

**FORMALIZATION IN MANAGEMENT:
SYSTEM ERROR IN DEVELOPMENT OF ORGANIZATION.**

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Abstract. This article focuses on role of formal and informal institutions for development of organization, how they predetermine each other and what are consequences of this interaction. Largely, practice of economic research focuses to functioning of formal institutions in the activities of organizations to achieve economic efficiency. This justifies the significant attention to the problem of realization the principle of "rational" management. But in many ways, the effectiveness is subject from informal rules, which can affect the performance of activities to a much greater extent.

Authors show, that in recent time, organizations have resorted to the principle of bureaucracy not from the point of view of it efficiency, but from position, which covers the incompetence of the management of organizations. Not having the necessary knowledge and practice of the functioning of organizations, management is increasingly leaning towards the regulation and implementation of unreasonable rules and regulations. But if in the commercial sector, this tendency has at least some justification from position of economic efficiency, there, where the main result should be social efficiency - rules and regulations are waste of time.

In addition, the authors answer the questions: why is the level of formalization of behavior becomes an end, what are the consequences of the incompetence of the management, how the formalization of behavior destroys organization. As result, are showed the absolute importance the informal rules and constraints in organizations. Moreover, are opened the influence at the essential characteristics of the person and moral by business and business models

Keywords: Formal and Informal Institutions, Bureaucracy, Authority, Power, Incompetence of Management.

1. INTRODUCTION

Evaluating the effectiveness of management in organizations regardless of sort of problems which have solution, by inevitable becomes the analysis of formalizing management process. The term "formalization" is the base in determining the category of "bureaucracy", which is often the subject of criticism and irritation. Needless to say that scholars such as Henry Mintzberg, writing: "List of researchers about formalization as if borrowed from reference book "Who is who in the theory of management": F. Taylor, A. Fayol, D. McGregor, K., Argiris, G. Simon, M. Crozier and many others. Often this parameter displays the manner in which the organization is trying to limit the freedom of action of its members." (Mintzberg, 2011). The purpose of this article doesn't become "mediocre" criticism of terminology and the phenomenon. Contrary, our task will be to consider the role by informal institutions in the governance of organizations, patterns and trends in recover efficiency of organizations.

As you know, the concept of "informal institution" is closely related to the science of sociology, when talking about the different types by of "social institutions" (Andreev, Korzhevskaya & Kostina, 1989) (Gritsanov, 2003), and in frame of institutional analysis. (Odintsova, 2007) (Olson, 1995) (Sinyutin, 2002). Since the organization can be defined as the part of society where people have united desire to achieve their purpose, including the economic purposes, the term "institution" is typical and for organization. Quite comparable to consider formal and informal institutions as a systems of rules, regulations and limitations for achieving efficiency in the organization.

At the same, is interesting to consider not so much the mere presence of those and other institutions as a given, how much how they mutually determine each other and than it is dangerous from the point of view of development of the organization.

2. METHODS

Everyone knows the role of the bureaucracy in the development of the organization. One cannot deny the positive effect that we get when by mainstream in activities is become abidance by certain standard of behavior. But, following the principle of marginal utility, which in a generalized narrative is state that "everything is good in moderation", we should not get carried away by the advantages of bureaucracy. But to stop is often quite difficult.

Assessing the benefits of formalization, we often cannot estimate its acceptable level. The reason is lack of methods to assess the degree of formalization in work of various organizations in order to reaffirm the need to strengthen it.

So, we assumed, that about degree of management formalization we can tell, using the principle of projection the management formalization of economy as whole on management of economic entities.

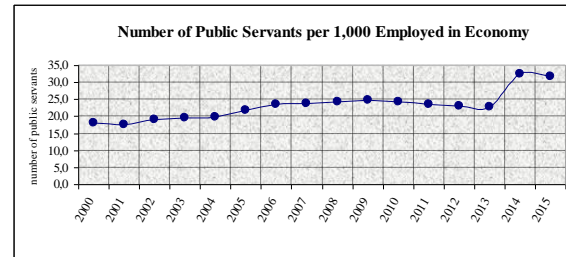


Figure 1. Number of employees of state bodies and bodies of local self-government, 1,000 people employed in the economy of Russia.

