

Formal authority



**ASSIGN
BUSTER**

INTRODUCTION

Authority is a defining feature of hierarchy. Authority in management is the formal or legitimate authority specified in a charter that gives a project manager the authority to act in the name of the sponsoring executive or on behalf of the organization. There are various types of authority according to different people. But they all seem to have a fundamental flaw that is they are unable to clearly distinguish between formal, informal authority and leadership. Formal authority is the authority provided by an organization or the law to an individual enabling him to carry out certain actions in accordance with his own will and without the need to consult others. Informal authority is the authority that the manager holds over his subordinates due to certain qualities that the subordinates value in him. A manager with good leadership skills has more informal authority as opposed to people with less leadership skills. It is a common perception that most organisations give formal authority to managers to direct and control the activities of their subordinates but this is not always true it depends on various other factors as well. One of the major factors that affect the type of authority given to managers is size of the organization usually smaller organizations have a system of authority whereas large organizations have a formal system of authority.

FUNCTIONAL AUTHORITY

Functional authority is authority delegated to an individual or department over specific activities undertaken by personnel in other departments. Staff managers may have functional authority, meaning that they can issue orders down the chain of command within the very narrow limits of their authority.

For example, supervisors in a manufacturing plant may find that their immediate bosses have line authority over them, but that someone in corporate headquarters may also have line authority over some of their activities or decisions.

Organizations create positions of functional authority to break the unity of command principle by having individuals report to two bosses. Functional authority allows specialization of skills and improved coordination. This concept was originally suggested by Frederick Taylor. He separated “planning” from “doing” by establishing a special department to relieve the labourer and the foreman from the work of planning. The role of the foreman became one of making sure that planned operations were carried out. The major problem of functional authority is overlapping relationships, which can be resolved by clearly designating to individuals which activities their immediate bosses have authority over and which activities are under the direction of someone else.

THEORIES

Fayol (1949) defined authority as ‘the right to give orders and the power to extract obedience.’ He emphasised the importance of linking authority to responsibility, which together required increasing judgement and morality at senior levels. He justified higher pay for commercial managers in comparison with senior civil servants since, in his view, the latter exercised authority without responsibility. In general, he concluded that ‘responsibility is feared as much as authority is sought after, and fear of responsibility paralyses much initiative and destroys many good qualities.’

FORMAL AUTHORITY IN A BANK

Union National Bank in Abu Dhabi is an organization that exercises formal authority. As a manager in the bank I was provided with formal authority over a group of six employees and we were a part of the internal customer satisfaction survey department. One of the main reasons the bank believes in providing formal authority is so as to not concern people at higher positions with unimportant tasks. Another important aspect of formal authority is it reduces conflict among people in higher positions if still unable to completely remove it. The reason that there may still be conflicts is that though formal authority empowers managers to a certain degree the managers boss still has a say in the managers decision should he choose to.

OVERVIEW OF UNION NATIONAL BANK

Established as a Public Joint Stock Company in 1982, they are one of the leading domestic banks in the United Arab Emirates and are headquartered in Abu Dhabi. They offer a variety of products and services, addressing needs ranging from basic requirements of individuals to the more complex requirements of corporate entities. Electronic delivery channels, ably supported by an extensive network of Banking Centres spread across the emirates, offer greater banking convenience to their customers.

They are the only bank that is jointly owned by the Governments of Abu Dhabi and Dubai. Their Chairman, H. H. Sheikh Nahayan Mubarak Al Nahayan, Minister of Education and Scientific Research, is well supported by their Board of Directors that consists of eminent business personalities and their Senior Management team which is made up of experienced professionals.

Their Vision and Mission is clearly defined and their business strategy is well understood by all staff across the bank.

Union Brokerage Company (UBC), one of the oldest brokerage firms in UAE is a subsidiary of UNB. Besides being a leading player in the Brokerage industry, it was among the first national companies to deal in the brokerage field in the country. Besides its head office in Khalidiya, Abu Dhabi, it has a well diversified branch network with 6 other branches at ADX, DFM, Al Ain, Al Dhafra, Fujairah and Gold & Diamond Park, Dubai.

The Al Wifaq Finance Company, a subsidiary of UNB has been established with the purpose of offering Sharia compliant financial, commercial and investing services to both organizations and individuals in compliance with the rules and principals of the Islamic Law

As part of the Bank's vision, to be " a key player in the region", UNB has now a presence in the Egyptian banking sector through its successful acquisition of the Alexandria Commercial and Maritime Bank. UNB is also reviewing other geographic locations for a presence or strategic alliances that will add to shareholder value.

