



Empirical Analysis of the Effects of Informal Relations on Banks at University Campus

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Authors' contributions

This work was carried out in collaboration between all authors. All authors read and approved the final manuscript.

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ABSTRACT

This study examines the impact of informal relations on banks (Eco bank, Stanchart, United Bank for Africa, Barclays, Ghana Commercial Bank, and Cal Bank) at KNUST campus. Social survey was the design used for this study. The population of study was all workers of all banks on KNUST Campus. The sample size for the study was fifty-four (54) consisting of six (6) managers and forty-eight (48) working staff from the various banks. The simple random sampling technique was employed to select the sample. Additionally, purposive sampling technique, which is a non-probability sampling method, was used to select the various managers who participated in the study. The data used for this study included both primary and secondary. Closed ended questions were used to collect the primary data. In analyzing the data collected from the field, both quantitative and qualitative methods of analysis were used. From the study, it was evident that employees who interacted informally and participated in informal groups increased their capacity to be creative and express new ideas which positively reflected in their performance. Again, it came to light that managers sometimes failed to realize there were informal group pressures within their organizations which influenced and determined employees' behavior. It was recommended

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that managers should critically look at informal relations and explore means that encourage employees to relate informally in relation to the objectives of the organization. In addition, managers should make efforts to check rumours since untrue information perpetuated by dissatisfied employees can affect the morale of other employees. It must be emphasized that informal relations is a natural, social and psychological need of employees and therefore managers need to study the informal group to discover ways in which the interests of informal groups can combine with the interest of the formal organization for higher productivity.

Keywords: Informal relations; banks; organizations; formal institutions; role; networks; communications.

1. BACKGROUND OF THE STUDY

Swift developments of technology and vibrant environment have increased the role of the human reserve as capital for an organizations' competitive advantage. Employees and organizations establish communications with each other that are not formed or thought-out by official systems to various causes such as common interests and goals. These kinds of communications are self-created and autonomous of official channels [1].

Organizations create a formal network of communication, which determines the line of authority and activities to achieve organizational goals. [2] argue that formal groups have public identity which is acknowledged by management. Previous surveys mentioned positive effects of group-building and team working on organizations. For instance, [3] argued that groups can solve problems faster and improve efficiency. Therefore, the attention of management to formal groups has increased rapidly. Controversially, informal groups are formed within formal systems and they rise spontaneously as people work together. Informal groups are built on the basis of common interests and friendship without management control. Although informal groups play important roles in organizations, managers sometimes fail to realize that there are often informal group pressures within every organization which influence and determine employees' behavior [1].

1. Studies have shown that, a manager's apparent lack of awareness of the potency of informal networks in work settings significantly decreases performance and has a strong adverse effect on the achievement of formal goals [4]. To take this point a little further, [5] argues that decisions made in organizations are made by individuals or networks of individuals with goals and aims of their own.

On the other hand, some warn against overstating the importance of the informal networks. [6] among others, have shown that informal networks do not exert as big an influence on individuals as often suggested. [7] regards an informal relation as the network of social or personal and social relations which are not defined or prescribed by the formal organization.

Many studies have been done demonstrating that informal relations have a strong effect on organizational effectiveness by influencing on both employees and superiors' functions. However, there are notable gaps in literature on the empirical examination of whether or not informal relations would affect organizational performance positively [1]. For instance, studies by [6] showed that informal relations and networks do not exert as big an influence on organizations as other literature suggests and therefore the controversy of whether informal groups are positive entities in organizations remains unidentified wholly. Hence, to be explicit on the usefulness or otherwise of informal relations in the Ghanaian perspective on banking institutions, we carry out this study.

To this end, this study seeks to identify how banks situated at Kwame Nkrumah University of science and technology (KNUST) campus can use informal interactions within them to boost performance and empirically examine whether managers of banks at KNUST are aware of the existence of informal relations in their organization.

2. LITERATURE REVIEW

2.1 Meaning of Informal Relations

According to [8] informal relations depends on human whims and personal conduct. It is a contact between two or more persons, whether working in the same formal organization or in different formal organizations, for certain ends.

