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Organizational Structure and Employee's Performance in Selected Micro-Finance Banks in Enugu State, Nigeria.

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ABSTRACT

This study examined organizational structure and employee performance in selected micro-finance banks in Enugu State. The study adopted survey approach in its design and generated data from primary and secondary sources. The population of this study covered 67 members of staff from the three selected micro-finance banks in Enugu State, while Cochran sample size determination statistical formula for finite population was adopted to select a sample of 57 members of staff for the study. The research instrument was subjected to both face and content validity while its reliability was tested using spearman's rank correlation coefficient which gave an output of $r = 0.95$. The data gathered was analyzed with the Non-Parametric Kruskalwallis test using the 15.0 version of the Minitab statistical software (MSS). The major findings revealed that organizational structure has significant effect on employee performance in the selected micro-finance banks. This assertion was drawn from the output of the data generated as the kruskawalis test (H) yielded 0.000 and 0.000 for the two hypotheses respectively. The study concluded that the present structure adopted by selected micro-finance banks is supportive of enhanced employee's performance and therefore should be encouraged. Sequel to the findings and conclusion it was recommended that there is need to give orientation on the principles of organizational structure to the employees. This will reduce their resentment to directives, induced reform, communication failures and give them sense of belonging while at the long-run promoting operational efficiency and that in order to ensure that organizational structure contributes maximally to job performance, workers should be trained in order to enable them effectively incorporate its tenets when developing business unit strategies

Keywords: Structural Complexity, Structural Formality, Structure, Employee Performance

INTRODUCTION

Organizational structure across the world has attracted widespread attention in terms of research and debate among organizational managers and academia. Managers who set out to design an organization structure face difficult decisions. They must choose among a myriad of alternative frameworks of jobs and departments. The first decision focuses on individual jobs, the second

decisions focus on departments or groups of jobs, while the next decision considers the issue of delegation of authority throughout the structure [1]. No matter the choice the manager or a person designing the structure may take, its essence is to create an internal mechanism that reflects authority and responsibility distribution within the organization and equally show the

communication channel and task coordination framework in the organization. Beyond its internal relevance, organizational structure determines the rate at which the organization responds to environmental changes and therefore must be aligned with the goals and strategies of the organization. Organizational structure is therefore a critical component that drives organizational success. [2], posit that organizational structure is used by various firms as a control mechanism to affect employee work outcomes, to ensure that the required tasks are performed effectively and efficiently, and to assist the attainment of organizational goals and objectives. Organizational structure defines the scope of behaviour within an organization, its lines of authority, accountability and to some extent, the organization's relationship with its external environment. It shows the pattern of relationship with jobs within an organization [3]. Organizational structure determines the pattern of communication as well as the formal lines of interaction between individuals within organizations [4]. A good structure nevertheless does not by itself produce expected performance. Hence, a structure of an organization affects not only employee performance but the overall organizational performance and efficiency of organization. Poor organization structure aids poor

performance irrespective of the ability of the manager [5]. Similarly, poor organization structure restricts individual growth, self-fulfillment and psychological health of the workforce resulting in failure, frustrations and conflict which hinders organizational growth and development [6]. This implies that organizational structure affects employee job satisfaction which ultimately impacts on productivity. Therefore, the extent to which an organizational structure reduces ambiguity for an employee and clarifies problems such as what the employee is supposed to do, how the employee is supposed to do it, who the employee reports to, who the employee should meet in the event of problems; in all affects their attitudes to work and equally motivates employees to higher performance.

It is important to know that organizational structure is a formal system of task and reporting relationships that control, coordinates and motivates employees so that they cooperate and work together to achieve organizational goals [7]. The major challenge for managers and scholars therefore is finding the best organizational structure which enhances optimal job performance. Organization structure as the prescribed pattern of work-related behaviour, deliberately established for the accomplishment of organizational goals is believed to affect

employee job satisfaction, effectiveness and organizational performance. Some structure is necessary to make possible the effective performance of key activities and to support the effort of staff, structure provide the framework of an organization and its pattern of management. It represents a formalized framework within which management

operates. It is by means of organization structure that the purpose and work of the organization can be carried out [8]. The fact that employees and leaders in an organization are involved in idea generation and implementation makes the incorporation of the concept of organizational structure very important.

