

**Informal Networks in Organizations**  
– A literature review

by

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### **The DDL project**

The Danish Management Barometer (in Danish: Det Danske Ledelsesbarometer or the DDL project) is a research project carried out in cooperation between researchers at the Aarhus School of Business and the Danish Association of Managers and Executives. The purpose is through a regular survey procedure to monitor the development within the managerial function and the way it is practiced in Danish companies and organizations. Further information can be found on:

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### ***Abstract***

*In the increasingly complex and dynamic theories of modern organizations, there is a substantial lack of knowledge about the way things actually get done, and how individuals interact socially within the organizations to facilitate this.*

*The primary goal of this paper is to identify, analyse and assess the existing contributions to the understanding of these informal networks in organizations. The first part of the paper presents the key terms and concepts needed to understand social networks both in general and within the framework of formal organizations in particular. In the second part, the main characteristics of the informal networks are highlighted along with an analysis of the implications for managers and for the formal organization as a whole. Finally, some propositions concerning the importance of the informal networks are listed, as they form the basis for the indications of the future research needed in this field.*

### **About the author**

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## **Introduction**

Ever since the Hawthorne Studies (Mayo, 1949) and the development of the Human Relation school of thought, there has been a widespread tendency towards adopting a less mechanistic view of organizations and a relaxation of the assumption of rational behaviour by members of organizations – i.e. behaviour that is strictly in tune with the goals of management and the rest of the organization. In Mayo's own words:

*“In every department that continues to operate, the workers have – whether aware of it or not – formed themselves into a group with appropriate customs, duties, routines, even rituals; and management succeeds (or fails) in proportion as it is accepted without reservation by the group as authority and leader” (Mayo, 1949)*

This points to the fact that individuals in organizations do not stop being social beings while working in those organizations. This in turn relates to the very core of the essential question of how to define an organization. While this question cannot be entirely resolved in this paper as such, the underlying assumptions will be that organizations are basically a web of coalitions and that coalition building is an important dimension of almost all organizational life (Morgan, 1997).

In consequence, various approaches have been undertaken in order to understand organizations:

By mainly focusing on communication as the vehicle of social structures, *sociologists* have described organizations as structures of social interactions in a specific organizational

context or culture (White, 1970)<sup>1</sup>. *Psychologists* relaxed and redefined the assumption of rational behaviour in order to understand and describe the needs of the individuals in organizations. This has led to a multitude of ways to describe organizational structures, often through metaphors (Morgan, 1997). *Anthropologists* and *ethnographers* (Hodson, 1998) (Radcliffe-Brown, 1959)<sup>2</sup> direct their focus towards a description of organizational culture and the evolution of human relationship over time, while *mathematicians* have used a variety of network analysis tools to define the structures that govern interactions in organizations (Tichy & Tushman, 1979). Even *linguists* have given their contribution to the theory on the structure and implications of informal networks in organizations (Dorriots & Johansson, 1999). For a more detailed run-through of the different approaches to organizational theory, see Morgan (1997).

Monge & Eisenberg (Monge & Eisenberg, 1987) argues that most theories of organizations can be placed into one of the three major schools of thought: The positional, relational and the cultural tradition: *Positional* - The organization determines the positions and roles of the individuals in the organization. *Relational* - The individuals in an organization communicate and interact in emergent networks that may or may not be consistent with their formal relations. *Cultural* - The interaction of individuals in organizations are determined by a common underlying structure, which goes beyond both structure and the individual.

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<sup>1</sup> In (Nohria, 1992)

<sup>2</sup> In (Monge & Eisenberg, 1987)

There seems to be a shift from the positional school of thought towards the two others while efforts have been made to integrate some or all three traditions (Monge & Eisenberg, 1987). Most importantly, however, it is very useful to regard those perspectives not as mutually exclusive but rather as essential methods of analysis with given strengths and weaknesses.

Parallel to that development, there has been a shift in the traditional view of the role of the manager and his or her workday (Mintzberg, 1973). By not blindly relying on the normative division of work into planning, organizing, coordinating and controlling, Mintzberg proved the workday of a manager to be much less structured and based on intuition rather than formal decision making processes.

What becomes apparent regardless of the method of analysis or the underlying premises is that no organization can be described or mapped in a satisfactory manner using just the formal organizational chart – let alone be managed responsibly on that basis.

In order to map out the field of informal networks this paper will initially define the key concepts of relevance to networks theory in the attempt to structure the basic terms of social network analysis. This will lead to a discussion of the organizational importance of the informal networks, including an overview of the positive and negative implications of such networks for managers and employees.

## **The Structure of Informal Networks**

First of all it is important to present the concepts associated with intraorganizational social networks. Since much of the theory implicit in the study of social networks has not necessarily been directed towards the informal networks in organizations, these concepts will first be presented in a general manner, and then subsequently be used in relation with the theme of this paper.

The optimal terminology to describe the informal networks depends on the purpose of the analysis. Mintzberg (1999) suggests that there is no one best way to draw and interpret these networks, and when using specific metaphors for the organization, it might be useful and necessary to modify some of the terms to fit the whole.

