

Centralized and decentralized organizations essay sample

[Business](#), [Organization](#)



The main difference between centralized and decentralized organizations is the division of work and grouping of activities. Decentralization is connected to delegation of authority and is concerned with what should be transferred down, what policies are needed to guide actions and the need to train and select people and control their actions. Centralization means centralizing performance where the operation is under one roof. It often refers to department activities. Decentralization is closely related to delegation of authority, but it includes all areas of management and requires a great deal more than handing authority to subordinates.

The advantage of centralized organizations is that it is easy to control all activities and implement a general and unified policy. The disadvantage is complicated “bureaucratic” structure which slows decision-making and change processes. The advantage of decentralized organizations is delegation of authority and autonomy of actions and decisions. The disadvantage is the narrowness of outlook inherent in functions and standards set cannot easily be linked to objectives of the business. In practice, the combination of the two occurs. The main feature is the degree of centralization or decentralization of organizations.

For examples, production and sales are often the first functions to be decentralized and finance and human resources the last. The degree of centralization is not easy to determine. Some decisions must be taken locally and management must decide what are vital decisions and keep these, then delegate the rest. High degree of decentralization is possible if less checking is needed on a decision, especially if few people need be consulted on a

decision, or if the greater the number of functions affected by decisions made at lower levels,

The types of organizational structure benefit overall well-being of a business because it determines the nature of relations, makes possible the application of the process of management and creates a framework of order and command through which the activities of the organization can be planned, organized, directed and controlled.

For instance, size, geographical separation of the departments or extended activities of the organization require decentralized structure. In contrast, centralization is more preferable for a company operating in one location which helps to establish strict rules and policies. A new organization needs centralization to establish common policies, but when employees know all traditions they can act more independently (in decentralized units).

References

1. Armstrong, M. (2003). *Human Resource Management . A Handbook*. Kogan Page. 2nd edn. Boston: Kent Publishing.