

COMPARISON AND CONTRAST BETWEEN FORMALIZATION AND SPECIALIZATION

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Publication Date: May 2025

ABSTRACT

Purpose of the Study: The aim of this study is to explore the concepts of formalization and specialization within organizational structures and to examine how they relate to each other.

Methodology: This study is a literature-based review that analyses existing works on formalization, specialization, and organizational structures.

Findings: Formalization and specialization are two key aspects of organizational structures. Formalization involves the establishment of structured systems, rules, and procedures, whereas specialization is concerned with honing skills in specific domains. While formalization provides clear guidelines and processes, specialization allocates tasks to areas of expertise. The interaction between formalization and specialization is mutually reinforcing: formalization provides a unified direction, and specialization enables employees to contribute efficiently toward these aims. However, an organization that is high in one dimension does not necessarily excel in the other, leading to potential advantages and disadvantages.

Conclusion: While there is a relationship between formalization and specialization, an organization can focus on one without automatically excelling in the other. A balanced approach is necessary in today's competitive landscape, where organizations must be both structured and flexible.

Keywords: *Comparison, Contrast Between, Formalization, Specialization*

INTRODUCTION

Formalization and specialization are two important concepts commonly employed across various industries. According to Balaji (2010), formalization is the process of establishing a structured system for creating objectives, processes, and guidelines. It involves generating a set of rules and regulations and ensuring compliance with these established protocols. Conversely, Scandura (2009) pointed out that specialization is the process of refining or exporting a skill for general application. It entails breaking down an activity into its components, studying each component individually, and learning to perform them proficiently. Essentially, specialization allows for the acquisition of a high level of expertise in one specific task or area.

Rullman (2018) noted that formalization helps bring structure and order to day-to-day operations. By setting specific guidelines and processes, employees or teams can work more efficiently and avoid confusion. These processes might be related to the company's objectives or broader policies. An example of a formalized process could be employee reviews, which help an organization track and measure employees' progress. Formalization also ensures that work is carried out consistently, as staff can refer to established protocols for guidance without having to reinvent the wheel each time. On the other hand, Milano et al. (2020) pointed out that specialization involves mastering a particular area or skill set for effective use in both professional and personal contexts. This could include specialization in a specific technology, industry, or project management technique. By learning to perform a specific task or activity to a high standard, individuals can gain a competitive edge. Specialization also enables professionals to become experts in their respective fields.

Comparison and Contrast between Formalization and Specialization

According to Sarika (2013), formalization and specialization are terms frequently used in tandem when discussing organizational structures. Formalization refers to the degree to which structures, written rules, tasks, and job definitions are established within an organization. Specialization, on the other hand, pertains to the extent to which specific tasks and functions are divided and allocated to particular individuals, with the expectation that they will become experts in those fields. Both of these concepts are crucial for understanding how an organization manages its structure, authority, job design, and relationships (Sarika, 2013). Therefore, a comparison and contrast between formalization and specialization will be

evaluated based on these factors: organizational structure, authority, job design, and relationships.

Organization Structure

Organizational structure has a major influence on the performance of the business or organisation and formalization and specialization being two key approaches to organizing an organization's structure. Organizational structure affects the way organizations are managed, and how they are shaped by rules, regulations, and the objectives of the business. According to Gharibi (2020), formalization involves creating clear rules and procedures which all staff members are expected to adhere to, whereas specialization involves dividing up tasks and roles into distinct areas of expertise. Each method has its advantages and disadvantages, and the selection of either method ultimately comes down to the organization's specific needs. Thus, the need to understand the differences between formalization and specialization in organizational structure. Formalization involves the standardization of activities within an organization, including the process of decision-making, communication and task allocation (Erduran et al., 2018).

Organizations which adopt formalization rely on rules and procedures in order to create a framework for operation, in which all staff members are expected to adhere to. This ensures that everyone is on the same page and has the same goals in mind for completing tasks. An example of formalization is in the creation of a job description for each role, detailing the expected roles and responsibilities of the employee (Hirniak & Mercer, 2020). Specialization, on the other hand, is the process of dividing organisational roles into distinct areas of expertise which each employee specializes in. This ensures that the people who are best-suited to each task are completing the work, and also allows for greater innovation as employees are encouraged to think outside of the box when approaching tasks. Specialization also encourages greater efficiency through the minimization of overlap between departments as responsibilities are clearly allocated. However, it can lead to a lack of cohesion in the process of decision-making, increasing the risk of disagreement (Katayama, 2011).

