



EFFECT OF ORGANIZATIONAL STRUCTURE ON EMPLOYEE PERFORMANCE OF COMMERCIAL BANKS IN NIGERIA

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Abstract

This study determines the organizational structure and employee performance of selected banks in Anambra state, Nigeria. The specific objectives are to ascertain the effect of nature of formalization and layers in the organizational hierarchy on employee performance of commercial banks in Anambra State, Nigeria. Survey research design was employed for the study. Data collected for the study was analyzed by the researcher and the three formulated hypotheses were tested using regression analysis statistical tool with aid of SPSS version 20.0 at 5% level of significance. The study revealed that nature of formalization and layers in the organizational hierarchy has significant effects on the employee's performance of commercial banks in Anambra state, Based on the findings, the study recommended the followings that bank managers should combine elements of both task routine and variety in organizing employees for carrying out task in order to reap the advantages of both systems of task assignment.

Keywords: Nature of formalization, layers in the organizational hierarchy, and employee's performance

Introduction

There is hardly any organization that does not have profit and growth as its main objectives. The growth of a firm is principally measured on the percentage of market share captured and client served. By deciding how to approach the markets and Customers, employees are placed into different strategic positions to execute the strategies and pursue objectives established by the organization (Nwosu, 2020). The placement of organizational members into strategic positions of responsibility with authority with a view to achieving organizational objectives is structuring, hence organizational structure is sine qua non to continuous existence of every organization. To attain objectives, organizations must channel employee endeavors in unified direction and established means of allocating resources/responsibilities and control under arrangements referred to as structure. Organizational structure is how job task is formally divided, grouped and coordinated (Sablynski, 2003).

Attention to the employees and above all, their performance as the biggest and most important capital of the organization, is the phenomenon, has dramatically grown over the recent couple of decades. Most of developments of current years, appeared as decentralizing management and directing system, reducing organizational layers, employees' participation in decision making and such cases, are due to changed towards the attitude of organizational workforce and the employees of the organization have been released of old and outdated definition of post-industrial revolution era and are known with the new definition as "valuable resources". Nowadays, industrial, commercial and even service organizations are trying to increase the professional capability, satisfaction, attachment of their human resources to enhance their productivity and have associated productivity with improvement of employees' performance and the quality of their job life (Felipe, 2011).

In most developing countries, the study of how employees react towards these structures and how they perform under these structures can show how important it really is for organizations to implement the correct structure for the specific environment the organization is working in. When looking at factors such as the organizational structure itself, employees' performance and the factors influencing the organizational structures, decentralization and centralization, one can identify if there is any relationship between the structure chosen and the worker's performance (Clark, 2011).

Many studies have also been carried out on organizational structure and employees performance; some of the studies found a significant positive effect between organizational structure and employees performance; (Nwosu, 2020; Malik, 2017; Ann, Nwankwere, Orga, Igwe, 2015; Grewal and Tansuhaj, 2001). Despite the above results, some researchers found negative effect between organizational structure and employees performance; (Hadis, Keyvan, Salah, Khabat and Soran, 2017; Ekpu, 2004).

Despite the contradictory assessment, that decentralization system of control is crucial to employees' productivity and organizational development; also enhance rapid delivery of employee services, to both the organization and customers. Standardization system of control ensures employee efficiency and generates quality products that give competitive edge over the competitors in the global market. Incentives as key factor also contribute immensely to employee commitment in workplace.

The main objective of this study will be to determine the organizational structure and employee performance of selected banks in Anambra state. The specific objectives are to:

1. *Ascertain the effect of nature of formalization on employee performance of Commercial banks in Anambra state, Nigeria.*
2. *Determine the effect of layers in the organizational hierarchy on employee performance of Commercial banks in Anambra state, Nigeria.*

Review of Related Literature

An organizational structure is the functional framework, aligning resources with defined organizational objectives in the business strategy and embodying the organization's culture. The structure directly impacts the company's capability to attract, engage and retain employees. An organizational structure is a logical framework of the department. It lays out and defines priorities through design of positions with generalist and specialist roles, indicates reporting relationships and the fit of each person in the big picture, and establishes decision making as centralized or decentralized. Effective implementation of organization structure entails clarity of task responsibilities to enable employees to work well together and jointly manage overlapping duties and hand-offs with each other (Erickson, 2005).

