

# Organizational Structure and Employee Productivity: PPMC Approach

Awatt Christiana Efiang<sup>1</sup>, Ikpeme Bennyta Bassey<sup>1</sup>, Bassey Ekpeyong Okon<sup>1</sup> & Michael Michael Nkanta<sup>2</sup>

<sup>1</sup> Department of Public Administration, University of Calabar, Nigeria

<sup>2</sup> Department of Business Administration, Cross River University of Technology, Nigeria

Correspondence: Michael Michael Nkanta, Department of Business Administration, Cross River University of Technology, Nigeria.

doi:10.56397/FMS.2023.12.02

## Abstract

The aim of the study was to examine the relationship between top level structure and employee productivity, and the relationship between low level structure and employee productivity. Data for this study were gathered from primary and through the use of structured questionnaire from respondents of the organization in Calabar, Cross River State. Pearson Product Moment Correlation analysis was used to measure the relationship between variables tested in the study. Based on the analysis, the major findings are summarized as follows: there was a significant relationship between top level structure and employee productivity, and there was a significant relationship between low level structure and employee productivity in First bank, Nigeria. The study concluded that organizational structure positively affected employee productivity. In line with the findings of this study, the following are recommended; organization should implement system of task and reporting relationships that will control, coordinate, and motivate employees so that they cooperate to achieve an organization's goal. Also recommended that organizational structure needs to be continuously inter-linked in order to achieve desired results. The structure should be based on the overall strategy, which drives the policies and procedures of an organization.

**Keywords:** organizational structure, employee productivity, top level structure low level structure, First bank

## 1. Introduction

Organizational structure is the method by which work flows through an organization and allows groups to work together within their individual functions. It is a system used to define a hierarchy within an organization, it identifies its functions and where it reports to. It determines how the organization performs or operates (Lens, 2020). Organizational structures can help companies streamline business operations. Business owners, directors and managers are usually responsible for organizing business functions into departments that can complete various business processes (Archibong, 2010).

Companies can use organizational structure to improve their business decision making process. Business decisions often relate to the amount of information business owners' directors or managers gather in a timely period (Armour, 2019). It can be designed to promote the flow of information for frontline business decision making. As businesses continue to grow and expand, they may open multiple locations in local, regional or domestic economic markets. According to Bassey and Umoh (2010), organizational structure helps business owners create a management chain to ensure all business locations operate according to the company's standard procedures. It often outlines employee tasks which the manager is responsible for overseeing each employee; employees may undergo a training period in which they learn the company's organizational structure and work roles (Bucci & Gudergan, 2014).

Organizational structure is used to allow employees to clearly understand the divisions between lower, middle and senior management with this operational framework in mind, workers are empowered to meet and exceed performance standards that can help them climb the upward ladder in their career trajectory. It is a system that outlines how certain activities are directed towards achieving the goals of an organization (Aghion, 2010). This focuses on stories relating to leadership, stories of individuals taking actions that help the group towards attaining desired goal. Organizational structure narrative works in an organization when the system outlines certain activities that are directed in order to achieve the goals of the organization. It also determines how information flows between levels within the organization (Child, 2015).

Productivity is the efficiency of production of goods or services desired by measurement. It is often expressed as a ratio of an aggregate input used in a production process i.e., output per unit of input typically over a specific period of time. Productivity is a ratio between output volume and the volume of inputs. In other words, it measures how efficiently production inputs, such as labor and capital, are being used in an organization to produce a given level of output questions or opportunities (Coase, 2000). In organizations, specialists work together, and there is enhanced communication and coordination. A strong management hierarchy ensures an adherence to policies and procedures. The oversight and job specialization encourages standardization and mechanization. Together, these characteristics promote efficiency and therefore productivity (Akinyele, 2010).

In appropriate structure is one of the critical success factors that supports organizations that are performing well in the sector and the extent to which appropriate structure has helped the productivity of its employees. The main challenges which this study underpins include segregation, weakening of common bonds, lack of coordination and use of power authority. This study is therefore aimed at examining the effect of organizational structure on employee productivity.

## **2. Theoretical Framework**

The following theories propounded by various scholars are related to this study.

