



FORMAL AND INFORMAL ORGANIZATIONS: REVIEW OF ANTECEDENCE AND CONSEQUENCES

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ABSTRACT

Organizations exist to actualize the purpose for which it was formed. The goals are achieved when people work as either formal or informal group or organization. Employees like to interact with their co-workers to ensure that job related problems are solved with collective ideas to enhance job performance. Organization is goal-directed, boundary-maintaining, and a system of consciously coordinated activities that involves formal structures, planning, division of labour, and leadership to achieve specific goals. Formal and informal organizations function in the same environment, the informal organization is created within the formal organization to protect the interest of members. The formal organization is consciously and carefully planned with the coordination of activities to ensure effectiveness and efficiency. This paper tends to clarify the differences between formal and informal organizations. When organization manages the informal group, there is the tendency of reducing conflict among the workforce, the cooperation may enhance teamwork and organizational performance. Managers and leaders should recognize the existence of informal group or organization by having periodic conversations with them so as to gather authentic information about the performance of the organization.

KEYWORDS

Organization, formal organization, informal organization, line organization.

INTRODUCTION

Organizations are formed through individual ideas and vision. The personal plan or vision may be to go into production or services that could add value to the society. Ordinarily, the business owner or entrepreneur knows that he needs contributions of other persons to achieve the objectives and vision. He interacts with persons who are willing to collaborate with him to form an organization. Thus, organization is the structural framework of duties and responsibilities which people used in performing various functions with the intention to achieve predetermined goals (Anthony & Govindarajan, 2004). Organization refers to a dynamic structure that enforces management functions which is essential for bringing people together and the maintenance of authority relationships in order to accomplish specific objective (Arabi 2007). Similarly, Organization signifies a group actions that comprises delegation of authority, allocation of tasks, and resources to individuals or departments necessary to attain enterprise objectives. Organization is likewise a network of relationship that

involves coordination of activities and division of work among people to achieve objectives. An organization comprises formal and informal organization or group. Formal organization refers to an assembly of persons that perform separate, interrelated, and coordinated functions to achieve specific tasks (Okon, 2004). A formal organization is a constituted body created by the organization with an oath of allegiance to realize a set goal. Formal organizations consist of properly defined organizational structure, effective communication systems, compliance to rules and regulation and payment of salary. Informal organization is a group formed by the closeness and proximity of people who have social interactions to protect their interest (Mullins, 2010). Informal organization connotes the pressure groups that exist in the formal organization to monitor the activities of the management, particularly when the rights of the employees are violated.

Literature Review

Formal Organization

Formal Organization entails an organization in which job of each member is clearly defined, whose authority, responsibility, and accountability are static (Barnard, 1938). Formal organization refers to a system that is consciously established by the management with defined rules and policies to achieve goals (Nwinye, 2022). Employees are given responsibility with the authority to work effectively. Formal organizations are deliberately designed with a definite authority, accountability, unity of command and responsibility. Workers are conscious of their duties and authority and the person they will take instructions from. This organization is bound by rules, policies and procedures. The Organization structure emphasizes on the jobs to be performed and not the individuals to do the jobs. A typical example of formal organization includes committee organization, matrix organization, line and staff organization, line organization, and functional organization. Formal organization refers to the structure of well-defined jobs in a formally organized enterprise. These jobs are defined in terms of authority, responsibility and accountability. Formal organization is considered as a group that restricts membership from disobeying formal rules and regulations, and utilizes officially designated positions or roles in a bureaucratic structure. The primary aim of formal organization is to achieve organizational goals. In formal organization, work is divided among the employees, authorities are delegated to each member, specialization of workers are applied, and the work is assigned to employees on the basis of their competence.

Characteristics of Formal Organization

- i. Well defined rules and regulation: There is a comprehensive setting of rules and regulations in a formal organization. The employees or members of the organization are expected to abide by the policies, rules, and regulations which guide them to perform their work so as to accomplish predetermined goals.
- ii. Organization structure: A formal organization has organization structure that organizes the formal relationships within an organization, creating lines of authority, accountability, and assigning jobs or tasks to different individuals. The establishment of structural relationship among employees in various departments is essential in the organizations for the achievement of desired goals.
- iii. Discipline: Employees behaviour are controlled by the superiors, managers, and supervisor. Any employee that violates the rules and regulations of the organization are to face disciplinary

actions like query, setting of panel, suspension, and termination. The awareness of discipline in the system makes the workers to be careful and prevent misconduct.