Such contacts may be entirely informal in nature and have nothing to do with the aims and objectives of the formal organization in question. On the other hand, such contacts although informal may be made with the purpose of meeting the aims or objectives of the formal organization [9].

[8] further continues to explain that informal relations have neither a formal chain of command nor a span of control and management-subordinate relationship in the informal organization is due primarily to personal admiration, respect and appreciation that exist between them.

2.2 Influence of Informal Relation on the Performance of Workers

[10] cited in [1] declared that workers usually do not accomplish their duties by all of their power because formal authority often cannot motivate employees completely. Additionally, formal authority has forced employees to show certain behaviors standardized by regulations so they contract their efforts and avoid being innovative and creative. On the other hand, informal organizations are the interlocking social arrangement created to answer employees' social and psychological needs because people need to feel they are part of something. According to the social identity theory, employees would be satisfied by the sense of belonging which stimulates the process of motivation, enthusiasm and improved self-esteem, resulting in high level of performance [11].

Formal communication arranged by management are most likely unidirectional and underprivileged while informal groups develop informal communication net that is spontaneous, interactive, and more effective because of the lack of pre-specification [12,13]. Furthermore, this informal communication net in informal groups allows members to be informed through the grapevine management actions which will affect them in many ways. Spontaneously, group awareness increases when the sharing and dissemination of information increases so informal communication can add value [14]. Additionally, group members are able to reduce the amount of stress and emotional pressures related to their duties through interactive processes in informal groups thereby improving their efficiency and resulting in increased productivity [1].

However, ill-informed employees can also use the grapevine to communicate unverified and untrue information that can have devastating effects on employees. This can undermine morale and self confidence, establish bad attitudes, and often result in deviant or, even violent behaviors which eventually decrease employees' performance on the job [9].

[15] cited that informal groups form an innovative environment by sharing and modifying job problems. Similarly, [16] expressed that the high level of participation and argument in informal groups potentially increases employees' capacity to be creative and express new ideas which positively reflect in their performance and enhance productivity.

Furthermore, a research conducted by [17] showed that employees who join informal groups in formal organizations get more autonomy and participation in managerial activities in comparison with employees who do not bond with informal groups. Their participation in managerial activities enabled them to take part in the decision making process which had an important implication on their performance. They felt obliged to the decisions made therefore increased the effort they put into work thereby increasing their performance [..].

2.3 Negative Effects Informal Relations have on Formal Organizations

First and foremost, though the grapevine is accurate most of the time, those times when it is not, it may cause substantial damage and harm. Spreading and discussing a rumour takes time away from more productive tasks. Also people who act on this false rumour will act wrongly and every rumour that turns out to be false damages the credibility of the communication within the organization [18].

Secondly, [9] explained that for the continuous existence of values and lifestyles, informal groups may become overly defensive of their culture and therefore resist management and organizational change. According to [18], the norms of informal groups are often very strong despite or precisely because of their implicit nature and therefore endeavors to resist any form of change. This is evident in the work of [19] as he reported that:

"...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".

Thirdly, employees' aspiration to execute the obligations and services of both the informal group and management results in role conflict. The quest for informal group satisfaction may lead members away from formal organizational aims and objectives [9]. However, role conflict can be reduced by carefully attempting to integrate interests, goals, methods, and evaluation systems of both the informal and formal organizations, resulting in greater productivity and satisfaction on everyone's behalf [8].

Fourthly, social control promotes and encourages conformity among informal group members, thereby making them reluctant to act too aggressively or execute at too high a level. This can serve as an impediment to the formal organization by stifling initiative, creativity, and diversity of performance. For instance in some British factories, if a group member gets "out of line", tools may be hidden, air may be let out of tires, and other group members may decline to talk to the deviant for some time. Obviously, these types of actions can force a good worker to leave the organization [20].

Fifthly, according to the group think philosophy and role ambiguity theory, the informal group is a source of divergence. Inconsistency arises when informal group members become loyal to the group, put their own groups' aims and objectives ahead of formal organization's goals, and identify themselves with the group [21,22].