Authority

Authority is an essential component in both formalization and specialization, as it defines the power structure of the organization. The difference in the two lies in the how authority is distributed and used. According to Bergman & Morton (2008), formalization is the degree to which an organization uses written policies and procedures as well as job descriptions. It is

concerned with the division of roles and overall standardization of how tasks and processes are to be managed. In formalization, roles are clearly defined and authority is held by those in positions of power, which are typically granted based on formal titles and job descriptions (Milano et al., 2020). Consequently, formalized organizations typically have a top-down hierarchy, with authority concentrated in the hands of those at the top. Specialization, on the other hand, is the division of labour and tasks within an organization. Jobs become specialized, with employees trained to complete certain tasks and functions more efficiently. In contrast to formalization, authority in this structure is typically granted based on expertise and experience rather than formal titles (Heidenhoff & Lay, 2018). Decision-making, therefore, is decentralized to those most knowledgeable in their area, regardless of their job title. Specialization can be a positive for businesses, owing to the increased efficiency and productivity it brings. Therefore, formalization and specialization are two distinct organizational structures. Authority is one of the main differences between the two, as formalizations grants it based on formal roles while specialization delegates authority to those with the relevant knowledge and expertise.

Job design

According to Kristof-Brown, Zimmerman, & Johnson (2005), one of the key differences between formalization and specialization is the approach to job completion. With specialization, the focus is on breaking the job down into smaller tasks that are designed for efficiency and the expertise of a particular individual. This therefore promotes the facilitation of skills within an organization, and encourages specialized knowledge in certain areas. On the other hand, formalization is more concerned with the hierarchical order between roles and the regulatory procedures for performing the job. Here, the emphasis is on the organizational objectives and outcomes of the job rather than the efficient and specialized performance (Kristof-Brown, Zimmerman, & Johnson, 2005). Another difference between formalization and specialization is their effects on worker autonomy and job satisfaction. Kristof-Brown et al. (2005), jobs that are highly formalized tend to have less worker autonomy, as individuals are tasked with specific roles and duties that limit their discretion in their tasks.

Moreover, formalization can lead to boredom and monotony in jobs, and therefore less job satisfaction for the worker. In contrast, jobs that are highly specialized may promote greater autonomy, as specialization encourages individuals to exploit their skills and expertise to achieve company goals. This in turn leads to greater job satisfaction due to the appreciation of

specialized knowledge and skills by the organization (Kristof-Brown et al., 2005). Moreover, formalization and specialization have different implications for job security. With formalized jobs, there is greater job security as workers are embedded in procedural rules that require stability. On the other hand, jobs that are highly specialized have more fluid job expectations, as managers rely on specific skills that might not be available in the staff. This makes those jobs more vulnerable to changes in the labour market and therefore less secure in terms of job security (Bergman & Morton, 2008).

Relationships

Formalization and specialization are two organizational components that are closely related and often interdependent. Formalization is the process of establishing written rules, procedures, and goals that provide members with clear expectations of behaviour and structure the organization around a unified mission and purpose (Du Brin, 2020). Specialization is the deployment of people for individual, specialized tasks based on their particular skills and expertise (Du Brin, 2020). Though these two concepts are distinct, they are often integrated in the modern organization, creating a cohesive, mission-oriented structure. The relationship between formalization and specialization in an organization is of particular importance. Through formalization, organizations create unified goals that drive the efforts of employees and render coordination among separate departments easier. According to Zacharakis and Winter (2017), the clearer and more precise the stated goals are the better, because they can be transformed into measurable benchmarks to track the progress of the organization. Such goals can then be divided into separate tasks which can be delegated to specialized employees based on their skills and abilities.

