

Formal & Informal Organisation

1 Mark Questions

1. State any one advantage of formal organisation. (Delhi 2014)

Ans. Formal organisation results in systematic and smooth functioning of an organisation.

2. What is meant by formal organisation? (Compartment 2014)

Ans. Formal organisation refers to the organisational structure which is designed by the management to accomplish a particular task. It specifies the boundaries of authority and responsibility for the achievement of organisational goals.

3. Why is it easy to fix responsibility in formal organisation? (All India 2009; Delhi 2009c)

Ans. Formal organisation is an official set up. It clearly spells out what exactly is the role of each job and position in an organisation. The main feature of formal organisation is well-defined structure of authority, responsibility and structure. Therefore, it is easier to fix responsibility informal organisation.

4 / 5Marks Questions

4. Distinguish between 'formal and informal organisation' on the basis of meaning, origin, authority and flow of communication. (Delhi 2013)

Ans. Difference between formal and informal organisation

Basis	Formal organisation	Informal organisation
Meaning	Structure of authority relationships created by the management.	Network of social relationships arising out of interaction among employees.
Origin	Arises as a result of company rules and policies.	Arises as a result of social interaction.
Authority	Arises by virtue of position in management.	Arises out of personal qualities.
Flow of communication	Communication takes place through the scalar chain.	Flow of communication is not through a planned route. It can take place in any direction.

5. Explain any two advantages and any two disadvantages of informal organisation. (All India 2011,2010; Delhi 2010)

Ans. Advantages of informal organisation are as follows:

(i) **Fulfils social needs** It gives due importance to psychological and social needs of employees.



(ii) Correct feedback Through informal structure, the top level managers can know the real feedback of employees on various policies and plans introduced by them.

Disadvantages of informal organisation are as follows :

(i) Spread rumours According to a survey, 70% of information spread through informal organisational structure are rumours and can mislead the employees.

(ii) No systematic working It does not form any definite structure for smooth working of an organisation.

6. State any four advantages of formal organisation. (Delhi 2010)

Ans. Four advantages of formal organisation are as follows:

(i) Systematic working It is an official hierarchy of relations. So, it results in systematic and smooth functioning of an organisation.

(ii) No overlapping of work In formal organisational structure, work is systematically divided among various departments and employees. So, there is no possibility of duplication or overlapping of work.

(iii) Coordination It results in coordinating the activities of various departments. Coordination proceeds according to a prescribed pattern in the organisation structure.

(iv) Creation of chain of command It clearly defines superior subordinate relationship, i.e. who reports to whom. Communication has to follow a pattern of formal channels.

7. State any two advantages and any two disadvantages of formal organisation. (Delhi 2010)

Ans. Advantages of formal organisation

advantages of formal organisation are as follows:

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(iv) Creation of chain of command It clearly defines superior subordinate relationship, i.e. who reports to whom. Communication has to follow a pattern of formal channels.

Disadvantages of formal organisation are as follows:

(i) Delay in action It follows the official chain of command which can't be changed. While following scalar chain and chain of command, actions get delayed in formal structure.

(ii) Emphasis on work only It gives importance to work only, it ignores human relations, creativity, talents, etc as it reflects technological aspect of the organisation.



6 Marks Questions

8. Differentiate between formal and informal organisation on the basis of the following?

- **Meaning**
- **Origin**
- **Authority**
- **Behaviour**
- **Flow of communication**
- **Nature** (All India 2014; Compartment 2014)

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Meaning	Structure of authority relationships created by the management.	Network of social relationships arising out of interaction among employees.
Origin	Arises as a result of company rules and policies.	Arises as a result of social interaction.
Authority	Arises by virtue of position in management.	Arises out of personal qualities.
Behaviour	It is directed by rules.	There is no set behaviour pattern.
Flow of communication	Communication takes place through chain.	Flow of communication has no pattern and can take place in any direction.
Nature	Rigid	Flexible

9. Give the meaning of 'informal organisation' and state any five features of it. (All India 2013; Delhi 2012)

Ans. Informal organisation is an aggregate of inter-personal relationships without any conscious purpose but which may contribute to joint results. It emerges on its own in a natural manner within the formal organisation.

Features of an informal organisation are as follows:

(i) Based on formal organisation This is based on formal organisation where people also have informal relations. It means first of all formal organisation is established and then informal organisation is created out of it.

(ii) No written rules and procedures In this organisation, there are no written rules and procedures to govern inter-relationship. But there are group norms which have to be observed.

(iii) Independent channels of communication In this organisation, relations among different people are not defined because a person at the lowest rank can have direct contact with the person at the highest level.



(iv) Not deliberately created It is not deliberately created. It emerges out of mutual relationship and tastes.

(v) No place on organisation chart It has no place on the properly prepared organisation chart. Moreover, there is no information about it even in the organisation manual.

10. What is meant by formal organisation? Explain any five features of formal organisation. (All India 2012,2009; Delhi 2011)

Ans. Formal organisation is an official setup. It clearly spells out what exactly is the role of each job and position in an organisation. Features of formal organisation are as follows:

(i) Defined inter-relationship It is a sort of arrangement which clearly defines mutual relationship. Everybody knows their authority and responsibilities. This clearly shows who will be reporting to whom.

(ii) Based on rules and procedures It is important to observe all the pre-determined rules and procedures in the formal organisation. The objectives laid down under planning are thus achieved.

(iii) Based on division of work The chief basis of formal organisation is the division of work. It is this that connects the efforts of different departments with each other.

(iv) Deliberately created It is deliberately created in order to achieve the objectives of the organisation in an easy manner.

(v) It is more stable Changes cannot be introduced because of the needs of individuals and their wishes. Therefore, it is more stable.

11. What is meant by informal organisation? State any three advantages and any two disadvantages of this form of organisation. (All India 2011)

Ans. Informal organisation is an aggregate of inter-personal relationships without any conscious purpose but which may contribute to joint results. According to Keith Davis, 'Informal organisation is the network of personal and social relationships not established or required by formal organisation but arising spontaneously as people associate with one another.

Various advantages of informal organisation are:

- (i) It leads to faster spread of information as well as quick feedback.
- (ii) It fulfills the social needs of the members.



(iii) It contributes towards fulfillment of organisational objectives by compensating for inadequacies in the formal organisation.

Disadvantages of informal organisation are as follows :

(i) Spread rumours According to a survey, 70% of information spread through informal organisational structure are rumours and can mislead the employees.

(ii) No systematic working It does not form any definite structure for smooth working of an organisation.