Finally, in view of the fact that the relations of power in the informal networks are often sovereign of the formal organizational structure, situations with conflicting loyalties might easily occur. As a result, it is therefore very important for managers to be aware of these hidden relations in order to be able to manage them successfully [18].

2.4 How Informal Groups within Formal Organizations Boost Performance

Although informal organizations create unique challenges and potential problems for management, they can also boost performance in the formal organization. They may contribute positively to the smooth functioning of a formal organization. In a formal organization where

rigidity of its rules sometimes occurs, informal relationship has frequently been instrumental if not helpful in overcoming the obstacle and easing the workflow. For instance, a personal relationship between an employee and his superior will result in greater co-operation between them. It will also help create satisfaction, fulfillment and stability among employees in the organization. Communication between the various units of the organization will be expedited. An opening for strain, frustrations and dissatisfaction of the human resources in the organization which is a necessity will be created [23,9].

Through the grapevine, informal groups are able to keep their members informed on what administrative actions, policies, processes and standards that affect them. An awareness of managements' intended actions, policies, processes and standards enables employees to position themselves strategically to effectively execute tasks expected of them. When employees are strategically positioned, then they become more able to perform better [1].

Informal groups also help lighten management workload. Managers become less inclined to check up on workers when they know the informal organization is cooperating with them. This encourages entrustment, delegation, transference, decentralization and greater worker support of the manager, which suggests a probable improvement in performance and overall productivity [9].

Informal relations act as a safety valve and fill the gap of managerial abilities. For instance, if a manager is weak in financial planning and analysis, a subordinate may informally lend a hand in preparing reports and assist the manager by either suggestions or direct involvement. This eventually will result in effective performance of tasks [.]

The informal group also provides a means for relieving emotional and psychological pressures (such as frustration, tension, and emotional problems) with management and other employees by allowing a person to discuss them among friends openly and candidly. Employees who through informal groups get rid of these emotional and psychological pressures have free minds to imagine and generate new ideas, concentrate and approach their duties with clear unambiguous thoughts and therefore perform better [8].

Informal groups in organizations encourage managers to prepare, plan, organize, and control in a more professional fashion. Managers who comprehend the power of the informal organization recognize that it is a check and balance on their use of control and authority. As a result, management with more careful thought and consideration, knowing that the informal organization can easily kill a poorly planned project [9], introduces changes and projects.

3. RESEARCH METHODS

This chapter discusses details of the various research methods, techniques and tools to be employed in achieving the objectives of this study. The study employed the Cross-Sectional design, also known as social survey and the quantitative approach to research. The population of this study were workers of all banks on KNUST Campus. They consisted of branch managers and the working staff of Ecobank, Stanchart, United Bank for Africa (UBA), Barclays, Ghana Commercial Bank (GCB), and Cal Bank. Purposive sampling, which is a non-probability sampling method, was utilized to select the various managers from whom information was gathered. The sample size for this study was fifty-four (54) consisting of six (6) managers and forty-eight (48) working staff from the various banks. This was to ensure a true representation of the population to allow for generalization. Both primary and secondary data were utilized to address the objective of the study. Questionnaires were used to collect data for the study, which were predominantly closed-ended. Data collected were analyzed using inferential statistical tools. Both the quantitative and qualitative method of analysis were effectively done.

With the quantitative method, statistical tools of percentages and proportions were used. This involved transferring raw data from the field into a standard form suitable for machine (computer) processing and subsequently analyzing them. Raw data was simplified in the form of frequency distribution tables and charts including bar charts employing the SPSS. Write ups juxtaposing the findings with the existing literature regarding informal interaction in the formal organizations was done to precede the conclusion and the recommendation of the study. This study utilized a self-developed questionnaire, which factored a 5-point likert scale to measure the responses of participants regarding informal relations. The validity of this instrument grounded in, its

accurate measurement of what it was purposed to measure. Thus, categorizing the various responses into the respective dimensions; (strongly disagree, disagree, neutral, agree and strongly agree). Lastly, other scholars have utilized this instrument and that highlights its reliability [24].

