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Introduction:

Depending on the group dynamics & organization functions we can divide the organizations in the following two groups:

1. Formal Organization
2. Informal Organization

This is mainly done depending on the organization’s working procedures & identity in the eye of the public. Some of the popular notions of formal organizations are described below:
Rules established by an organization to govern procedures and operations. These rules are generally in writing and very specific, leaving little room for misunderstandings. Depending on the individual organization, these rules may be strictly adhered to or in some cases considered little more than a formality that few follow.

The above notion of defining an organization as formal or informal is done depending on the operating procedure & the respective individual views regarding the operation.

Formal Organization:
The formal organization is basically goal-oriented entity that exist to accurate the efforts of individuals and it refers to the structure of jobs and positions with clearly defined functions, responsibilities and authorities.
According to Chester Banard “an organization is formal when the activities are coordinated towards a common objective”.

For many tasks within modern societies, people require groups they can deliberately create for the achievement of specific goals. Amitai Etzioni classified organizations on the basis of people's reasons for entering them: voluntary, coercive, and utilitarian.

This notion mainly deals with the standardization of organization operation & personnel behavior regarding the organization.

“Formal organization is a group that restricts membership and makes use of officially designated positions and roles, formal rules and regulations, and a bureaucratic structure.”

This notion deals with the organization with a distinctive rules & organization regulations regarding the structure.
From point of Economy a formal organization can be defined as followed:

“Formal organization is a fixed regulation of in-plant operational sequence and structures. It is a firmly given order, which is usually also in writing fixed. The formal organization is provided explicitly, in the form of rules and permits mostly only small interpretation clearance.”

From the point of social dynamics the sociologists have defined formal organization as:

“Formal organization is a system of consciously coordinated activities or forces of two or more person.“

In this notion the organization is mainly the unity of men & their activities & ways of operation makes up for the type of the organization.

From management’s perspective a formal organization can be outlined as followed:

“Formal organization refers to the organization structure which is designed and prescribed by the management of an enterprise. It is generally, but not necessarily, represented in the form of an organization chart showing designation of various people employed in the organization, their hierarchical levels, reporting relationships, and other channels for control and coordination. This chart is backed up by a more detailed description of duties and responsibilities of each position shown in the organization chart. Formal organization represents the structure of duties, responsibilities and working relationships formally prescribed in the organization.”

**Objectives of Formal Organization**

A formal organization has a specific set of commands to direct employees in achieving its goals. Some important objectives of the formal organization are as followed:

1. To facilitate the accomplishment of the goals of the organization:

   In a formal organization the work is delegated to each individual of the organization. Employee works towards the attainment of definite goals, which are in compliance with the goals of the organization.
2. To facilitate the co-ordination of various activities:
   The authority, responsibility and accountability of individuals in the organization are defined. Hence, it facilitates the co-ordination of activities of the organization effectively.

3. To aid the establishment of logical authority relationship:
   The responsibilities of the individuals in the organization are well defined. They have a definite place in the organization due to a defined hierarchical structure which is inherent in any formal organization.

4. To aid the establishment of division of labor:
   Permit the application of the concept of specialization and division of labor, division of work amongst individuals according to their capabilities helps in greater specializations and division of work.

5. Create group cohesiveness:
   Creating a cohesive group is one of the fundamental objectives of an organization which ultimately results in increase in group dynamics & productivity.

**Characteristics of Formal Organization:**
A formal organization has the following characteristics:

1. Well defined rules and regulation:
   The first & foremost characteristic of a formal organization is a well defined set of rules & regulations. These will be strictly followed to carry out the activities of the company to achieve goals.

2. Arbitrary structure:
   A formal organization always contains an arbitrary structure that allows all the departments of the organization work in a coordinated way to achieve the target.

3. Determined objectives and policies:
   A formal organization consists of specific objectives & policies. All the activities in the company follow around these policies & to achieve the objectives.

