



## FORMAL AND INFORMAL ORGANIZATIONS

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**Abstract:** *The article examines the theoretical foundations of formal and informal organizations and their roles within social systems from a scientific perspective. Formal organizations are characterized as social institutions based on legal norms, with clearly defined structures, authority, and management mechanisms. Informal organizations, in contrast, are social groups formed through interpersonal relationships, informal connections, and patterns of social interaction. The study analyzes their interrelations, distinctive features, and the impact of informal organizations on management processes. Additionally, the significance of informal relationships within formal systems and their role in ensuring social balance within organizations are discussed based on scientific evidence.*

**Keywords:** *formal organization, informal organization, social system, management, relationships, social balance, efficiency.*

### INTRODUCTION

In modern society, organizations play a significant role in almost all spheres of human activity. Every state, enterprise, educational institution, or community operates in the form of an organization to achieve its goals. An organization is a system of individuals or groups interconnected and directed toward a common objective. It ensures the effective functioning of governance, production, education, as well as social and cultural spheres within society.

In scholarly literature, organizations are primarily categorized into formal and informal types. Formal organizations possess legal status, with their structure, authority, and rules predetermined. Informal organizations, on the other hand, naturally emerge from friendships, shared interests, or social connections among individuals. These two types are closely interrelated and jointly contribute to the overall efficiency of the organization.

The foundational ideas of organizational theory were developed by scholars such as M. Weber, E. Mayo, and Ch. Barnard. In his work *Economy and Society*, M. Weber interpreted formal organizations as bureaucratic structures, emphasizing the necessity of strict rules, hierarchical positions, and discipline. E. Mayo, through the Hawthorne Studies, demonstrated the positive impact of informal relationships on labor productivity, while Ch. Barnard, in *The Functions of the Executive*, described formal and informal structures as complementary systems.



Therefore, studying organizations from both formal and informal perspectives provides a deeper understanding of their nature, their role in society, and the effectiveness of organizational management.

**Methods and Materials.** Several scientific and methodological approaches were employed to elucidate the topic. Various sources, including literature, electronic resources, and official documents, were studied, and relevant data were collected and analyzed. Based on the collected information, a comparative analysis method was applied to examine and contrast the structure, management forms, objectives, and social significance of formal and informal organizations, identifying their similarities and differences.

The organization was analyzed as a social system, considering its structural components - leadership, members, goals, communication, and hierarchical structure - in their interconnections. Using a theoretical approach, classical and contemporary scientific perspectives on organizational theory were studied and analyzed through the works of scholars such as M. Weber, E. Mayo, Ch. Barnard, S. Robbins, and L. Mullins.

**Literature Review and Methodology.** The concept of an organization was introduced into the social sciences in the late 19th and early 20th centuries by the German sociologist Max Weber. Weber theoretically substantiated the functioning of organizations through a "bureaucratic model," emphasizing that organizations operate based on strict rules and regulations. According to him, formalization in an organization is characterized by the rapid decision-making process and the prompt resolution of production-related issues. In formal structures, rigid relationships contribute to organizational stability and ensure that the organization is clearly directed toward achieving its objectives. Organizations are thus considered social structures governed by formal norms, authority, and hierarchical order.<sup>54</sup>

R. Merton, however, presented a critical perspective on Weber's view. He highlighted the roles of various elements within the administrative apparatus and, while reviewing the idealized concept of formalization, noted that Weber did not account for the potential dysfunctional developments within these structures, conflicts among the creators of organizational elements, the influence of informal relationships among employees, or the impact of the external environment. Internal contradictions embedded in the core principles of formal bureaucratic operations can, if unaddressed, potentially lead to the collapse of an otherwise rational bureaucratic system.<sup>55</sup>

Later, in the 1930s and 1940s, the studies of Elton Mayo and Chester Barnard contributed to the emergence of the concept of informal organizations alongside formal structures. Elton Mayo, through the Hawthorne Studies, demonstrated that informal social relationships among employees have a significant impact on labor productivity.<sup>56</sup> Chester Barnard, in his work *The Functions of the Executive* (1938),

<sup>54</sup> Weber, M. (1922). *Economy and Society*-1469. University of California Press, 1978 edition. 212-280.

<sup>55</sup> Merton R. *Bureaucratic Structure and Personality*. Free Press, 1957. P-100.

<sup>56</sup> Mayo, E. (1933). *The Human Problems of an Industrial Civilization*-194. Macmillan. 1-26.



defined an organization as a social mechanism composed of both formal and informal systems functioning as an integrated whole.<sup>57</sup>

Thus, in the scientific literature, organizations are generally classified into two main types: formal and informal.

A formal organization is a social structure officially established by the state or management, characterized by clearly defined rules, authority, objectives, and positions.<sup>58</sup> In formal organizations, hierarchical structures are explicitly specified, with each position, authority, and level of responsibility documented. Management in such organizations is strictly top-down, meaning there is a chain of command from leadership to lower levels. Each employee's role and responsibilities are clearly defined, and organizational activities are conducted according to formal regulations. Examples include government institutions, educational establishments, and enterprises.