- iv. Setting objectives and policies: A formal organization operates with set objectives and policies. All the activities of the management and workers are directed towards achieving objectives and goals.
- v. Division of labour: Every individual in a formal organization is assigned with specific duties or responsibilities. This enables the employee to be accountable of his office. The duties are allocated to different persons in order to achieve specialization and efficiency.
- vi. Creating working relationship: In a formal organization, there is compliance of the principle of co-ordination, a clear chain of command, and efficient working relationship. The effective work relationship among employees and co-ordination between different departments in an organization is upheld to achieve the desired result.
- vii. Messages are transferred through vertical chain of communication: Ordinarily, in a formal organization the vertical communication chain is maintained to promote team work among employees.
- viii. The operations of formal organization are impartial or independent not on sentiments of the employees.
- ix. Legal status: A formal organization is a separate social entity. The organization is different from the individuals performing their duties. The organization may sue and be sued in court as a corporate entity.
- x. Human resource development: The development and improvement of human resource is simple in a formal organization. It includes activities such as manpower planning, career development, recruitment, and promotion. Employees are the main assets of the organization that need upgrading.

Criticisms of Formal Organization

- a. The formal organization does not recognize the bias feelings or favoritism actions of the workers which affect job performance.
- b. Organizational goals are important than individual goals in formal organization. It does not tolerate conflict of interest between the organization and the employees.
- c. It makes the achievement of goals difficult because of rigid rules and procedures.
- d. It creates work pressure and stress since there is no alternative means for workers to perform their job.

Types of Formal Organization

Gibson et al. (2003) recognized four types of formal organization or organization structures. They include:

- i. Line organization.
- ii. Line and staff organization.
- iii. Functional organization.
- iv. Committee organization.

Line Organization

The line organization embodies the unassuming form of organization structure where authority flows vertically from top to lower level within the organization (Stoner et al., 2007). The line of authority is in hierarchical setting which is high at the top management and low at the bottom level of the organization. Line organization is also called scalar or military organization and all the officers obey the direct chain of command. Apparently, decisions and orders are made at the top by the executives who give instructions to their subordinates that eventually use the operating personnel to carry out the actions for the purpose of achieving goals. For example, Line managers gather and scrutinize all of the information needed to carry out their responsibilities. For example, production managers control the activities of the assembly line workers in their departments. They also monitor the services of the supplies in the department. Line organizations are found in small companies. In line organization, a direct relationship of authority and responsibility is created between the superior and subordinate. The top managers or officers exercise a direct authority over their subordinates who absolutely report their performance to the commanding superior.