4. Limitation on the activities of the individual:
   Every individual in a formal individual is assigned with specific duties & responsibilities. This is true regulation for every personnel.
5. **Strict observance of the principle of co-ordination:**

The co-ordination between different departments in an organization is strictly maintained to achieve the most efficient result.

6. **Messages are communicated through vertical chain:**

Normally in a formal organization the vertical communication chain is followed so that the chain of command & its unity is maintained.

7. **Status symbol:**

A formal organization is a separate social entity. The activities have a separate entity than the individuals performing those activities.

---

**Functions of Formal Organization:**

1. **Set specific Goals for organization:**

A formal organization has to set specific goals for the personnel working in it. By achieving the goals individually achieved the organization as a whole will be benefited in achieving the eventual goals.

2. **Establishing working relationship:**

In a formal organization the primary goal is to establish an efficient working relationship & to establish a clear chain of command. The effective work relationship is the most important thing for the goals.

3. **Create group cohesiveness:**

It creates a sense off cohesiveness & belongings among the groups of the personnel working in a formal organization. The employees inter personnel interaction is important for the functioning of an organization.

4. **Organizational Development:**

A formal organization works on the organizational development by testing all the rules, regulations & the chain of activities as present. Organization detects any problem & work to change them if necessary for better service.

5. **Discipline:**

Discipline within an organization is important to get the best result of it. The org. management has to find a proper way to achieve proper discipline.
6. Human Resource Development:

   It helps in other human resources development activities such as recruitment, promotions, career planning and development and manpower planning. The important part of an organization is its employees. A formal organization gives the opportunity to treat the human resources within the organization. The development & improvement of human resource is easy in a formal organization.

**Principles of Formal Organization:**

   A formal organization works to achieve some specific goals regarding the organization. The principles are as followed:

1. **Official nature of the organization:**

   The organization must be legal & official in all respect. It should be a recognizable in its respective industry of operating in an official manner.

2. **Authority & Responsibility:**

   The formal organization emphasizes on clear delegation of authority & a specific set of responsibility for a specific position.

3. **Focus on position:**

   A formal organization focuses on the position of a personnel & its position regarding the organization rather than the personnel him/her.

4. **Power delegated by Management:**

   The formal organization management delegates the power regarding every position of personnel & specific power sets for specific authority.

5. **Specific Rules & Policies:**

   The rules & policies regarding a formal organization is specific & should be always followed in terms of performing activities for achieving organizational goals.

6. **Rewards & Penalties:**

   A formal organization has to have a systematic way of rewarding personnel based on their good services & also need to have a penalty system outlined to prevent carelessness & recklessness from the employees.
Guidelines for Formal Organization:

For the success of a formal organization the following guidelines should be followed:

1. It must have specific rules & policies
2. It must have strict regulations regarding the way of achieving the organizational goals.
3. It must have intra-organizational discipline.
4. It must have cohesiveness among all the individual groups.
5. The organizational entity must be official.
6. The authorities within the organization should be well delegated.
7. Every authority should have specific responsibilities.
8. There should be well regulated activities for improving the organization structure.
9. There should be well regulated activities for human resource development.
10. Presence of co-ordination between all the departments of an organization.

Ethical Standard of Formal Organization:

A formal organization is a formal social entity which prohibits & restricts all unsocial & unethical activities. As there is always supervision & the responsibilities are always in the span there is less chance of unethical behavior. Besides as social entity the organization has responsibilities towards the society & environment they are working in so that restricts them from unethical behavior without penalties & consequences. In such an organization there is also presence of a penalty system discourages the personnel from performing unethical behavior.

Importance of Formal Organization

The significances of a formal organization are as followed:

1. Outlining the Company Structure:

   It provides basic structure of division of work and responsibilities. Without such a structure it will be very difficult for employees to agree between themselves on duties and responsibilities of each, and such difficulties multiply in geometric proportions with increasing size of the organization. A formal organization is helpful & strict in the ways a company will act upon.
2. Clarity in Chain of Command:
   It generates clarity on what support and input each employee can expect from others, and in turn what is expected of him by others. In a formal organization the chain of command is clearly drawn so that personnel in the organization can follow them as per requirement & ordered to do so. In a formal organization the chain of command is strictly followed to achieve the company goal.