PERSONAL EXPERIENCES ON FORMAL AUTHORITY

Though formal authority is considered to be authority provided by the organization or superior to an individual it is more often implied than anything else. When employees had issues with anything to do with the customer satisfaction department i had the authority to decide what was to be done. This greatly reduced the time taken for certain tasks to be done. As i had the authority to take decisions on issues such as upgrading of

equipment or changes in software and other issues i did not have to elevate it to my boss. This helped also as i could take a better decision as i had more interaction with employees and knew their needs. If these problems had to be elevated to the higher management these issues could have taken a much longer time frame to get resolved. Also managers at the upper levels especially while working in large organizations that have branches at various parts of a country or the world are unable to clearly see the needs of each branch. Providing formal authority enables a more personalized approach between employees and the organization. Also individual employee needs are better recognized by their immediate managers rather than managers at the top. At the same time there were certain issues that i faced as when i decided to implement a change in the questionnaire on the request of several employees i found that the management wanted to stick to the older pattern. This shows that formal authority is not always clearly outlined in an organization.

Managers are unencumbered by management theory and standards established by others. Effective managers want to be in charge; they also possess an intrinsic desire to achieve substantial personal recognition and to earn that recognition based on their own merits. They never abuse power; they know that the corrupt use of power creates a vile corporate poison that can quickly spread throughout an entire organization and paralyze it. They thus practise humility and refrain from using their position to intimidate others. They can define and manage each situation or person with an appropriate leadership style. Example-they tend to treat their vice-presidents and line workers with the same level of respect, but through different

approaches. Authority is the defining feature of hierarchy. The boss can restrict the subordinate's actions, overturn his decisions, and even fire him (unless the boss's boss objects, in which case the boss herself may be fired).

Tracing this chain of authority up the hierarchy, we eventually reach a person (sole proprietor) or group (shareholders) who can be thought of as owning all the decision rights in the organization. In short, formal authority resides at the top. Leading is one of principal managerial functions.

Managers are suppose to be formal leaders because they have the authority to influence their subordinates and are expected to use it. They are officially responsible for outcome of their group. However, in an organization, not all managers are leaders, whether they have direct reports or not. In certain cases job description might demand strong leadership, on other hand leadership might not be major factor. However, in today's competitive world, most of the managerial jobs demand leadership qualities, inter personal and inter group interaction and a manager has to manage different type of responsibilities and roles. A leader influences other member of groups, leads group, and directs members towards its goals. A leader influences subordinate's level of motivation, their performance and quality of their decisions.

DISADVANTAGES OF FORMAL AUTHORITY

Authority is a wily beast. In general it means that people will abide by your decisions. They will do what you want them to do. no manager can be effective with merely formal authority. True power comes from the trusting relationships that one forges with the people around him. He does this by being genuinely interested, and helpful. He commands attention by making

lucid, compelling points, and acting decisively and transparently. Formal authority will not inspire people to do their best work with a happy heart. The best one can hope for with merely formal authority is grudging or indifferent acquiescence. We can easily become enamored with the “ power of our positions.” Having people do what we tell them to do when we tell them to do it can have an intoxicating effect. Under such circumstances, too often our senses become dulled and we become oblivious to the dangers of formal authority. When authority “ goes to our heads,” it becomes much too easy to disregard, or overlook entirely, critical input we might otherwise receive from peers, superiors and even clients.

CONCLUSION

From this essay we can conclude that formal authority is like a two sided coin it has its ups and downs. Also formal authority depends a lot on the situation and the organization. Smaller organizations may find that formal authority does not suit them whereas larger organizations may find that formal authority is better suited for them. At the same time larger organizations that have strict rules on company policies may find that formal authority conflicts their objectives. Every manager is unique thus formal authority may be needed by some managers to perform well whereas managers with strong leadership qualities may be able to perform well even in the absence of formal authority as they naturally have the respect and support of employees. Formal authority can be thought of as the right to command or compel another person to perform a certain act. Power is the ability to influence or cause a person to perform an act. It is possible for a manager to have formal authority without power, just as it is possible for a

subordinate to have power without formal authority. The distinction between these terms may be significant for the manager, who may assume that his formal authority automatically gives him power but overlook the fact that his subordinates also have power, at times greater than his own. The manager in such a situation can encounter difficult and frustrating experiences without knowing why. The conventional view of leadership, formal and informal, can be seen as a confused mixture of leadership and management. Leadership can be seen as an occasional act rather than an ongoing role, a bit like creativity. On this view there is no such thing as formal leadership. Being in an organizational position of authority over others makes you a manager, not a leader. To be a leader, you need to be able to convince people to willingly follow some new direction. This means that there is formal and informal management but only informal leadership. Most managers show some leadership. The conventional view is that executives show leadership in two ways. By using their powers of persuasion, they influence people who report to them to take actions they would not otherwise take. The second way executives show leadership, on this view, is by making decisions that move the organization in new directions. However, we are gradually moving away from this concept of leadership, one based on formal authority. It is becoming increasingly recognized that making such decisions should be considered managerial actions. Managers can only lead by persuading people to act differently, either directly or by example.

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