An effective organizational structure has its roots in making a positive impact on the employee and business and, therefore, is aligned with the business strategy. It flows with the company culture. And, it is designed to attract and accommodate high performing individuals, through creation of positions that leverage their highest skills and provide development and growth, ensuring meaningful work and a sense of purpose from the present into the future (Adeoye, 2018).

Organization strives to be the best competitor in the environment they are competing and among the players in the same industry (Macey & Schnieder, 2008). Meanwhile, the structure implored or adopted can have an influence on employee's engagement, therefore they should examine this fact, and productivity must be high for any organization to achieve the competitive advantage. But if low can take the organization down the drain. The organizational structure indicate is the way of doing business, how each change is implemented and how each job description is made, how the communication of the organization will work and the strategic plan to enhance employee engagement (Perrin, 2003).

The structure of an organization can be defined simply as the total of the ways in which its labor is divided into distinct tasks and then its coordination and integration is achieved among those tasks (Bernd 2007). It is the map of relationships that lets the firm orchestrate specialized experts and provides the basic foundation within which an organization functions (Mohammed & Saleh, 2013). Organizational structure refers to how job tasks are formally divided, grouped, and coordinated and can provide the link between social and psychological subsystems (Rezayian, 2007).

The more layers in a firm, the more complex the structure of the organization, the more complex the structure, the more difficult coordination and integration of organization members become. The recent trend towards flatter organizations is a tacit acknowledgment that complexity will influence the flexibility, and can frustrate an organization's ability to compete in dynamic environment (Nahm, Vonderembse & Koufteros, 2003). Lesser layer in organizational hierarchy facilitate decision making. The ease of decision-making refers in the operation who are more likely to know the actual situation that necessitated the decision.

Engaging lower cadre in decision making encourages belongingness on the part of the employee. Some Scholars maintain that there are merits of systems with few layers over one with many layers.

Robbin and DeCenzo (2005) defined formalization of organizational structure as degree to which jobs are standardized. The nature of formalization refers to the degree to provide employees with rules and procedures that not only deprive but also discourage creativity, autonomous work and learning activity (Miner 1982). When organization reduces rules and regulations, it encourages creative, autonomous work, learning, and organizes work units around core processes to enhance value to customers. In the opinion of Nnabuife (2009), mechanistic system encourages strict bureaucracy: here the activities in the organization are laid down in such a way that objectives and authority of individual are well defined, power flow is known, and adhered to strictly, personal skills are separated and specialized tasks are clearly defined. The organic structure in contrast to mechanistic is where job skills are used in the group settings, communication flows at all levels of the organization and there is less emphasis on taking and giving orders from subordinate to superior and vice versa.

Employee performance

The definition of employee performance is the result of work in quality and quantity achieved by an employee in performing his duties in accordance with the responsibilities given to him. Performance is as a record of success resulting from the function of a particular job / activity over a given period. There are six categories to measure employee performance that is quality, quantity, punctuality, effectiveness, independence and work commitment (Budihardjo, 2003). Performance is the degree of completion of tasks that accompany a person's job to how well the individual meets the job demand (Romi, 2018).

Even though employee's performance has become a common phenomenon in management studies and makes its definition and structure reliable and explicitly justified (March and Sutton, 1997). Additionally, as mentioned earlier, Anitha (2014) defined employee performance as the financial or non-financial outcome of the employee that has a direct link with both the performance of the organization and its success.

Empirical Review

Various studies have been carried out on organizational structure and employee performance across the globe including Nigeria and they have mixed and controversial results.

