

# UCS1704 – Management and Ethical Practices

UNIT – II

Organizing

Nature and Purpose of Organizing

Semester – VII

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# Formal Organization

- The Formal Organization is a system of well-defined jobs, each bearing a definite measure of authority, responsibility and accountability.

*Louis Allen*

- Formal Organization is a system of consciously coordinated activities of two or more persons toward a common objective.

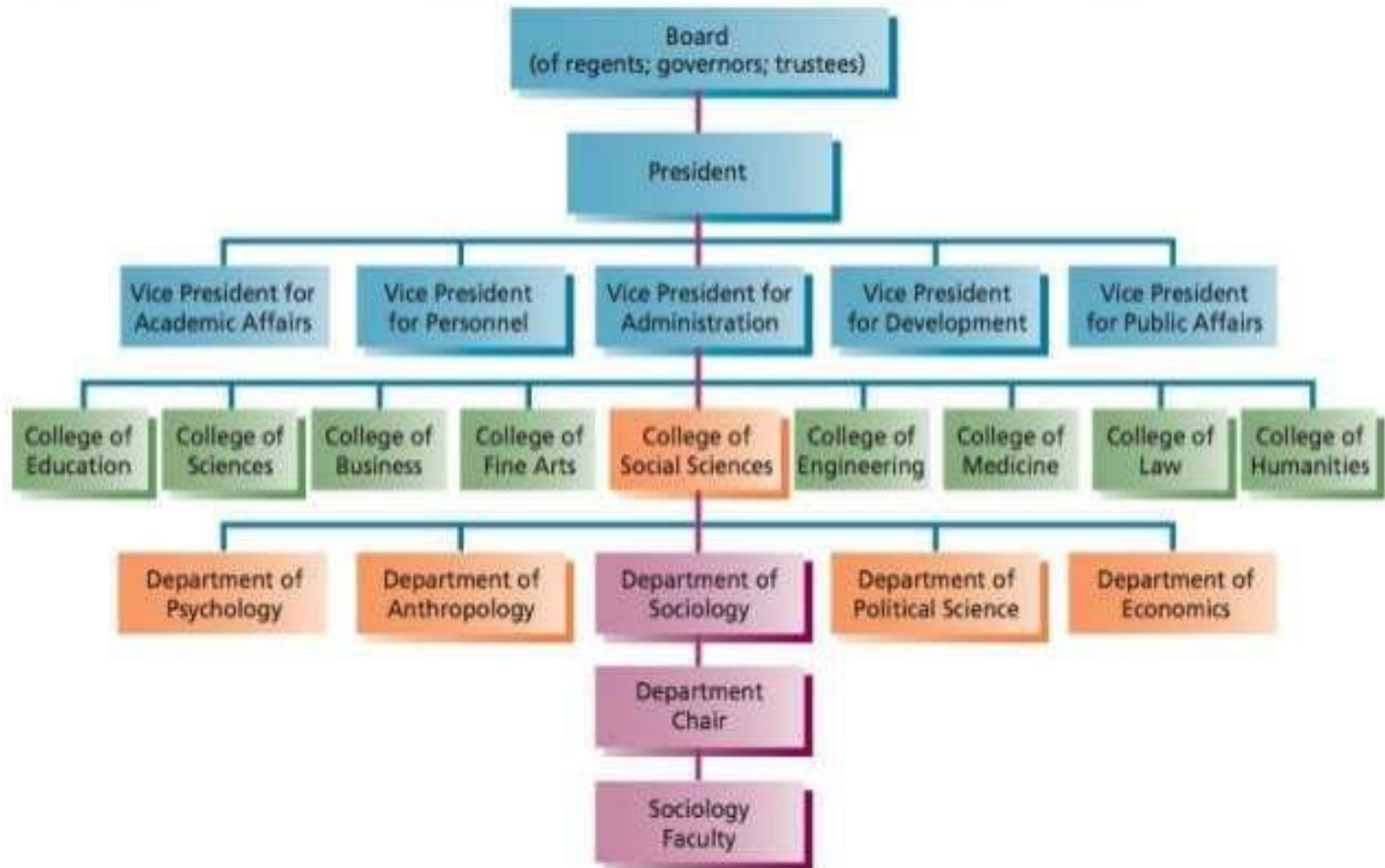
*Chester Barnard*

# Formal Organization

- The formal organization is a 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