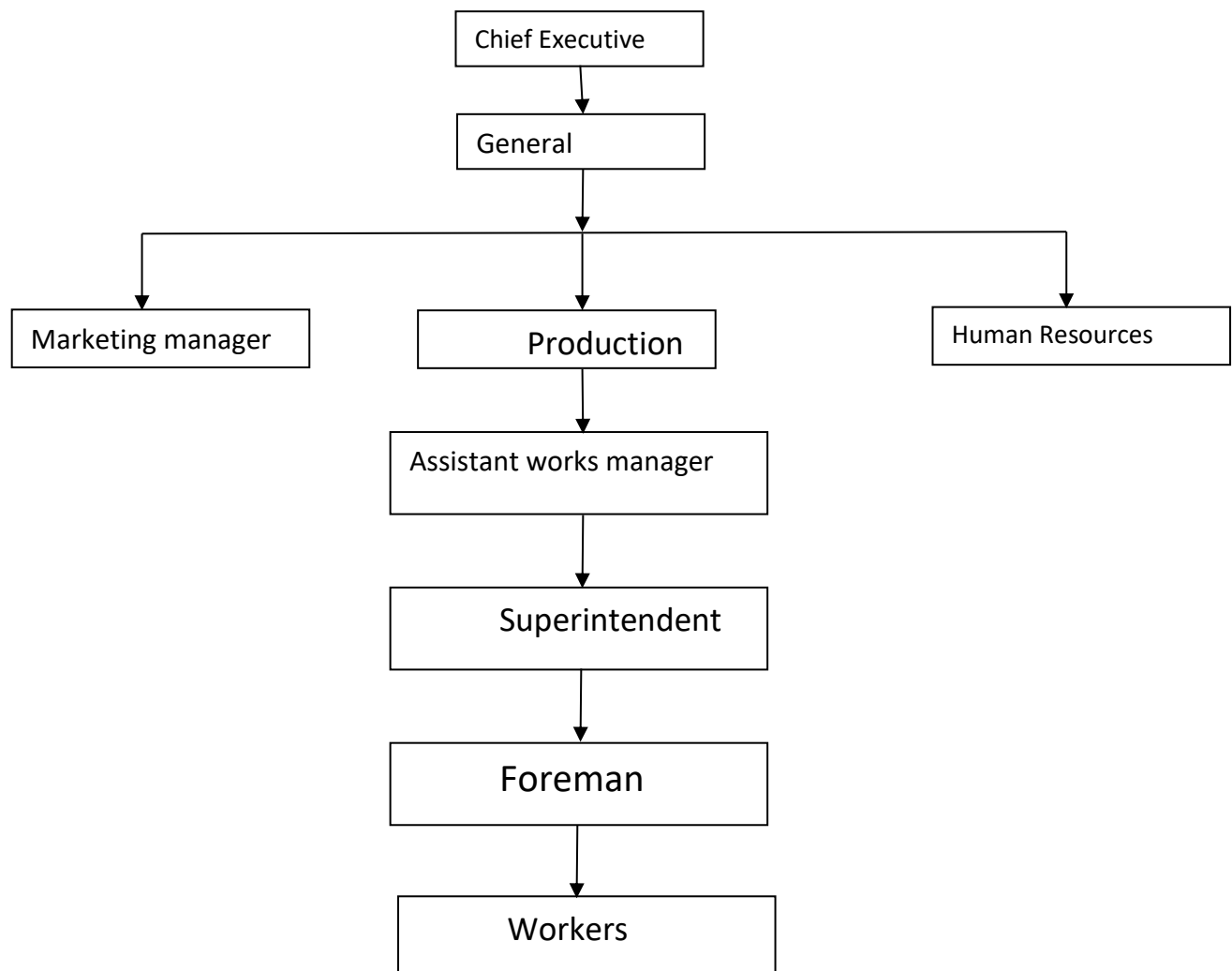


Figure 1 Line Organization

Source: Adapted from Manmohan, (1998).

Advantages of Line Organization

- i. Line organization is simple, easy to form and not difficult for employees to adopt.
- ii. A line structure encourages quick decision making.
- iii. Line organization clarifies authority, accountability and responsibility relationship that helps the employees to be aware of their limitations in the job.
- iv. It guarantees discipline in the organization so that every worker will know the person to whom to report.
- v. It promotes unity of command which also follow the scalar principle of organization.

Disadvantages of Line Organization

- i. Line organization causes work overload because the Head of Department has the responsibility to assign duties to employees in his department including other functions. Thus, the success of the job depends on the ideas of the planner or the HOD. If the head of department is inefficient it will jeopardize the department.
- ii. Line organization system has autocratic and dictatorial foundation since major decisions emanate from the executive or top management.
- iii. Subordinates are not given the freedom to express their opinions or initiatives as they receive orders from the superior. This leads to poor communication between the superior and subordinates.
- iv. This organization structure is not convenient for big companies because it does not have specialists or experts in the organizational chart. Ordinarily, numerous jobs require specialized knowledge to perform the tasks.
- v. There is high political behavior in the workplace through concentration of authority at the higher levels. Inadequate communication from bottom to the top level resulted in nepotism and wrong decision.

This organization has vertical relationships between different levels with specialists responsible for advising and assisting the line managers. Line and staff organization arises when line managers or officers do not possess specialized knowledge necessary to confront complicated problems. The organization consists of two categories of managers namely line managers and staff managers. A line manager participates in the doing function where he leads employees to manufacture products also rendering sale services to attract customer satisfaction (Wehrich & Koontz, 2005). For example, the production manager that takes part in producing soap by taking action and controlling the work and the marketing manager that markets the products. Line managers also maintain direct chain of command that is responsible for the attainment of organizational goals. Staff manager plays a supporting role in product line. He does not sell the products or provide an input into the final product or directly participate in the production process. For instance, the finance and accounting officers or managers release the fund for buying raw materials used in production and prepare the voucher to pay workers salary.

Advantages of Line and Staff Organization

- i. This type of organization introduces expert's knowledge for management to solve problems. The specialized knowledge and skills expressed by staff managers or officers is of great benefits to line managers at various levels.