Nwosu (2020) determined whether there is appropriate structure in Nigeria brewing firms and the extent it has contributed to their employees' performances. Descriptive statistics, correlation and t-statistics, was adopted for analysis of data and hypotheses testing. The result of the study revealed that nature of hierarchical layers has significant positive effect on the employee's performance of brewing firms; that internal and external boundaries have significant positive effect on the employee's performance of brewing firms; and that formalization significantly affect employee's performance positively. Hailin Haimeng and Qiang (2018) examined whether corporate culture promotion affects firm performance in China in terms of firm market value, firm financial performance and innovation output. They find consistent evidence that corporate culture promotion is negatively related to firm market value, positively related to innovation output and not significantly related to firm financial performance. Adeoye (2018) assessed the impact of organizational structure on employee engagement in North Central of Nigeria. Adopting a survey design, the research made use of

primary data, collected mainly through administering a set of questionnaires to 196 management staff, supervisors and non-management staff of the selected manufacturing firms from Plateau state. The findings revealed that: there is significant positive relationship between decentralization system of control and employee productivity; standardization system of control positively affects employees' efficiency. Malik (2017) determined whether there is appropriate structure in Nigeria brewing firms and the extent it has contributed to their employees' performances. Descriptive statistics, correlation and t-statistics, was adopted for analysis of data and hypotheses testing. The result of the study revealed that nature of hierarchical layers has significant positive effect on the employee's performance of brewing firms; that technology has significant positive effect on the employee's performance of brewing firms; that internal and external boundaries has significant positive effect on the employee's performance of brewing firms; and that formalization significantly affect employee's performance positively. Hadis, Keyvan, Salah, Khabat and Soran (2017) determined the effect of organizational structure (structural aspects) on employees' job performance of a private hospital in Ahvaz. Research tool is the Stefan Robbins questionnaire of 24 questions to measure organizational structure and Patterson questionnaire of 15 questions to evaluate job performance. The results indicate that organizational structure (structural aspects) has a significant negative effect on job performance of employees in a private hospital of Ahvaz. Ann, Nwankwere, Orga, Igwe (2015) established the impact of structure on organizational performance. Organizations today are becoming more automated and complex, hence, the need to maintain and improve performance by structuring and restructuring based on changing strategy. The study was conducted using the survey approach. The geographical scope of study was Innoson Nigeria Ltd, and Etisalat, Enugu Regional Office. Simple percentage (%), chi-square (*a) and correlation were used in analysis of the data and in testing the three hypotheses. Findings revealed that decentralization enhanced better and more informed decision making in technical and service firms in Nigeria; that task routine affected staff productivity both positively and negatively. Mansor (2012) reportedly assert that performance effect of organizational structure is moderated by changes in the environment and hence, conclude that to attain desired superior performance by an organization adequate attention is required to have organizational structure that can match the prevailing environment dynamism in place.

Qingmin, Helmut and Juergen (2012) assessed the influence of organizational structure on performance of organizations in Austria and China, the study found that organizational structure influence performance directly and indirectly. Akinyere (2011) on the organizational structure and strategy adopted by oil and gas companies suggest a positive effect. The study found that organizational structure and strategies adopted by oil and gas marketing companies affect market share positively. Ekpu (2004) study which found positive relationship between unstructured organizational patterns and large firm performance. However, there are researches that found negative effect on the organizational structure and performance.

The above literature and empirical studies on organizational structure and employees performance were characterised with mixed reactions from different researchers, some are of opinion that there is a positive significant relationship between organizational structure and employees performance while some had a contrary view to it. However, lack of consensus on the empirical literature calls for further studies on study of this nature.

Research Methodology

This study adopted survey research design. Survey design involves the use of sample to obtain the opinion of large number of people. It is a research design that study the information gathered from a fraction or percentage of the population.

