How to organize and lead an entrepreneurial venture - Centralized versus decentralized organizations*

Global Text Project

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Abstract

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Communication is essential to disseminate information throughout organizations and can take place at many levels. There are two communication models that are utilized—centralized and decentralized. Again, each style can be effective depending on the environment and each has its advantages and disadvantages, as are outlined below.

1 Centralized

Centralized organizations require communications flow through a central person or location. Single leaders are prominent and have a great deal of decision-making power. These persons have access to more information and can therefore exercise a great deal of influence over group members by controlling the flow of critical information.

One disadvantage to centralized communication is that as the organization grows, the amount of information can overwhelm the central hub (person or department) that processes this information. One advantage to the centralized approach is that it encourages standardized processes that typically result in cost savings and better quality control.

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2 Decentralized

Decentralized organizations tend to utilize many channels of information flow, allowing for more open communication between group members. This model is more conducive to solving complex problems.

One of the major advantages to decentralized communication is that problems and processes can be solved and changed in a timely manner. Also, the needs of customers and employees are more easily and quickly met because fewer levels of management are involved.

A major disadvantage to a decentralized organization is that departments can easily lose sight of the organization's common mission. To ensure organizations stay on task, upper management should maintain open lines of communication with local management.