Gharibi (2020), pointed that specialization allows an organization to effectively utilize resources, allowing each employee to use their unique skills in pursuit of the unified objective provided by the formalization process. Moreover, the relationship between formalization and specialization is mutually reinforcing. Specialization enables employees to become more efficient and productive in their specific role, leading to an increased commitment to the mission which is enabled by formalization. In turn, Ilitshishin Hickin & Salik (2020) noted that formalization provides specialized employees with a unified context in which to operate, allowing them to acknowledge how their individual actions will contribute to the larger mission as well as to the success of the organization as a whole. Thus, formalization and specialization are closely related components of organizational structure. Through formalization,

organizations are able to articulate a unified mission, and by virtue of specialization, employees are able to work in a more organized and interconnected manner toward the goal. Such cooperation not only increases efficiency and productivity, but also serves to reinforce the mission, creating a successful organizational culture.

ORGANIZATIONAL DIMENSIONS

Organizations are dynamic and complex entities composed of various components that interact to enable operations and success. Due to this complexity, organizations may excel in one dimension but not necessarily in another. To address this issue and provide a detailed discussion, it is necessary to explore both the potential benefits and drawbacks.

According to Daft & Marcic (2013), organizations that excel in one dimension do not necessarily excel in another, but there are some potential benefits. Organizations that prioritize one dimension, such as financial performance or environmental sustainability, may achieve better results in that specific area compared to those who distribute their resources across multiple dimensions. By focusing on one dimension, an organization can concentrate its resources and capabilities to become a leading authority in that area. For example, a company that emphasizes environmental sustainability may have a better track record than one focused on minimizing costs and maximizing profitability. Furthermore, Barney (2017) pointed out that organizations that prioritize one dimension can establish a reputation as a leader in their field. This not only increases customer loyalty and brand recognition but also sends a strong message to the marketplace and community that the company is committed to that specific area. For instance, a fast-food restaurant that focuses on providing organic ingredients might gain a better reputation than one emphasizing low prices.

In addition, Keen (2017) noted that focusing on one dimension offers the benefit of expertise. Organizations that specialize in one area can develop unique skills and skillsets that could provide a competitive advantage. For instance, a tech company specializing in software engineering might attract more new customers than one offering a variety of products and services. Organizations that focus on one dimension also have the opportunity to develop new products and services within that area. By leading in their field, they can continually innovate and seek a competitive edge. For example, a toy company that concentrates on eco-friendly products may discover innovative ways to make these products, which could become signature items (Keen, 2017).

However, Barney (2017) noted that excelling in one dimension doesn't guarantee success in another, as each dimension has its unique characteristics and capabilities. While an organization might perform well in one dimension, that success may not necessarily transfer to another. Organizations also need to be aware of potential drawbacks. According to Broadbent (2021), one such drawback is the risk of imbalanced organizational performance. Focusing solely on one dimension increases the risk of neglecting other crucial performance aspects, leading to decreased overall productivity, financial losses, and a lower level of effectiveness. Moreover, Mastrangelo (2014) noted that another drawback of excelling in one dimension while neglecting another is the challenge of maintaining high levels of engagement among employees or stakeholders. High performance in one dimension can lead to disengagement if the other dimension is not addressed, resulting in low morale, decreased motivation, and increased resistance to change.

CONCLUSION

Comparing formalization and specialization, formalization is an organizational characteristic related to the degree of standardization of jobs and decision-making processes in an organization. This is a measure of bureaucracy, or conversely the lack of the same for decentralized organizations. Specialization, on the other hand, is related to changes that help employees to gain expertise in one particular type of job. While there is a direct relationship between formalization and specialization, an organization high on one dimension does not necessarily have to be necessarily high on the other as well. For instance, an organization that has highly specialized employees may still maintain a decentralized structure, while an organization that is highly bureaucratic and centralized may not necessarily have highly specialized employees. Thus, can be concluded that formalization and specialization are related, but not necessarily dependent on one another. Organizations may decentralize decision-making and standardize job descriptions and still have highly specialized employees. Similarly, organizations may focus heavily on specialization without necessarily being bureaucratic and highly centralized. Therefore, an organization high on one dimension cannot be assumed to be high on the other.

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