4. DISCUSSION

4.1 Informal Groups within Banks Boost Performance

4.1.1 Informal groups create an opening for frustrations and dissatisfactions of employees to be cleared

Table 1 displays results on the statement 'informal groups create an opening for frustrations and dissatisfactions of employees to be cleared'. The outcome shows that, out of 54 respondents, 38 depicting 70.3% gave a positive response. 11 depicting 20.4% answered in the negative and 5 depicting 9.3% were uncertain about the subject. It can be deduced from the finding that majority of the respondents (70.3%) agree that informal groups create an opening for frustrations and dissatisfactions of employees to be cleared.

This confirms the view of Simon (1999) that, in a formal organization where rigidity of rules sometimes creates tension and frustrations, informal relationships has frequently been instrumental if not helpful in overcoming this obstacle, easing strain and the flow of work. It connotes therefore that informal groups can serve as a medium to ease stress, tension and disappointments experienced by employees and in the process provide them with clear minds to concentrate and execute tasks at their best.

4.1.2 Through informal groups, employees are able to position themselves tactically to execute tasks well

The data presented in Table 1 indicated that, out of 54 respondents, 31 respondents representing 57.4% said through informal groups, employees are able to position themselves tactically to execute tasks well and this represents the majority. However, 22 respondents representing 40.7% disagreed whilst 1 respondent representing 1.9% was uncertain on the subject.

This substantiates the research finding of [1] who asserted that, informal groups use the grapevine

to make members aware of managements intended actions, policies, processes and standards which enable employees to position themselves tactically to effectively execute tasks expected of them. This means that, when employees receive certain information before hand through the rumour mill, they can adjust to the impending change that might accompany the hearsay and strategically position themselves to perform better.

4.1.3 Through cooperation with management, informal groups help lighten the workload of managers

The study sought to find out whether through cooperation with management, informal groups help lighten the workload of managers. Table 1 reveals that out of 54 respondents, 38 representing 70.4% affirmed that through cooperation with management, informal groups help lighten the workload of managers and this represents a majority response. In spite of this, 12 indicating 22.2% of respondents expressed converse views whereas 4 indicating 7.4% held that they were uncertain on the matter.

This evidence validates the assertion by [9] that managers become less inclined to check up on workers when they know the informal organization is cooperating with them to lessen their workload. This encourages entrustment, delegation, transference, decentralization and greater worker support of the manager, which suggests a probable improvement in performance and overall productivity.

4.1.4 Informal group’s act as checks and balance on management’s use of control and authority

The information illustrated in Table 1 gives a picture of 27 respondents representing 46.3% of the total number of 54 participants that, informal groups act as checks and balance on managements use of control and authority. Even

so, 24 respondents representing 44.5% answered in the negative and 3 participants depicting 5.6% were uncertain about the subject. After examining the data revealed by the study, it was marked that, a greater portion of the respondents approve that informal groups act as checks and balance on managements use of control and authority.

This finding corroborates the research outcome of [9] that managers who comprehend the power of the informal organization recognize that it is a check and balance on their use of control and authority. Thus, management with more careful thought and consideration, knowing that the informal organization can easily kill a poorly planned project, introduces changes and projects. This encourages managers to prepare, plan, organize, and control in a more professional fashion.

4.1.5 Informal groups present employees with free minds to imagine and generate new ideas to perform better

From the statistics shown in Table 1, out of 54 participants, 38 representing 70.3% asserted that informal groups present employees with free minds to imagine and generate new ideas to perform better and this represents majority response. On the other hand, 12 representing 22.3% articulated opposing opinions and 3 representing 5.6% was uncertain on the matter. This evidence is in line with the study outcome of [8] that, candid and open interactions in informal groups provide a means for relieving emotional and psychological pressures (such as frustration, tension, and emotional problems) among employees that inhibit gratis thinking and creativity. This means that, employees who through informal groups get rid of these emotional and psychological pressures have free minds to imagine and generate new ideas, concentrate and approach their duties with clear unambiguous thoughts and therefore perform better.

