



ANALYZING THE IMPACTS OF INFORMAL ORGANIZATIONS ON FORMAL ROUTINES IN A NETWORKED ORGANIZATION

Mohammad Ali Sarlak

Management Department, Payame Noor University, Tehran Branch, Tehran, Iran

Yashar Salamzadeh

PhD Scholar in Human Resources Management, Payame Noor University, Tehran Branch, Tehran, Iran

ABSTRACT

After running a business and defining its formal routine, the informal structure will be created simultaneously so that no manager can prevent emerging it. In other words, there are many various companies and enterprises that follow both formal and informal structures and no corporation can be found without one or both mentioned structure(s). Among the aforesaid corporations, those which their top-managers decide to have a well-networked organization will be able to attain their objective and obtain the competitive advantage. Furthermore, in an organization, the informal structures may accelerate or reduce the work processes and it's so important that the structure will be well-established and robust enough to enable the employees to handle the related jobs. On the other hand, both formal and informal organizations are vital for running a business and assure the survival of the enterprise in a competitive environment; but sometimes one of these two structures probably interfere the work procedures or approaches. In this case, mitigating the negative impacts of informal organizations will be necessary for the future of the enterprises. Thus, in this research, we have focused on the advantages of formal and informal organizations and then we have analyzed the impacts of informal organizations on formal routines by measuring the above-mentioned impacts.

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Keywords: Informal organizations, Networked organizations, Formal routines, Tehran, Neighborhood councils, Informal networks.

1. INTRODUCTION

In this world of business and competition, focusing on optimal organizational structure as well as personnel core competencies may probably lead the enterprise to a competitive advantage. Running a business by defining the formal structure will create informal organizations later on, and therefore, utilizing optimal usage of human resources collaborations together with their talents in managing the organizational affairs has a key role in profitability and survival of current

enterprises. On the other hand, the companies that work in the third millennium are the networked organizations which do not have any option unless having both formal and informal structures so that their informal share is somehow dominant in comparing their formal one. Advances in technology as well as the variety in customer demands have forced the firms to seek for new trends of finding customer satisfaction. Thus, utilizing the networked organizations is one of the measures can be taken to meet the customer needs, specifically if the various structures inside the firm reinforce each other. Networked organizations equipped with the computer systems will facilitate the formal routines and also enable the employees to utilize the collective wisdom for handling their assigned works. In addition, networked organizations provide a possibility for more informal structures in comparison with the conventional organizations. Therefore, the informal structures are empowered enough to either support the formal routines or negatively act as an interference for a corporation.

Attention must be paid that a human being is not able to live without having social relations with others and that's why the informal organizations will appear after introducing formal routines. Hence, the most important strategy is to make alliance between individual and organizational goals and in this case, informal structures will have positive effects on the formal routines. Negative impacts of informal organizations will arise when the employees are not satisfied with their work and do not feel fair in their wages and rewards. In this case, some employees form informal organizations and mix the real news with rumors to fight with the top-management strategies. For preventing this problem, the CEOs and specifically the board of directors can rely on corporate governance and try to make transparency, responsibility, and accountability in their annual reports as much as possible. Although the concept of corporate governance was discussed for public society, it seems it will be efficient for awareness of private companies' stakeholders and shareholders as well. Also, lack of trust in internal branding may act as an accelerator in personnel dissatisfaction and each type of dissatisfactory may create an informal organization with negative impact (s). The employees' loyalty can lead to internal branding and subsequently it will result both in customer satisfaction and a competitive advantage for the firm.

Another approach for aligning the individual and organizational goals to mitigate the negative impact of informal organizations is to create the suggestion system. As academic institutions send call for papers for submitting articles to the related conferences and seminars, it will be a good idea if CEOs ask their employees in all organizational levels to present their suggestions in order to improve the functional trends in their organizations. This may be implemented as *Call for Submitting Suggestions*. After receiving the suggestions, they must be discussed and analyzed in a committee and then the feedbacks can be announced to the personnel in order to motivate them for further suggestions. When the employees observe their roles in modifying the internal processes, they strive to align the informal organizations they belong to with the organizational goals and thus, the positive impacts of informal organization on formal routines will lead to achieving the firm to its long-term and short-term objectives. In this study, we have focused on the topics of informal organizations, networked organizations, and formal routines as well as their definitions; and subsequently the positive and negative impacts of informal organizations on formal routines have been analyzed.

