Let’s Get Organized!

Learning Objective

To understand the nature and importance of organizations.

Principles

- An organization may be thought of as a body of individuals working under a stable system of rules, assignments, procedures, and relationships designed to achieve identifiable goals. By promoting coordination and cohesion, organizations have enabled humankind to attain its greatest material achievements.

- Examples of organizations include clubs, business firms, government agencies, political parties, and armies.

- Organizations differ in important respects from informal groups and families and perform functions that groups and families generally do not. Organizations are better able to focus on specific purposes and to persevere in their pursuit. Organizations make possible a high degree of individual specialization. Organizations enable individuals with diverse backgrounds and changing needs to work together in an atmosphere of stability and trust. Due to these features, organizations make it possible for large numbers of people to pursue defined goals over long periods of time.

- Although organizations have the capacity to benefit their members and the surrounding society, this capacity is not always realized. Highly organized systems do not always operate effectively. Organizations, moreover, are capable of doing harm as well as good.
The Importance of Organization

Let’s get organized!

How many times have we heard this said?

Combining the efforts of many people to achieve a successful result requires organization. In competitive situations, people who are well organized usually triumph over those who are not. This principle is as valid in business and politics as it is in sports and warfare.

Consider a contest between two teams in a recreational soccer league, the “Wombats” and the “Sharks.” The Wombats have athletic ability that is average at best. Several members have never participated in competitive sports. But even though the league is informal, the Wombats proceed to select a captain and assign everyone a definite position. Team members meet to develop a few simple plays and take time to practice them.

The Sharks have considerable talent. Most members played competitively in high school. Two were star athletes. This team trusts in the individual gifts and prior experience of its members. Early recruits call their friends to fill out the team roster. It is agreed that positions will be assigned at the playing field, where several of the Sharks will meet for the first time.

The season’s first game pits the Sharks against the Wombats. The Wombats score early, thanks to a prearranged, well-drilled routine. The Sharks strike back, easily outrunning and outmaneuvering the Wombats.

But the Sharks perform unevenly. Intending to pass the ball, a Shark hesitates as he looks for a teammate and is tackled. Later, the two one-time high school stars on the Shark team quarrel over who will be goalkeeper. The Sharks are hampered by the fact that several of their team members failed to show up.

Throughout the season, the Wombats suffer much humiliation and many bruises. But they win more games than they lose. They become used to their assigned positions. They take advantage of the talents of their teammates and compensate for each other’s shortcomings. They know how to communicate with one another. While the Sharks experience clashes among egos, the Wombats develop team spirit and friendship. They also have a good time.

Most real-world situations are more complicated, but the principle is clear: organization promotes success.

People who are not organized face great uncertainty. Individual human beings harbor an endless variety of needs, objectives, and values. Some of these arise from basic survival functions common to all animals. Others stem from the rich mixture of family and cultural influences, as well as economic pressures and personal commitments of an ideological or spiritual nature.

Without organization, cooperation is always in doubt. Individual human motives, values, and loyalties are seldom completely consistent with the needs of the group. Moreover, individuals tend to change their minds rapidly and unexpectedly. Change takes place more quickly today than ever before. The pace with which people switch jobs, political allegiances, homes, and marriage partners illustrates this fact.
But people who are well organized can count on each other’s cooperation. People organized to perform a specific activity often feel distinct from others and develop team spirit. They share ties of mutual obligation. They know what to do when they require each other’s assistance. They recognize their supervisors and subordinates. They learn to expect rewards for certain behavior. Organization strongly influences individuals. When people realize that they live in a world of stable, continuing relationships, they plan their entire lives around them.

The Process of Organization

Organization is a process by which people coordinate their activity through prearranged agreements or mutually accepted understanding. Steps in organization include assigning jobs, setting schedules, evaluating performance, allocating rewards, and administering punishment. Ideally, the process of organization enables human beings to carry out collective action in an efficient manner.

Organization is one of humankind’s basic survival skills. As a human achievement, organization is no less important than the ability to use fire and invent tools. People throughout history have recognized leaders, assigned each other duties, distributed rewards, and applied punishment to achieve collective goals. Organization increases the ability of people and groups to meet their needs.

Organization is the principal concern of top business executives and government officials. These executives are responsible for making sure that large numbers of people work together effectively. Organization is equally important to people in small businesses who train and monitor the performance of a few employees, or the residents of a community hoping to reduce neighborhood crime, improve schools, and elect officeholders responsive to their needs.

Human organization takes an endless variety of forms. It is often spontaneous and informal. A few friends may meet regularly to drive to work, play golf, drink beer, or shop. Under such arrangements, each individual may have a specialized function. One may arrange a meeting time, another may volunteer to drive, and a third may select the destination. As time goes by, outsiders recognize the comrades as people who seem to belong together.