- ii. The work load affecting line managers is reduced through expert advice and guidance from the staff managers.
- iii. It changes the narrative of the organization where line managers relied on the specialized functions such as production, marketing thereby created advisory and supportive roles of the expertise.
- iv. Line and staff organization provides effective decisions and adequate information that attract satisfaction to the workers.
- v. It creates room for consultation between the line managers and staff managers to know the appropriate means of doing effective jobs.
- vi. Line and staff organization has more flexibility and specialization. Experts are recruited to help line managers at various levels.

Disadvantages of Line and Staff Organization

- i. There may be conflict between the line and staff managers or officers when the duties and responsibilities of the staff members are not clearly defined in the charts and if the staff specialists interfere on the line authority.
- ii. Line managers may complain against the wrong advice from staff advisers.
- iii. There is no strict punishment for staff specialists that misled the line managers and the organization in making poor decisions since the staff members are not accountable for their actions.
- iv. Line managers may be reluctant to put the advice of the staff specialists into action with the intention that they are superior and staff specialists cannot give instruction or control employees.
- v. Coordination and decisions in line and staff organization may be hampered because staff experts do not have the authority to implement their recommendations.
- vi. Line and staff organization is capital intensive, requires the employment of more line executives and staff experts.

Functional Organization

This form of organization divides the organization into departments each is controlled by a functional manager and employees are grouped according to their function or roles. In functional structure communication flows from the head of department to the top management. All functional head of departments report directly to the managing director or chief executive officer (CEO). The tasks and activities in functional structure are classified by business or enterprise function such as finance/accounting, marketing, production/operations, human resources management/personnel, management information system and research and development. Furthermore, the structure is effective where activities of a business are organized within the spectrum of specialization, formalization and standardization. Coordination of activities in various departments may be successful through abiding by rules, procedures, budgets, planning and goals which in turn lead to efficiency in the operations of the business. Most small companies with few products apply this structure and the job of employees are repetitive that requires skillful workers.

Advantages of Functional Organization

- a. Division of labour is established by dividing the work of the company into different functional departments.
- b. Organizations consider the knowledge and skills of the employees in grouping them into departments which assist the workers in achieving high job performance.
- c. In functional organizational structure, the roles and responsibilities of employees promote accountability for the work.
- d. It prevents duplication of work as the responsibilities of all the departments are properly defined.
- e. Workers have a specialized career growth path.

Disadvantages of Functional Organization

- a. Functional organization brings conflict among the supervisors who have equal ranks.
- b. The monotonous nature of work causes loss of enthusiasm.
- c. Departments are preoccupied with a self-centered mentality where the functional managers give serious attention to their departments and disregard the interest of other departments.
- d. It requires substantial overhead expenses emanating from coordinating influence and many specialists that are employed.
- e. It leads to poor inter-department communication, coordination and teamwork.

Committee Organization

Bartlett and Ghoshal (1990) conceived a committee as a body of persons appointed or elected to meet on an organized basis for the consideration of matters brought before it. Indeed, committee entails selection of persons from different departments to deliberate on a specific matter and make recommendation to the organization. However, committee organization is an organized group of people with different skills appointed to discuss certain matters in order to achieve an objective. A committee organization relates to formal bodies that may formulate plans, make policy decisions or review the performance of certain units. Committees are constituted by top management, unions, government and senior members of the organization with a definite term of reference or responsibilities and authority. The committees may be permanent or temporary but are subjected to management control and the body that formed it. They have the primary purpose of discharging advisory functions of the management. Similarly, committees have the power to proffer solutions to a problem also make recommendations to a designated official.

Guidelines for Choosing and Managing a Committee

- i. State the committee's function adequately.
- ii. Set objectives for members to accomplish.
- iii. Determine the limits of a committee's power.

Types of Committees

- i. **Formal committee:** This committee is part of the organization structure with defined responsibilities and authority.
- ii. **Informal committee:** An informal committee does not form part of the organization structure but gives advice on certain complicated matters to staff and managers.

- iii. **Executive committee:** It is a committee which has power to manage the affairs of the business.
- iv. **Standing committee:** It represents formal committees that are permanent in the organizations.
- v. **Ad hoc committee:** These are temporary bodies that are appointed to perform certain tasks but cease to exist after submitting and approval of the report.

Advantages of Committee organization

- i. A committee helps an organization to solve complex problems of modern enterprises which is difficult for individual or a manager to find lasting solution.
- ii. Committees offer opportunity for consultation, group deliberations and group judgment. The Outcomes of group deliberation and group judgment are better than the individual opinion or thinking.
- iii. It enhances coordination of activities by making the employees feel sense of belonging in the organization.
- iv. Committees act as representation of management in handling job related issues.
- v. It also promotes organizational harmony, cohesiveness and team work.