3. Discipline in Organization:
   It promotes discipline in the organization. In a formal organization as the rules & regulations are in clear & organized, so the presence of discipline is there. This discipline itself influences the efficiency of the organization.

4. Organization Development:
   It makes it easier to review and revise organization with changing requirements. The world is changing everyday & so the environment in which the organization is operating. To keep up with the ever changing environment the organization needs to develop embracing changes. In a formal organization the process of development becomes easier.

5. Decision Making Process:
   It provides a structure for laying down pay scales and taking other decisions linked to organizational levels. A formal organization is logical distribution of resources to achieve the company goal in a most efficient manner. Any decision making regarding the organization is easy & easy to implement.

6. Human Resource Development:
   It helps in other human resources development activities such as recruitment, promotions, career planning and development and manpower planning. The important part of an organization is its employees. The development & improvement of human resource is easy in a formal organization.

7. Co-ordination in Different Departments:
   An organization consists of different departments to carry out various activities and contributes in the ultimate function of the organization. In a formal organization all the
departments are well out lined along with their activities. So it is easy to relate & co-ordinate. Thus a formal organization is easier to manage.

**Models/Theories of Formal Organization:**

There are many theories regarding how formal organization’s operations are performed & standardized. The popular notions are described below:

**Brainstorming:**

Brainstorming is a popular method of encouraging creative thinking in a formal group. It is built around four basic guidelines for the participants:

1. Generate as many ideas as possible.
2. To be creative, freewheeling & imaginative.
3. Build upon, extend or combine earlier ideas.
4. Withhold criticism of others ideas.

There are two main principles underline brainstorming. First one is *deferred judgment*, by which all ideas – even unusual & impractical ones are encouraged without criticism or evaluation. The purpose of deferred judgment is to separate idea creation from idea censorship.

The second principle is *quantity breeds quality*. As more ideas come forth, eventually higher quality ones will be developed. When these principles are followed brainstorming typically produces more ideas than the conventional approach of combined thinking & judging.

**Nominal Group:**

A nominal group exists in name only, with members having minimal interaction prior to producing a decision. Here are the steps that nominal groups often follow:

1. Individuals are brought together & problem is shared with them.
2. They develop solutions independently, often writing them on cards.
3. Their ideas are shared with others in a structured format.
4. Brief time is allowed so that questions can be asked—but only for clarification.
5. Group members individually designate their preferences for the best alternatives by secret ballot.
6. The group decision is announced.
Pros & Cons:
Advantages of the nominal group technique include the opportunity for equal participation for all members, the open discussion by any member & the tight control of time that the process allows. Disadvantages reported are that group members are frustrated by the rigidity of the procedure, gain no feelings of cohesiveness, & do not have the opportunity to benefit from cross fertilization of ideas.

Delphi Decision Group:
A panel of relevant people is chosen to address an issue. Members are selected because they are experts or have relevant information to share & the time available to do so. A series of questionnaires are sequentially distributed to the respondents, who do not need to meet face to face. All responses typically are in writing. Panelists may be asked to identify future problems, project market trends or predict a future state of affairs. Explanations of their conclusions also can be shared. Replies are gathered from all participants, summarized & fed back to the members for their review. The participants are asked to make another decision on the basis of new information. The process may be repeated several times until the responses converge satisfactorily & a final report is prepared.

Success of Delphi decision process depends on adequate time, participant expertise, communication skill, & the motivation of members to immerse them in the task.

The major merits of the process include:
1. Elimination of interpersonal problems among panelists.
2. Efficient use of experts' time.
3. Adequate time for reflection & analysis by respondents.
4. Diversity & quantity of ideas generated.
5. Accuracy of predictions & forecasts made.

