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Decentralized Business Units with Central Oversight: Lessons from the Mahajanapada Model for Modern Corporate Governance

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Abstract

This study examines the significance of decentralized business units operating under central oversight, drawing lessons from the governance model of the Mahajanapadas for modern corporate structures. By analyzing perspectives from corporate leaders, governance experts, and academicians, the research explores the impact of decentralization on efficiency, employee engagement, and strategic alignment. The findings suggest that while decentralization fosters flexibility and accountability, central oversight remains crucial to maintaining coherence in business operations. Additionally, historical governance frameworks provide valuable insights that can enhance corporate decision-making and resilience. The study concludes that a balanced governance approach, integrating autonomy with structured oversight, offers a sustainable model for organizations. It recommends incorporating historical governance principles, promoting adaptable policies, and fostering research on decentralized corporate structures. By embracing these insights, businesses can enhance their operational effectiveness, adaptability, and long-term strategic success.

Keywords: Decentralized Business Units, Governance, Strategic Business Units.

Introduction

Governance structures have evolved over centuries, yet the fundamental need to balance centralized authority and decentralized autonomy remains relevant. Ancient India's Mahajanapada system, which thrived around the 6th century BCE, is a prime example of an administrative model that successfully merged regional independence with central strategic oversight. This system, which governed 16 powerful states, enabled local rulers to exercise autonomy while adhering to broader governance principles, thus fostering economic prosperity, military strength, and cultural cohesion. The governance model of Mahajanapadas aligns closely with modern corporate structures, particularly multinational corporations (MNCs) and business conglomerates, where strategic business units (SBUs) or subsidiaries operate independently but within a unified corporate vision.

In today's business landscape, companies like Tata Group, Amazon, and Reliance Industries exemplify this approach. They empower their business units to function autonomously while ensuring they align with the organization's core values, financial strategies, and long-term objectives. This paper explores how the ancient Indian governance system provides strategic insights for modern business management, focusing on the importance of decentralization, accountability, and adaptability in large organizations.

Similarities Between Ancient and Modern Business Models

- **Decentralized Governance:** Ancient Mahajanapadas had autonomous local rulers under a central authority, similar to modern corporations where business units operate independently but follow corporate strategies.
- **Guild System and Industry Associations:** Ancient trade guilds (Shrenis) regulated commerce, much like modern industry associations and professional bodies that maintain business standards.
- **Structured Financial Management:** Ancient economies had organized tax systems for revenue collection, similar to how modern corporations manage financial policies and taxation through structured financial systems.
- **Trade Networks and Supply Chains:** Ancient trade routes facilitated commerce across regions, just as modern businesses rely on global supply chains and logistics networks.
- **Ethical Governance and Social Responsibility:** Ancient businesses followed **Dharma-based ethics**, similar to modern **Corporate Social Responsibility (CSR)** initiatives ensuring fair and sustainable business practices.
- **Strategic Alliances and Partnerships:** Ancient kingdoms formed trade alliances, resembling modern corporate mergers, acquisitions, and strategic partnerships for business growth.
- **Leadership and Decision-Making:** Rulers consulted advisory councils for governance, much like corporate boards and executive teams guiding business strategies today.
- **Marketing and Consumer Engagement:** Ancient traders used fairs and word-of-mouth marketing, whereas modern businesses leverage digital marketing and branding for customer engagement.

Case Studies on Decentralized Business Units with Central Oversight

- **Tata Group: Balancing Autonomy and Central Control:** Tata Group is a prime example of a decentralized business model with strong central oversight. Each subsidiary, such as Tata Steel, Tata Motors, and TCS, operates as an independent entity with control over daily operations, decision-making, and market strategy. However, Tata Sons, the holding company, provides

centralized strategic direction, financial oversight, and governance, ensuring that all subsidiaries align with the group's core values and long-term vision. This model resembles the Mahajanapada system, where regional governance structures had autonomy but followed overarching policies set by the central leadership.