2. LITERATURE REVIEW

According to [Stamps and Lipnack \[1\]](#), the word network was originally a descriptor just for concrete things like airline routes, road systems, and telecommunication webs. They also address that *network* has been used more broadly nowadays to describe groups of people with connections that cross boundaries. In addition, based upon a 2012 study by [Schweer, et al. \[2\]](#), well-networked organizations deliver higher market share and profits than less-networked companies. On the other hand, Waldstrom in his 2001 study argues that 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). Moreover, as stated by [Borgatti and Foster \[3\]](#), a network is a set of actors connected by a set of ties so that the actors (often called “nodes”) can be persons, teams, organizations, concepts, etc. and ties connect pairs of actors and can be directed (i.e., potentially one-directional, as in giving advice to someone) or undirected (as in being physically proximate) and can be dichotomous (present or absent, as in whether two people are friends or not) or valued (measured on a scale, as in strength of friendship). Like any other structure, networks include formal and informal divisions that both of them will be crucial for an organization. It's not possible to find a formal structure routine without an informal structure. According to [Diefenbach and Sillince \[4\]](#), despite all organizational change towards flatter and postmodern organizations, hierarchical order is quite persistent. We believe that if an organization contains a well-networked structure, it can be a competitive advantage for it. According to a 1993 study by [Grabher \[5\]](#), small and medium-size firm networks drew intense interest as competitive resources in specific industries. In addition, based on [Podolny and Page \[6\]](#), every form of organization is a network. [Krackhardt and Hanson \[7\]](#) liken informal networks in organizations with the nervous system of a living organism, whereas the bones represent the formal organization. In addition, based on [Waldstrom \[8\]](#), with the differences between formal/informal networks, the interactions between them is very important. He adds that "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". Also, [Han \[9\]](#) states that it might be difficult to recognize the informal organizations without determined and close observation.

[Waldstrom \[8\]](#) defines four main contents for informal networks as stated below:

1. Affect (friendships, trust and intimate relations),
2. Political (influence, power, authority),
3. Production (advice, exchange of technical/instrumental knowledge and innovation), and
4. Cultural (communication and flow of information).

Together with the formal routines, informal organizations usually emerge in many firms. The main reason for arising informal structures in an organization may surely be the human communications. In general, mankind needs social relations and without having communication, something is missed for a human being. Thus, the informal organizations are necessary for each enterprise; and the only issue that changes the informal structures into destructive tools for the firms can be their negative impacts on formal routines. According to [Kraut, et al. \[10\]](#), "individual members of groups need to communicate with each other to accomplish their production and social functions, and within organizations, groups need to communicate with other groups. The

communication they use is both formal and informal". In addition, based upon a 2011 study by Arshad, informal social networks provide informal structures of opportunity (or in some cases, barriers) that may facilitate (or hinder) access to a variety of resources, meanwhile informal social networks provide an opportunity for individuals to share information and resources. Based upon a 2002 research by Chan, informal structures – the ones that emerge rather than are mandated – are gaining greater importance. He adds that it is hard to argue with the idea that a significant number of the rules that determine organizational behavior are not written. Rather, they are a combination of explicit and implicit values, beliefs, and assumptions.

Jensen [11] addresses that the formal organization is determined by a given structure in the organization (e.g. the organizational chart), and the informal network, on the other hand, has a descriptive property. He also adds that 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. In addition, Based on Treslan [12], quoted from Knezevich [13], "the informal organization grows out of interpersonal transactions deriving from the many clusters of informal influence groups having either a positive or negative impact on the formal organization itself". Also, 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 [8]. In addition, based on [14], informal networks work cross-functionally, and members can discuss their job-related issues with their peers and find solutions to situational problems. On the other hand, Informal systems of human relations are used within formal structures in order to advance their objectives [15]. Moreover, Han [9] argues that opposing formal structures in organizations with the informal networks reveals the most important differences as illustrated in Table 1.

