



Delegation of Authority

Corporate Governance for Micro, Small and Medium-Sized Enterprises (MSMEs)

Part of the Pearl Initiative's
Corporate Governance Fundamentals



Delegation of Authority Guide

A Delegation of Authority is the assignment of a duty, authority or decision-making responsibility to another individual - generally from a manager to his/her subordinates. This may be required to carry out specific activities within the business and reduce bottlenecks associated with too many decisions resting on the shoulders of one particular individual.

How to Use this Document

This guide is part of Pearl Initiative's Corporate Governance in MSMEs programme. The goal of the programme is to provide the Micro, Small and Medium Sized Enterprises (MSME) community with tools and references that will help them implement practical and effective corporate governance capabilities commensurate with their specific internal requirements. Structured and cost-effective internal corporate governance capabilities will often enhance the efficiency, productivity, and resilience of any business, and allow leadership to maintain control yet focus on critical business requirements such as strategy and growth.

We recommend that each business adopting this template independently evaluates and adjusts specific details in line with their business, operational, strategic and industry needs.

For more information on this programme, please visit www.pearlinitiative.org.



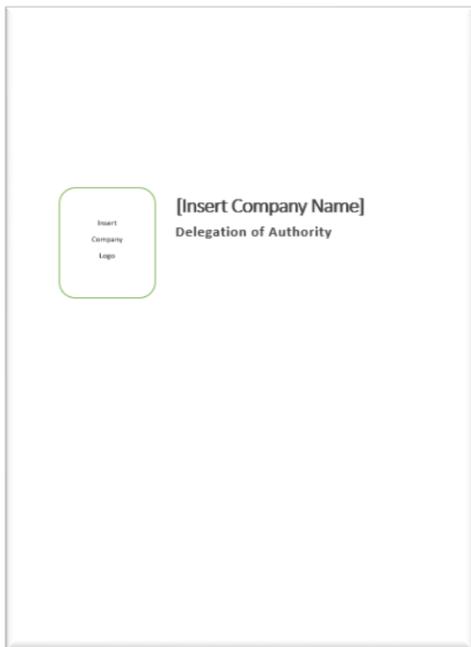
Delegation of Authority Guide

The Delegation of Authority Template

A Delegation of Authority (DOA) is a unanimously agreed upon guide on who is authorised to take what decisions within the business. It will have a direct positive impact on allowing everyone to leverage their skills and experience for the mutual benefit of the company. Additionally, it can minimise workloads, take advantage of specialisation, enhance motivation, and allow a business to make quicker and more effective decisions. A DOA is most effective when formally documented, approved, and communicated, as it eliminates subjectivity and clarifies levels of authority and responsibility.



Scan, tap or click on the QR Code to the right to download a free copy of the Pearl Initiative Business Procedure Template.



[INSERT COMPANY LOGO]
Delegation of Authority

Action	Department Manager(s)	Senior Manager(s)	Executive Director / CEO / GM	Executive Committee	Board
C. Finance					
C.1 Expenditure Approvals*					
1	Budget Overrun (by up to [X%] of the budget line item)				
2	Purchase/Service Requisitions for expenses up to [AMOUNT] within approved budget				
3	Purchase/Service Requisitions for expenses above [AMOUNT] and up to [AMOUNT] within approved budget				
4	Purchase/Service Requisitions for expenses above [AMOUNT]				
C.2 Purchase and Service Orders and Contracts*					
1	Approval for of Purchase/Service Orders or Contracts below [AMOUNT]				
2	Approval for of Purchase/Service Orders or Contracts above [AMOUNT]				
3	Approval of supplier's invoices for payments above [AMOUNT]				
<small>Note: All purchases above [AMOUNT] require a contract</small>					
Effective Date: [ENTER DATE] _____					



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Instructions

The following tips are intended to provide guidance on proven methods of establishing DOAs.

- **Choose what tasks you are willing to delegate:**
You should use your time on the most critical tasks for the business and the tasks that only you can perform. Delegate what you can't do and what doesn't interest you.
- **Pick the best person to delegate to:**
Understand the traits, values, and characteristics of those who will perform well when you delegate to them. This will help you delegate decisions to people who have a proven track record in delivering, rather than the individuals who are the least busy.
- **Hold people accountable for what they need to do:**
With a DOA in place, MSMEs can ensure individuals within their business are held responsible for the tasks they are required to do while, at the same time, fostering trust in those that have proven to be effective in performing their responsibilities.
- **Give clear assignments and instructions:**
The key is striking the right balance between explaining so much detail that the listener is demotivated, and not explaining enough for someone to grasp what is expected.
- **Delegate responsibility and authority, not just the task:**
Leaders who fail to delegate responsibility in addition to specific tasks eventually find themselves back in the position where they need to make the decisions. If the individual is not willing to accept responsibility, then perhaps he/she is not the right person to delegate to.
- **Avoid reverse delegation:**
Some team members try to give a task back to the manager, if they don't feel comfortable, or are attempting to dodge responsibility. Don't accept it except in extreme cases. In the long run, every team member needs to learn or leave.

Overview of the RACI Model

The RACI model is a relatively straightforward approach that is to be used to identify decision making protocols and authorities associated with various tasks that need to be performed within a business. Leveraging the RACI model when building a DOA will allow enterprises to quickly define the roles of each individual with regard to the decision-making capacity within the company.

The RACI Model defines who is:

- **Responsible:** researched options and consequences, makes recommendations
- **Approver:** makes the decision and is ultimately accountable for the result
- **Consulted:** makes recommendations to the approver
- **Informed:** receives information of the decision after it is made



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Annex A. Supplemental Information

Advantages of having a DOA in place

The following provides an overview of some of the benefits of having a DOA in place.

- **Minimise your workload:**
A DOA minimises your workload by providing a platform that will help you assign regular and routine work and decisions to your subordinates to allow you to concentrate more efficiently on strategic and creative functions.
- **Take advantage of specialisation:**
Specialisation is the means of success in a dynamic environment. Delegating authority as well as the responsibility to specialised individuals based on their ability and knowledge will better equip the business to make the right decisions.
- **Enhance motivation and morale:**
A DOA develops a feeling of status and prestige within the organisation. It helps improve working efficiency and promotes a sense of initiative and responsibility. This ultimately leads to high morale of the individuals within the business, which eventually encourages efforts towards achieving common goals.
- **Foster training and development:**
A DOA provides a background for training and development for various teams within a business. The manager delegates some of his authority as well as the responsibility to the subordinates in accordance with their capabilities which provides a framework for the development and growth of employees within the business.
- **Made quicker and better decisions:**
A DOA ensures faster and better decisions are taken as it reduces bottlenecks within the business. Decision makers get the authority to decide on the matters of their own area; however, they still remain within the limitations imposed by leadership. Decision-making is also better because subordinates are closer to the reality of the situation.
- **Establish a basis for organising:**
A DOA can be a basis on which to form an organisational structure. The number of layers in the organisational structure will depend on the nature of delegation and the responsibility of each individual/team.