The population of the study consists of five selected deposit money banks quoted on the Nigerian Stock Exchange. The study used "purposive sampling technique (Non-random sample). In this method, the sample is chosen based on what the researcher thinks is appropriate for the study, to select twenty (20) staff from five deposit money banks branches operating in Awka Metropolis. These banks are; First bank, Fidelity bank, UBA, Access bank and GT Bank.

Data were collected from the primary source through questionnaire.

The questionnaire was designed in a structured form and made up of general questions of the research questions to be answered hypothetically and was restricted with the responses made of strongly agree (SA) agree (A) undecided (U strongly disagree (SD) and disagreed (D).

Out of 100 copies of questionnaires distributed, 77 were completed and returned. This represents 77%.

Method of Data Analysis

Data collected for the study was analyzed by the researcher and the three formulated hypotheses were tested using regression analysis statistical tool with aid of SPSS version 20.0 at 5% level of significance. The test was used to assess the significant effect of the independent variables; the nature of formalization, Layers in the organizational hierarchy, and appropriate technology and the dependent variable employee performance.

Model Specification

The researcher estimated model in the following form:

$$EPF_{it} = a_0 + \beta_1 FMZ_{it} + \Sigma \epsilon_{it} \dots\dots\dots i$$

$$EPF_{it} = a_0 + \beta_2 HRY_{it} + \Sigma \epsilon_{it} \dots\dots\dots ii$$

Where:

The dependent variable: Employee performance (EPF) and

The independent variables:

EPF = Employee performance

FMZ= Nature of formalization

HRY= Layers in the organizational hierarchy,

*a*₀ = slope of the model

$\beta_1, \beta_2, \beta_3$ = coefficient of parameters.

i for the financial year ending at year *t*.

Decision Rule:

The decision for the hypotheses is to accept the alternative hypotheses if the p-value of the test statistic is less or equal than the alpha and to reject the alternative hypotheses if the p-value of the test statistic is greater than alpha at 5% significance level.

Data Analysis

Table.1 Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
EPF	5	8.00	170.00	77.0000	76.66159
FMZ	5	7.00	166.00	77.0000	76.23975
HRY	5	.00	178.00	77.0000	79.56758
Valid N (listwise)	5				

Table 1 shows the mean (average) for each of the variables, their maximum values, minimum values, and standard deviation. The results in table 1 provide insight in the nature of the Nigerian commercial banks that were used in this study. It was observed that on the average over the periods, the sampled quoted Nigerian quoted commercial banks were characterized by improved employee performance (EPF). The gap between the maximum and minimum value of the employee performance and organizational structure (formalization, Layers in the organizational hierarchy, and appropriate technology) shows that organizational structure really determines the level of employee performance of the banks.

Test of Hypotheses

Hypothesis One

Ho: Nature of formalization does not significantly affect the employee’s performance of Commercial banks in Anambra state, Nigeria.

Table 2: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.997 ^a	.995	.993	6.42409

a. Predictors: (Constant), FMZ

Table 2 shows an adjusted R² value of .993. The adjusted R², which represents the coefficient of determinations imply that 97% of the total variation in the dependent variable explained by the explanatory variable. The adjusted R² of 93% did not create issue to the study model and further recommend that the explanatory variable is appropriately selected and used. This means that 7% of the variation in the dependent variable is explained by other factors not taken in the study model.

Table 3: ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	23384.193	1	23384.193	566.629	.000 ^b
	Residual	123.807	3	41.269		
	Total	23508.000	4			

a. Dependent Variable: EPF

b. Predictors: (Constant), FMZ

Table 4: Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.222	4.333		-.051	.962
	FMZ	1.003	.042	.997	23.804	.000

a. Dependent Variable: EPF

In table 3, it reveals that the F-stat (566.6) and p-value (0.000), indicates that the hypothesis is statistically significant; hence p-value is less than the alpha value (0.005).