STATEMENT OF THE PROBLEM

An employee is a total person whose actions and inactions within the organization is influenced by both economic and psycho-social factors. Therefore the complexity, formality and how concentrated the structure an organization operates can either provide frustration or satisfaction to the employees. The structure can either cause the employees to indulge in wasteful organizational practices or provide them

with environment for supportive work behavior. In all these, the overall performance of the employee is at the receiving end. The structure of an organization is very crucial to the realization of enhanced employee performance. This study is therefore aimed at examining the effect organizational structure has on employee performance in selected micro-finance banks in Enugu State

OBJECTIVES OF THE STUDY

The main objective of this study is to examine the effect of organizational structure on job performance. However, specific objectives sought in the study are to:

- i. Assess the extent to which structural complexity affects employee's efficiency.
- ii. Examine the extent to which structural formality affects employee's innovativeness

Research Questions

- i. To what extent does structural complexity affect employee's efficiency?

- ii. To what extent does structural formality affect employee's innovativeness?

Hypotheses

Based on the highlighted research objectives and research questions, the following research hypotheses are formulated to effectively guide and direct this study

H₀₁: Structural complexity does not have significant effect on employee's efficiency

H₀₂: Structural formality does not have significant effect on employee's innovativeness

REVIEW OF RELATED LITERATURE

Organizational Structure Defined

Organizational Structure is difficult to define due to its varying applications by managers and scholars across disciplines. However, a breakdown of the concept based on this context would be of help to us. Thus, structure in one sense is the arrangement of duties for the work to be done and this is best represented by the organization chart [9]. Structure is also defined as the architecture of business competence, leadership, talent, functional relationships and arrangement [10]. Furthermore, organizational structure can be defined as how job tasks are formally divided, grouped, and coordinated [11]. Organization structure indicates an enduring configuration of tasks and activities. In other words, organizational structure is a set of methods through which, the organization is divided into distinct tasks and then create a harmony between different duties. Organizational structure deals with the formal system of task and reporting relationships that controls, coordinates, and motivates

employees so that they cooperate to achieve an organization's goal. It consists of job positions, their relationships to each other and accountabilities for the process and sub-process deliverables [12]. Organizational structure is a way responsibility and power are allocated, and work procedures are carried out, among organizational members. The most important components of organizational structure include formalization, centralization, and control [13]. Organization structure affects the way in which people at work are organized and coordinated. It equally affects the nature of the relationships they develop, their feelings about these aspects, the ways in which they carry out their works, the attributes required of those who work in particular types of structure and it has implications for the management of the employees' performance. The general conclusions are that organizations must fit structure and processes if it must produce positive results [14]

TYPES OF ORGANIZATIONAL STRUCTURE

The two major variables are mechanistic structure and organic structure. Axiomatic theory of organizations provides a framework for defining two

ideal types of organizations: mechanistic (bureaucratic) and organic (professional) [15].

1. **Mechanistic Structure:**

Mechanistic organizations are efficient, rigid, predictable, and standardized. Specifically, mechanistic organizations are characterized by a rigid hierarchy; high levels of formalization; a heavy reliance on rules, policies, and procedures; vertical specialization; centralized decision making; downward communication flows; and narrowly defined tasks. Mechanistic structure of organizations in terms of complexity has few training opportunities for their employees and less job specialty within the organization. There are different characteristics of mechanistic organizational structure. [16] lists the following characteristics: Mechanistic or Bureaucratic Organizations; low complexity, high centralization, high formalization, high stratification, low adaptiveness, high production, high efficiency and low job satisfaction. Under centralization, mechanistic structure of organizations, decision making is limited to a few people and departments in the firm. The proportion of job diversity and workers who participate in decision making is low and the decision areas they are involved in

are also few [17]. According to [18], top management has the last word when it comes to decision making in a firm [19]. The hierarchy of command is considered to be tall since information has to pass through different levels before it gets to the end user [20]. [21] points out that labour is divided into specific which demonstrates high levels of specialization while communication within the organization is command-like. They note that procedures within the organization are permanent and written which portrays high formalization and standardization. The authors also point out that decision making is concentrated in fewer areas within an organization which depicts high centralization.