Disadvantages of committee organization

- i. Members of a committee cannot be individually held responsible or accountable for wrong decision making.
- ii. The formation of some committees is political motivated to fight their perceived enemy.
- iii. Disagreement among members of the committee may affect the objective of the committee.
- iv. Committees deliberation requires more time in decision making which may cause set back within administration of the organization.
- v. A meeting held by the committee lacks secrecy.

Informal Organization

Informal organization relates to friendship associations by individuals who work in the organization with the aim to protect the welfare or interest of their members (Lawrence & Lorsch, 1967). Informal organization emanates from the subsisting dissatisfaction among employees over the failure of management to provide their needs. This group operates like cliques and pressure groups. Informal organization refers to the system of personal and social relationships which arise from people working together, friendship, persons that belong to the same religion and those having similar political interest. In addition, the social relationship among employees in the organization is also based on emotions, prejudices, dislikes personal attitudes, emotions and likes. Informal organizations are not part of the organization chart but emanate from formal organization. An informal organization provides an opportunity for workers to protect themselves also develop a feeling of cooperation and support among themselves. This type of organization is not deliberately created by the top management but formed by members of the organization. The members of informal organization or group may have similar taste, culture and language. For example, cliques, peer group and the cabals in the organizations are informal organization. The presence of informal organization assists the management to achieve the organizational goals.

Characteristics of Informal Organization

- a. Informal organization is an emergency setting of groups which is not recognized by any formal authority.
- b. Informal organization represents personal and social relationship among the workers in the organization.
- c. It is not reflected in the organization chart.
- d. Information is diligently transferred to members of the organization.
- e. To be a member of informal organization is voluntarily and not planned by the top management or conscious efforts.
- f. Formation of informal organization is influenced by the individual behaviour, emotions, language, religion, taste and culture.

Advantages of Informal Organization

- a. It relied on the formal organization to make effective decisions.
- b. The presence of informal organization reduces poor decisions made by the managers.
- c. Informal organization gives freedom to members to apply initiative to solve job related problems.
- d. It guarantees job security to members and provides social satisfaction.
- e. An informal organization contributes to job satisfaction and high productivity.
- f. Informal organization assists members in achieving individual objectives.

Disadvantages of Informal Organization

- a. The activities of rival informal group within the organization may cause industrial conflict.
- b. It encourages sentiments and favoritism.
- c. Members of Informal organization are good in propaganda which damage the character of other employees.
- d. Informal organization attracts malice and disagreement among employees especially non-members are perceived as opponents.
- e. It gives the employees opportunity to work less and absent from duty because members are protected by the group.
- f. Formation of Informal organization is not based on formal authority.

Differences Between Formal and Informal Organizations

Nwinye (2022) identified various differences between formal and informal organizations:

- a. Formal organization is deliberately formed by management. It requires conscious effort and delegation of authority. Informal organization arises from members of formal organization with no conscious efforts. Informal organization is created on the basis of personal and social relationships, language, religion, taste, culture and occupations. Delegation of authority is not necessary in informal organization.
- b. Formal organization is predictable and stable. An informal organization is changeable and not stable.
- c. Formal organization is guided by rules, policies and procedures on the contrary informal organization is influenced by sentiments, emotions of the workers and favoritism.

- d. Formal organization has defined rules and responsibility but informal organization does not have defined rules and responsibility. For instance, where low level employee may have an informal relationship with manager by talking to the manager like his classmate.
- e. The foremost emphasis in formal organization is placed on discipline, functions, consistency, control and job. Informal organization focuses on relative freedom, people and their relationships.
- f. Formal organization is listed in the organization chart or a manual. An informal organization cannot be found in the organization chart or manual.

Conclusion

Organization means different things to diverse individuals. Although, organization in a simple term means a social system that is deliberately structured which distributes tasks for the achievement of collective goal. This study creates the awareness that organization accommodates different kinds of persons who work as a group to accomplish a set objective. This association is 3classified as formal and formal organization. Indeed, Organization is the foundation upon which the whole structure of management is built. It is therefore necessary to use this study to understand the scope of organization in terms of definition, types, characteristics, and the differences between formal and informal organization. Managers and leaders should recognize the existence of informal group or organization by having periodic conversations with them so as to gather authentic information about the performance of the organization. Organizations should encourage members of formal and informal organizations by improving the working conditions to attract job satisfaction.

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