Table-1. Comparing the elements of formal and informal organizations

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

Corporate management should correctly deal with the informal organization, a reasonable guide to play its active role in the informal organization, and effectively limits the scope of its negative side effects, resolving management issues arising in the process, so that the informal

organization is conducive to formal organization goals [16]. Once an informal organization appeared, it will penetrate with formal organization, and work on the activities formal organization in every aspect, especially in human resources management. The emergence of informal organization, internal rules and influences determine that it must be held by right attitude to bring the positive role of informal organization into full play in the process of management [17]. In spite of many leaders' concern that the informal organization operates by its own rules, its impact on performance doesn't need to be left to chance. By considering how the informal organization can support the formal, and by managing each in its own way, leaders can guide the informal organization and achieve results beyond what their formal organization alone can deliver [18]. According to Jirotko, et al. [19], organizations have often been seen as structures which can be divided into hierarchically ordered parts or as networks of informal relations. They add that cooperative work is not hierarchically organized, because the organization of cooperative work is relatively flat and has an informal character; meanwhile it relies heavily on horizontal communication. The informal structure cannot be separated entirely from the formal organization structure because it brings together an organization's socio-technical systems (including work, technology, people, processes, structures and information) [20]. On the other hand, Waldstrom [8] argues that formal structures have a transparency and stability which are absent in the informal networks. Moreover, Molina [21] believes that the degree of correspondence between formal and informal organizational chart is very high. In fact, one structure cannot be understood without the other and the power strategies of the participants depend on the degree of alignment between the two structures. Also Pretorius in his 2004 research declares that the organization can be divided into two components, namely the formal organization with its observable components and the informal organization with the hidden components of psychological processes and behavior implications. He continues that in the formal organization the considerations are structural, rational and observable, and problems here can be solved by changing goals and objectives, policy and procedures, reporting structures, performance agreements, and delegated authority.

Waldstrom [8]; quoted from Baker [22], Han [9], Farris [23], Likert [24], Crompton and Hodge [25], Mintzberg [26], Cobb [27], and Pfeffer [28] together with his viewpoints; addresses a number of psychological functions of informal organizations have been identified as follows:

1. Affiliation Needs: need for belonging to a group and tend to join networks of friendship and support,
2. Identity and Self-Esteem: developing, enhancing and confirm an individuals sense of identity as a result of the personal interaction,
3. 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,
4. Defense Mechanism: In the face of a perceived threat or general uncertainty, group cohesion can act as a defense mechanism to reduce (perceived) uncertainty and strengthen each individual's ability to respond to that threat,
5. Risk Reduction: Through diluting blame and aggregating praise, a group of individuals have a lesser perceived risk than they would have as individuals,

6. Need to Know: individuals need information to perform the task in hand and the communication network (often referred to as the grapevine) can prove an efficient vehicle for news and information,
7. 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 favors to get things done, even when it entails stepping outside of the formal boundaries of the working units,
8. Political maneuvering: 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.

According to a 2000 study by Gibson et al. (quoted by Pretorius [29]), the informal components are as follows:

- Emergent power and influence patterns
- Personal views of organization and individual competencies
- Patterns of interpersonal and group relationships
- Group sentiments and norms
- Perceptions of trust, openness and risk-taking behaviors
- Individual role perceptions and value orientations
- Emotional feelings, needs and desires
- Affective relationships between managers and employees
- Satisfaction and development
- Effectiveness measurements

They (Gibson et al.) also name the formal components as appeared below:

- Job definitions and descriptions
- Departmentalization bases
- Span of control and hierarchical levels
- Mission, goals and objectives
- Operating policies and practices
- Personnel policies and practices
- Production and efficiency
- Effectiveness measurements