Networks are made up by the following two major compounds: The nodes (sometimes called actors, egos, unit), and the relations between them (sometimes called links).

### **Nodes**

The nodes can be defined as the units of analysis and as such they can be individuals, dyads (two individuals), larger subgroups or even whole groups. For the purpose of this paper the distinction between level of aggregation is not essential but for the sake of clarity, the following description will focus on the individual level.

Although several attempts at categorising the nodes of social networks have been made, the most logical is the following,

proposed by (Allen, 1976). The naming and descriptions are mostly independent of the kind of relations between the nodes:

*Bridge*: The individual in a communication group who connects with other groups thereby bridging two or more groups together.

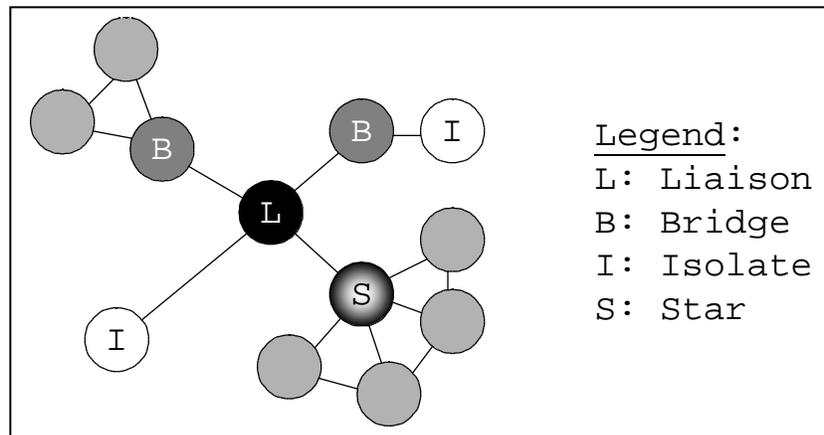
*Liaison*: Like a bridge, the liaison links several communication groups together, but has more links with different groups than with one group.

*Isolate*: As the name implies, this individual does not participate frequently or strongly in the communication networks.

*Star*: The person with the largest number of interactions, independent of whether they are intra- or inter-group oriented.

Those four types of nodes are presented in Figure 1.

**Figure 1 – The informal network in an imaginary organization**



Even without the colouring and labelling, most people would instinctively perceive L & S in Figure 1 to be some of the major players in the network simply by virtue of their number of connections, and their position in the network.

Alternatively, this division has been proposed by Stephenson (1998): By focusing more on the flow of information in the network, she has identified three types of roles in networks:

*Hubs*: The most connected people in the communication network.

*Gatekeepers*: Act as transitions between the hubs of the organization, thereby transporting (or impeding) the flow of information.

*Pulse takers*: Don't relay information quite like gatekeepers, but rather interpret it, thereby influencing how others perceive the information.

While the description and role of *the hub* and *the star* are rather equivalent, *the gatekeepers* and *pulse takers* have no such direct equivalent. However, a *liaison* might have the role of mainly transmitting information between subgroups (*gatekeeper*), while a *bridge* might have the principal role of not only transmitting information but also interpreting it (*pulse taker*) vis-à-vis the subgroup – whether consciously or unconsciously.

Finally, it is important to state that the same informal organization might look very different according to the networks under scrutiny: The same person might act as a *liaison* in one

type of network, but be an isolate in another, depending on the relations between the nodes.

### **Relations between nodes**

The types of links between nodes in a social network can be described and analysed in a variety of ways. In the following section, a synthesis and categorization of the different approaches will be presented: This categorization will be based somewhat on the division proposed by Tichy & Tushman (1979): (1) The transactional content, (2) the nature of the links, and (3) the structural characteristics.

#### *The transactional content*

As stated previously, the connection between two nodes can have very different contents and implications. By having different focal points, it is possible to identify several alternative but overlapping approaches to defining the content typologies. Again it is paramount to specify that the same two actors in a social network can have several different transactional contents at different times and simultaneously.

Monge & Eisenberg (1987) propose a grouping of the contents in social networks into the following self-explaining typology: *Expression of affect, influence attempt, exchange of information, and exchange of goods and services.*

Farace et al. (in Monge & Eisenberg, 1987) have chosen a somewhat different approach in that they identified the following three types of messages: *Production*-related messages stem from the need to get things done in a work context.

*Innovation* messages are more proactive and are centred on solving organizational problems and improving the ways things are done. *Maintenance* messages revolve around the socio-psychological needs of the individual as described previously.

A taxonomy directly linking to the division between formal and informal networks together with the corporate culture is proposed by Tichy & Tushman (1979). The *Technical* approach deals with work-related issues; the *Political* approach relates to individual and group goals, whereas the *Cultural* approach reaches into the implicit, tacit and deeper meanings and shared values in the organization. For more information on the interactions between these three levels see Culture and Informal Networks.