Organization may be much more concrete and regularized in nature. The people involved may be required to swear oaths, pay dues, or take tests in order to participate. They may have definite, even written rules that govern their behavior. They may wear insignias or uniforms. They may receive pay or resources such as housing as rewards for membership. Once people have joined they may not be free to leave. Membership itself may be coerced or legally required rather than voluntary.

People working, playing, or simply spending time together within spontaneously developed, fluid frameworks of expectations and agreements can be said to possess organization. But only people who act under an enduring system of more or less explicit principles governing their relationships belong to an organization. The features, benefits, and problems associated with an organization conceived in this fashion, often designated as a formal organization, are the concerns of this book.
The Nature of Formal Organizations

Organizations Defined

The chapters to follow will discuss a wide variety of organizations. But a core of common features tends to distinguish organizations from the other frameworks under which human relationships take place. First, human relations within organizations, to a greater or lesser degree, are formal in nature. As used here, the word formal refers to behavior rather than dress. People in organizations generally work and communicate with each other according to standardized patterns recognizable by everyone.

Members of organizations are typically aware of their formal characteristics and boundaries. Most members can describe, with some accuracy, what constitutes acceptable and unacceptable behavior. Everyone in an organization can identify specific qualifications for membership. People in organizations can describe definite procedures for seeking entry. They can specify who has supervisory responsibilities. They can tell an outsider who has the right to initiate communication with a particular supervisor. People in most organizations can indicate what is acceptable attire, and many organizations have written dress codes. To some degree, everyone can explain how these arrangements are related to the organization’s objectives.

Second, organizations can be seen as primarily instrumental in nature; that is, as tools for accomplishing identifiable tasks. Individuals may feel affection for organizations such as the Army or Navy. But it is easy to argue that these organizations exist in order to provide for national defense, just as a regional telephone company exists to operate communication services and the Internal Revenue Service exists to collect taxes.

Much has been written about organizations, and many definitions have been put forward. In fact, organizations are highly diverse—varying, for example, in mission, size, and degree of formality. Recognizing this range of differences, the chapters to follow will use the term organization to signify

a body of individuals working under a defined system of rules, assignments, procedures, and relationships designed to achieve identifiable objectives and goals.

The Human Experience in Organizations

However organizations may be defined in textbooks, people can almost always recognize them. The daily experience of countless men and women illustrates key characteristics of formal organizations. The example below, though fictional, contains elements recognizable to almost everyone who has lived in a modern city:

Beginning his workweek, a man enters the downtown office building owned by his company. A guard in the lobby requests his identification badge. He quickly clips the badge onto his lapel and steps into the elevator. Exiting at his floor, he
hurries to a conference room for the weekly meeting of his unit, the Corporate Sales Department. Gathered around a table are a dozen men and women in dark blue or gray suits. A large chair at the head of the table remains unoccupied.

After a few moments, a woman in early middle age arrives, the unit director who holds the title of vice president. Conversation dies down as she takes the vacant chair. She greets her subordinates and is handed a sheaf of papers by her secretary. Items for discussion and action are introduced according to their order on a written agenda.

Of interest today is the plan to hire a senior credit analyst for the unit. Despite the long-realized necessity of such a specialist, no position of this kind has existed before. With a note of gratification, the director announces that a higher-level officer has approved the position, and everyone applauds. She circulates a job description drafted by her executive assistant. A few of those present suggest revisions, and these are noted by the secretary. The director comments that the final language will have to be approved by the Human Resources Department, after which the position will be officially posted and advertised.

The meeting adjourns at 10:00, although two items remain on the agenda. These will be dealt with at next Monday’s departmental meeting. The conference room empties.

Explicit rules governing behavior, titles, and adherence to schedules are hallmarks of modern formal organizations. Contrast the surroundings just described with those of men and women relaxing at a tavern after work or ministering to their children at home. Outside formal organizations, activities are seldom conducted according to agendas, clothing is usually varied in color and style, and work or play is tied less firmly to the clock.

The experience illustrated in the above example may seem uncomfortable and unappealing. Yet it is difficult to imagine that people outside a formal organization might achieve enough coordination and obtain sufficient financing to own an office building or carry out large-scale operations. Activity less overtly formal than the business situation described above may still bear the mark of formal organization. Participants in an archaeological dig, for example, may dress in dusty khakis and address each other by first names. Yet the expedition runs according to an explicit schedule, meetings occur regularly to discuss findings and progress, a project director assigns tasks to subordinates, and an institute, museum, or university assumes legal accountability for the funds.

