Reading


Activity 2.1

What do you think are some of the general considerations in structuring Procurement organisation?

Advantages and disadvantages of multi-site centralisation and decentralisation

The other key influencing factor on the organisation of the Procurement department is the issue of centralisation and decentralisation.

A multi-site firm faces one additional organisational question that does not concern most single-site firms: To what extent should procurement activity be centralised at the corporate level? In practice, virtually every firm answers this question differently. Some firms centralise the activity almost completely, doing the procurement for all sites at a central headquarters office. Others decentralise the function entirely, giving each site full authority to conduct all of its procurement activities. Still some firms — the majority of them — develop an organisation somewhere between these two extremes. Each extreme approach offers significant benefits.

1. Advantages of multi-site centralisation

   a. Greater buying specialisation: Perhaps the greatest benefit of centralisation stems from the fact that it permits greater technical specialisation among buyers. This leads to the development of more knowledgeable and more highly skilled buying personnel.

   In most firms, the importance of specialised buying cannot be overvalued. The complexity of industrial materials increases constantly. A buyer who does not fully comprehend the significance of a material’s major technical and manufacturing characteristics cannot perform effectively. If buyers fail to perform with technical competence, the important buying decisions will ultimately be made in the using departments, and buyers will be relegated to a glorified clerical status.