As shown in Figure 1, the number of employees of state bodies and bodies of local self-government, 1,000 people employed in the economy of Russia increased almost 2 times in the period from 2000 to 2015. (updated data on the FSSS website 5.06.2016 years). (FSSS, 2016). We can see, there is direct evidence of management formalization in the economy. But forms of control and regulation of activities outside of the organization is always projected on the activities within the organization.

Another indirect evidence of degree of formalization the behavior becomes the indicator of organizations ' needs in workers to fill vacant jobs by professional groups (on 31 October 2016). Demand for employees of a category "heads" the lowest among the other professional categories (1.1 %) (Figure 2). (FSSS, 2017).

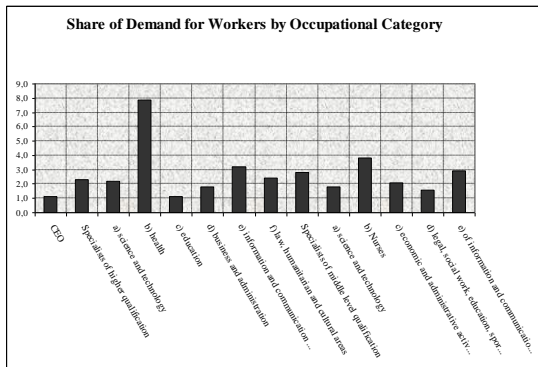


Figure 2. Demand for Workers by Occupational Category

As we can see, the need in potential employees for management positions (CEO, Specialists of higher qualification in business and administration, Specialists of middle level qualification in administrative activities) is minimum that can serve as evidence of influence to work by management.

What can we see in practice in the activities of most organizations, deliberately not specifying what are they? Doesn't matter, we're talking about commercially and socially significant, about importance by size and content of organization, not really always presenting in our life and third-party. We observe a visible enhancement of the formalization of behavior and bureaucracy as a main form of control in organization.

Why is this happening? Why is the level of formalization behavior becoming a goal, not a tool in the management of organizations?

3. DISCUSSION AND RESULTS

Everybody of us will answer the above questions according to own observations and experience. In our opinion, one of the main reasons (if not the main) is total incompetence in the content of the activity, especially, in management activity. It is strange that making requirements directly to performers, management bravely shows absolute incompetence in the content of their work.

Remember the theory of bureaucracy by Weber (Maslovsky, 2015), where he clearly suggests that the efficiency of bureaucracy is possible to compliance with the principle of creating a "system of promotion and tenure based on skill and experience ...". That is, trivial arguing, before the taking duties as administrative position, the man must gradually master numerous processes in the organization.

But who today speaks of planned and proven career including the comprehension of gist the activity? About practice of choice for the administrative position, for example in professional bureaucracies, no one remembers, that it is - the criterion of effectiveness of such organizations.

What we get in return? We can receive in the full sense of the word, is not quite adequate to the mind and behavior of people, who create countless rules, regulations, restrictions in activities, hardly fit into the reality of the situation. Here's the flip side of our obsession with bureaucracy as a variant of the substitution necessary knowledge and competencies. Taking norms, the management sends a signal about the behavior that considers acceptable, but the rules can often be at odds with the established and highly effective practice. It turns out, that the ambitions and somebody is able to tear down the whole organization. How? They go against the prevailing customs, traditions and practices of interaction, informal rules that fill the social life in the organization, but without which it is not possible the practical activities. Formal institutions can break the informal rules of the game, and after that to destroy the effectiveness of the organization. Here it is, notorious the influence of organizational culture on the effectiveness of the organization. As the proverb says: if you want something to destroy – destroy tradition.

Absolutely in vain is the opinion of management, that excluding from the practice activities the workplace informal component it is possible to achieve more significant performance and economic efficiency. We can prove it to be erroneous conviction owing a number of factors.

First, none of us, with the arrival at the place of work, does not forget the social relationships, how want management. Moreover, the ban is forcing us to spend more time addressing it than actually work.

Second, informal relationships, rules and restrictions is so determine the possibility of work, and exclude them - is crash of organization' processes. A mistake to think that they're capricious desire of staff. Often informal restrictions and rules – it's suffered years algorithm of operation.

Thirdly, if we consider the organization in terms of the national colors, reflecting the practice of cross-cultural management, some cultures are not able to exclude the informal business processes from formal design. That it becomes just a national

characteristic of management. Some culture from century to century carry on the tradition of "manual control" and break the tradition is not only "betray the nation", but not to achieve a result. (Oriental despotism, Russian absolutism, etc.)