In table 4, the regressed coefficient correlation result shows that an evaluation of the employee performance of the explanatory variable (Beta Column) shows that nature of formalization is highly correlated (Sig.= 0.997). Therefore, we reject null hypotheses and uphold alternative hypothesis which state that Nature of formalization significantly affects the employee’s performance of commercial banks in Anambra state, Nigeria.

Hypothesis Two

Ho: Layers in the organizational hierarchy have no significant effect on employee performance of Commercial banks in Anambra state, Nigeria.

Table 5: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.986 ^a	.972	.963	14.68570

a. Predictors: (Constant), HRY

Table 5, shows an adjusted R² value of .963. The adjusted R², which represents the coefficient of determinations imply that 96% of the total variation in the dependent variable explained by the explanatory variable. The adjusted R² of 96% did not create issue to the study model and further recommend that the explanatory variable is appropriately selected and used. This means that 4% of the variation in the dependent variable is explained by other factors not taken in the study model.

Table 6: ANOVA^a

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	22860.990	1	22860.990	106.000	.002 ^b
Residual	647.010	3	215.670		
Total	23508.000	4			

a. Dependent Variable: EPF

b. Predictors: (Constant), HRY

Table 7: Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.840	9.676		.397	.718
	HRY	.950	.092	.986	10.296	.002

a. Dependent Variable: EPF

In table 6, it reveals that the F-stat (106.0) and p-value (0.002), indicates that the hypothesis is statistically significant; hence p-value is less than the alpha value (0.005).

In table 7, the regressed coefficient correlation result shows that an evaluation of the employee performance of the explanatory variable (Beta Column) shows that nature of formalization is highly correlated (Sig.= 0.986). Therefore, we reject null hypotheses and uphold alternative hypothesis which state that layers in the organizational hierarchy have significant effect on employee performance of Commercial banks in Anambra state, Nigeria.

Discussion of the Result

The results obtained from the analysis revealed that formalization affect employee performance of quoted Nigerian commercial banks. Also that layer in the organizational hierarchy has affected employee performance of quoted Nigerian commercial banks. These results are in line with the following result; Nwosu (2020) result of the study revealed that nature of hierarchical layers has significant positive effect on the employee's performance of brewing firms; that technology has significant positive effect on the employee's performance of brewing firms and that formalization significantly affect employee's performance positively. Hailin Haimeng and Qiang (2018) found consistent evidence that corporate culture promotion is negatively related to firm market value, positively related to innovation output and not significantly related to firm financial performance. Adeoye (2018) concluded that decentralization system of control is crucial to employees' productivity and organizational development; also enhance rapid delivery of employee services, to both the organization and customers. Malik (2017) findings, the study concludes that adopting appropriate structure is the fulcrum on which employees' performance of brewing firms revolves. Hadis, Keyvan, Salah, Khabat and Soran (2017) results indicate that organizational structure (structural aspects) has a significant negative effect on job performance of employees in a private hospital of Ahvaz.

All hypotheses are supported, which indicate significant relationships among the dimensions of organizational structure and employee's performance. This supports the claim that the firms that reduce hierarchy layers, have blurred internal boundaries and infiltrated external boundaries, have lower degree of formalization, and adopt appropriate technology that suits its structure would have higher employees' performance. The results imply that there are several aspects of organizational structure to enhance employee's performance. Therefore, any organization seeking for higher employee's performance should consider the vital role played by structural dimensions. Studies have shown that firms that fail to design appropriate structure that will suit organizational workforce will definitely encounter the problem performance from its employees. In view of this, the study concludes that organizational structure has a significant positive effect with the employee's performance.

Recommendations

Based on the findings, the study recommended the followings:

1. Managers should combine elements of both task routine and variety in organizing employees for carrying out task in order to reap the advantages of both systems of task assignment.
2. Organizations are encouraged to adopt lesser layer in organizational hierarchy. Fewer layers facilitate a high level of integration of organizational members, quick response and decentralized decision-making.

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