2. **Organic Structures:**

Organic organizations are flexible, adaptable, and team directed. In particular, organic organizations are characterized by weak or multiple hierarchies; low levels of formalization; loose rules, policies, and procedures; horizontal specialization; decentralized decision making; communication flows in all directions; and fluidity of tasks adaptable to changing conditions. [22], documents the

organic form as being one where individual responsibilities in an organization keep on changing and are frequently redefined with time portraying low levels of formalization. The author also adds that in this structure, communication, control and power are in the form of a network configuration as authority and decision making is spread throughout the organization thus depicting low centralization. "Organic organizations are based on interpersonal transactions; they mostly rely on interpersonal factors such as face-to-face

communication and explanations within the firm while [23]. [24] describe an organic organization as one whose control systems are informal and interactions among employees in a firm are common and encouraged. There are different characteristics of organic structure. [25] lists the following characteristics of organic or professional organizations as: high complexity, low centralization, low formalization, low stratification, high adaptiveness, low production, low efficiency and high job satisfaction

Table 1: Advantages and Disadvantages of Organizational Structure Dimensions

	Advantages	Disadvantages
Centralization	High coordination; high consistency; reduced policy conflict	Poor decision making; little interaction between high and low level employees; loss of control over work; negative attitude towards duties; reduced loyalty towards the organization
Formalization	Organization is sustained in the long term; reliable and predictable employee behavior; easy to induct new employees to organizational rules. regulations and job descriptions: promotes equality among employees; standardizes solutions to repetitive problems High efficiency; skill specialization; high innovation, Easy to expand the organization; easy to adapt to customer needs; easy to exploit different labor markets and local resources	Lack of autonomy in work; rigidity makes response to Customer needs slow; slow work processes; reduced innovation.
Complexity	High efficiency; skill specialization; high innovation, Easy to expand the organization; easy to adapt to customer needs; easy to exploit different labor markets and local resources	High levels of conflict; difficult to manage; poor governance, Poor coordination; hinders Harmonization

Sources: [26]. The Effect of Formal Organizational Structures on Inter-organizational Networks: A study on OEMs in the Forest Technology Industry of Northern Sweden. Unpublished Master Thesis of Umea School of Business and Economics, Umea

EFFECTS OF STRUCTURAL DEFICIENCIES ON PERFORMANCE

Child (2005) explains the consequences of structural deficiencies. They are:

1. **Low motivation and morale:** Low motivation and morale may result from apparently inconsistent and arbitrary decisions, insufficient delegation of decision-making responsibility, lack of clarity in job definition and assessment of performance, and competing pressure from different parts of the organization.
2. **Late and inappropriate decision:** Late and inappropriate decision may

result from lack of relevant timely information to the right people, poor coordination of decision makers in different units, overloading of decision makers due to insufficient delegation, and inadequate procedures for re-evaluation of past decisions.

3. **Conflict and lack of co-ordination:** This may result from conflicting goals and people working at-cross purpose because of lack of clarity on objectives and activities, failure to

bring people together into teams or through lack of liason, and lack of effective systems for communicating the modification of task.

4. **Poor response to new opportunities and external changes:**

This may result from failure to establish unit(s) concerned with forecasting environmental change, failure to give adequate attention to innovation and

planning of change as a main management activity, inadequate use of teamwork and attention to relevant aspect of new projects.

5. **Rising Cost:** Rising cost may result from long hierarchy of authority with a high proportion of senior managers, excess of rules, procedures and administrative work at the expense of productive work.