Sometimes management intentionally weakens the social norms in the organization, following the principle of "divide and conquer". It would seem that there is a situation of the absurd: how is it possible to cut the branch on which you sit. But there is a certain sense. Power for power. If we consider man in the totality of their aspirations and needs, to take the analysis of personality psychology, it is quite understandable behavior ambitious management. And since the job position implies the appearance of an ambitious and "mentally sober" people, then this behavior is not already strange.

In addition, strength of an organization is manifested in its traditions, which act as a foundation with a certain strength factor, explaining why some organizations have been operating for a considerable number of years, and others lost. It can be purely structural to split, merge, absorb and others, but it will be only forms of reorganization that are quite often featured in the programmes of development of certain sectors of the economy. In this quest for "optimization," "efficiency" and "cost reduction" only pale slogan in case of destruction of traditions and foundation, on which to build activities.

Of course, you can remember "the curse of helplessness" (Bolman & Terrence, 2005), "the syndrome of self-liquidating of the mind" (Feinberg & Tarrant, 1995), and sometimes just "woe from wit". Anyway, many studies show that the destruction of an organization is due to the "tendency not to see the bad is one of the symptoms of organizational disasters." (Charan & Useem, 2002) (Kutsevol & Batyrshin, 2017). But we would like to add to this list that is a deliberate destruction of traditions with the aim of infringing on the role of the absolute in task of governance.

By formalizing the behavior, the ability of management to break the informal rules must be taken into consideration, because it can undermine what is crucial for the effective implementation of not only the goals of the organization, but also normal moral norms. And then we translate the conversation in a more explicit and more painful plane: how business and business models impact to the essential characteristics of the person.

Finding themselves in conditions of demoralization, of stupidity and incompetence in the workplace, in organizations, we have several behaviors. The first is to resist a system that is impossible to one person. To form a group for resist according to the theory of collective action in large and small groups is impossible too. (Olson, 1995) The Second is to leave the organization, feeling the intolerance of a conflict of values and re-entry requirements.

But many choose the third option, based on simple obedience to authority. So simple that many researchers still cannot understand the phenomenon, and what causes a person to obey to structural authority. The term "structural authority" can to enter because the organizational structure is hierarchical, and even if we are not talking about the authority in accordance with the competence of a person, we will be talking about authority in the context of management levels of the organization. "Obedience is one of the basic elements in the structure of social life. Some system of authority is requirement of all human interactions..."(Milgram, 2016).

There is nothing special when it comes to structural subordination to authority, but it is surprising how far people follow the instructions. Yes, many are protesting, but have agreements with the instructions and requirements of the system, deforming thereby the universal human values.

4. OUTPUTS

Here we come to destructive confrontation between formal and informal institutions. Norms of mutual trust and cooperation that are so important for society, whether society organizations or society in general - they just go away. Policy for a variety of commercial and non-profit organizations can have a devastating impact on social capital. And we feel it every day. In whatever sphere of activity, in any role, for example as consumer or customer, we always feel how the organization can to pressure to people through rules and regulations, through formal order, which is slowly but surely breaks the informal norms. And if the commercial sector we can try to justify economically the indifference and heartlessness, in a socially significant sector we haven't the economic arguments. The violation of key principles of their functioning (social effectiveness, primarily) will be regarded as a violation of justice and is able to cause strong emotional reactions.

5. CONCLUSIONS

Today is increasingly incompetent staff on management's positions. In order, to cover their own incompetence, management goes towards the creation of numerous rules of conduct inappropriate in practice of functioning of the organization.

In turn, imposed formal rules and restrictions for execution of work can be at odds with the established and highly effective practice of work. Formal institutions can break the informal rules of the game, and after that to destroy the effectiveness of the organization.

Today, the erroneous conviction becomes that informal institutions play a minor role in achieving organizational effectiveness. Highlighted a number of factors which indicate otherwise, for example, the factor "informal constraints as the algorithm of work", the factor of "manual control", the factor "strength of the organization in its traditions" and etc.

They find themselves in conditions that are contrary to common sense and the ability to carry out work, we are held hostage of "structural authority" that distorts human behavior and pushes him to the destruction of mutual trust and cooperation.

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