# Formal Organization



# ***Objectives of Formal Organization***

- **To facilitate the accomplishment of the goals of the organization**
- **To facilitate the coordination of various activities**
- **To aid the establishment of logical authority relationship**
- **To aid the establishment of division of labor**
- **Create group cohesiveness**



# *Characteristics of Formal Organization:*

## **1. Well defined rules and regulations**



# *Characteristics of Formal Organization:*

## **2. Arbitrary structure**

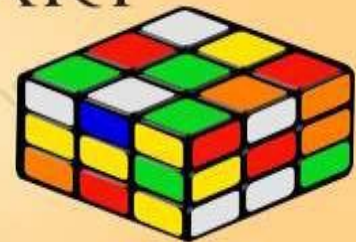


### ARBITRARY

Random! Random! Random!  
Logic just does not prevail!



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# *Characteristics of Formal Organization:*

## **3. Determined objectives and policies**





# *Characteristics of Formal Organization:*

## **4. Limitation on the activities of the individual**



# *Characteristics of Formal Organization:*

## **5. Strict observance of the principle of coordination**



# *Characteristics of Formal Organization:*

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



# *Characteristics of Formal Organization:*

## **7. Status symbol**



# *Functions of Formal Organization:*



- **Set specific Goals for organization**
- **Establishing working relationship**
- **Create group cohesiveness**
- **Organizational Development**
- **Discipline**
- **Human Resource Development**

# Benefits:

## a) Financial Aspects of benefits:

- **Security**
  - **Slow but steady promotion**
  - **Commissioned ranks open to men and women graduates**
  - **Can't be fired**
  - **Good retirement benefits**
- 

## b) Social Aspects of benefits:

- **Many different branches appeal to different interests**
- **Social Status**
- **See interesting places and people**

# *Limitations of Formal Organization:*

- **Limited Flexibility**
- **Slowness of processing**
- **Communication Barrier**
- **Quality of decision**
- **Slowness in Problem detection & processing**





# Informal Organization

- An Informal organization is an aggregate of interpersonal relationships without any conscious purpose but which may contribute to joint results.

*Chester Barnard*

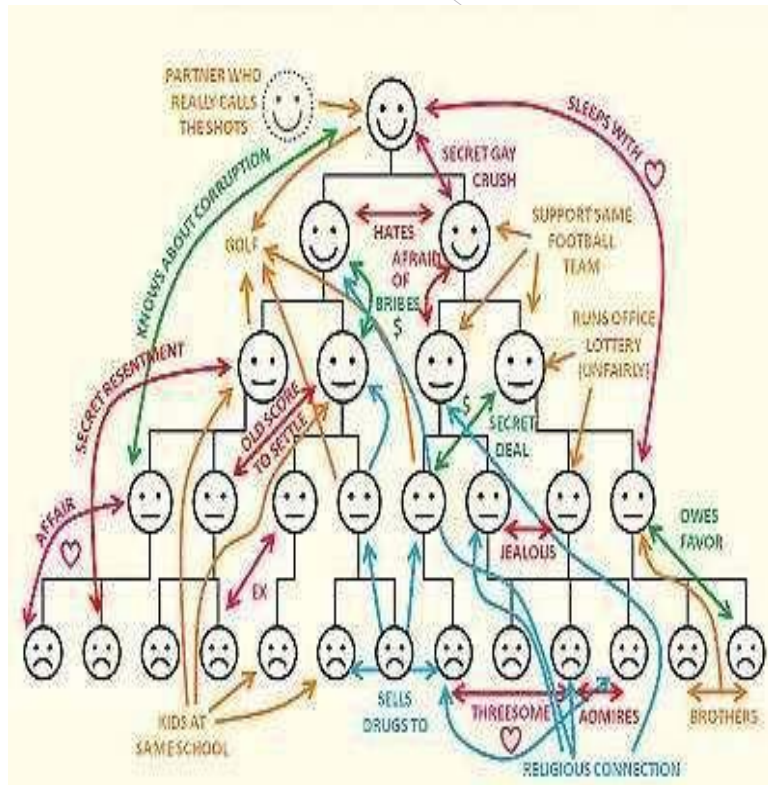
- Informal organization is a network of interpersonal relationship that arise when people associate with one another .