Even at the level of casual observation, organizations stand out from other forms of human association. Closer examination makes the distinguishing features of organizations more explicit. Clarification of these features, in turn, helps identify the function of formal organizations, namely the “payoff” they can provide, which, in many instances, justifies the resources required for their maintenance and the constraint experienced by their members.

It is useful to begin by comparing organizations with informal groups and families. A comparison of this kind helps identify some characteristics that are common to many organizations. Each of these characteristics, in turn, can be connected with a contribution to performing tasks and accomplishing objectives.
Informal Collectivities and Formal Organizations

Arguably, the most basic frameworks of human relationships are not formal organizations, but groups and families. An awareness of the features of groups and families is important for understanding how organizations operate in the real world. A great deal more will be said about this in chapters to come.

In contrast to formal organizations, groups and families may be thought of as informal collectivities. Members of a collectivity are familiar with each other and engage in continual communication. Informal collectivities are thus distinguished from formal organizations because they lack explicit rules and procedures. Informal collectivities are also distinguished from mere numbers of individuals whose proximity is accidental and temporary, like passengers on a city bus or a crowd competing for bargains at a department store. Neither the passengers nor the bargain hunters possess internal organization of any kind.

The Group

The group has long commanded special attention from sociologists and psychologists. A group comprises a number of people who feel a sense of common purpose or interest, clearly distinguish themselves from people outside the group, and can, when necessary, identify leaders to speak for the group or help direct its actions. Unlike organizations, which people design and construct to accomplish specific purposes, most groups arise spontaneously. Groups may act in a consistent manner from day to day, but they seldom have definite routines that all members are required to follow. Although they often have identifiable leaders, leadership requires no specific qualification and is subject to challenge.

The groups that appear most basic to human organization are those that address a broad range of their members’ needs. One hundred years ago, an observer named Charles H. Cooley coined the term primary group to signify groups whose members know each other in great depth. Such familiarity can arise only through long personal acquaintance, as among people who have grown up in the same neighborhood or worked together for extended periods of time. Primary relationships, involving frequent face-to-face communication, are said to prevail within primary groups.

Groups are very powerful forces in the lives of individuals. Strong emotional ties often prevail among group members. This is particularly true among members of primary groups. Feelings such as familiarity, friendship, loyalty, and agreement in basic outlook bind individuals to each other in a powerful and enduring fashion. A series of experiments conducted decades ago, now recognized as classic, has demonstrated the considerable power that groups exercise over their members. Repeatedly, these experiments indicated a tendency among individuals to discard their own perceptions of reality and conform to those of the group.

An early study by William F. Whyte alerted many for the first time to the ever-presence and importance of spontaneously formed groups in society. Living in an Italian immigrant neighborhood in the 1930s, Whyte attained personal familiarity with street and community life. As expected, he observed several formal
organizations, such as the Democratic Party and the Catholic Church, to be important in the lives of residents.

But social life on the street was dominated by informal groups of young men. Each “gang”—a word then used in a more benign sense than today—was associated with a particular street corner. Definite leaders and hierarchies were observed. Groups and cliques of this kind helped give structure to the community as a whole. They provided the coordination and personnel needed to get things done. As an example, Whyte described a vote fraud scheme carried out by gang members to help win a local contest. The city’s politicians knew to whom to turn when they needed something done on the street.

The Family

The family may be humankind’s most enduring and versatile form of social organization. Until very recently in human history, families constituted the primary means by which individual human beings were linked with one another. As does the group, the family comprises a system of primary relationships. Like the group, the family has commanded much attention from social scientists.\(^{10–12}\)

The importance of the family in raising children helps account for the fact that the institution is present in nearly all societies. Much psychological evidence suggests that children reared by formal organizations such as hospitals and orphanages risk developmental impairment.\(^{13}\) Attempts to replace the family have had very limited success. For many years, for example, the Israeli *kibbutz* required that children live outside their parents’ dwelling.\(^{14}\) Though the practice continued without apparent harm for a few generations, it has almost been abandoned today.

The ability of families to conduct actions of worldwide importance attests to the strength of this type of collectivity. Family businesses provide one example. As a large, extended family, the Rothschilds have conducted international business for hundreds of years. In North America, the Bechtel, Bronfman, and Pritzker families have operated huge business empires for generations. On a more everyday scale, thousands of small businesses and professional practices continue from generation to generation within the same family. No subject better illustrates the potential strength of the family as a form of organization than politics, as exemplified by the lineage of Presidents Bush (father and son) and the Kennedy clan.\(^{15}\)

Informal Collectivities and Formal Organizations: Distinctions in Characteristics and Functions

A detailed comparison of informal collectivities and formal organizations helps explain why each is better at meeting different human needs. Table 1.1, on page 10, contrasts formal organizations and informal collectivities according to specific characteristics often associated with each. Each characteristic enables the formal organization to do something less readily done in an informal collectivity, and vice versa. Although informal collectivities and formal organizations differ according to many other dimensions, the five to follow provide illustration.
Origins

Formal organizations and informal collectivities differ in their origins and paths of development. Typically, groups develop spontaneously. They often form among casual acquaintances without anyone’s planning. In their modern form, families come into being on the basis of mutual attraction by potential spouses, usually a spontaneous process. Less spontaneity occurs in established families, which operate within a framework of traditional expectations and laws.

