FORMAL AND INFORMAL ORGANISATION

Organising refers to identifying and growing different activities in the organisation. It brings together human and non-human resources to achieve organisational goals. Organising helps in the implementation of the plan by clarifying job and working relationships for the attainment of desired goals.

Types of Organisation

Organisations are a network of relationships amongst people working together so as to get the best output in an enterprise. The two types of the organisation formed on the basis of relationships are:

- Formal organisation
- Informal organisation

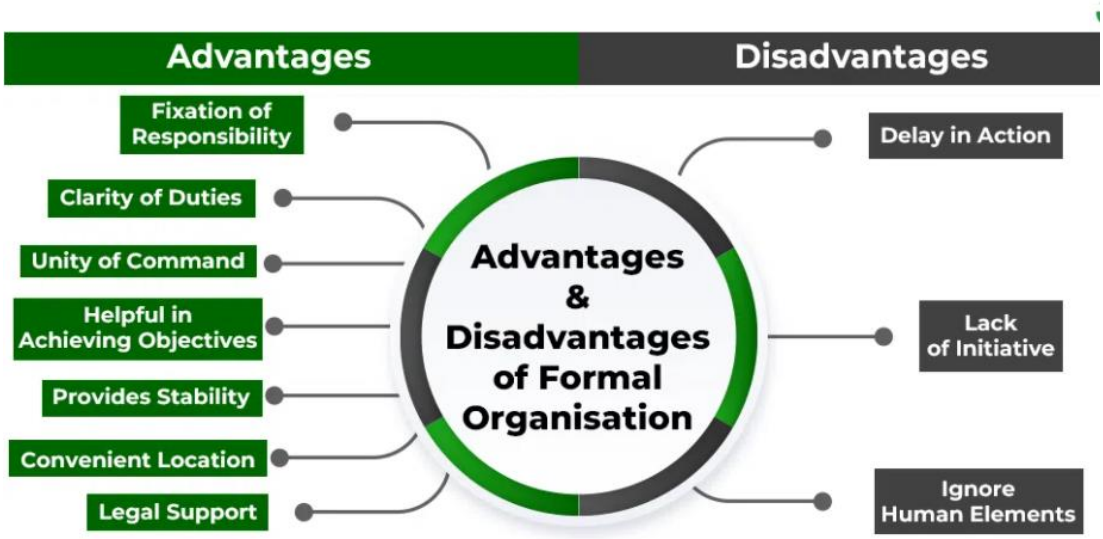
FORMAL ORGANISATION

Formal organisation refers to the official structure of well-defined jobs, each being a measure of authority and responsibility. This organisational structure is designed by the management to accomplish a particular task. In formal organisation positions and authority of each level are clearly defined. It is deliberately designed to enable people to work together for achieving common objectives. It is a deliberate determination by which people accomplish goals by adhering to the norms laid by the structure. In this kind of organisation, each person is responsible for their performance. It has a formal setup of superior-subordinate relationships to achieve a predetermined goal. The structure of a formal organisation can be functional or divisional.

Features

Following are the features of formal organisation:

- **Formation:** Formal organisation is created by top-level management for the smooth functioning of the organisation.
- **Purpose:** It is created to achieve the organisational objectives, and it gives more emphasis on work rather than interpersonal relationships.
- **Reporting Relationship:** The position, responsibility, and accountability of each person are clearly defined. These things clarify who will report to whom and avoids confusion in an organisation.
- **Stability:** Formal organisation is stable due to its well-defined structure.
- **Chain of Command and Communication:** Formal organisation follows the official chain of command and communication at every step.
- **Flexibility:** Formal organisation is rigid because members are required to behave in a prescribed manner.
- **Coordination:** Formal organisation coordinates and integrates the effort of various departments.



Advantages

Following are the advantages of formal organisation:

- **Fixation of Responsibility:** It is easier to fix responsibility because mutual relationships are clearly defined.
- **Clarity of Duties:** The role and duties of each member are clearly and explicitly specified. So, there is no confusion, and it helps in avoiding duplication of effort.

- **Unity of Command:** There is unity of command as formal the organisation makes more use of official channels of command and communication.
- **Helpful in achieving Objectives:** It leads to the effective accomplishment of objectives by providing a framework for operations to be performed and clarify of roles in the minds of employees.
- **Provides Stability:** It provides stability to the organisation as the behavior of employees can be fairly predicted since there are specific rules to guide them.

Disadvantages

Following are the disadvantages of formal organisation:

- **Delay in Action:** Formal communication may lead to delays in decision-making and action, as the official chain of command has to be followed.
- **Lack of Initiative:** Formal organisation does not allow any deviation from policy and rules, which are laid down by the management. It kills the spirit of initiative and creativity amongst the members of the organisation.
- **Ignore Human Elements:** Formal organisation has given more emphasis on its work and structure. Therefore, it ignores the importance of interpersonal relations and human needs.

INFORMAL ORGANISATION

Informal organisation refers to a network of social relations, which emerges on its own due to formal roles and relationships amongst people. Informal organisations emerge from within the formal organisation when people interact beyond their official defined roles. When people have frequent contact, they cannot be forced into a rigid formal structure. It means the informal organisation is not pre-planned. It arises automatically due to frequent contact of people with each other. It arises to fill the social and personal needs of an individual, which cannot be satisfied through a formal organisation. Informal organisations have no prescribed rules and policies, but it comes into existence through social relations.

Features

Following are the features of informal organisation:

- **Formation:** Informal organisation emerges on its own within the formal organisation due to interaction amongst employees.
- **Purpose:** The main purpose of an informal organisation is to satisfy social and cultural needs and to fulfill the common interest of the members of the organisation.
- **Reporting Relationship:** There is no definite pattern of authority and responsibility.
- **Stability:** Due to the lack of a definite structure, the informal structure is less stable.
- **Chain of Command and Communication:** There is no definite direction of communication for the flow of information. Information flows independently.
- **Flexibility:** This organisation is flexible because it has no standard for measures of behaviour.

Advantages

Following are the advantages of informal organisation:

- **Faster Communication:** Informal organisation follows the independent channel of communication because there is no prescribed official channel. It leads to a faster spread of information as well as quick feedback. Sometimes, management also uses such communication to transmit certain information, which the formal system fails to convey.
- **Fulfill Social Needs:** Informal organisation satisfies the social needs of the members, which are not satisfied in formal organisation. This enhances their job satisfaction, as it gives them a sense of belongingness.
- **Help in achieving Organisational Objectives:** It contributes towards the fulfillment of organisational objectives by compensating for inadequacies in the formal organisation. Informal organisation provides feedback about the work experience as they discuss their views and ideas with superiors.

Disadvantages

Following are the disadvantages of informal organisation:

- **Resistance to Change:** Informal organisation is bounded by custom and culture, so it resists change. Such resistance may delay or restrict the growth of the organisation.

- **Spread of Rumours**: When an informal organisation spreads rumours, it becomes a destructive force and goes against the interest of the formal organisation.
- **Pressure of Group Norms:** In the case of informal organisation, people are under pressure to follow the group norms, even if such norms are against the interest of the formal organisation.