

Answer on Question#37272-Economics- Microeconomics

When competition is present, self-interested business decision-makers have strong incentives to decentralize decision-making wherever the motivation and creativity of large numbers of employees is vital and where the need for communication between remote parts of the business is high. This will be found wherever knowledge workers benefit from coming together and sharing expertise and information in large organisations.

However, central decision-making is likely to be retained wherever:

- Resolving conflicts is key – especially when industries or businesses are contracting and difficult prioritization choices need to be made;
- A central, holistic vision is required to drive the development of a business – such was the case with Bill Gates and Microsoft’s decision to pursue Internet in the mid 1990’s;
- Employees do not have the skills to make the decisions – the decentralizing trend will, at least in its early stages, be confined to knowledge workers and high value added employees.