Formal organizations, though, are deliberately created. A group of tennis players decides to form a club. Three hairstylists decide to set up a small business corporation so that they may rent space for their own shop. The government mandates establishment of a new agency to enforce environmental protection laws. Creation of an organization involves commitment of resources for a particular purpose. Instruments such as bylaws, corporate charters, and legislative mandates reinforce such commitment.

Informal collectivities are more like plants and animals. Their members coalesce in response to surrounding conditions and needs, without commitment to any particular task or outcome. Because they are not established to serve as instruments for specific goals, informal collectivities can often be more responsive to the changing needs and interests of their members. A group of men in their 40s may readily choose to change their preferred pastime from basketball to golf. Even within an established family, husband and wife can readily respond to an unenjoyable home life by divorcing.

Purpose

Formal organizations and informal collectivities typically differ in their purposes, recognizable as goals and objectives. Typically, organizations articulate goals that are definable and widely recognized, though often neither specific nor concrete. Examples of goals include becoming the preferred national provider of a certain good or service, developing better pharmaceuticals, or protecting American values and freedoms. An organization’s objectives are typically more specific and
immediate. These may include building the bridge, raising the funds, developing the cures, electing the candidate, winning the war. The presence of specific goals and objectives promotes the focusing of attention and resources on those purposes.

In contrast, the purposes of informal collectivities tend to be mixed, corresponding to the multiple needs of members. This mixture includes two distinct types of goals that the sociologist Robert Bales once called instrumental and socioemotional. Instrumental goals involve performance of concrete tasks, the area in which formal organizations may be said to specialize. Socioemotional goals focus on gratifying the needs of the individual. These include emotional support, encouragement, companionship, and affection.

Families may have instrumental goals, such as paying off a home mortgage and educating children. But the family does not exist exclusively for the purpose of achieving such goals. The modern family is expected to provide its members with stable, intimate companionship. A family that concentrated on concrete goals and objectives, but provided little affection, would today be considered “dysfunctional.” A group or family’s mixture of purposes seems more likely to result in overall satisfaction than the productivity-oriented organization.

**Behavior**

In the formal organization, individual behavior tends to follow a set pattern, which is stable over extended periods of time. A person may sell stamps at the post office for three or four decades. Mechanization may improve and prices may change. But the job continues to focus on communicating with customers, accepting requests for postal goods and services, receiving letters and packages across the counter, and taking payment.

Standardization of behavior enables the actions of one person to be highly coordinated with those of others. Such coordination is the basis for industrial production, in which the work of individuals is highly specialized. In a well-functioning organization, standardization of behavior helps generate value for outsiders. Well-coordinated actions by specialized individuals produce more efficient public service for citizens, better products for consumers, and higher profits for stockholders.

Behavior patterns in informal collectivities are more flexible and changeable. Family life provides examples. Depending on his or her mood, a parent may treat a child with varying degrees of patience. As children mature, parents treat them differently, allowing more privilege and liberty. The needs and capacities of all family members may change over time. Family members need different things from each other as the years go by.

Informal collectivities tend to accommodate the idiosyncratic and changing needs of their members and have the flexibility to do so. But, at least in industrial society, they are not as well adapted to producing things of value to outsiders.

**Leadership**

People ordinarily become leaders in formal organizations through concrete, widely recognized means. Often, leaders in formal organizations achieve their positions by demonstrating a particular level of training and skills. In public agencies, many people
move up the ladder largely because they have spent a number of years within the organization.

Objectively recognizable qualifications for leadership are observable in many types of organizations. Organizations whose work is based on science and engineering, such as Boeing and Pacific Gas and Electric, typically offer top management positions to engineers. Executives in any field who run profitable units may be recruited into top management. Nobel Prize-winning scientists become chiefs of large institutes or university presidents. Most public agencies require success at promotion examinations to move up in the ranks. A graduate management degree can advance an employee's prospects for leadership.

Leadership in formal organizations is said to be *impersonal*. People accept the leader's directives because of his or her job title. People typically obey, even if they do not respect the leader personally or feel that he or she deserves the job. In military organizations, soldiers are instructed to “salute the uniform,” giving the same level of allegiance and respect to whoever occupies the office.

