confidence.

3. Lack of information or resource

A subordinate may hesitate to accept new work due to lack of information or resources to do the work effectively.

4. Lack of self-confidence/Underestimating oneself

Lack of self confidence in a subordinate is also one of the reasons for not accepting any authority.

5. Too much workload

Subordinates may feel that they will not be able to finish any additional work along with the existing work. Subordinates think that if they accept authority, they may be forced to accept more work in the future.

6. Inadequate incentives

A subordinate may not come forward to accept any authority if there is no personal gain in doing so.

7. Fear of failure

Some subordinates feel that they may fail and so they do not want to accept additional responsibilities.

4.6.3.5 Pre-requisites for Effective Delegation of Authority

A supervisor can delegate his authority after acquiring knowledge of the following pre-requests of effective delegation:

1. The supervisor must understand the authority and responsibility of their own.
2. The supervisors must decide the portion of his authority that he wants to delegate to subordinates.
3. The supervisor should have through knowledge of the abilities and inabilities of subordinates.
4. The supervisor must ensure that the subordinates have understood the delegated work in the right direction.
5. The supervisor must understand the need, importance and value of delegation.
6. The supervisor should delegate only the routine functions to subordinates.
7. The supervisor should delegate the work which can be performed independently.
8. The supervisor must persuade the subordinate from being tempted to take decision by themselves.
9. The supervisor must release the decision making powers to his subordinates.
10. There should be adequate communication network within the organization.
11. There should be a clear definition of standard of accountability.
12. Delegation must be done in accordance with the overall plan for the completion of the work.
13. The delegation of authority should be confined to the organizational structure.

4.6.3.6 Guides for Overcoming Weak Delegation

The five practical guidelines of delegation are:

1. Define the assignments and delegate authority in the light of results expected.
2. Select the person in the light of job to be done.
3. Maintain open lines of communication to avoid misunderstanding among organizational members.
4. Establish proper controls because responsibility cannot be abandoned by the superior.
5. Reward effective delegation and successful assumption of authority.

4.6.3.7 Common Faults in Delegation

The following are some of the common faults of delegation of authority:

1. Close Supervision

The supervisor has to supervise his subordinates even after delegation of authority. The advantages of delegation of authority will be available to the organization if there is no close supervision and if the subordinates are not made to act independently.

2. Lack of Direction

The supervisor fails to provide adequate direction to his subordinates. It places the subordinates in a position in which they do not know what is expected of them.

3. Lack of accountability

The efficient use of delegated work cannot be checked by a supervisor. This is a great handicap to the superior. As a result of this, a sense of irresponsibility infuses the subordinates.

4.6.3.8 Principles of delegation

1. Delegation has to be based on results expected

The nature of duty has equal rank with the extent of delegation of authority. It should be noted that the objective of the organization are to be accomplished in time. The superior should clearly know what he expects from the subordinate before the delegation authority.

2. Non-delegation of responsibility

A superior can delegate authority but not responsibility. Assigning duties does not mean delegation of responsibility. The superior should be in touch with the subordinates to know whether duties are performed and the authority is exercised properly. The ultimate responsibility for the performance of duties remains with the superior.

3. Authority and responsibility should commensurate with each other.

The parity principle states that authority and responsibility must balance each other. A subordinate can discharge his duties effectively and efficiently if there is proper delegation of authority, otherwise a subordinate cannot succeed in accomplishing the assigned tasks. Authority without responsibility will make the subordinate a careless person. Likewise, responsibility without authority will make the subordinate an inefficient person. So there should be a proper balance between authority and responsibility.

4. Unity of command

This principle states that an employee should get instruction from one and only one supervisor or manager. If a subordinate gets orders, instructions and directions from more than one superior, it will create uncertainty and confusion in the organization. In such a situation, the subordinate will find it very difficult to determine whose instructions, orders or directory he should carry out first.

Therefore, a subordinate should get instruction from only one superior. The key to avoiding problems with unity of command is making sure that employees clearly understand the lines of authority that directly affect them.

5. Definition of limitations of authority

A person knows well that an authority alone can delegate the authority properly. There should be written manuals which help a person to understand the authority in right direction. This will avoid confusion regarding the delegation of authority and enable effective functioning of the concerned person.

6. The scalar principle/chain of command

This principle suggests that there must be a clear line of authority running step by step from the highest to the lowest level of the organization. This clear line of authority will make it easier for organization members to understand to whom they are responsible and to whom authority can be delegated. This principle also makes communication channels clear.

4.6.4 Degree of Centralization

Centralization and decentralization are important features that become obvious in the process of delegation.

Centralization is defined as the systematic and conscious reservation of authority at central points in the organization.

It is the extent to which power/authority is systematically retained by the top management.

In a centralized set-up, decision-making authority is concentrated in few hands at the top.

If an organization is centralized major decision making power remains at the top and the participation of first level managers in decision making is very low.

Decentralization implies the placing of greater power in the hands of persons away from the center. It means a greater number of important decisions are made at the lower levels and few of these decisions are subject to prior approval of the higher authorities.

Decentralization is the extent to which power/authority is systematically dispersed/delegated throughout the organization to the middle and first level managers.

In a decentralized organization decision making power is pushed down wards and first line managers actively participate in decision making process.

I.e. they are not only called for implementation but also for decision.

The terms centralization and decentralization refer to a philosophy of organization and management that focuses on either the selective concentration/centralization or the dispersal/decentralization of authority within an organizational structure.

Centralization and decentralization is a relative concept when applied to organizations.