Formal structures usually involve a chain of authority and communication in an organizational setting [30]. Pretorius [29] quotes that the greater the scope and intensity of the problem, the more likely the problem will be found in the informal components. He also adds that the greater the depth of the intervention into the informal organization, the greater the risk of failure and the higher the cost of change. Enterprise strategists have long been aware that the "informal organization" has tremendous influence on business success or failure [31, 32]. Chan [20] believes that the informal structure can dramatically influence an organization's performance, and can also be strategically utilized. He adds that "although the informal structure is in part intangible, managers can influence its development. It has been stated that "we 'engineer and build' the formal organization; we 'plant and cultivate' the informal organization.". In a 2001 research by Boone and Ganeshan [33]; quoted

from Midgley, et al. [34] and Zander and Kogut [35], it has been argued that information is more likely to be shared formally and informally within departments than between departments.

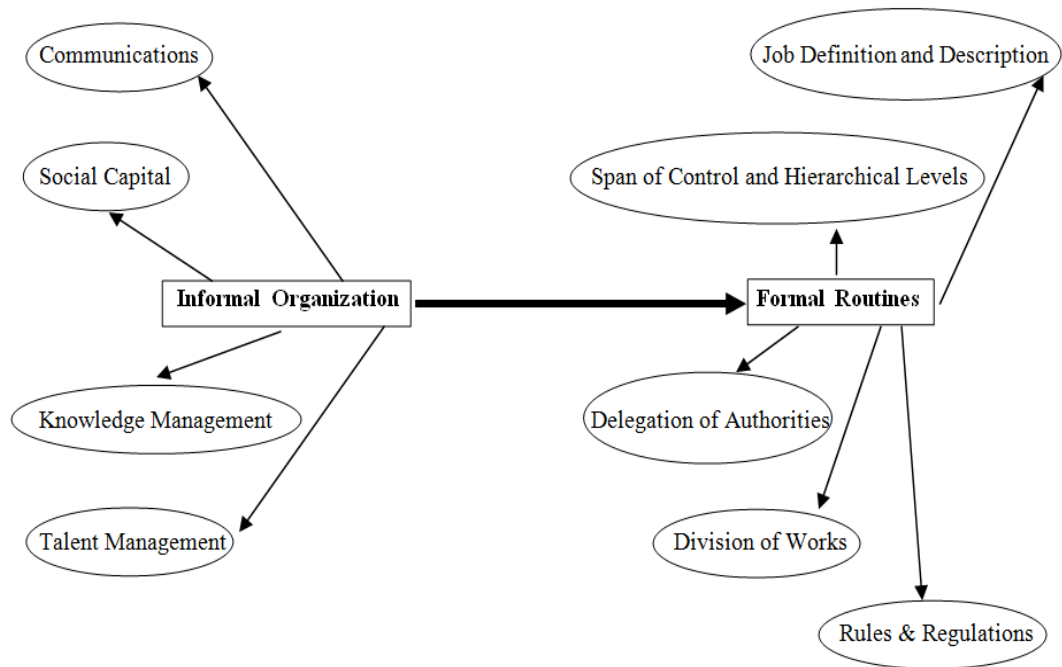
One of the necessities of informal structures in the organizations is their usage in R&D divisions. Those who are creative and enthusiastic in inventing new products or services, may not be able to follow formal structures intrinsically. They also can pose considerable effects on formal structures and are robust sources for supporting their firms. According to Kraut, et al. [10], informal communication is frequent in R&D organizations and it aids organizational members in learning about each other and their work. It also supports both production work and the social relations that underlie it meanwhile, it provides a critical facility that collaborators rely on to start joint work, maintain it, and drive it to conclusion. Organizational culture will have a vital role in creating the informal structure and it can be a reason for a firm's achievement. According to Chan [20], one precondition for successful alignment of the informal structure may be a positive company culture. In addition, based on Molina [21], in the early 20th century the Hawthorne experiments began a line of research centered on the analysis of informal relationships as a source of influence in organizational environments. Waldstrom [8]; quoted from Johanson [36] and Simon [37] together with his viewpoints; addresses some interesting implications for managers as follows:

1. Training/testing of future managers: The ungoverned battleground of informal influence and political maneuvering might prove a realistic laboratory in which future manager candidates can be tested in their ability to balance formal and informal requirements. Informal networks have a tendency to develop hierarchical structures, thereby creating the need for informal leaders.
2. Early warning: Utilizing informal communication networks as a way of gathering useful information for identifying problems in the organization before they grow out of hand.
3. False rumors: 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 rumor takes time away from more productive tasks. Second, people acting on this false rumor will act wrongfully. Thirdly, every rumor that turns out to be false damages the credibility of the communication within the organization.
4. 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.
5. 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.
6. 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.