- **Unilever: Localized Decision-Making for Global Success:** Unilever operates in over 190 countries and follows a decentralized structure where regional divisions make independent decisions regarding product development, marketing strategies, and pricing. Despite this autonomy, Unilever ensures that all divisions adhere to its global ethical guidelines, sustainability goals, and corporate branding. This decentralized governance model allows Unilever to adapt to regional consumer preferences while maintaining a unified corporate identity. The approach mirrors ancient decentralized governance, where local rulers exercised control while aligning with the overarching administrative framework.
- **Toyota: Lean Management and Decentralized Operations:** Toyota's lean management system promotes decentralization, allowing its manufacturing plants worldwide to operate independently while following the company's standardized production and quality control principles. Local factories make decisions based on regional market demands and supply chain conditions, improving efficiency and responsiveness. However, Toyota's central governance ensures consistency in manufacturing excellence and brand reputation. This governance model is similar to ancient administrative structures that empowered regional authorities while ensuring alignment with the broader empire's policies.
- **Alphabet Inc.: Balancing Innovation with Oversight:** Alphabet Inc., the parent company of Google, operates on a decentralized model where its subsidiaries, such as Google, Waymo, and DeepMind, have significant autonomy in their research, development, and operational decisions. Each subsidiary functions as a separate entity focusing on innovation while Alphabet provides financial control, strategic direction, and regulatory compliance oversight. This balance between autonomy and centralized governance ensures innovation without compromising corporate stability. The model reflects historical governance systems where decentralized states functioned independently while adhering to a central authority's overarching policies.

These case studies highlight how modern corporations successfully integrate decentralized operations with central oversight, ensuring flexibility, efficiency, and governance. The principles underlying these business models align closely with historical governance structures, such as the Mahajanapada system, demonstrating the timeless relevance of decentralized governance frameworks.

Review Literature

- **Decentralized Autonomous Organizations: How Finance Can Interact with Blockchain-Based DAOs – Daniel Liebau & Sandy Oh (2024)** This paper explores how financial institutions can engage with decentralized autonomous organizations (DAOs). It discusses the regulatory challenges and opportunities in integrating decentralized governance with traditional finance. The study suggests frameworks for financial compliance and investment strategies in blockchain-based DAOs.
- **Decentralized Autonomous Organizations: Innovation and Vulnerability in the Digital Economy – Sven Van Kerckhoven & Usman W. Chohan (2024)** This research examines both the innovative potential and security vulnerabilities of DAOs. It highlights how decentralized governance fosters innovation but also exposes organizations to legal uncertainties, smart contract failures, and governance manipulation risks. The study calls for regulatory frameworks to address these challenges.
- **Governance Impacts of Blockchain-Based Decentralized Autonomous Organizations: An Empirical Analysis – Olivier Rikken et al. (2023)** This empirical study analyzes how DAOs reshape traditional governance models. It examines decision-making power distribution, transparency, and the role of smart contracts in enforcing rules. The findings suggest that while DAOs increase efficiency, they struggle with scalability and regulatory compliance.
- **Understanding Decentralized Autonomous Organizations from the Inside – Nils Augustin et al. (2023)** This study provides a case-based examination of DAOs, focusing on internal governance mechanisms, member interactions, and conflict resolution strategies. It offers insights into the operational dynamics of decentralized organizations and their practical governance challenges.
- **Blockchain and the Emergence of Decentralized Autonomous Organizations (DAOs): An Integrative Model and Research Agenda – Carlos Santana & Laura Albareda (2022)** This paper develops a conceptual model for understanding DAO governance structures and their implications for business management. It highlights key differences between DAOs and traditional corporations, emphasizing decentralized decision-making and stakeholder participation.
- **Decentralized Autonomous Organizations: Concept, Model, and Applications– Shuai Wang et al. (2019)** This foundational research introduces the concept of DAOs and their potential applications in various industries. The authors outline the benefits of DAOs, including automation and transparency, while also addressing critical challenges such as governance stability and legal recognition.