This “automatic” feature of leadership promotes stability in key positions. Leaders in all organizations come and go: individuals are removed by higher-ups, terms expire, coups d’état take place. But leadership change is an occasional rather than a regular phenomenon.

Informal collectivities select their leaders through more personal means. Group members identify leaders for whom they have personal affection or loyalty. Leaders are selected according to whether they can please group members or solve problems directly relevant to their lives. As conditions and preferences change, so do leaders.

**Longevity**

It is possible to find examples of both formal organizations and informal collectivities that have lasted a very long time. But generally, formal organizations have a longer lifespan. Many business firms fail after a few years of operation. But the ones that survive this critical period may last for many decades.

Government agencies are especially long-lived. Once the government establishes a department or bureau for some specialized purpose, its elimination is very difficult. Government agencies change their names, divide into separate units, or become absorbed in larger departments. In the 1970s, for example, the federal Department of Health, Education, and Welfare was split into independent halves: the Department of Health and Human Services and the Department of Education. But actual demise of an established governmental unit is unusual. Zealous efforts by the newly elected Congress of 1994 to dismantle 250 federal departments, agencies, and bureaus were almost completely unsuccessful.

Informal collectivities, though, tend to come and go regularly. Families, historically the most stable of informal collectivities, today frequently dissolve due to divorce. Even families that remain intact disappear after children move away and spouses die. A generation or two later, no evidence may remain that a family once existed other than legal records of interest only to genealogists.

Formal organizations have much greater staying power. They are well adapted to recruiting new people to replace individuals who retire, die, or move up the ladder. Individuals beginning work in formal organizations tend to perform their activities
similarly to those who formerly occupied their slots. Business corporations are said to have “perpetual life.”

The tendency of informal collectivities to form and dissolve rapidly (at least relative to organizations) contributes to their relevance in their members’ lives. They serve emotional and recreational needs and disappear when their members move to a new stage of life. The formal organization, though, maintains the resources—human and material—needed to continue and improve on its achievements year after year.

Informal Collectivities and Formal Organizations: Similarities

The differences between organizations and informal collectivities summarized above should not be overemphasized. Informal collectivities and organization share several core features, although these may be developed, expressed, and experienced in different ways. Within actual organizations, characteristics associated with the informal collectivity may be found intermixed.

Core features common to both informal collectivities and organizations include

- A feeling of personal identification by members
- A sense of solidarity within the group as a whole
- Maintenance of boundaries between members and nonmembers

Personal identification is a process by which people come to believe that the collectivity reflects their most prized beliefs about themselves. When personal identification is strong, individuals feel happy that others identify them as members of either the group or the organization. They share the values, objectives, and tastes of others within the collectivity, and believe the collectivity’s actions personally benefit them.

Solidarity indicates a sense of mutual commitment and support among members of organizations and groups. Support may take an emotional form, such as people encouraging others to achieve a goal or recover from a setback. Support can also have a material nature, such as individuals lending each other money or helping each other complete work assignments. Solidarity means “one for all and all for one.”

Boundary maintenance signifies the placement of boundaries between people who are in the collectivity and people who are not. In groups, this feature may be quite informal yet very meaningful. Group members may develop a common jargon or a stock of “in-jokes” that are meaningless to outsiders. They may invite each other to parties and gatherings that are closed to others. They may engage in business relationships that are closed and invisible to the outside world. Boundary maintenance is more explicit in formal organizations, visible every day as guards check identification cards at the doors of office buildings.

Contrasts between formal organizations and informal collectivities, as identified in the table above, are often muted within actual organizations. For some members of a formal organization, the “official” goals may become subordinated to socio-emotional ones. A church, for example, may become more important to its members as a place to meet friends and chat than as a place of organized worship.

The distinctions between leaders in formal organizations and informal collectivities are also blurrier in real life than in theory. Many formal organizations select
their leaders according to instrumental qualifications. But leaders in formal organizations may also attain such rank with the aid of personal warmth, social connections, and political savvy.

It is likely that no formal organization exists anywhere in which informal social interaction is absent. Members exchange personal opinions about the organization as well as private matters. They form networks to exchange secrets. They get together on the outside to play, worship, and perform public service. They flirt, have affairs, and marry. Still, the basic features summarized in the table above distinguish formal organizations and help explain their importance.

Social Structure: Formal and Informal

The concept of social structure helps summarize the differences between informal collectivities and formal organizations described above.

The idea of social structure is central to a number of social sciences. Social structure comprises a pattern of relationships, expectations, and transactions. Differences in social structure may be observed among nations, organizations, and informal collectivities.