Social capital includes both informal and formal elements, consisting of relationships within and between social networks of family and friends and organizational structures such as community organizations, businesses, and different levels of government [15]. While informal social networks are key in providing support to individuals, they do not operate in a vacuum. They occupy the interdependent, mutually reinforcing and reciprocal space between individuals, formal organizations and the communities (either local, global or virtual) in which people live. All these facets are inextricably linked with the way we routinely understand our lives [38]. Knowledge management is a concept that can be enriched by both formal and informal organizations. As stated by the Australian Bureau of Statistics [39], the flow of knowledge through formal and particularly informal networks is seen as highly productive in a knowledge based economy. In addition, according to a 2010 study by Andrews [40], flatter or more informal organizational structures can encourage better knowledge transfer across the organization. Collaboration and Knowledge Management efforts can also help address needs of the informal organization when these efforts are properly linked to human capital management programs that improve HR and employee talent strategies [31, 41]. In addition, flatter or more informal organizational structures can encourage better knowledge transfer across the organization [42].

3. CONCEPTUAL MODEL OF THE RESEARCH

According to the above-mentioned literature, a conceptual model for the research can be presented as follows:



4. METHODOLOGY

The current research is applied research from aim point of view and from the point of view of research method is a descriptive – correlation research.

We used a researcher developed questionnaire for our study in order to testing its validity (content validity) the opinion of experts, professors and human resource experts in 4 focus groups have been used and its validity is confirmed and is acceptable. But for testing the reliability of the used instrument, coefficient of Cronbach's Alpha has been used. The calculated coefficient of Cronbach's Alpha for both the questionnaires in this study, for informal organization variable and formal routines variable is 0.881 and 0.922 respectively and due to the fact that both of these coefficients are a value bigger than the obtained coefficient of Cronbach's Alpha equal to 0.7, therefore both questionnaires are having a proper reliability.

4.1. Sample and Research Population

This study is done on Tehran Neighborhood Council members which is a sample of networked organization. According to sampling formula for unlimited population we decide to distribute the questionnaires in 384 council members. (Total number of them is 3740 people) We gathered 320 questionnaires which it means we have about 84% return rate in our research.

4.2. Research Hypothesis

In this research we had 1 main Hypothesis and 9 sub-hypotheses.

The main Hypothesis is about to evaluate the relationship between informal organizations and formal routines And 9 other hypotheses want to evaluate the importance of different dimensions of informal organizations on this issue on one hand and the weight of different dimensions of formal routines on it on the other hand. For analysis of the obtained data inferential statistics methods have been used. This study is testing the hypotheses and analyzing data with the use of inferential statistics including Kolmogorov - Smirnov test, Pearson's correlation test, regression analysis and t-test.

5. FINDINGS AND DISCUSSION

For testing the data to be normal or abnormal, the Kolmogorov - Smirnov test has been used and the result indicate that research data are normal, hence Parametric tests have been used to data analysis. The results of tables 1 and 1 indicate that the obtained data from respondents are normal.