Yet another division has been made by Krackhardt & Hanson (1993). He argues that the most useful division in order to perform successful analyses on the social network is to consider: *The advice network* can be used to determine who has the technical or professional power in an organization. *The trust relations* reveal ties of friendship and affection, whereas *the communication network* is a strong indicator of the overall information flow in the organization.

Finally Torenvlied (1998) has proposed the following divisions, based on Ibarra (1992): *Instrumental* relations used in daily interactions based on short-term goals, *authority* relations based on power and influence and finally *intimate* relations.

As stated in the beginning of this section, those divisions are overlapping and – not surprisingly – rather alike. Table 1 is an

attempt to classify most of the above terms into a unifying division.

**Table 1 – The four main contents of informal networks**

<b>Affect</b> Friendships, trust and intimate relations	<b>Political</b> Influence, power, authority
<b>Production</b> Advice, exchange of technical/instrumental knowledge and innovation	<b>Cultural</b> Communication and flow of information

This framework allows for the classification of almost all types of transactional content into one of the four categories, while some of the above-mentioned taxonomies are most useful for certain types of analysis depending on the organization in question.

*Properties of the links*

In order to conceptualise the social networks once their contents have been described in a satisfactory manner, it is necessary to describe the properties of the links. While different terms and divisions are used throughout the literature, the following properties are the most widely used and commonly agreed upon: Strength, Reciprocity, Symmetricality, Multiplexity, Clarity of expectations.

The *strength* or intensity of a link is the most intuitive measure, determined by the amount of information, affect, or other content (see above) transferred between to nodes. The strength is either given by the frequency and/or duration of the contact and the stability over time (Monge & Eisenberg, 1987) or by the degree to which individuals honour obligations or forego personal costs to carry out obligations (Michell, 1969)<sup>3</sup>.

In order to take into account the different ways in which individuals enter relations, a measure of *symmetricality* is introduced. In a situation where two colleagues chat together during lunch, there is a symmetrical relation, whereas the supervisor-subordinate relationship is inherently asymmetrical. This leads to the issue of power in a social relation and organizational politics, which is a matter deserving a whole section, and will not be covered as such in this paper.

Related to that is the measure of *reciprocity* which determines not the definition of the link but the degree to which individuals report the same intensities with each other for a content area (Tichy & Tushman, 1979). Unrelated to the degree of symmetry, a link between nodes can be reciprocal or not. If both supervisor and subordinate report that the supervisor “gives instruction to” the subordinate once or twice a week, the relation is reciprocal but not symmetrical.

The term *multiplexity* refers to the extent to which each individual has different roles and different networks within the organization. Those different networks are closely related to the contents described in the previous section, and it is important to

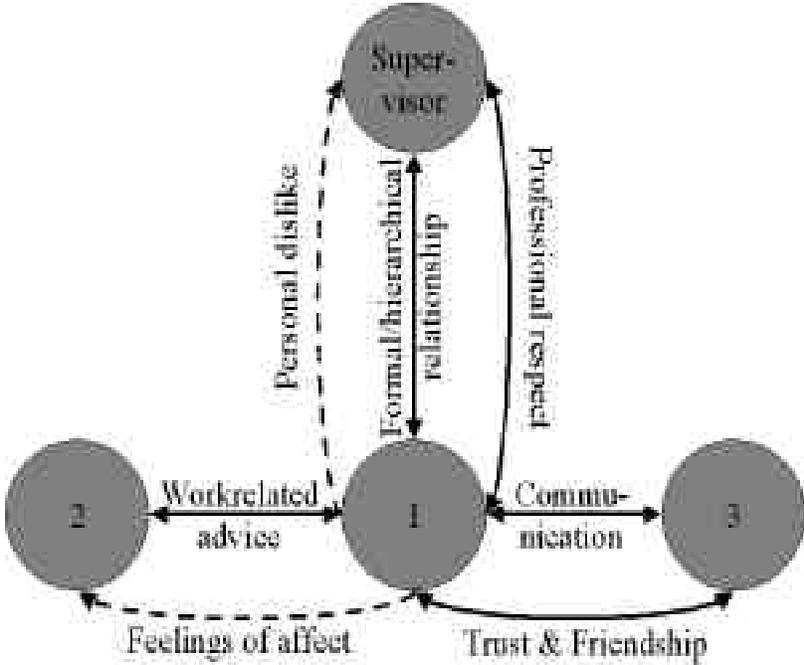
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<sup>3</sup> In Tichy & Tushman (1979)

keep in mind that the same two individuals can easily have more than one relation to each other. When describing and dealing with social networks, this is a fact that is often a major source of difficulty.

*Clarity of expectations* is the general measure of whether or not the two parties in a relation agree on the appropriate behaviour between them. Seen together with the multiplexity of many relations, it follows that the appropriate behaviour between two people in one situation is not necessarily appropriate in another situation.

Figure 2 – Example of properties in a network



In Figure 2, the relations between a supervisor and three colleagues are drawn up, based on the networks of person 1. Dotted lines are used to stress the one-way nature of some links.