Research Methodology

Research Gaps

- **Lack of Historical Framework Application** – Existing research lacks a structured comparison between the decentralized governance of Mahajanapadas and modern corporate structures.
- **Insufficient Studies on Corporate Decentralization** – While decentralization in corporations is studied, the role of cultural-historical governance models in shaping it remains underexplored.
- **Limited Empirical Evidence on Governance Efficiency** – There is limited empirical research on how ancient governance models can influence modern corporate efficiency, decision-making, and autonomy.

Research Objectives

- To analyze the governance structures of Mahajanapadas and their relevance to modern corporate decentralization.
- To assess the effectiveness of decentralized corporate units under central oversight in achieving strategic objectives.
- To propose a governance framework that integrates lessons from Mahajanapadas into contemporary corporate management.

Research Design

- **Type of Research:** Descriptive and Exploratory
- **Approach:** Qualitative and Quantitative (Mixed Method)
- **Data Sources:** Primary (Survey, Interviews) and Secondary (Historical texts, Business case studies)

Sampling Design

- **Population:** Corporate executives, governance experts, historians, and management scholars.
- **Sample Size:** 100 respondents (Corporate Leaders, Governance Experts, Historians/Academicians).
- **Sampling Technique:** Purposive and Snowball Sampling.

Data Collection Methods:

- **Primary Data**
 - Structured surveys with corporate managers on decentralization challenges and benefits.
- **Secondary Data**
 - Analysis of Mahajanapada governance structures from historical texts.
 - Case studies of successful decentralized corporations.

Data Analysis Methods

- Qualitative Analysis: Thematic analysis of governance strategies from Mahajanapadas and expert interviews.
- Quantitative Analysis: Descriptive statistics and percentage analysis of corporate governance survey data.

Questionnaire

Questions	Strongly Disagree (1)	Disagree (2)	Neutral (3)	Agree (4)	Strongly Agree (5)
Decentralized decision-making improves efficiency.	5%	10%	20%	40%	25%
Central oversight is necessary for alignment.	3%	8%	18%	45%	26%
Historical models provide valuable governance insights.	2%	7%	25%	40%	26%
Balance between decentralization and oversight enhances flexibility.	4%	6%	15%	50%	25%
Decentralization improves engagement and accountability.	6%	9%	22%	38%	25%
Centralized policies should allow regional flexibility.	3%	10%	20%	42%	25%
Historical governance can improve corporate policies.	2%	9%	24%	41%	24%
Ancient governance models enhance resilience.	5%	12%	20%	38%	25%
Historical governance principles should guide strategy.	3%	10%	22%	40%	25%
Decentralized governance should be researched more.	2%	7%	23%	45%	23%

Data Interpretation

- Decentralized decision-making improves the efficiency of business operations. A significant 65% of respondents agreed that decentralized decision-making enhances efficiency, allowing businesses to be more responsive and adaptable to dynamic environments. Only 15% disagreed, indicating that while decentralization is widely favored, some still see challenges in coordination and control. The remaining 20% were neutral, reflecting uncertainty in its impact across different industries.
- Central oversight is necessary to maintain strategic alignment in decentralized organizations. The majority of respondents (71%) agreed that central oversight

plays a critical role in ensuring decentralized units remain aligned with overall business goals. Only 11% disagreed, showing that very few favor completely independent decision-making without centralized guidance. 18% remained neutral, suggesting that the extent of oversight needed may depend on the organization's structure and industry.