Table-2. Testing normality (Kolmogorov - Smirnov test) for informal organization dimensions

Variable	Sig (significance level)	α (error value)	Hypothesis confirmation	Result
Communications	0.223	0.05	H0	Normal
Social Capital	0.210	0.05	H0	Normal
Knowledge Management	0.234	0.05	H0	Normal
Talent Management	0.109	0.05	H0	Normal
Informal organization	0.188	0.05	H0	Normal

Table-3. Testing normality (Kolmogorov - Smirnov test) for Fomal Routines dimensions

Variable	Sig (level)	(significance α value)	(error Hypothesis confirmation)	Result
Rules & Regulations	0.224	0.05	H0	Normal
Division of Works	0.401	0.05	H0	Normal
Delegation of Authorities	0.201	0.05	H0	Normal
Span of Control and Hierarchical Levels	0.271	0.05	H0	Normal
Job Definition and Description	0.351	0.05	H0	Normal
Formal Routines	0.453	0.05	H0	Normal

Therefore; since all the data are normal, we should use parametric tests. Hence, for normal variables the one-sample student t-test is used and for correlation test, the Pearson's coefficient correlation is used.

Table-4. Results of T-test for Informal Organization dimensions with a mean of 3

Variable	T-value	P (significance level)
Communications	3.625	0.002
Social Capital	4.232	0.000
Knowledge Management	3.101	0.006
Talent Management	3.089	0.021
Informal organization	3.483	0.029

Based on the obtained results for one-sample t-test, it can be said that all dimensions of informal Organization in Tehran Neighborhood Councils has a significant difference with the mean value of 3 and In general, the status of informal organization in Neighborhood councils of Tehran evaluated high and above the average. Especially their Social capital and Communications are higher than the other dimensions in this networked organization.

Table-5. Results of T-test for formal Routines dimensions with a mean of 3

Variable	T-value	P (significance level)
Rules & Regulations	3.615	0.010
Division of Works	3.253	0.022
Delegation of Authorities	3.007	0.006
Span of Control and Hierarchical Levels	3.111	0.003
Job Definition and Description	4.089	0.000
Formal Routines	3.613	0.017

Based on the obtained results for one-sample t-test, it can be said that all dimensions of formal Routines in Tehran Neighborhood Councils has a significant difference with the mean value of 3 and In general, the status of formal routines in Neighborhood councils of Tehran evaluated high and above the average. Especially their Job Definition and rules and regulations are higher than the other dimensions in this networked organization.

Table-6. Correlation test results

Variables	Sig	Error value	Results	Coefficient correlation value
Communications and formal Routines	0.020	0.05	Existence relationship of	0.581
Social Capital and formal Routines	0.025	0.05	Existence relationship of	0.644
Knowledge Management and formal Routines	0.032	0.05	Existence relationship of	0.192
Talent Management and formal Routines	0.020	0.05	Existence relationship of	0.108
Informal organization and Formal Routines	0.018	0.05	Existence relationship of	0.479

Since the calculated correlation in 0.05 level for the tests of two intervals are bigger than the critical value, therefore; the null hypothesis (H0) indicating non-existence of a significant relationship between two variables of informal organization dimensions and formal Routines is rejected and it is concluded that a direct and significant relationship exists between them.

For the purpose of evaluating the share of each of the independent variables (dimensions of informal organization) in the whole concept of informal organization of we use multiple linear regression.

Table-7. Results of Regression analysis for fixed value

Sig	T-statistics	Standard coefficient	Non-standard coefficient
0.000	6.794	-	0.822

Since the value of significance level is equal to 0.000 and smaller than error vale (0.05) (the absolute value of t-statistics is bigger than the value of 1.96) and hence with a certainty of 95% we know that fixed value remains in the model and the value of this fixed value is equal to 0.822 .

Table-8. Results for regression analysis for informal organization variables

Variable	Sig. level	t-statistic	Standard coefficient	Non-standard coefficient (β)
Communications	0.000	7.041	0.230	0.281
Social Capital	0.001	2.559	0.055	0.385
Knowledge Management	0.010	7.990	0.304	0.203
Talent Management	0.020	2.482	0.218	0.109

Since in the four dimensions of informal organization, the value of significance level is smaller than the error value which is equal to 0.05, (absolute value of t-statistics is bigger than 1.96) with certainty of 95% it can be stated that all of them have effect on Informal Organization in Tehran Neighborhood council members. Therefore these variables remain in the model. Therefore the final equation for informal organizations would be as following:

$$Y = 0.822 + 0.281x_1 + 0.385x_2 + 0.203x_3 + 0.109x_4$$

6. CONCLUSION

According to the structure and function of Tehran Neighborhood Councils which is a good example of a networked organization, perfect communications between this organization and society influences the way they do their tasks. So we need to pay more attention to informal organizations in Tehran Neighborhood Councils. Informal Organizations in networked organizations greatly facilitate their activities and even their strategic goals.