Dialectic Decision Methods:
The dialectic process begins with a clear statement of a problem to be solved. Then two or more competing proposals are generated. A key step follows in which participants identify the explicit or implicit assumptions that underlie each proposal. The group then breaks into advocacy subgroups, which examine & argue the relative merits of their positions. Then the entire group makes a decision based on the competing presentation. This decision may mean embracing one of the alternatives, forging a compromise from several ideas or generating a new proposal.
The merits of DDM include better understanding of the proposals, their underlying premises, & their pros & cons by the participants. Disadvantages include the propensity to forge a compromise in order to avoid choosing sides & the tendency to focus more on who were the better debaters than which will be the better decision.

Group Decision SUPPORT System is a promising approach. These support systems use computers, decision models & technological advances to remove communication barriers, structure the decision process, & generally direct the groups’ discussion. The potential gains in quality of decision are substantial from the integration of communication, computers & decision technologies.

**Benefits of Formal Organization:**

A formal organization has beneficial aspects in the way it runs & its relationship with its employees. Mainly the employees are the main beneficiary of a formal organization along with the environment in which they are operating. In this topic we will discuss the benefits of the employees working in a formal organization. The benefits can be enlisted as followed:

a) **Financial Aspects of benefits:**

1. **Security:**

   A formal organization is more established & the entity of the company is not dependent on individual losses. So working in such an organization provides a secured financial support to the employees & the employees working here is more devoted to work.

2. **Slow but steady promotion:**

   In a formal organization the promotion may not be rapid due to a chain of command but with certain seniority in the organization with sufficient performance a personnel is sure of a promotion.

3. **Commissioned ranks open to men and women graduates:**

   A formal organization will always put preference to recruit graduate or highly educated personnel, in this way creating job opportunities for this class of people.

4. **Can't be fired:**

   After recruiting a person a formal organization tries its best to develop the personnel. In many cases the personnel is not generally fired depending on few personal mistakes.
5. Good retirement benefits:

The organization of such value will arrange a plan for the employees so that they can retire with benefits.

b) Social Aspects of benefits:

1. Many different branches appeal to different interests:

A formal organization has many different departments to perform various activities. So a person has a wide range of options from which he/she can choose depending on individual interest & skill level. So as a person there is a option in this type of organization on the choice of profession.

2. Social Status:

A formal organization has specific position & position names that bears the status of the person in the organization. These posts are familiar in the environment the company is operating & often works as a social status symbol. By working in a formal organization the person has to way to achieve such position & thus achieving a high social activity.

3. See interesting places and people:

By working in a formal organization a person gets to meet many different people of different views & values. By interacting with these variations a person will learn more in working in such environment.

Limitations of Formal Organization

A formal organization has many benefits both for its internal & external environment but it has some drawbacks too. The common limitations can be listed as followed:

1. Limited Flexibility:

As this type of organization is very specific in every activities there is very little margin of flexibility & spontaneous decision making in the company. Such practice in the company can de-motivate the employees.

2. Slowness of processing:

In a formal organization for performing a task needs many formal procedures. Such formalities often slow down the implementation of decision making.
3. Communication Barrier:

As in a formal organization a task needs the co –ordination of different departments so communication needs to clear in this process. Any kind of miscommunication may lead to ultimate inefficiency.

4. Quality of decision:

Sometimes the quality of the decision made in the top management may not be most compatible for the company but the chance of correction is very scarce.

5. Slowness in Problem detection & processing:

As every procedure goes through lot of formalities any problem detected in the operation level cannot be instantly corrected. The right process will take some time to detect the problem & correction & its implementation. In such a process the organization may suffer financial loss.

Informal Organization:

Whenever a set of people get together and starts interacting on a long term basis, they start to form an informal group. An informal group is more than just a collection of people. Groups have internal social structure based on dominance and friendship relations. There are social leaders. There are hangers-on. These factors influenced the development of informal organization.