- Historical governance models, like the Mahajanapadas, provide valuable insights for modern corporate governance. About 66% of respondents agreed that historical governance models can offer practical lessons for modern corporate governance, particularly in balancing decentralization with strategic control. Only 9% disagreed, indicating a general openness to learning from historical structures. 25% were neutral, suggesting that while some find historical insights useful, others may see them as less relevant to contemporary corporate settings.
- A balance between decentralization and central oversight enhances organizational flexibility. A strong 75% of respondents supported a balanced approach, where decentralization improves operational efficiency while central oversight ensures strategic direction. Only 10% disagreed, indicating a small preference for either extreme centralization or decentralization. 15% remained neutral, possibly reflecting industry-specific differences in governance preferences.
- Decentralized business units lead to better employee engagement and accountability. About 63% of respondents agreed that decentralized governance improves employee engagement by giving teams more autonomy and decision-making power. However, 15% disagreed, possibly due to concerns about inconsistent policies or lack of coordination. The remaining 22% were neutral, suggesting that the impact of decentralization on employee engagement may vary depending on organizational culture and management style.
- Centralized policies should be flexible to accommodate regional and departmental differences. With 67% in agreement, most respondents believe that centralized policies should have room for flexibility to suit different operational needs. Only 13% disagreed, indicating that some still prefer strict standardization for consistency. 20% were neutral, suggesting that while flexibility is important, too much deviation from central policies may lead to inefficiencies.
- Lessons from historical governance models can help in designing better corporate policies. A notable 65% of respondents agreed that historical governance principles can be integrated into modern corporate policy-making. Only 11% disagreed, suggesting that most professionals recognize the value of studying past governance frameworks. The 24% neutral responses indicate

that some may see historical models as informative but not necessarily applicable to all business contexts.

- Adopting ancient governance practices can improve business resilience and adaptability. 63% of respondents supported the idea that ancient governance models can contribute to business resilience, particularly in decentralized decision-making and crisis management. 17% disagreed, possibly viewing historical models as outdated. The remaining 20% were neutral, highlighting a mixed perspective on the relevance of ancient governance structures in today's fast-changing corporate world.
- Businesses should integrate historical governance principles into their strategic decision-making. About 65% of respondents agreed that businesses can enhance decision-making by incorporating lessons from historical governance models. 13% disagreed, suggesting skepticism about the practical applicability of such frameworks. 22% remained neutral, indicating that while historical insights can be valuable, their direct implementation may require industry-specific adaptations.
- The concept of decentralized governance should be explored more in modern business research. A majority 68% of respondents agreed that decentralized governance is a valuable area for further research and exploration. Only 9% disagreed, showing that very few consider the topic unimportant. The 23% neutral responses suggest that while the subject is relevant, its importance may vary across different business environments.

Qualitative Interpretation

- Corporate leaders emphasized the importance of autonomy at operational levels while maintaining centralized policy coherence.
- Governance experts highlighted the relevance of Mahajanapada structures in managing large organizations efficiently.
- Historians noted that decentralized governance systems of the past were designed for adaptability, a principle still relevant today.
- Respondents expressed concerns about balancing oversight without stifling innovation and decision-making autonomy.

Findings and Conclusion

The study highlights that a hybrid governance model, combining decentralized business units with central oversight, is the most effective approach for modern corporate governance. Decentralization enhances efficiency, employee engagement, and flexibility, while central oversight ensures strategic coherence. Historical governance models, particularly those of the Mahajanapadas, offer valuable insights into managing decentralized structures effectively. However, businesses must ensure

that decentralized decision-making is aligned with organizational goals and supported by flexible central policies.

The findings also emphasize that modern corporations can benefit from learning from historical governance frameworks, as they provide strategic lessons in balancing control and autonomy. The study further suggests that decentralized governance should be a focus area for future business research, given its potential to enhance efficiency, resilience, and adaptability.

Suggestions

- **Adopt a Hybrid Governance Model** – Organizations should implement a governance system where decentralization empowers business units while central oversight ensures strategic alignment.
- **Enhance Flexibility in Central Policies** – Corporate policies should allow room for adaptability to cater to different regional and departmental needs.
- **Incorporate Historical Lessons into Business Governance** – Companies should explore governance models from history, such as the Mahajanapada system, to develop strategic decision-making frameworks.
- **Strengthen Employee Engagement** – Decentralized governance should be leveraged to enhance employee ownership, accountability, and motivation by giving teams greater autonomy.
- **Encourage Further Research on Decentralized Governance** – Businesses and researchers should explore how historical governance principles can be integrated into modern corporate structures to improve efficiency and resilience.
- **Develop Training Programs for Decentralized Leadership** – Organizations should focus on training leaders and managers in decentralized decision-making, ensuring that business units can operate independently while staying aligned with corporate objectives.

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