The relation between 1 and his supervisor is clearly asymmetric because of the nature of their formal position, but their relation might be reciprocal if they both report the same measure of intensity of the relation. The feeling of personal dislike 1 feels for his supervisor hints at a non-reciprocal relation and, together

with the professional respect they have for each other, is an example of the multiplexity of this network.

The links between 1 and 2 are symmetrical and reciprocal<sup>4</sup>, but the feelings of affect 1 has for 2 show a lack of clarity of expectation between them. 1 and 3, however, seem to have a perfectly symmetric, reciprocal relationship with clarity of expectation.

### *Structural characteristics*

In order to describe a social network, the following terms are useful (Tichy & Tushman, 1979): The *size* of the network is important, just as the *density* (or connectedness), which is the number of links in a network as a ratio of the total possible links. The degree of *clustering* determines the situation where dense regions of interconnected individuals appear in parts of the network. To describe the ratio of external links against the total number of possible external links the term *openness* is applied. The term *stability* denoted the changes (or lack of same) in the networks over time. *Reachability* is a measure of the number of links between any two nodes. Finally, *centrality* is the degree to which the formal hierarchy guides relations.

Krackhardt & Hanson (1993) identify the following potential problems in social networks, each graphically represented in Figure 3:

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<sup>4</sup> Although one could argue that the feelings of affect 1 has for 2 implicitly shift the balance of power towards 1.

*Imploded relationships:* If a subgroup displays a lack of openness towards other subgroups in the organization, there might be a problem of imploded relationships. This extreme form of clustering can lead to problems of group thinking (see above) and suboptimization within the organization.

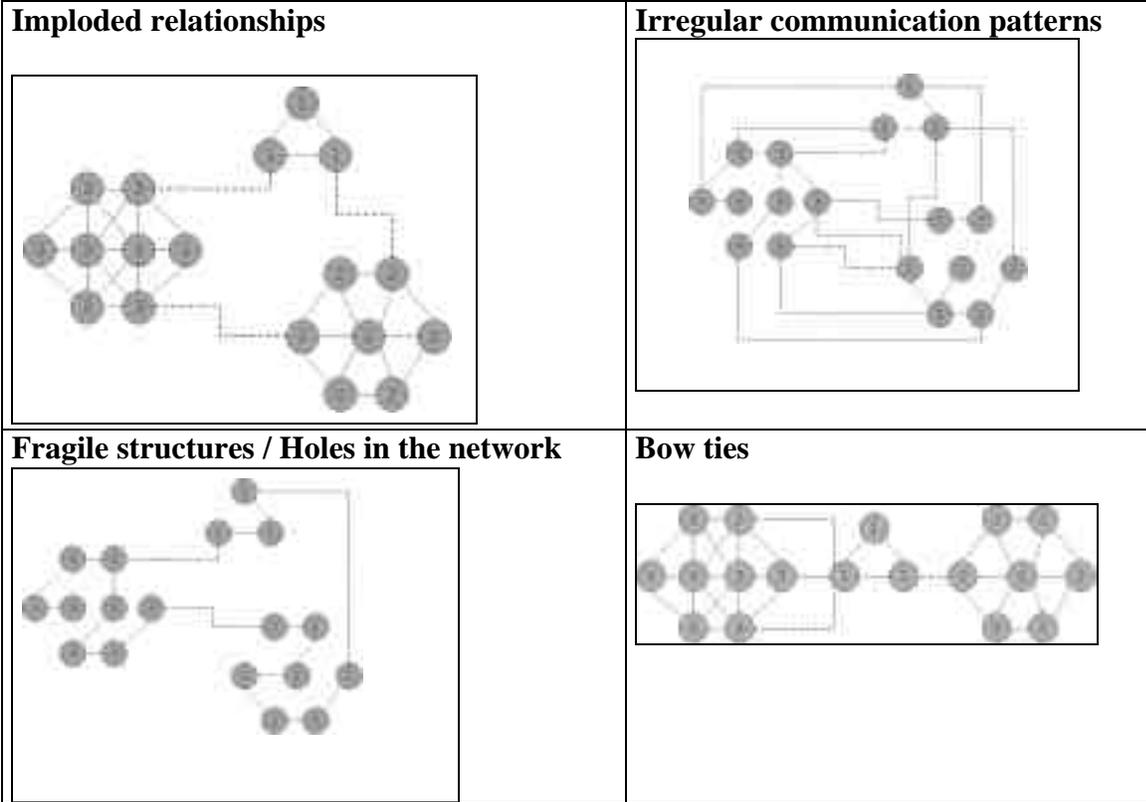
*Irregular communication patterns:* This problem is the opposite of the one mentioned above and occurs if individuals spend too much time communicating with people from other subgroups than within their own group – potentially leading to lack of cohesion, if not being the cause thereof. It is therefore necessary to balance the amount of communication internally and externally in order to avoid the extremes.