Table 1. Informal groups within banks boost performance

Statements	Strongly disagree	Disagree	Uncertain	Agree	Strongly agree
Informal groups create an opening for frustrations and dissatisfactions of employees to be cleared.	4(7.4%)	7(13.0%)	5(9.3%)	20(37.0%)	18(33.3%)
Through informal groups, employees are able to position themselves tactically to execute tasks well.	10(18.5%)	12(22.2%)	1(1.9%)	19(35.2%)	12(22.2%)

Statements	Strongly disagree	Disagree	Uncertain	Agree	Strongly agree
Through cooperation with management, informal groups help lighten the workload of managers.	6(11.1%)	6(11.1%)	4(7.4%)	27(50.0%)	11(20.4%)
Informal group's act as checks and balance on management's use of control and authority.	9(16.7%)	15(27.8%)	3(5.6%)	20(37.0%)	7(13.0%)
Informal group's present employees with free minds to imagine and generate new ideas to perform better.	5(9.3%)	7(13.0%)	4(7.4%)	24(44.4%)	14(25.9%)

Source: Researcher's Field Work, (2014)

4.2 Knowledge of the Existence of Informal Relations to Managers

4.2.1 Managers sometimes fail to realize that there are often informal groups within every organization

Table 2 displays results on the statement 'managers sometimes fail to realize that there are often informal groups within every organization'. The research shows that, out of 54 respondents, 33 depicting 61.1% gave a positive response. 20 depicting 37.1% answered in the negative and 1 depicting 1.9% was uncertain about the subject. It can be deduced from the finding that majority of the respondents (61.1%) affirmed that managers sometimes fail to realize that there are often informal groups within every organization.

This invertebrates the assertion by [25] that, although informal groups play significant roles in organizations, managers sometimes fail to realize that there are often informal group pressures within every organization which influence and determine employees' behavior. This means that, a manager's apparent lack of awareness of the potency of informal groups in work settings can significantly decrease performance and have a strong adverse effect on the achievement of formal goals.

4.2.2 Managers who recognize informal groups can curb the potential problems these networks pose

Table 2 displays findings on the assertion that managers who recognize informal groups can curb the potential problems these networks pose. 44 respondents (81.5%) out of 54 respondents affirmed that managers who recognize informal groups can curb the potential problems these networks pose. This depicts majority response

from participants. On the other hand, 7 respondents (13%) articulated converse views and another 3 respondents (5.6%) were uncertain on the issue.

The finding above validates the view of [23] that managers who make out informal groups are able to situate measures to control the probable difficulties and problems these networks pose. Thus, it implies therefore that, potential problems such as resistance to change, role conflict and communication of unverified and untrue information that may have devastating effects on employee performance can be controlled if managers are able to spot informal networks in their organization.

4.2.3 Managers who identify informal groups can align their goals and objectives to the organization

From the statistics shown in Table 2, out of 54 participants, 39 representing 72.2% asserted that managers who identify informal groups can align their goals and objectives to the organization. Alternatively 7 representing 13.0% articulated opposing opinions and 8 representing 14.8% were uncertain on the matter.

Considering the outcome of the study, it was marked that, the best part of respondents (72.2%) concurred that managers who identify informal groups can align their goals and objectives to the organization. This substantiates the research finding of [25] who argued that managers who recognize the existence of informal groups and the influence they can exert on the organizational activities are at an advantage. These managers may have the power to influence and partly control the flow of informal communication in these informal groups in order to attempt to align it to the goals and objectives of the formal organization.

Table 2. Knowledge of the existence of informal relations to managers

Statements	Strongly disagree	Disagree	Uncertain	Agree	Strongly agree
Managers sometimes fail to realize that there are often informal groups within every organization.	9(16.7%)	11(20.4%)	1(1.9%)	20(37.0%)	13(24.1%)
Managers who recognize informal groups can curb the potential problems these networks pose.	6(11.1%)	1(1.9%)	3(5.6%)	34(63.0%)	10(18.5%)
Managers who identify informal groups can align their goals and objectives to the organization.	4(7.4%)	3(5.6%)	8(14.8%)	26(48.1%)	13(24.1%)
It is dangerous for managers to overestimate the importance of informal groups in their organizations.	4(7.4%)	10(18.5%)	1(1.9%)	19(35.2%)	20(37.0%)
Managers who spot informal groups reap the benefits informal groups contribute to their organizations.	6(11.1%)	4(7.4%)	4(7.4%)	29(53.7%)	11(20.4%)