Formal organization in general is distinguished from other frameworks of human relationships by formal structure. Formal structure is characterized by explicit criteria for boundary crossing (such as membership qualifications and initiation procedures); rules governing access of some individuals to others; defined procedures for requesting and giving of help and exchanging resources; definite gradations of power and authority across hierarchical levels; and recognizable pathways to promotion.

Informal collectivities, too, have structure. Clear patterns and expectations, as well as power and authority, characterize many families and groups. But these elements are less explicit than they are in formal organizations. For example, members of a group of youths might have commonly held ideas about how their leader should behave toward them. But these may be vague and the subject of recurrent dispute.

In the chapters to come, a great deal more will be said about formal structure and differences in structure among individual organizations.

Features and Functions of Organizations: A Historical View

Table 1.1 illustrates characteristics and related functions of formal organizations that have clear connections with performance of specific tasks. The idea of formal structure draws these characteristics together into a single concept. Formal structure itself makes possible additional capacities of a more far-reaching kind. Several historical examples provide illustration. It is tempting to think of the formal organization as characteristic of modern society. Indeed, standardization of behavior and other features of formal organization have served the requirements of industrial production well. But, as documented by Max Weber, one of the founding figures of modern social science, organizations have been important in many economic systems and past eras.
Case 1: Tribal Herdsmen

The first example is not a formal organization at all, but a Northeast African tribe known as the Karimojong. Historically, this tribe engaged in practices unusual among premodern peoples. These practices provide clues about the functional capacities observable in organizations today.

Roaming a semidesert in northeastern Africa, the Karimojong farmed and herded cattle. They occupied an environment poor in grass and water, resources crucial for maintaining cattle herds. In Karimojong country, water was found only in scattered, unpredictable locations. Waterholes varied in size, some capable of supporting several hundred head of cattle, others only a few. Karimojong tribesmen were thus forced to herd in small numbers rather than in the large, family-based groups common among native herders elsewhere.

In the search for water, tribesmen often encountered herding groups whose members they had never met before. When pockets of abundant water and grass were found, several herding groups, usually from different home areas and families, rapidly occupied them. The Karimojong had a proverb to describe the resulting propinquity of strangers: “the sun mixes us together.”

On the range, disputes inevitably arose over the sparse resources. These almost always took place among tribesmen who were not each other’s kin. At these times, elder individuals would be convened from all the families present and constituted as a council to render judgment. If a disputant refused to accept the elders’ judgment, the elders would render a curse upon him. If that proved ineffective, they would order all the youths present to beat the dissident with sticks. Compliance was typically forthcoming.

It is useful to think of the Karimojong council of elders as an elementary manifestation of formal structure. The convening of a council whenever necessary was a standardized procedure carried out by people who did not otherwise interact. The availability of this mechanism involved a cost, as elders were presumably less vigorous herders than the younger men. In a sense, the elders represented “administrative overhead.”

But without the elders’ councils, herding in Karimojong country would have been impossible. The need to opportunistically search for water required peaceful relationships among bands encountering each other as strangers. It is noteworthy that nearby tribes such as the Nuer, whose members farmed and herded primarily as family units, had no such councils.

Organizations in modern society can be said to share an important feature with the Karimojong. In the modern world, formal organization makes it possible to sustain activity among people who have no preexisting family or primary group ties. Formal structure, it may be inferred, enables strangers to work together, a crucial capacity in today’s society.

Case 2: Freemasons and Patriots

Research on early voluntary societies in Europe helps bring to light another basic function provided by formal organizations: separation of specialized activity from general social life. Organizations provide a “protected space,” both literal and figurative, in which individuals may pursue activities and advance objectives not shared by others in their personal lives or society at large.

According to Alfred Kieser, voluntary organizations began to appear in Germany in the late 1700s. A great many of these organizations were Freemasons’ lodges and patriotic societies. These organizations had become extremely popular by 1800.

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At this time, most of Germany had not yet begun to industrialize. A great many people lived on agrarian estates owned by feudal lords; a smaller number lived in small cities, as lifelong members of craft guilds or merchant communities. People lived their lives in a seamless web of human relations, encountering the same individuals at home, at work, and in worship. Little opportunity existed for independent expression or visible breach of tradition.

Change began as the ideas of the Enlightenment spread from France. Enlightenment thinking emphasized the independence of the individual and questioned the right of lords and kings to undisputed rule. The Freemasons embraced these ideas, as did patriotic societies seeking to advance a modernized and progressive Germany.

Some key characteristics of the Freemason lodges resembled those of many modern organizations. Boundary maintenance was strict, enforced by ritual secrecy. This was necessitated by a political system hostile to progressive thinking. Formal structure was apparent, with hierarchy, rules, and rituals intended to sustain values and discipline. The structure and practices of these voluntary organizations were in fact adopted in the military and industrial sectors as they developed in the early 1800s.