*Fragile structures:* In networks where there is a low density and a low reachability, there might be a problem in times of organizational change, since the fragile structures in the social network will not be able to transmit as much information as quickly.

*Holes in the network:* If a network experiences a high degree of clustering and a lack of openness, it is likely to lead to holes in the network, impeding the flow of communication between subgroups. This problem can be seen as an extreme of the problems with *fragile structures*.

*Bow ties:* Relating to the shape of the network, the bow ties represent the problem of two groups or clusters depending on one or few people (liaisons) to transmit information from one group to the other. Slightly better than holes in the network, the situation with bow ties represents a weakness in the network since there is a risk of a bottleneck at those points.

**Figure 3 – Potential problems in informal networks**



In Figure 3, the same three subgroups are illustrated, and dotted lines are used to show links between subgroups whereas solid lines are used for intragroup relations.

**Informal Networks in the Organizational Context**

Identifying and defining the informal networks in any organization is not a straightforward task. This has to do with the inherent lack of structure and the haphazard and implicit nature of those networks.

Krackhardt & Hanson (1993) liken informal networks in organizations with the nervous system of a living organism, whereas the bones represent the formal organization. Staying with the analogy, a superficial comparison between the skeleton and the nervous system reveals the following: A skeleton is strong but rigid, whereas a nervous system is fragile, yet flexible. The skeleton is visible (to some degree), whereas the nervous system is only felt, as a structureless entity without definite subdivisions. Without determined, close observation, it might be difficult to recognise them (Han, 1983).

Staying with the analogies for a while, another image of the informal network and its workings would be the World Wide Web. While there is only limited formal governance of the WWW, and the structures linking websites and resources seem chaotic, some implicit structure does appear at closer inspection. Some websites are more central than others solely by their content, ease of use or connection with other sites – just as some individuals in organizations have an informal position that differs greatly from their formal position.

## Formal vs. Informal Networks

Opposing formal (or *de jure*) structures in organizations with the informal (or *de facto*) networks reveals the most important differences (Han, 1983), as illustrated in Table 2:

**Table 2 – Some contrasts between formal and informal organizations**

Elements	Organization	
	Formal	Informal
<b>Salient goals</b>	Organization's	Individuals'
<b>Structural units</b>	Offices/positions	Individual roles
<b>Basis for communication</b>	Offices formally related	Proximity: Physical, professional, task, social, formal
<b>Basis for power</b>	Legitimate authority	Capacity to satisfy individuals' (often through expert or referent power)
<b>Control mechanisms</b>	Rules	Norms
<b>Type of hierarchy</b>	Vertical	Lateral
<b>Belonging of individuals</b>	Specific	Ambiguous
<b>Communication</b>	Structured	Unstructured
<b>Origin</b>	Planned	Spontaneous
<b>Changes over time</b>	Shifts	Incremental
<b>Group leadership</b>	Explicit	Implicit

Based on (Farris, 1979)

Generally speaking, the formal networks are primarily normative, since the individual's position in the formal organization is determined by a given structure in the

organization, e.g. the organizational chart. The informal network, on the other hand, has a descriptive property, since those networks cannot be dictated, merely observed and influenced at best. In that sense, the difference between formal and informal networks is like the difference between legal laws and the laws of science, where the social structures can be seen as being conditions for the organizations (Jensen, 1995).

In the literature the dichotomy formal/informal structures in organizations has often been described as official/unofficial, prescribed/emergent, etc. Since these terms can be used interchangeably to a large extent, in the following the terms formal/informal will be used primarily, while the other terms will inevitably appear in some of the quotations in this paper.

### **Informal Networks in Formal Organizations**

With the differences between formal/informal networks pointed out, it is time to take a look at the interactions between them. It is important not to view an organization as based on either of the two kinds of networks. To retrace to the analogy of the bones and nervous system of a living organism, one cannot exist without the other, and no analysis or interpretation is complete without either. However, in order to be able to describe and understand the interconnection between the formal and informal network, it is necessary first of all to acknowledge the existence of the informal network as a force to be reckoned with.

There is a widespread consensus in the literature that they coexist and supplement each other (Monge & Eisenberg, 1987; Groat, 1997) or even are so intertwined that they are hardly

distinguishable (Mintzberg, 1983a). While that might be an extreme view, it is often stated that the informal networks are heavily influenced by the formal structure, and that the dynamics of the organization is dependent on the informal networks (Reif & Monczka, 1973; Simon, 1976).

However, there is some disagreement as to whether they interact and influence each other. It is important not to simplify the formal/informal dichotomy into “good” and “bad” (Stephenson, 1998), although some authors define the formal hierarchy as nothing more than an idealized image of the internal organizational networks (Lincoln, 1982)<sup>5</sup>.

Some have argued that the interactions of individuals in organizations are often too complex to be described in the dichotomy of formal/informal (Ibarra, 1992). There can be little doubt, however, that for practitioners and researchers alike it is paramount not to overlook the informal networks in organizations and their possible implications.