EMPLOYEE PERFORMANCE

Employee performance is normally looked at in terms of outcomes. However, it can also be looked at in terms of behavior [27]. [28] stated that employee's performance is measured against the performance standards set by the organization. There are a number of measures that can be taken into consideration when measuring performance which may include; productivity, efficiency, effectiveness, quality and profitability measures [29]. *Profitability* is the ability to earn profits consistently over a period of time. It is expressed as the ratio of gross profit to sales or return on capital employed [7].

Efficiency and effectiveness - efficiency is the ability to produce the desired outcomes by using as minimal resources as possible while effectiveness is the

ability of employees to meet the desired objectives or target [9].

Productivity is expressed as a ratio of output to that of input. It is a measure of how the individual, organization and industry converts input resources into goods and services. The measure of how much output is produced per unit of resources employed [4].

Quality is the characteristic of products or services that bear an ability to satisfy the stated or implied needs [15]. It is increasingly achieving better products and services at a progressively more competitive price. [17] document that employee performance is higher in happy and satisfied workers and the management find it easy to motivate high performers to attain firm targets.

FACTORS AFFECTING EMPLOYEE PERFORMANCE

Management - subordinate relationship:

As organizations strive for flexibility, speed and constant innovation, planning

with the people and not for the people ensures a positive relationship to performance improvement When

employees are given freedom to participate in organizational decision making for example, there is are high chances of having mutual trust between management and employees. Mutual trust and cooperation help to break the barriers between the two parties. The employees will not resort to strikes and work stoppages without exhausting all the available channels of resolving the dispute. Employees will be motivated because management considers them as partners who contributes to organizational success instead of being seen as mere subordinates and therefore will avoid engaging into counterproductive behaviors hence improved performance through timely achievement of organizational goals and objectives [20].

Working conditions: Although working conditions do not have a direct impact on production or output, they indeed have an indirect performance for example if the manual or mental work involved in certain jobs in a factory is tiresome, it will result into endangering not only the company property but also result into accidents which may further involve incidents like loss of life. This might have adverse effects on the morale of the entire work force. Therefore organizations should establish working conditions that do not affect the work force negatively by providing among

other things noise free environments, adequate lighting systems, adequate temperatures.

Reward system: The overall aim of reward systems is to attract and retain quality human resources. Organizations should adopt reward systems that are similar to the industry in which they operate or organizations can develop performance based pay systems in order to reward employees according to the set performance standards and profitability goals. Therefore for performance to improve, organizations need to create and maintain a sense of fairness equity and consistency in their pay structures.

Healthy unionization: Unionizations improve the industrial relations in instances where the management allows free participation of employees in trade unions. Management and trade unions will negotiate through collective bargaining processes the conditions of workers employment. [21] argued that industrial peace is a very important aspect for performance and growth of organizations. If the organization is plagued by industrial disputes and strikes, performance is bound to decrease.

Team work: When organizational members work together in teams, coordination of organizational goals and objectives becomes easier. This will lead

to the teams sharing performance goals and thus lead to improving the morale of the employees which will later lead to improvements in productivity. Team work encourages open communication between employees and attracts complimentary skills which enable them to achieve more in a specified period of time as compared to when the individual is working alone

hence creating synergy. However, teams have the potential to be productive but the degree of performance depends on the relationship between management and the working team. Therefore support from management enhances performance of teams and performance improvement in general.