An informal organization, in contrast, is a group that naturally forms based on friendships, interests, or trust among individuals and is not defined by formal documents. In informal organizations, hierarchy is not determined by official regulations but emerges from natural relationships, mutual respect, and experience. Leadership is established informally, through the trust and prestige of group members. Decisions are often made through discussion or consensus, so the hierarchy in such organizations is primarily based on social interactions.<sup>59</sup>

The British scholar J. Mullins, a prominent expert in management psychology and organizational behavior, has also extensively studied the differences, similarities, and management theories of organizations. According to J. Mullins, (the table 1) the distinctive features of formal and informal organizations can be summarized as follows<sup>60</sup>:

Table 1

Formal Organizations	Informal Organizations
Structure is predefined and stable	Structure is free and spontaneous
Subordination is in the form of "top-down"	Subordination is in the form of "bottom-up" based on social influence and prestige
Decision-making is through a vertical process	Decisions are made quickly and flexibly through discussions
Main elements of hierarchy – position, authority and responsibility	Hierarchy is formed on the basis of "role," "influence," and "personal respect"

Regardless of being formal or informal, any organization is primarily a social group designed to achieve interconnected and specific goals. Each organization is purposeful in that the actions of its members are coordinated to attain common

<sup>57</sup> Barnard, C. (1938). *The Functions of the Executive*-334. Harvard University Press. 114-123.

<sup>58</sup> Robbins, S. P., & Judge, T. A. (2019). *Organizational behavior* (18th ed.). Moscow: Williams Publishing. (pp. 45–47)

<sup>59</sup> Mayo, E. (1933). *The human problems of an industrial civilization*. New York: The Macmillan Company. (pp. 55–76)

<sup>60</sup> Mullins, L. J. (2005). *Management and organisational behaviour* (7th ed.). Pearson Education Limited. — Rasmiy tuzilma xarakteristikolari: s. 72–76; norasmiy tashkilotning funktsiyalari: s. 136–139.



outcomes within a particular sphere of human activity. In both types of organizations, each member's role, responsibilities, status, and behavior are defined according to rules and regulations. The difference lies in the source of these rules: in formal organizations, they are established by leadership or the state, whereas in informal organizations, they emerge from mutual relationships and agreements among group members.

**Discussion and Results.** Scientific research on organizational development, internal structures, and social interaction systems indicates that every organization relies on the integration of formal and informal elements in its operations. The bureaucratic model proposed by M. Weber in the late 19th and early 20th centuries demonstrated the necessity of managing organizations through strict hierarchies, documented rules, and defined distribution of authority. However, this approach did not sufficiently account for the human factor and social relationships.

Later, R. Merton provided a critical perspective on this model, highlighting that excessive formalization, internal contradictions, and restrictions on human interactions within bureaucratic systems could potentially reduce organizational effectiveness. He also emphasized the presence and importance of informal structures - natural social connections among individuals within the organization.

Elton Mayo's Hawthorne Studies scientifically demonstrated that, alongside formal structures, employees' psychological states, social interactions, and group environment significantly influence labor productivity. This approach marked a new stage in management theory, leading to the emergence of the Human Relations School.

Chester Barnard, in his work *The Functions of the Executive*, interpreted the organization as an interconnected social mechanism composed of both formal and informal systems. According to him, an organization is not merely a rules-based system but a social environment reliant on cooperation and mutual trust among its members.

In contemporary management theory, J. Mullins further developed these ideas, emphasizing that formal and informal organizations function as complementary systems. He characterizes formal organizations by strict management, clearly defined task allocation, and control, while informal organizations are defined by social relationships, trust, and personal motivation. According to Mullins, an effective management system relies on the balance of these two aspects, as maintaining a stable hierarchy is difficult without considering the human factor.

The scholars' perspectives indicate that enhancing organizational efficiency requires attention not only to formal structures but also to human factors and social relationships. Therefore, modern organizational management necessitates harmonizing formal regulations with informal interactions, motivating human resources, and fostering a healthy social environment as key elements for sustainable development.



Conclusion. Based on the analysis above, the strengths of formal organizations lie in order, discipline, clarity, and stability, whereas the strengths of informal organizations manifest in natural interpersonal connections, initiative, and motivation. Thus, to enhance the effectiveness of modern organizations, it is essential to develop informal social networks alongside formal management systems. When integrated, these two structures ensure organizational stability, teamwork, and social responsibility.

Formal and informal organizations are integral components of the social system, complementing each other to ensure effective organizational functioning. Formal organizations are structured according to established rules, hierarchical positions, and clearly defined objectives, with their primary role being the coordination of management, control, and labor distribution. Informal organizations, in contrast, are based on human relationships, informal communication, and social values. They maintain social balance within formal systems and strengthen group cohesion.<sup>61</sup>

Based on the information reviewed, the differences and characteristics of formal and informal organizations can be summarized in the following table 2:

Table 2

Definition	A deliberately created group of people whose activities are coordinated to achieve specific objectives.	A spontaneously formed group of people who are in regular contact with each other.
Structure	Clear hierarchy, strict rules, procedures, and job descriptions. Authority is determined by position within the hierarchy.	Lack of rigid hierarchy. Roles and influence are determined by personal qualities and leadership rather than official position.
Purpose	To achieve specific organizational goals such as earning profit, providing services, or producing goods.	To satisfy members' social and psychological needs such as communication, friendship, and belonging to a group.
Communication	Formal channels strictly defined and controlled by management.	Informal channels ("grapevine"), free-flowing communication that can move in any direction.
Norms and Rules	Officially established rules, regulations, and policies that are mandatory for all members.	Social norms, values, and beliefs formed within the group that have no legal authority.
Nature of Relationships	Impersonal and logical, based on official duties.	Personal, emotional, and based on mutual friendship and trust.
Duration	Stable and enduring; can withstand changes in personnel.	Flexible and temporary; may change along with group interests and composition.

<sup>61</sup> International Journal of Innovative Research and Management Forum (IBIRMF). (2020). Formal and informal organizations and their intellectual nature. IJIRMF, 5(10). <https://www.ijirmf.com/2020/10/02/formal-informal-organizations/>



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