Studies have shown that a manager’s apparent lack of awareness of the strength of informal networks in work settings, significantly decreases performance and has a strong adverse effect on the achievement of formal goals (Hollingsworth, 1974). To take this point a little further, Farris (1979) argues that decisions made in organizations are made by individuals or networks of individuals with goals of their own.

On the other hand, some warn against overstating the importance of the informal networks. Reif & Monczka (1973),

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<sup>5</sup> In Ibarra, 1992

among others, have shown that informal networks do not exert as big an influence on individuals as often suggested. Moreover, several respondents on that study perceived the formal organization as being more valuable in satisfying their needs. This might be attributed to the fact that formal structures have a transparency and stability which are absent in the informal networks.

What is often not fully recognised in the study of formal and informal networks is the fact that they are not mutually exclusive, since there will inevitably be some degree of informal relation between any two or more nodes in a formal network. Individuals as social beings cannot disregard basic psychological reactions when interacting with others. Even the strictest formal relation, e.g. superior/subordinate, can be void of elements of affect.

There is also evidence that there is a strong lack of research on how organizational effectiveness depends on the informal networks compared to the formal structure. (Sanders, Snijders, & Stokman, 1998). For the purpose of this paper, the following definition will be used:

*“Informal organizations affect decisions within the formal organizations “but either are omitted from the formal scheme or are not consistent with it”. They consist of interpersonal relationships that “are not mandated by the rules of the formal organization but arise spontaneously in order to satisfy individual members’ need”. (Simon, 1976)*

## **Why do Informal Networks Exist?**

Before closing the discussion of the informal networks and their roles in organizations, some of the main reasons for the existence of those networks need a little further explanation. Why do people seek these relations in a formal workplace setting? Part of the reason was stated in the first chapter: Individuals do not stop being social beings when placed in a formal workplace setting. When highlighting some of those motives for the creation and maintenance of informal networks, it is important to distinguish between conscious and unconscious reasons.

Baker (1981) and Han (1983) have identified a number of psychological functions of those informal organizations:

*Affiliation needs:* To satisfy the need for belonging to a group, individuals will tend to join networks of friendship and support. As a result, a part of one's individuality is sacrificed in order to conform to the group norms.

*Identity and self-esteem:* Conversely, belonging to a group or informal network can develop, enhance and confirm an individual's sense of identity as a result of the personal interaction.

*Social reality:* Since traditional formal organizations offer little room for emotions, feelings or sharing of personal thought, informal networks serve as an agent for structuring and supporting a shared social reality. By relying on this social reality, individuals can reduce uncertainty and stress.

*“Informal groups also help members to compensate for feelings of dissatisfaction with the formal leader, organization or official communication system” (Han, 1983)*

*Defence mechanism:* In the face of a perceived threat or general uncertainty, group cohesion can act as a defence mechanism to reduce (perceived) uncertainty and strengthen each individual’s ability to respond to that threat.

*Risk reduction:* Through diluting blame and aggregating praise, a group of individuals have a lesser perceived risk than they would have as individuals. Thus the unconscious efforts of individuals to control the conditions of their existence will lead to the creation of informal groups (Farris, 1979; Likert, 1961).

Apart from those reasons, more practical and often conscious reasons for the creation and development of informal networks also exist:

*Need to know:* One of the primary characteristics of the informal structures in organizations is their communication network, often referred to as the grapevine<sup>6</sup>. Studies have shown grapevine communication to be both fast and surprisingly accurate (Crampton & Hodge, 1998), and in situations when information is critically needed by an individual to perform the task at hand, the grapevine can prove an efficient vehicle for news and information, thus bypassing the formal channels of communication (Mintzberg, 1975).

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<sup>6</sup> For a practical introduction to understanding and using the grapevine, see (Nicoll, 1994)

*Greasing the rusty wheels:* Based on the same principles as the ‘need to know’-factor, individuals in organizations will tend to seek help from others and exchange favours to get things done, even when it entails stepping outside of the formal boundaries of the working units.

*Political manoeuvring:* One of the more conscious reasons for using informal networks, individuals might want to use the informal channels of communications to influence colleagues or superiors in order to gain an advantage in the organizational politics (Cobb, 1986; Pfeffer, 1981). A rather precise definition of organizational politics is given by Mintzberg (1983b):

*“Politics refers to individual or group behaviour, that is informal, ostensibly parochial, typically divisive, and above all, in the technical sense, illegitimate – sanctioned neither by formal authority, accepted ideology, nor certified expertise (though it may exploit any one of these)”*

This part of the paper is cordoned off by restating the implication that formal and informal networks exist concurrently and that two people who have a formal relation in one situation might have an informal relation in another. Furthermore, these same two people might have several formal and informal connections to each other, and the same informal network might be motivated by different factors over time.