METHODOLOGY

The research design that was adopted for this study is the survey research design. This method is considered appropriate for the study because it enabled the researchers to make personal contact with the study population from whom information was gathered directly for the study. The study generated data from both primary and secondary sources. The population of the study covered 67 members of staff from the three selected

micro-finance banks in Enugu state. [5] sample size determination statistical formula for finite population was adopted in selecting 57 members of staff as the sampled unit. A stratified sampling method was adopted so as to give a fair representation to the designated units in the organization of study. The Bowley's proportional allocation formula which is given as:

$$N_h = \frac{n N_h}{N}$$

Was used where: n_h = Number of units allocated to each staff category, N_h = Number of employees in each staff in the population, n = Total sample size and N = total population size under study. The spearman's Rank Correlation (r) was used to test the reliability of the instrument from the two set of responses by 10 respondents. Reliability test computation

using spearman's rank correlation coefficient of test-retest gave an output of $r = 0.95.$, the statistical tools used for data analysis are: simple percentage and the Non-Parametric Kruskalwallis test using the 15.0 version of the Minitab statistical software (MSS). kruskawalis is described thus:

$$T = H = \frac{12}{N(N+1)} \sum_{i=1}^k \frac{R_i^2}{n_i} - 3(N+1).$$

The decision rule is to reject the null hypothesis if $H \geq \chi_{(k-1)}^2$, where k is the degrees of freedom.

RESULTS

Hypothesis One

H₀₂: Structural complexity does not have significant effects employee's efficiency

Results for Research Question One

Kruskal-Wallis Test: C1 versus C2

Kruskal-Wallis Test on C1

C2	N	Median	Ave Rank	Z
1	5	33.00	14.9	0.65
2	5	46.00	23.0	3.40
3	5	34.00	15.0	0.68
4	5	29.00	9.1	-1.32
5	5	22.00	3.0	-3.40
Overall 25		13.0		
H = 20.57 DF = 4 P = 0.000				
H = 20.66 DF = 4 P = 0.000 (adjusted for ties)				

From the Minitab output, the p-value is 0.000, which is less than the level of significance (0.05), therefore we reject the

null hypothesis and conclude that structural complexity has significant effects employee's efficiency

Hypothesis Two

H_{03} : Structural concentration does not have significant effects on employee's innovativeness

Results for Research Question Two

Kruskal-Wallis Test: C1 versus C2

Kruskal-Wallis Test on C1

C2	N	Median	Ave Rank	Z
1	8	32.00	20.8	0.07
2	8	44.00	34.8	3.87
3	8	37.00	28.1	2.06
4	8	29.00	13.6	-1.88
5	8	22.50	5.3	-4.13
Overall	40		20.5	

$H = 31.83$ DF = 4 P = 0.000

$H = 31.92$ DF = 4 P = 0.000 (adjusted for ties)

From the Minitab output, the p-value is 0.000, which is less than the level of significance (0.05), therefore we reject the

null hypothesis and conclude that structural formality has significant effects on employee's innovativeness

DISCUSSION OF FINDINGS

In this study, the major findings revealed that organizational structure has significant effect on employee performance in micro-finance banks in Enugu State. This assertion is drawn from the output of the data generated after been subjected to statistical analysis with the kruskawalis test (H). The hypothesis one showed that the null hypothesis was rejected in place of the alternate hypothesis since the p-value was lesser

than the level of significance (i.e $00.0 < 0.05$) hence the conclusion that structural complexity has significant effects on employee's efficiency. The output of hypothesis two proved that the innovativeness of employees can either be facilitated or impeded by the structural formality in the selected micro-finance banks, this is because the level of significance is higher than the p-value (i.e $0.05 < 0.00$).

CONCLUSION

Organizational structure been the pillar of the organizational internal processes determines both the communication and responds pattern of an organization in terms of speed and accuracy on issues

affecting its existence. Therefore, if employees must perform maximally on the job they are hired to do, the structure of the organization must be consistent with the nature and complexity of their

task. This study therefore concludes that the present structure adopted by the selected micro-finance banks is

supportive of enhanced employee's performance and therefore should be encouraged.

RECOMMENDATIONS

Sequel to the findings and conclusions above, the researcher recommends that;

(1). There is need to give employees orientation on the principles of organizational structure to the employees. This will reduce their resentment to directives, induced reform, communication failures and give them

sense of belonging while at the long-run promoting operational efficiency.

(2). To ensure that organizational structure contributes maximally to job performance, workers should be trained in order to enable them effectively incorporate its tenets when developing business unit strategies

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