The maintenance of a protected space behind organizational boundaries remains an important function of the formal organization today. Some organizations still maintain their boundaries through ritual. Secrecy is the rule in many government agencies and in industries such as banking and health care. Security guards and identification cards are rapidly becoming the rule. As in the 18th century, some modern organizations use their protected space to examine ideas unacceptable within the broader society. But more often, protected space enables organizations of many kinds to maintain records, supervise employees, and build corporate culture, free, at least in normal times, from outside interference.

Case 3: British Speculators

Promotion of an atmosphere of confidence and reliability among participants appears to be another broad contribution of formal organization. This principle is illustrated by an organization historically specializing in the management of risk.

Dating from the 1600s, Lloyd’s of London is one of the longest-functioning business organizations in the world today. One of the world’s foremost insurance companies, Lloyd’s is famous for insuring items ranging from supertankers to pianists’ fingers. The firm’s origins are traced to a London coffeehouse in which unaffiliated individuals met for the purpose of pooling funds to insure sailing ships. Business was extremely speculative, and a gambling spirit prevailed: participants not only wrote insurance policies but made wagers on future events of any kind. The assemblage attracted its share of unscrupulous players.

Lloyd’s developed into a formal organization in the century to follow. Stages in this process included establishment of a formal “society,” open only to the better-established coffeehouse congregants. Dues were charged, and the society instituted a system of inspection and reporting on the conditions of ships. The society successfully lobbied Parliament for favorable treatment of its business and obtained physical premises devoted entirely to insurance activity. A centralized system of rules governing membership and brokerage was developed.

Today, Lloyd’s bears the mark of its origins, with considerable independence prevailing among brokers and underwriters. But the process of formal organization consolidated diverse participants and standardized practice under a set of distinct rules. This system builds confidence among outside investors and promotes public trust.
To summarize, the basic features of formal organizations adapt them well to performance of specific tasks. But organizations contribute broader capacities, too. They make it possible for people lacking preexisting ties to work together. They enable activity to take place in a manner protected from public scrutiny and safe from outside interference. They foster an environment of sufficient confidence and reliability to induce individuals who would otherwise remain independent to share resources and collaborate.

Organizations: Ideal and Actual

Parts of this chapter may seem to characterize organizations as tight, smooth-running collectivities that are beneficial to both their members and society at large. In fact, the connection between the characteristics of formal organizations emphasized in this chapter and effective pursuit of objectives applies unevenly among actual organizations. Organizations in which boundaries are weak, goals indistinct, and behavior patterns inconsistent can sometimes be effective. Organizations that possess the characteristics emphasized in this chapter, moreover, sometimes serve their members and outside constituents poorly.

The description of organizations that predominates in this chapter in fact represents an ideal type. A frequently encountered component of modern social analysis, ideal types are concepts that synthesize features of many actual cases but describe few, if any, concretely observable ones. In an example appearing early in this chapter, a man going to work in a downtown office building encounters a clearly defined structure and he, himself, exhibits a formalized pattern of behavior. This example may accurately reflect the large, 21st-century profit-seeking organization in the United States. But such organizations, and the ideal type to which they closely correspond, differ from many viable forms.

Other organizations look quite different. Community-based organizations concerned with mobilizing local residents to improve the quality and well-being of their neighborhoods provide an illustration. In these organizations, leaders tend to depend on persuasion rather than command. The boundaries of these organizations are considerably less distinct than those of the large business concern. Satisfaction with social relationships may achieve greater emphasis than goal attainment. Goals may themselves readily shift. Although factors conducive to inefficiency are apparent, forces affecting the organization restrict its ability to more closely approximate the ideal type. These forces will receive detailed attention in the chapters to come.

Close resemblance to the ideal type, moreover, does not necessarily enhance the benefits the organization delivers. Recall the example with which this chapter began, concerning a recreational soccer team calling itself the Wombats. Though possessing at best average ability, the Wombats held their own against more talented teams due to superior organization. They achieved a winning record and had a good time.

Consider, however, the possibility that the team may evolve into a different type of collectivity. Over time, the Wombats place increasing value on winning games. Open participation and good feelings among team members become subordinated
to consistently skillful play. Formal tryouts for team membership are instituted. Dues are imposed. Consistent with its newly emerging purpose, the team more closely conforms to the definition of a formal organization.

But for many, the new order is likely to be negative. The numerous formal procedures, the “bureaucracy,” seem likely to be off-putting to many. In addition, less-skilled but no less enthusiastic members may spend most of the game time on the bench. The team’s record may improve, but for many, it is no longer fun.