*Keith Davis*

# 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.

# Informal Organization



Chess group

Cricket lovers

Bowling Team

Morning coffeee regulars

# Informal Organization



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.

## **Role of Informal Leader:**

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

# *Characteristics of Informal Organization:*

- ⦿ Evolving constantly
- ⦿ Grass roots
- ⦿ Dynamic and responsive
- ⦿ Excellent at motivation
- ⦿ Requires insider knowledge to be seen
- ⦿ Treats people as individuals
- ⦿ Flat and fluid
- ⦿ Trust and reciprocity
- ⦿ Difficult to pin down
- ⦿ Essential for situations that change quickly or are not yet fully understood



# *Functions of Informal Organization:*

- Perpetuate the cultural and social values





# *Functions of Informal Organization:*

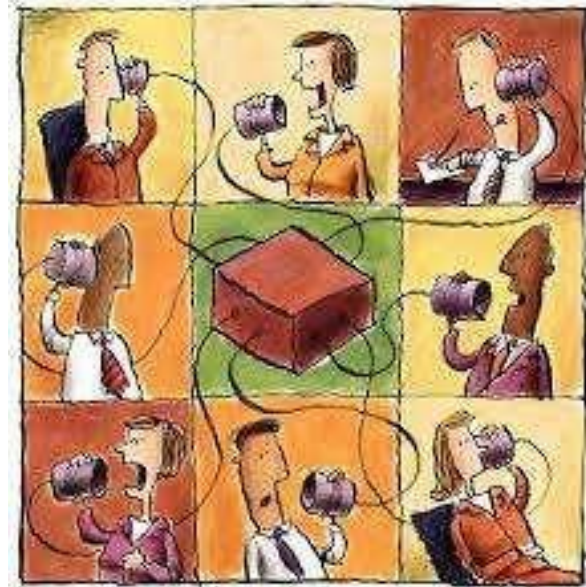
- Provide social status and satisfaction





# *Functions of Informal Organization:*

- Promote communication among members



# *Functions of Informal Organization:*

- Provide social control



# *Benefits of Informal Organization:*

- Better Total System
- Lighter workload for management
- Work group satisfaction
- A safety valve for emotions
- Cohesiveness
- Fill up gaps
- Channel of employee communication
- To plan and act more carefully
- Encourage Cooperation
- Understanding and Dealing with the Environmental Crisis
- Encourage improved management practice



# *Problems Associated with Informal Organization:*

- 1) **Resistance to change**
- 2) **Role conflict**
- 3) **Rumor**
- 4) **Conformity**
- 5) **Undermine discipline**
- 6) **Power politics**
- 7) **Interpersonal and intergroup conflicts**



# By Definition:

## Formal

- *has its own rules and regulation that must be followed by the members (employees and managers)*
  - *has a system of co-ordination and authority.*
  - *has a clear superior-subordinate relationship*
  - *the objectives are specific and well-defined*
  - *all the members are given specific duties and responsibilities.*
- 

## Informal

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



## Formed by Whom:

Formal

- formed by the top level management

Informal

- formed by social forces within the formal organization

# Rules and Regulations:

## Formal

- The members 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.

## Informal

- The members of an informal organization do not have to follow any rules and regulations



# Duties and Responsibilities:

## Formal

- the duties, responsibilities, authority and accountability of each member is well-defined

## Informal

- there are no fixed duties, responsibilities, authority, accountability, etc. for the members

# Objectives/Goals:

## Formal

- the objectives or goals are specific and well-defined
- The main objectives are productivity, growth, and expansion

## Informal

- the objectives are not specific and well-defined
- The main objectives are friendship, security, common interest, individual and group satisfaction, etc

## Benefits:

### Formal

- The members get financial benefits and perks like wages or salaries, bonus, travelling allowances, health insurance, etc.

### Informal

- The members get social and personal benefits like friend circle, community, groups, etc.

## Others:

### Formal

- stable
- uses formal channels of communication.
- shown on the organization chart

### Informal

- not stable
- uses informal channels of communication (i.e. grapevine)
- not shown on the organization chart