ABSTRACT

Decentralization is a fashionable reform, adopted by many sectors with different characteristics even though there are doubts about its objectives and impact. Currently there is a propensity that decentralized hierarchy is adopted by organizations. As technology has become cheaper, easier-to-use, more reliable, and more powerful, decentralized approaches seem to have an increasing possibility. After conducting vast researches on decentralization, able to understand the advantages and setbacks of decentralized organizations and their results indicate that inadequate decentralization will constrain the creativity of employees while over decentralization may push the company towards chaos. This study discusses the impact of decentralization in construction companies. The study uses questionnaire to collect the evidences. The study adopted a non-parametric test and it tests the significance between the influence of decentralization in large medium and small scale companies on the basis of decision making ability by the employees.

Keywords: Construction Companies, Decentralization, Decision Making Ability, Employees, Employee Motivation.

1. INTRODUCTION

Construction companies are characterized with simultaneous implementation of various projects and controlling various inputs. They are typically classified as project-based or project-oriented organizations. The distinctive feature of a project-based organization, including its decentralized and dispersed mode of working, affects the interactions of the inter-organizational nature. Construction companies having a strategic hierarchical structure, decentralization can easily be implemented.

This study is conducted to examine the influence of decentralization on company’s performance and also to explore that to what extent the decentralization will impact the performance of a construction company. To narrow the study scope, the scenario of decision-making of employees in a construction company is selected as the study subject to simulate how decentralization will influence on the decisions and the performance of the company. The reason decision-making is selected is because making decisions are recognized as the backbone of construction companies, which plays an important role in companies achievement. The decision making involves all sort of decisions that been made to improve companies position like bidding decisions, negotiation decisions, decision about controlling expenditure, investment decisions, planning, estimation and scheduling decisions etc.

The main objective of this paper is to find out how decentralization helps to reduce the uncertainties and risks occurring during a project, how it avoids the bureaucratic inefficiencies of central direction and pushes the companies towards chaos, whether it provides motivation for the employees and helps to improve the quality of decision making for both low and top level management.
Though a relatively large number of factors should be considered for making decisions, they can generally be classified into 3 categories:

1. Company situation and experience, like current workload, availability of staff, bonding capacity, etc.
2. Project nature, like delivery methods, project size, project type, project location, labor environment (union or non-union), etc.
3. Competition, like number of competitors tendering, tendering duration, competitiveness of competitors, etc.

These studies provide a general framework to make decisions.

To facilitate decision making, should the low-level manager or even the employees (estimator, scheduler, etc.) be given the autonomy or "decision rights"? To what degree decentralization will substantially improve the performance and maximize the company's value? In response to these needs, a valid questionnaire is prepared and the influence of decentralization is analyzed by testing its significance.

2. METHODOLOGY

This study is carried out in several parts.

First, collecting literatures related to decentralization in various sectors and organizations and are reviewed to understand why decentralization is important and what gains and setbacks decentralization will lead to.

Secondly, 30 construction companies from Kerala region were selected and on the basis of some instrumental factors like decision making rights and knowledge of the employees, 25 valid questionnaires are prepared. Questionnaire contains 2 parts

(a) Background information – Name of the company and employees designation.
(b) Questionnaire survey - This part helps to explore the employees decision making ability, their knowledge about their post and freedom of employees to share their ideas etc.

The questionnaire survey conducted on selected companies is adopted as the method for data collection. Lastly, from the data collected, its significance is tested by using a non-parametric test. The results are discussed and conclusions are summarized.

3. BACKGROUND

Decentralization in Construction Companies and Its Benefits

Decentralization is a type of organisational structure in which daily operations and decision making responsibilities are delegated by top management to middle and lower level managers within the organisations (or) everything that goes to increase the importance of the subordinates role is decentralization.

Construction companies are characterized with simultaneous implementation of various projects and controlling various inputs. They are typically classified as project-based or project-oriented organizations. In such organizations, decentralization, along with short term emphasis on project performance and distributed work, is one of the key features.

The distinctive feature of a project-based organization, including its decentralized and dispersed mode of working, affects the interactions of the inter-organizational nature.

