"I am the bottleneck." But what if it's a great wine? The complexity of (de)centralizing authority in companies

"I am the bottleneck in my company." I have heard this phrase many times in my business consulting work. Perhaps you have seen this too: companies where the owner centralizes so much authority and decision-making that there comes a point where processes simply do not flow as they should. This has a particularly negative impact on processes associated with innovation. They are held back by a "drainage channel" that is much more limited than the flow requires, since it always has to pass through a single person—with limited time and capacity. There are cases where the owner—here we can also include bosses, leaders, or managers—does not even have the appropriate skills (knowledge, abilities, and attitudes) to analyze issues in so many different and sometimes highly technical areas, but still insists on doing so. Why? There could be many reasons: a dominant personality, difficulty trusting others, a need for control or a sense of power, or perhaps even ego issues. This is not an uncommon scenario, and you are probably familiar with it.

But I have always been fortunate to have very good clients in my consulting work, and what I heard was that same phrase, but from a different type of person: owners who worked hard, were somewhat workaholics, very talented in various areas that were important to the company, committed to excellence in the final delivery to the client, with noble personal and professional goals for themselves and the people they worked with. Best of both worlds, right? No, because even though it's a great wine, it's still a bottleneck—one that stifles the flow and sometimes also the people, including the centralizer.

The organization—whether it be a company, cooperative, association, etc.—is an institution whose combination of structure and dynamism sets the tone for its development. Innovation cannot happen without dynamism, nor can it be implemented without structure. Structure requires a Weberian bureaucratic model to a greater or lesser degree, but it is always present: hierarchy of authority, division of labor, system of norms, system of procedures, impersonality, and technical competence. Dynamism requires a keen eye, knowledge, repertoire, network and ecosystem vision, and the ability to decentralize—the very thing that so often presents itself as a bottleneck.

Decentralization presupposes autonomy. Perhaps that is why it is frightening. A recent study published by Lee (2024), entitled Enacting decentralized authority: the practices and limits of moving beyond hierarchy, sought to understand which organizational practices support manifestations of decentralized authority and how and why these practices can fail. The results showed that the decentralization experience implemented in the company studied had mixed

results, with recurring advances and setbacks to the hierarchy. But why did this happen?

According to the research, advances in decentralization were mainly sustained by the following factors: clear, visible, and formalized limits of authority; depersonalization of authority, linking it to rules rather than people; and a collective effort by everyone to redefine authority relationships. However, there were also observed failures that caused setbacks in the decentralization process, including: ambiguous limits of authority; leaders and followers who maintained an internalized perception of hierarchy; and the emergence of informal hierarchies, such as organizational rearrangements, which were often dysfunctional.

The fundamental conclusion of this study was that moving away from hierarchy requires continuous management of tensions between desired decentralization and necessary centralization (in areas such as strategy and risk), requiring constant vigilance against psychological and structural forces that attempt to restore the radical centralizing model. The study concluded that decentralization is a constant exercise in balancing and seeking equilibrium, rather than a final state that can be achieved.

This is the practical reality of the organizational world. In it, there is no room for the ceteris paribus condition of economics; it is not possible to keep all other variables constant while analyzing two or three of them. This is because an organization is a vital organ of society, made up of people with their own personalities, histories, and experiences, in a broad environment of geographical culture combined with the culture of the organization's microenvironment—and even that of the nanoenvironment of its sectors or teams—and susceptible to a myriad of external factors inherent to the economy, nature, and society as a whole. And that's not to mention the so-called "black swans" so often talked about by Taleb. I develop these and other fundamental ideas for appropriating one's own ability to understand the world and reason in my book The Art of Nexialism in Life and Organizations, which I recommend reading.

But what can be done in the face of such complexity? What I propose is, first, an exercise in zooming out that applies to all spheres of business and life, including the analysis of decentralization that we are discussing here: the exercise consists of stepping back for a moment from the issue itself to understand the bigger picture from which it arose, its premises, its reasons for being, the consequences of maintaining the status quo, and everything that comprises the decision to eliminate bottlenecks. An honest, broad view, taken from a perspective that is not satisfied with anything less than finding the connection between all the elements that can be analyzed.

What is observed in both Lee's research and business practice is that there are reasons to strive for decentralization in organizations: speed in processes, responsible autonomy, distribution of workload and decisions, engaged and confident teams, and many others. However, decentralization can also generate insecurity, rearrangements that are not always healthy, confusion of roles and responsibilities, and risks taken by those who are not accountable for their consequences.

In this first filter, one may discover, for example, that the reasons and desire for decentralization are legitimate, as are the intentions of those who want it, but there may be personal or relational impediments, or even a lack of suitable people to take such a step. Companies in which "the owner identifies their personal ID number with the company's corporate ID number," that is, in which the owner sees the company as an extension of their identity, tend to have more serious problems sustaining a decentralization process. More structured companies, with defined roles—as well as their scope and limits—; with clear expectations, communicated, aligned, and agreed upon between the parties; with precisely defined deliverables; with realistic autonomy when analyzed from a risk perspective, these tend to have a more organic decentralization process. The next steps can be found in the book The Art of Nexialism, but I can already tell you that just the diligent effort to understand the specific scenario in question and the care to only undertake a decentralization process based on a nexialist analysis already brings enormous savings in resources, time, energy, and wear and tear.

Practice corroborates Lee's (2024) conclusion that decentralization is not a destination, but a constant and dynamic process that requires effort, professional and personal maturity, critical analysis, and constant review. It is a process that, if well experienced, promotes significant development within the organization itself.

Cláudia Herrero Martins Menegassi

UNIMAR/PPGA
conexoes@conexoes.net

Further Reading

Lee, Michael Y. (2024). Enacting decentralized authority: The practices and limits of moving beyond hierarchy. Administrative Science Quarterly, 69(3), 791-833. https://doi.org/10.1177/00018392241257372
Menegassi, Cláudia Herrero M. (2024). A Arte do Nexialismo na vida e nas organizações. Editora NX.
Taleb, N. N. (2015). A lógica do cisne negro: o impacto do altamente improvável. Editora Best Seller.