Definition of Informal Organization:

The informal organization is the interlocking social structure that governs how people work together in practice. It is the aggregate of behaviors, interactions, norms, personal and professional connections through which work gets done and relationships are built among people who share a common organizational affiliation or cluster of affiliations. The informal organization evolves organically and spontaneously in response to changes in the work environment, the flux of people through its porous boundaries, and the complex social dynamics of its members.
Chester I. Barnard states, "Informal organization brings cohesiveness to formal organization. It brings to the members of a formal organization, a feeling of belonging, of status, a self respect and of gregarious satisfaction."

Keogh Javis defines, "an informal organization is a powerful influence upon productivity and job satisfaction."

Tended effectively, the informal organization complements the more explicit structures, plans and processes of the formal organization: it can accelerate and enhance responses to unanticipated events, foster innovation, enable people to solve problems that require collaboration across boundaries, and create footpaths showing where the formal organization may someday need to pave a way.

**Nature of informal organization:**

Informal Organization arises from social interaction. It was concluded by Hawthorne Experiments that informal organizations were an integral part of the total work situation. Informal organizations are the network of personal and social relations arises spontaneously as the people make contact with each other and are not the result of formal authority. Power in informal organizations’ is attached to person and not to the position and it is given by the members of the group irrespective of the position in formal structure or is attained by the leader. It is quite unstable since it relates to the sentiments of the people of the group. Managers, generally, are the leaders in the formal organization and they like to abolish the informal groups. But they cannot do so because they know that they have not established them so they cannot abolish. Informal organizations are small because they are closely related to the limitation of personal relationships. So, they are so many informal organizations in a formal organization.

**Informal Leaders:**

The leader of an informal organization is elected by the members of the groups for different reasons such as age, seniority, technical, competence, work location, and responsive personality, etc. depending upon the work situation. There may be as many informal leaders as there are informal groups or work situations. One may be a leader for one cause while another may lead the group for the other cause. Thus there are innumerable leaders of varying
importance and in return, they enjoy certain privileges and rewards and they are looked upon as the respectable member of the society.

**Role of Informal Leader:** The general role of an informal leader is to

a) To help the group reach its goals, and  
b) To maintain and enhance group life.

Although there are so many, informal leaders in a group but there is only one primary leader who holds more influence on the group. Each manager of the formal organization must know who the key informal leader of the group is and should contact him to get his help in furthering the organization goals. If he is working against the employer, he can deface the image of the management among the members of the group and can undermine motivation and job-satisfaction.

A successful leader of an informal organization can not necessarily be the successful formal leader of an organization. Scale emerged as arrogant bosses as soon as they receive the formal authority. Some fail as formal bosses because they fear formal responsibility or they are afraid of commenting mistakes because their area of operation is much wider than that of leaders of informal organizations.

**Key characteristics of the informal organization:**

The nature of the informal organization becomes more distinct when its key characteristics are juxtaposed with those of the formal organization.

1) Evolving constantly  
2) Grass roots  
3) Dynamic and responsive  
4) Excellent at motivation  
5) Requires insider knowledge to be seen  
6) Treats people as individuals  
7) Flat and fluid  
8) Trust and reciprocity  
9) Difficult to pin down  
10) Essential for situations that change quickly or are not yet fully understood
Functions of informal organizations:

Keith Davis suggests that informal groups serve at least four major functions within the formal organizational structure.

1) Perpetuate the cultural and social values:

They perpetuate the cultural and social values that the group holds dear. Certain values are usually already held in common among informal group members. Day-to-day interaction reinforces these values that perpetuate a particular lifestyle and preserve group unity and integrity. For example, a college management class of 50 students may contain several informal groups that constitute the informal organization within the formal structure of the class. These groups may develop out of fraternity or sorority relationships, dorm residency, project work teams, or seating arrangements. Dress codes, hairstyles, and political party involvement are reinforced among the group members.

