Organisational Management in Health Care

Question: Discuss the benefits of formalisation for an organisation and its managers.

Formalisation is an integral part of modern bureaucratic organisational structure. Organisations are required to adhere to formal practices and rules in order to ensure smooth functioning. The absence of rules and regulations may lead to chaos and anarchy in an organisation and behavioural uncertainty within employees. Formalisation serves as the rudder which helps steer the boat of an organisation in the right direction. This essay will discuss the merits of formalisation with regard to an organisation and its managers in a healthcare context and cite the demerits of overuse of formalisation. In addition, it will outline the challenges encountered by modern, formalised organisations and suggest possible solutions to overcome them.

There has been much academic dialogue with regard to defining the concept of formalisation. The literature on formalisation began with Max Weber’s concept of the bureaucratic form of organisation in the early part of the twentieth century (Miller 2008). An organisation is a unit with defined boundaries which functions continuously to achieve common goals of a consciously managed group of people. The majority of organisations expect employees to perform their tasks by abiding to certain rules and regulations. Formalisation is the extent to which such tasks and procedures are standardised in an organisation. The selection criteria for jobs, written rules and policies, training, orientation programs and rituals are some of the various formalisation techniques employed by an organisation. The degree of formalisation varies broadly amongst different organisations and also at different levels within the same organisation (Robbins & Barnwell 2006). Hospitals and healthcare centres are also types of organisations which function similarly and are normally formalised with regards to role requirements, duty timings and procedures.

Organisations use formalisation to standardise employees’ behaviour and even predict their behaviour in non-routine situations. The repetition of the same tasks regularly results in consistent and uniform outputs. It also yields economic benefits to employees as highly formalised jobs require lesser skills and, therefore, lesser pay. Formalisation is also useful in managing contingencies and risks. For instance, managers are restricted in working to fixed budgets, banks have stringent rules for lending funds and pilots follow strict procedures. Such practices minimise the risk of major loss that can occur from the actions of a single person (Robbins & Barnwell 2006). In general, it is anticipated that formalising helps in standardising and controlling processes to obtain predictable outcomes (Noon et al. 2013). It has also been proven by empirical studies that organisational formalisation can have a positive impact on team empowerment by reducing uncertainty within the firm and providing goal clarity and guidance. It even prevents managers from taking arbitrary and inconsistent decisions (Hempel, Zhang & Han 2012). One of the studies carried out by Bunderson and Boumgarden (2010) also suggests that self-managed teams, which are formally structured, promote better learning because in a safe and predictable environment knowledge is freely shared and conflicts are fewer. Thus, formalisation has positive implications at various levels in an organisation.

Contrastingly, it has been argued that if overused it can have detrimental effects on the organisation and its managers. Noon et al. (2013) describe that there is an optimum limit to which formalisation can be applied beyond which its basic use is undermined. Hyperformalisation may force managers to act like robots whose only intention is to comply with defined protocols and accomplish tasks. Some managers might adhere to rules in the fear of making errors and some may manipulate their decisions under the shield of formal procedures. A plethora of rules to follow commonly referred to as red tape, which may seem futile and burdensome to managers, can result in workplace alienation and in turn reduce organisation commitment and job satisfaction. It renders powerlessness to them by hampering their freedom to decision making (Dehart-Davis & Pandey 2005). Excessive formalisation of a manager’s tasks decreases their efforts to pursue different goals and does not give them the opportunities to broaden their skills, thereby negatively affecting their versatility (Mom, van den Bosch & Volberda 2009). Hence, formalisation should be used discreetly and one should not allow it to overpower the basic aim of the organisation. It should be used in such a way that it promotes and accommodates other elements required for organisational growth.
The traditional concept of viewing formalisation as basically restrictive needs rectification - instead formalisation can coexist with other components of an organisation to produce superior outcomes. Formalisation and decentralisation seemingly appear to contradict each other with the former limiting the autonomy and discretion of employees and the latter working in reverse. However, complex institutions with multiple hierarchical structures require the implementation of both these techniques simultaneously in order to obtain improved results. For instance, under decentralisation, nurses should be allowed to make impromptu decisions in emergency situations when the treating physician is unavailable instead of adhering unquestioningly to set standards. Yet, on a daily basis under formalisation, they should perform their scheduled tasks including timely medications and temperature measurements to ensure safety and quality in the hospital (Meirovich, Brender-Ilan & Meirovich 2007). It should also be noted that while decentralisation empowers lower level organisational staff to make decisions, formalisation sets boundaries and guides them to make consistent decisions (Hempel, Zhang & Han 2012).

The rigidity of formalisation is also believed to limit knowledge integration and innovation. Nevertheless, process formalisation is proven to foster innovation performance by providing structure and rules for innovation (Labitze, Svoboda & Schultz 2014). Further, organisational routines that encourage regular interaction by employees are believed to enhance knowledge integration by providing a platform for shared ideas (Patnakaykuni, Ruppel & Rai 2007). Another study also proved that formalisation and flexibility, which may seem mutually exclusive, can actually complement each other. It is suggested that formal rules can be used as a tool kit of options and the decision to apply them according to circumstances should be vested with managers (Matteis 2014). This shows that properly designed procedures can foster organisational growth.

Various studies explain the importance of using formalisation with other beneficial strategies. It is imperative to generate organisational ambidexterity by coherently using formalisation together with other organisational components. Furthermore, it is important to consider that the effectiveness of formalisation depends on the extent to which set rules are followed and not on how well they are defined. Diverge of formal procedures can undermine their basic utility and hinder the progress of an organisation. Hence, it is vital to be clear about the optimal level of formalisation for an organisation and leverage this to achieve desired outcomes. Hence, formalisation can steer the progress of an organisation if used carefully and prudently.

Reference List:


Miller, C.Z. 2008, Formalization and innovation: an ethnographic study of process formalization, ProQuest, USA.


Robbins, S. & Barnwell, N. 2006, Organization theory: concepts and cases, Pearson Education Australia, Frenchs Forest, N.S.W.