These informal structures can improve the social role of Neighborhood Councils and resulted social capital directly influences on life quality of the citizens. Analyzing the relationship between informal organizations and formal routines in neighborhood councils will result to a better view of these issues and then it will become possible to empower them in a better manner.

Also according to the importance of this organization in public management, we have to know that in the way of closing to principals of Good Governance and transparency, responsibility and accountability, we need to recognize and manage informal organizations in them.

On the other hand as Tehran neighborhood councils are volunteer organizations, people's interest to become a member of this organization influences a lot on their productivity. So it becomes more important to pay attention to the relationship between Neighborhood councils and informal organizations. Also because of the flexible borders of these councils, there are some opportunities for expanding their field of influence in the society and it also shows the importance of informal organizations and communications in these organizations which helps them to present better results for society. As mentioned before we have to remember that different aspects of informal organizations are closely related to Neighborhood Councils. For example we can mention below issues:

1. Affiliation Needs: need for belonging to a group and tend to join networks of friendship and support, which is one of the most important motivations of citizens to become a member of Neighborhood Councils.
2. Identity and Self-Esteem: developing, enhancing and confirm an individuals sense of identity as a result of the personal interaction, which is one of the most important outcomes of becoming a member of Neighborhood councils especially between neighbors.
3. 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, which we can call it the spirit of the city which is a shared value between Council members.
4. Defense Mechanism: In the face of a perceived threat or general uncertainty, group cohesion can act as a defense mechanism to reduce (perceived) uncertainty and strengthen each individual's ability to respond to that threat, and it is also seen in neighborhood councils according to their policy making and supervision power for their local area.
5. Risk Reduction: Through diluting blame and aggregating praise, a group of individuals have a lesser perceived risk than they would have as individuals, which is present in Neighborhood councils the same as many other organizations.

6. Need to Know: individuals need information to perform the task in hand and the communication network (often referred to as the grapevine) can prove an efficient vehicle for news and information, and it is also an important issue in Neighborhood councils.
7. 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 favors to get things done, even when it entails stepping outside of the formal boundaries of the working units,
8. Political maneuvering: 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, which is an important leverage for neighborhood councils to act in city management system.

As we can see Neighborhood councils have a significant relationship with informal organizations and policymakers have to remember this in their plans and policies about these councils.

In this research we also find out that there is a significant relationship between informal organizations and formal routines in Tehran Neighborhood Councils.

We find out that in 5 dimensions of formal routines the best situation relates to "job definition and Description" and then "rules and regulations" which shows that they have good rules and regulations and know what they should do in their routine job.

But we see that they do not have a good situation in "delegation of authorities" and "span of control". It shows that policy makers have to plan for running a system to increase their authority, which now it is not enough for supervision and control all related activities of city governance organizations.

It's the lost ring in control and authority chain of Tehran Neighborhood Councils, which needs more attention to be paid to.

On the other hand, analyzing the situation of informal organizations in Tehran Neighborhood Councils showed that "social capital" and "communications" have a good situation. It is clear that after more than 10 years of activity, these councils have been able to become a source of social capital for Tehran and they have a good communication with citizens and also public organizations.

But in this dimension, "knowledge management" and "Talent management" are not in a good mood. So policy makers have to plan to run some knowledge management systems and they also can use it as a tool for talent management. Managers have to be aware that if they do not pay attention to this important issue, most of knowledge produced in this councils will. Also now there is no talent management system in Tehran Neighborhood councils which shows that still its policy makers are not thinking about the future of these councils in a proper way.

On the other hand, results of table 6 show that social capital and also communications (two main dimensions of informal organizations have a good and significant relationship with formal routines in Tehran neighborhood Council which it should be get more attention from the policy makers.

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