2) Provide social status and satisfaction:

They provide social status and satisfaction that may not be obtained from the formal organization. In a large organization (or classroom), a worker (or student) may feel like an anonymous number rather than a unique individual. Members of informal groups, however, share jokes and gripes, eat together, play and work together, and are friends-which contributes to personal esteem, satisfaction, and a feeling of worth.

3) Promote communication among members:

The informal group develops a communication channel or system (i.e., grapevine) to keep its members informed about what management actions will affect them in various ways. Many astute managers use the grape- vine to "informally" convey certain information about company actions and rumors.

4) Provide social control:

They provide social control by influencing and regulating behavior inside and outside the group. Internal control persuades members of the group to conform to its lifestyle. For example, if a student starts to wear a coat and tie to class, informal group members may razz and convince the student that such attire is not acceptable and therefore to return to sandals, jeans, and T-shirts. External control is directed to such groups as management, union leadership, and other informal groups.
Benefits of Informal Organization:

1) Better Total System:
Informal Organizations blend with formal systems to make an effective total system. Some requirements can be met better by informal relations, which can be flexible and spontaneous.

2) Lighter workload for management:
Informal Organizations lighten the workload on management. When managers know that the Informal Organization is working with them, they feel less compelled to check on the workers to be sure everything is shipshape.

3) Work group satisfaction:
Informal Organizations give satisfaction and stability to work groups. Workers feel a sense of belonging and security, so satisfaction is increased and turnover reduced.

4) A safety valve for emotions:
Informal Organization is a safety valve for employee frustrations and other emotional problem. Employees may relieve emotional pressures by discussing them with someone else with in Informal group.

5) Cohesiveness:
Cohesiveness is indicated by how strongly the employees stick together, rely on each other, and desire to remain members of the group.

6) Fill up gaps:
If a manager is weak in planning, an employee may informally help with planning. In this way planning is accomplished in spite of the manager’s weakness. Thus Informal Organizations act to fill in gaps in a manager’s abilities.

7) Channel of employee communication:
Informal Organization provides the means for people to keep in touch, to learn more about their work, and to understand what is happening in their environment. Thus Informal Organization can be a useful channel of employee communication.

8) To plan and act more carefully:
The presence of Informal Organizations encourages managers to plan and act more carefully than they would otherwise. Because they know Informal groups can undermine even a worthwhile project.
9) **Encourage Cooperation:**
Informal Group support of a manager leads to better cooperation and productivity. It helps get the work done.

10) **Understanding and Dealing with the Environmental Crisis:**

The IRG Solution - hierarchical incompetence and how to overcome it1984, argued, that Central media and government type hierarchical organizations could not adequately understand the environmental crisis we were manufacturing, or how to initiate adequate solutions. It argued that what was required was the widespread introduction of informal networks or Information Routing Groups which were essentially a description of social networking services prior to the internet.

11) **Encourage improved management practice:**

Perhaps a subtle benefit of informal groups is that they encourage managers to prepare, plan, organize, and control in a more professional fashion. Managers who comprehend the power of the informal organization recognize that it is a "check and balance" on their use of authority.

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**Problems associated with Informal Organizations:**

1) **Resistance to change:**

Perpetuation of values and lifestyle causes informal groups to become overly protective of their "culture" and therefore resist change. For example, if restriction of output was the norm in an autocratic management group, it must continue to be so, even though management changes have brought about a more participative administration.

2) **Role conflict:**

The quest for informal group satisfaction may lead members away from formal organizational objectives. What is good for and desired by informal group members is not always good for the organization. Doubling the number of coffee breaks and the length of the lunch period may be desirable for group members but costly and unprofitable for the firm. Employees' desire to fulfill the requirements and services of both the informal group and management results in role conflict. Role conflict can be reduced by carefully attempting to
integrate interests, goals, methods, and evaluation systems of both the informal and formal organizations, resulting in greater productivity and satisfaction on everyone's behalf.