Source: Researcher's Field Work, (2014)

4.2.4 It is dangerous for managers to overestimate the importance of informal groups in their organizations

The data presented in Table 2 above indicated that, out of 54 respondents, 39 respondents representing 72.2% agreed that it is dangerous for managers to overestimate the importance of informal groups in their organizations. However, 14 respondents representing 25.9% disagreed whilst 1 respondent representing 1.9% was uncertain on the issue. It can be inferred from the finding that preponderance of the respondents (72.2%) is of the same mind that it is dangerous for managers to overestimate the importance of informal groups in their organizations. This is supported by a research by [6] who stated that considering the prospective negative influence informal groups can have on workers performance and in the achievement of organizational aims as a whole, it is precarious for managers to overestimate the value of informal groups though they may act to complement the formal structure.

4.2.5 Managers who spot informal groups reap the benefits informal groups contribute to their organizations

Table 2 shows that out of the 54 respondents, 40 (74.1%) affirmed that managers who spot informal groups reap the benefits informal groups contribute to their organizations. However, 10

(18.5%) expressed contrary opinions whilst 4 (7.4%) were uncertain managers who spot informal groups reap the benefits informal groups contribute to their organizations.

The research depicts that the greater portion of the respondents 40 (74.1%) out of 54 see eye to eye with the researcher that managers who spot informal groups reap the benefits informal groups contribute to their organizations. This confirms the view of [23] who emphasized that, managers obtain benefits such as a reduction of workload due to delegation as well as the filling gaps in administrative abilities when they identify informal groups in their organizations. It implies therefore based on this finding that informal relations should be encouraged but should be done when necessary by management.

5. CONCLUSIONS AND RECOMMENDATIONS

The study showed that informal relations have certain constructive contributions to the formal organization. For instance members of informal groups are friends, share jokes and gripes, eat together, play and work together which contribute to personal esteem, satisfaction and a feeling of worth that may not be obtained from the formal organization. Furthermore, informal relations promote communication among employees through the grapevine which keeps employees informed on management's actions that would affect them in diverse ways.

Again, informal relations help to complement inadequacies of members as revealed by the findings of this study. Employees experience frustration, anxiety and emotional problems with management and other employees. The informal group provides a means for relieving these emotional and psychological pressures by allowing a person to discuss them amid friends openly and truthfully.

Another aspect of the study disclosed that there is sometimes role conflict in the organization due to informal relationships. The quest for informal group satisfaction may lead members away from formal organizational objectives; as what is good for and desired by informal group members is not always good for the organization. What's more, the study revealed that ill-informed employees communicate unverified and untrue information through the grapevine and this can undermine morale, establish bad attitudes and often result in deviant or, even violent behaviours.

Furthermore, it was apparent through the study that managers sometimes fail to realize there are often informal group pressures within every organization which influence and determine employees' behavior. This notwithstanding, it later became evident that managers who make out informal groups were able to situate measures to control the probable difficulties and problems these networks posed.

It can therefore be concluded that the research findings have adequately satisfied the objectives of the study and justified the research questions posed by the researcher.

5.1 Recommendations

It is therefore recommended that managers should critically look at this area and explore means that encourage employees to relate informally in relation to the objectives of the organization.

In addition, managers should make efforts to check rumors since untrue information perpetuated by dissatisfied employees can affect the morale of other employees. Rumours at the workplace should be nipped in the bud, as the spread of false information could divert employees' attention on reasons for which they were employed.

Again, managers may possibly hold meetings with employees on areas of informal relations they are not comfortable with. Management

actions should be taken with the consensus of employees. Employees should also be made to understand areas where informal relations are detrimental to the organization. Any attempt to ignore this imperative exercise may demoralize workers since informal relations is a natural need of man and people do not want to be alienated from their fellow men.

COMPETING INTERESTS

Authors have declared that no competing interests exist.

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