For the majority of members, the Wombats have become dysfunctional as an organization. Interpersonal conflict may result, as team meetings become heated exchanges over the organization’s purpose. If their grievances are not addressed, a significant proportion of members are likely to terminate membership, leaving even the skilled newcomers with diminished support. The organization as a whole may disband.

Focusing on the modern business organization, social critics have raised issues that are considerably more profound. Consolidation of activity within a reliable system of rules and expectations, as in the Lloyd’s of London example, appears constructive. According to sociologist Charles Perrow, however, organized consolidation on a significantly larger scale can have quite adverse effects. Although formal organizations were few and small at the time of the American Revolution, the vast majority of American workers had become employees of large organizations by 1900. According to Perrow, these large and dominant organizations (both profit-seeking and nonprofit) weakened local communities. Lacking commitment to the well-being of the locales where they operated, consolidated business organizations polluted environments and eventually moved plants and jobs abroad. Perrow asserts that a less organized system of independent local and regional companies might have produced the same economic benefits with lower social costs.

Next Steps

This chapter has introduced the concept of the formal organization. Emphasis has been placed on organizations as mechanisms for coordinating individual efforts that, in turn, produce benefits for both members and outsiders. Prominence has been given to the functions performed by organizations.

Organizations, though, are not simply integral mechanisms that autonomously channel the efforts of individuals. The members of an organization never simply become its tools. People have highly diverse characteristics, orientations, and needs. These do not disappear when the individual enters an organization. The potential for conflict is always present in organizations, as individuals may not fully accept the mechanisms used by the organization to coordinate and focus their efforts. Conflict between an organization and the broader society often occurs as well.

The chapter to follow addresses the importance of factors outside the organization’s sphere of operations. Although they are necessary to the organization’s existence, these factors and their consequences constitute key challenges to organizations. Some of the most important tasks of management arise in connection with these challenges.
This chapter has focused on the characteristics, contributions, and costs of formal organization. Among people deciding how best to accomplish tasks and pursue objectives, dilemmas constantly arise regarding formal versus informal mechanisms. Here are two examples.

- A group of engineers has been perfecting an invention they hope will make them wealthy. The group has regularly assembled in one member’s basement to assemble equipment, perform test runs, and brainstorm technical problems. After perhaps two years, sufficient progress has occurred for a patent application to be submitted. Should the group now transform itself into an organization? What costs may be incurred in terms of procedures, bylaws, and legal fees? Will the process be detrimental to the atmosphere of friendship and spontaneity that has prevailed? What risks would the group face were the step not taken? The group will have to weigh multiple risks and potential advantages.

- A nonprofit community clinic has received a foundation grant to promote health and safety in the surrounding neighborhood. Prior to receiving the grant, the organization simply housed a small staff of physicians and nurses who treated patients on a sliding scale. Monthly, a management group of clinic personnel met in private to allocate resources and make strategic decisions. However, the new grant calls for community participation in decision-making. Should steering committee meetings now be open to laypeople from the community? Should the goals of the organization be made more fluid? Having accepted the grant, the organization may need to depart from the formal model.

**Chapter Review and Major Themes**

In contrast to groups and families, organizations are deliberately created to pursue identifiable goals. Organizations have characteristics that enable them to coordinate and focus the efforts of large numbers of people over long periods of time. These include an emphasis on instrumental goals, standardized behavior patterns, and impersonal qualifications for leadership. Unlike primary groups and families, organizations are capable of ensuring peaceful cooperation among strangers. Organizations promote the establishment of separate physical and social space for specialized activity and the consolidation of diverse individuals and groups within centralized systems. Individuals and societies engage in a trade-off of costs and benefits associated with formal organization.

Many of the features of organizations seem to imply a surrender of individual liberty to the organization’s needs. Features such as boundaries, formal structure, and impersonal leadership seem cold and controlling. In fact, organizations may be thought of as battlegrounds between efforts at coordination and assertion of individual desires and objectives. As the next chapter will illustrate, even people with the least official power in an organization often resist being controlled by the organization’s structure and management. Ultimately, a free society allows people to select the organizations they join and to leave them at will.
Discussion Questions

1. The establishment and operation of formal organizations involve trade-offs between costs and benefits. What are these costs? What are the benefits?

2. Which tasks may be best done by formal organizations, and which ones are best done by informal groups?

3. Are there clear differences between formal organizations and informal collectivities in the level of comfort and fulfillment experienced by their members?

4. Think of an activity in which you have been involved that could have been more effectively organized. How could organization of that activity have been improved? Were barriers to improved organization present?

5. Does the tension between organizational objectives and individual needs ultimately help or harm the organization?

References