3) Rumor:

The grapevine dispenses truth and rumor with equal vengeance. Ill-informed employees communicate unverified and untrue information that can create a devastating effect on employees. This can undermine morale, establish bad attitudes, and often result in deviant or, even violent behavior. For example, a student who flunks an exam can start a rumor that a professor is making sexually harassing advances toward one of the students in class. This can create all sorts of ill feelings toward the professor and even result in vengeful acts like "egging" the residence or knocking over the mail box.

4) Conformity:

Social control promotes and encourages conformity among informal group members, thereby making them reluctant to act too aggressively or perform at too high a level. This can harm the formal organization by stifling initiative, creativity, and diversity of performance. In some British factories, if a group member gets "out of line", tools may be hidden, air may be let out of tires, and other group members may refuse to talk to the deviant for days or weeks. Obviously, these types of actions can force a good worker to leave the organization.

5) Undermine discipline:

Informal groups oppose management policies rules, procedures that are meant to structure and discipline work behavior and performance of employees. Managers are forced to become lenient in enforcing rules and regulations in tolerating deviations from required behavior. The character and competence of management tend to suffer. Informal organization may ridicule and even sabotages the process, practices and culture of formal organizations.

6) Power politics:

Informal organizations are often riddled with fictionalization and power politics. Members divert their energy and time from jobs to jungle in faction lighting and petty politics. The informal leader may manipulate the group towards selfish or undesirable ends.
7) **Interpersonal and intergroup conflicts:**

Informal organization also develops interpersonal and internal group conflict that can be damage to their organization. When employees give more of their thoughts and energies to opposing one another, they can likely to give less to their employer. Conflicts and self-interests can become so strong in informal organization that they reduced employee’s motivation and satisfaction.

**Distinction between formal and Informal Organization:**

1) **In Meaning:**

   A *Formal Organization* has its own rules and regulation. These rules must be followed by the members (employees and managers). A formal organization has a system of coordination. It also has a system of authority. It has a clear superior-subordinate relationship. In a formal organization, the objectives are specific and well-defined. All the members are given specific duties and responsibilities.

   An *informal organization* does not have its own rules and regulation. It has no system of co-ordination and authority. It doesn't have any superior-subordinate relationship or any specific and well-defined objectives. Here in informal organization, communication is done through the grapevine.

2) **Formed by Whom:**

   A *formal organization* is formed by the top level management.

   An *informal organization* is formed by social forces within the formal organization.

3) **Rules and Regulations:**

   The members of a formal organization have to follow certain rules and regulations. These rules are available in writing (documented). They are made by a formal authority (superiors). If the members follow these rules properly, then they will be rewarded. However, if they do not follow these rules, they will be punished.

   The members of an informal organization do not have to follow any rules and regulations.
4) **Duties and Responsibilities:**

   In a formal organization, the duties, responsibilities, authority and accountability of each member is well-defined.

   In an informal organization, there are no fixed duties, responsibilities, authority, accountability, etc. for the members.

5) **Objectives or Goals:**

   In a formal organization, the objectives or goals are specific and well-defined. The main objectives of a formal organization are productivity, growth, and expansion.

   In an informal organization, the objectives are not specific and well-defined. The main objectives of an informal organization are friendship, security, common interest, individual and group satisfaction, etc.

6) **Stability:**

   A formal organization is stable.

   An informal organization is not stable.

7) **Channels of Communication:**

   A formal organization uses formal channels of communication.

   An informal organization uses informal channels of communication (i.e. grapevine)

8) **Organization Chart:**

   A formal organization is shown on the organization chart.

   An informal organization is not shown on the organization chart.

9) **Superior-Subordinate Relationship:**

   In a formal organization, there exists a superior-subordinate relationship.

   In an informal organization, there is no such superior-subordinate relationship.

10) **Benefits for Members:**

    The members of the formal organization get financial benefits and perks like wages or salaries, bonus, travelling allowances, health insurance, etc.

    The members of informal organization get social and personal benefits like friend circle, community, groups, etc.
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