## **Positive and Negative Implications of Informal Networks for Managers**

Apart from the reasons stated above, the informal networks have some interesting implications for managers. Firstly, it is important to acknowledge that managers themselves are most likely involved in a lot of informal networks inside and outside the organization. Seen from the point of view of the manager such informal organizational structures can prove both useful or problematic:

*Training/testing of future managers:* The ungoverned battleground of informal influence and political manoeuvring might prove a realistic laboratory in which future manager-candidates can be tested in their ability to balance formal and informal requirements. Both Johanson (2000) and Simon (1969) have shown that informal networks have a tendency to develop hierarchical structures, thereby creating the need for informal leaders. In contrast to the formal structures, the most important individuals or subgroups in the informal networks are not the people on top – but typically those who are in the centre of dense clusters of interaction (Krackhardt, 1994).

An interesting feature of those leadership structures is their rotational nature – since different people have different abilities, needed at different times by different people, leaders in informal networks have a tendency to be temporary and ever changing to fill the various needs of the group (Baker, 1981; Weick, 1979).

*Early warning:* Just as the grapevine – as stated in the previous section – has proven very fast and surprisingly accurate as a source of information for the employees, managers too can use

the informal communication networks as a way of gathering useful information. This can take the form of identifying problems in the organization before they grow out of hand or spotting opportunities that would otherwise be missed.

Most adverse effects of the informal networks have to do with the issue of counterproductive behaviour:

*False rumours:* Even though the grapevine is accurate most of the time, those times when it is not, it might be more likely to cause substantial damage: In the first instance, spreading and discussing a rumour takes time away from more productive tasks. Second, people acting on this false rumour will act wrongfully. Thirdly, every rumour that turns out to be false damages the credibility of the communication within the organization.

*Conflicting loyalties:* Since the relations of power in the informal networks are often independent of the formal organizational structure, situations with conflicting loyalties might easily occur. For a manager it is therefore very important to be aware of those hidden relations in order to manage successfully.

*Group thinking:* A group of individuals can easily develop their own set of norms – primarily because of those reasons stated in the beginning of this section – which can develop into a us/them situation towards other groups. Specifically in situations where cooperation is required between the two groups, group thinking can have an adverse effect on both productivity and overall organizational morale.

*Resistance to management and organizational change:* The same factors underlying group thinking can lead to a collective resistance to management in general and more specifically any attempts to change the working conditions. The norms of the group are often very strong despite – or precisely because of – their implicit nature. As reported by Mayo (1949):

*“...the working group as a whole actually determined the output of individual workers by reference to a standard, pre-determined but never clearly stated, that represented the group conception of a fair day’s work.”*

To sum up, the informal networks have strong potentials as both positive and negative influence for both managers and employees in organizations. The primary factor in this is the degree to which the goals of the individual (and subsequently the goals of the subgroup) are coherent with the goals of the organization (Sanders et al., 1998).

From a social point of view, the informal networks and subgroups in organizations are to some degree elitist and lack the checks and balances inherent in the formal organizational structure. This automatically creates in-groups and isolates, and with a reign of majority tyranny as opposed to explicitly stated norms and rules, power and influence are more shady and potentially harmful to the individual (Farris, 1979). This leads to a discussion of the interaction between the organizational culture and the informal networks.

### *Culture and Informal Networks*

Groat (1997) argues that the informal organization is not only dependent on the formal structure (as shown above) but also on the organizational culture. While this statement is hardly surprising, the implicit assumption is that the organizational culture and the informal organization are, however, not identical. On this distinction, Groat (1997) offers the following explanation:

*“The organization’s culture develops over time, is slow to change, and is reinforced by the practice of people recruiting others whom they ‘like’. The informal organization, by contrast, is quick to grow and transmute according to changing circumstance and the interaction of individuals within the organization.”*

So in relation to each other, the informal networks in an organization play the role of main carriers of information that maintain, adjust and transmit the organizational culture. At the same time the informal organization is very much a product of the culture. In this mutually dependent relationship, it is no easy task to differentiate the two. For an in-depth discussion of this relationship, see Stevenson (1996).

To add a further and necessary perspective, it might be fruitful to view them in relation with the formal organization. As seen previously the formal and informal networks are clearly distinct in theory, but heavily intertwined in organizational life. Organizational culture is about the way in which the formal and the informal interact. So if the formal organization is the circles and lines in the organization chart, the informal networks are the lines that are not drawn and the organizational culture is the paper on which the chart is drawn.

## **Propositions Concerning Informal Networks**

In this section some of the major propositions regarding informal networks will be presented along with their conclusions or indications.

**Large, complex formal organizations lead to sophisticated informal structures** (Groat, 1997): Since the formal network is the primary initiator of relations between individuals, it is not unlikely that the informal networks will develop where there is a formal one to partner. At the intuitive level it is probable that larger organizations provide a greater opportunity for larger and more complex informal structures to develop (Mintzberg, 1983b).

**Weak, formal structure leads to an informal structure to fill the gap** (Groat, 1997): In the opposite situation, where the organization is not highly formalized and the channels of communication are not clearly defined, informal networks will develop as essential and necessary means of communication within the organization (Mintzberg, 1983b; Farris, 1979).