Companies in more heterogeneous environments are more likely to be decentralized because greater heterogeneity makes learning from the experiences of others more difficult. A decentralized organization will allow and encourage a variety of views and ideas emerge from different groups (eg scheduler, estimator etc) and decision making is dispersed. Also, a decentralized organization can push down the authority of decision-making to lower organizational levels. Though it is possible that the decision making and implementation can take longer time, in a dynamic and complex environment, it is likely that the decentralized organization will produce more new ideas and more actual program changes than a centralized organization in a long run.

An important benefit of decentralization is the sharing of information between subordinates and their managers.

A common assumption in the accounting literature is that subordinate holds private information regarding their tasks and that they know more about their operational areas than their superiors do. Superiors generally have private information (related to achieving strategic budget goals) which may facilitate subordinates' achievement of those goals. Decentralization may enable both subordinates and superiors to communicate their private information, thus leading to better decision-making. Several studies suggest that, subordinates' attainment of additional information from superiors and other parties will increase their effectiveness and also get motivated.
Decentralization can create an environment that encourages the acquisition and use of job-relevant information. In short decentralization enables subordinates to ask superiors for what they want; second, decentralization may allow subordinates to make choices and then to generate commitment to and responsibility for their choices.

If the employees get proper training regarding their post and also proper vertical flow of information from top management is also provided so that they get some extra knowledge about the work, and if the employees can able to share their ideas regarding the work then the performance of employees will be good enough to make company into chaos and they can able to take correct decisions.

Decentralization may also bring issues to the company. In decentralized organization, exposure of knowledge to employees will decrease the diversity of their decisions. Without knowledge on project or company level, the autonomous employees will make decisions only based on their own preferences, and thus their individuality will dominate the decisions.

4. CHARACTERS THAT AFFECTS THE COMPANIES DECENTRALIZATION DECISIONS

4.1 Employees without Necessary Knowledge
In this, the employees possess no knowledge of current situation in the organization. They make decisions solely relying upon their preference, which is determined by historical workload and current workload.

4.2 Employees with Necessary Knowledge
In this the employees possess necessary knowledge is more close to reality. “Knowledge workers”, exist in more decentralized environment. Therefore, in this simulation scenario, employees are still the decision makers and final decision will follow the same simple majority rule. However, when each employee makes decision, not only they will consider their self-preference but also related knowledge including need for work, project preference of the company, etc.

4.3. Employee Training
Employee training is essential for an organizations success. If proper training be given to the employees about the work at the time of joining and at regular intervals about the work and changes in technology, the employees can able to take fair decisions and improves productivity and profitability of the company.

4.4. Coordination of the employees
Proper coordination helps organizations to maintain efficient operations through communication and control. A lack of coordination in an organization can decrease productivity and delay the completion of tasks. Coordination makes a balance for decentralization. Proper communication helps to share important informations from top employees to low level employees.

4.5 Competition
Demand for speed in decision making (immediacy) at the time of competition is very important. Immediacy is a function of competition; knowledge is valuable only at a particular time and place. With competition, failure to act on an arbitrage opportunity immediately leads to loss of the opportunity. Knowledge can be specialized by the inability of the decision maker to whom the information is transferred to comprehend and act on the knowledge in a timely manner.

4.6 Demand for product heterogeneity
The degree of specialization of a company’s knowledge depends on the demand for product heterogeneity across customers. Product heterogeneity can be induced by dispersion of the company’s operations. Knowledge of local customs, conditions, regulations and preferences is often costly to acquire and costly to transmit to others not familiar with the conditions.

4.7. Uncertainty
Uncertainty is likely to be associated with expected and unexpected changes in the environment. The quantity of information increases when the environment is changing rapidly, and delays in acting on information can cause that knowledge to become obsolete.

5. CONCLUSION
This study attempts to find out the influence of decentralization on construction companies. Decision making of a construction company is taken as the study subject because it is a part of the organizational strategy. To conduct this study, a questionnaire is prepared and the result is tested by using a a non parametric test to find out the significance of decentralization in construction companies.
The study reveals that increase of decentralization will influence the performance of companies and inevitably lead to the shift of “decision rights” eventually. But this change cannot consistently bring positive outcome. The impact of decentralization is high for large and medium scale companies compared to small scale companies due to the lack of organizational hierarchy. This study also reveals that the employees get more motivated in decentralized environment and thereby helps to increase companies overall performance.

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