I.e. they are tendencies of delegation of authority

They are not opposites of each other, rather they are tendencies/proportions in delegation of authority. If they were opposites, there could be absolute centralization or absolute decentralization, but there is no absolute centralization or absolute decentralization.

If there could be absolute centralization, no subordinate managers and therefore no structured organization.

If there could be absolute decentralization, managers should delegate all their authority, their status as managers would cease, their position would be eliminated and there would again be an organization.

4.6. 4.1 Factors Determining the Degree of Centralization of Authority

1. Costliness of the Decision

The more costly the action to be taken the more probable it is that the decision will be made at the upper levels of management.

2. Desire for Uniformity of Policy

Those who value consistency above all invariably go for centralized authority since this is the easiest road to such a goal.

3. Size and Character of the Organization

The larger the organization, the more the decisions that are to be made, the more the places in which they must be made and the more difficult it is to coordinate them. (Size ↑ → Decentralization)

4. History and Culture of the Enterprise

Whether authority will be decentralized frequently depends upon the way the business has been built. *Owner founders* have a tendency toward high centralization of authority. Enterprises that result from *mergers and consolidations* are likely to show, at least at first, a definite tendency to retain decentralized authority, especially if the unit acquired is already operating profitably.

5. Management Philosophy

Sometimes top managers are not interested to delegate to others and they want to safeguard their authority as a source of power. In many cases, top managers may see decentralization as a way of organizational life that takes advantage of the innate desire of people to create, to be free, and to have status.

6. Desire for Independence

Individuals and groups often desire a degree of independence from bosses who are far away. Individuals may become frustrated by delay in getting decisions made by long line communication and by the practice of giving a difficult problem to someone else to solve it even though it is one's own responsibility.

7. Availability of Trained Managers

A real shortage of managers would limit decentralization of authority, since delegation of authority requires qualified managers. Executives who complain that they have no one to whom they can delegate authority are often trying to magnify their own value to the firm or confessing a failure to develop subordinates.

8. Control Techniques

A good manager at any level of the organization cannot delegate authority without having some way of knowing whether it will be used properly. Some managers do not know how to control. They may think that it takes more time to correct a mistake committed by others than to do the job themselves.

9. Decentralized Performance

It refers to the situation where the functions of an enterprise are dispersed over a wider geographic area. Authority tends to be decentralized when performance is decentralized.

10. Business Dynamics/the Pace of Change

If a business is growing fast and facing complex problems of expansion, its managers, particularly those responsible for top policy, may be forced to make a large share of the decisions; but strangely enough, this very dynamic condition may force these managers to delegate authority and take a calculated risk on the costs or error.

In old well-established or slow-moving business, there is a natural tendency to centralize authority, whatever danger too much centralization may carry.

11. Environmental Influences

In addition to the internal factors, there are definite external forces affecting the extent of decentralization. Among the most important of these are governmental controls, national unionism, and tax policies (political, social and economic factors).

Advantages of Decentralization

A brief explanation of the advantages of decentralization of authority is presented as follows:

A. It relieves top managers from the burden of decision-making

Through delegation managers relieve some of their jobs and especially routine jobs to their subordinates and lessen their burden. As their burden lessens they can concentrate more on important activities.

B. It encourages decision making and assumption of authority and responsibility

Delegation of authority gives an opportunity to the subordinates to exercise decision making. In order to make decisions they are expected to assume authority and responsibility.

C. It promotes the use of broad control techniques.

Delegation of authority does not mean delegation of responsibility. Therefore it needs control. But control should not be tight rather it must be broad. If tight control exists, there is no delegation of authority in practice.

D. Performance comparison between departments becomes possible

Departments will be given the authority to determine the tasks to accomplish and the objectives to attain which is in line with the overall organizational objectives. The results achieved by each department is measured and compared.

E. It facilitates setting up of profit centers

Every unit can be determined as a profit center and the costs and benefits will be measured.

F. It facilitates product diversification

Decentralization enables managers to exercise decision making independently. This will encourage subordinates to take the initiative to create new things and innovate the existing one. This will help the organization to diversify its products.

G. It promotes development of general managers

Delegation and decentralization of authority gives subordinates a chance to make decisions, plan, organize, control and coordinate the activities of their subordinates. This will serve as a training ground to these managers to be a future general manager.

H. It aids in adaptation to fast-changing environment

Decentralization of authority improves the ability of subordinates in decision making. The more they are experienced the more they will be ready to accept change and induce change in an organization.

Limitations of Decentralization

A brief explanation of the disadvantages of decentralization of authority is presented as follows:

A. The uniformity of policies will be less

Different departments and units may develop different policies to accomplish their specific goals. This may lead towards absence of uniformity of policies in an organization.

B. Coordination becomes complex

Task assignment is independent and performance is evaluated independently. Hence, every department is trying to achieve its objectives and if everyone is trying to achieve its objective, there will be conflicts among them. This may create coordination complex.

C. The top management may lose control

Decentralization pushes the decision making authority downwards to the lower level organization. Lower level managers make decisions without prior approval of top level management. Finally, top level managers may not know the decision made by the lower level people.

D. It requires qualified managers and subordinates

Introduction to Management (Mgmt 211)

Decentralization causes participation of subordinates in the decision making process.

Subordinates are expected to make decisions without or less consultation with top level managers.

Therefore, subordinates need to be qualified subordinates.

E. Its cost is high.

Decentralization causes many people to participate in the decision making process.

This requires high training of both managers and subordinates and training has its cost.

F. It doesn't favor economic scale of some operations

Economic scale of operation means achieving objectives with minimum resources.

However, decentralization causes different people to make decisions. This causes the use of resources than required, had it been made by one person following some predetermined standard.