**Well-developed, formalised communication structures which encourage links across and around conventional formal channels lead to partly usurped and tamed informal communication** (Groat, 1997): Whether a conscious measure to influence the informal communication in the organization or not, managers might have the power to influence and partly control the flow of informal communication in order to attempt to align

it to the goals of the formal organization (Etzioni, 1965; Johanson, 2000).

**Figure 4 – Propositions about the strength of the informal networks as a function of the formal network**

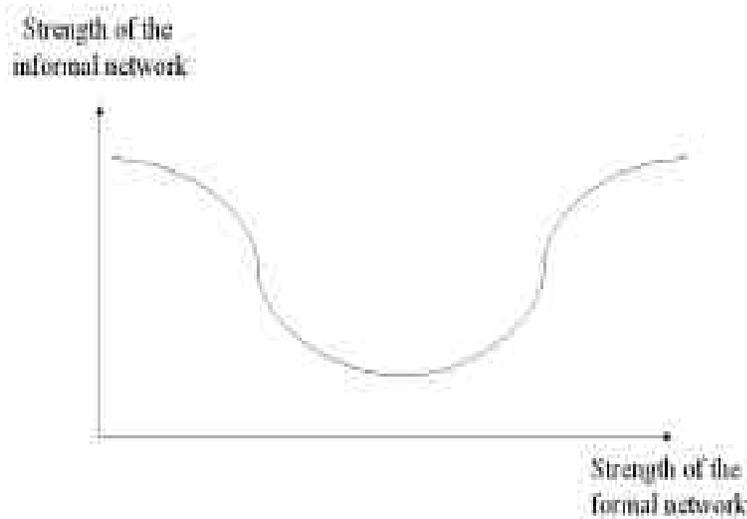


Figure 4 illustrates the connection between the three first propositions – that in the two extremes of the strength of the formal organization we would expect the strongest need for an informal organization. In an organization with moderately strong formal structures, the informal network might be active, but not as strong.

**Inversely, discouraging links around formal structures lead to informal links with minds of their own (Groat, 1997;**

Krackhardt & Stern, 1988): By actively working to counteract the informal networks is to take on some very strong opposition by the individuals in the organization, since these social relations are not planned or initiated for rational reasons but to satisfy the personal needs of the individuals. It is very likely that these networks will form none-the-less – with an inherent illicit nature – and outside of the management’s span of control.

If, however, **emergent networks are left to themselves without the aid of conscious design, they will form in ways that are sub optimal, even dysfunctional, for the organization** (Krackhardt & Stern, 1988): Linked to this proposition is the question of the extent of the alignment of the goals of the individuals/subgroups and the formal organization. The bigger the difference, the higher the expected potential harm in letting the informal organization develop autonomously (Krackhardt, 1994).

**The goals of individuals at higher levels in the organizations are more congruent with organizational goals** (Farris, 1979; Hollingsworth, 1974): Since it is very hard to find evidence for this proposition, it can only be presented as a challenge for further empirical research.

**Cultural/National differences give rise to differences in informal networks** (Hofstede, 1993; Johanson, 2000; Monge & Eisenberg, 1987): Since the link between organizational or corporate culture and the informal organization is very strong, it is highly probable that culture at a national level plays an significant role in the importance within the organization and their composition.

**Informal organizations are more valuable when the needs of the individuals in the organization are to be satisfied** (Argyris, 1957; Lawrence & Seiler, 1965)<sup>7</sup>: Since – as suggested previously – informal networks develop partially from the need of the individuals, it should follow naturally that those networks are most successful in satisfying the needs of the individual. But research by Rief & Monczka (1973) has shown that this is not necessarily the case, and that it is dangerous to overestimate the importance of the informal networks.

## **Conclusion and Perspective**

As shown by this paper, there is a large array of different ways which can describe social networks and their place in formal organizational settings. Much of this is still on an exploratory level and much more research is needed in this area.

It is often suggested in the literature that managers need to be aware of the informal networks within their organizations. While few would probably disagree with this statement, just being aware of those networks is not likely to turn any individual into a better manager. By using network-focussed tools and methods of analysis, however, managers should be able to unlock some of the potential of the informal networks in their organizations and avoid some of the inherent problems on the (inter)personal as well as the organizational level.

By having reviewed state-of-the-art literature in this field, two important points can be made: Understanding and dealing with

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<sup>7</sup> In **Rief & Monczka (1973)**

the informal networks is one of the most important challenges in organizations today. Paradoxically, however, the existing knowledge in this field remains fragmented and anecdotal at best.

Some of the major propositions in the literature were presented in this last section, but important questions are still left unanswered: To what extent can the informal networks be governed in a formal organization? In what ways does the informal organization affect the formal structure and vice-versa? How does the managing of the informal networks affect organizational efficiency as well as the managers' efficiency? What kind of management and/or leadership is needed in order to make the best of the informal networks in the organization? Are there large cultural differences in how informal networks develop and influence the formal organization?

These questions are presently not addressed and/or answered in a satisfactory manner in the literature. In consequence, they should form the starting point for future research within this field.

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