### *2.1 Structural Contingency Theory*

This theory was propounded by Fred Edward Fiedler in 1964. The theory states that there is a structural adaptation to regain fit. In an open system world, environments create requirements for organizations that their managers address in part by adopting strategies. These strategies in turn create contingency size, technology, level of diversification and others which some organizational structure are better suited than others. When managers of organization find themselves with a structure that does not match its contingencies, their organizational performance suffers and they endeavor to change its structure to one with a better fit, to improve performance. In this theory, the optimal course of action is contingent upon the internal and external situations. There are many internal and external factors that can influence the optimum organizational structure such as the size of the organization, technology that is in use, contingent and how the organization can adapt to changes in strategy. This theory is relevant to the study and it depicts that structure is an outcome of a firm's resource base and the characteristics of firms, it depends upon the level of development and transactional efficiency of resource markets within the country.

## **3. Literature Review**

Organizational structure is how job is formally divided, grouped and coordinated (Sablinski, 2003). It is the anatomy of the organization, providing a foundation within which organizations function. However, Nnabuiife (2009) visualizes organizational structure as the setting up a structure or mending an already existing one to suit the organizational environment and the demands of technology. From the views of Nnabuiife (2009), structure is a factor of technology. Organizational structure influences the way in which work flows in a company, therefore, different design or structure can help or hinder different strategic objectives and also aid or hinder employees in their role.

Structure can as well dictate the means by which strategies are formed. However, employees' performance in brewing industry in Nigeria examined by various structural dimensions. According to Cyert (2000), four aspects of organizational structure are: the number of layers in the hierarchy, the nature of formalization, loose/blurred internal and external boundaries and appropriate technology. These dimensions can make or mar the effect of structure on employees' performance if not appropriately situated.

## **4. Organizational Structure**

Organizational Structure is difficult to define due to its varying applications by managers and scholars across disciplines (Dalton & Brown, 2011). 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. Structure is also defined as the architecture of business competence, leadership, talent, functional relationships and arrangement. Furthermore, organizational structure can be defined

as how job tasks are formally divided, grouped, and coordinated (Daniel, 2016).

According to Murphy and Willmott (2010), 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 (Nwosu, 2015). Organizational structure is a way responsibility and power are allocated, and work procedures are carried out, among organizational members.

According to Oyediyo (2012), the most important components of organizational structure include formalization, centralization, and control. 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 (Richard, 2012). The general conclusions are that organizations must fit structure and processes if it must produce positive results. Organizational structure plays a critical role in the accomplishment of an organization's overall strategy. Another notable aspect is that both business strategy and organizational structure need to be continuously inter-linked in order to achieve desired results.

### **5. Employees Productivity**

Productivity is the efficiency of production of goods or services desired by measurement. It is often expressed as a ratio of an aggregate input used in a production process i.e., output per unit of input typically over a specific period of time. Productivity is a ratio between output volume and the volume of inputs. In other words, it measures how efficiently production inputs, such as labor and capital, are being used in an organization to produce a given level of output. A good performance by employee is necessary for the organization, since an organization's success is dependent upon the employee's creativity, innovation and commitment. Even though employee productivity and employee job performance seems to be related, performance is in some cases measured as the number and value of goods produced. However, in general, productivity tends to be associated with production-oriented terms (e.g., profit and turnover) while employee performance is linked to efficiency or perception-oriented terms (e.g., supervisory ratings and goal accomplishments).

Organizations need good employees and appropriate structure that will enhance their performance. According to Kostiuk (2019) most organizations performance is measured by supervisory ratings, supervisory ratings quality, and quantity, dependability and job knowledge and goal accomplishments even though they are highly subjective. This study however will adopt the variables of employee's performance to include supervisor's ratings, quality, quantity, effectiveness, efficiency, dependability, job knowledge and goal accomplishments.

### **6. Research Methodology**

The design employed in this study is survey research design. Data for this study were gathered from primary and through the use of structured questionnaire from respondents of the organization in Calabar. For this study, the researcher used the structured questionnaire designed with three sections to examine organizational structure and employees' performance in First bank, Nigeria. The study employed Pearson Product Moment Correlation analysis to measure the relationship between variables tested in the study.

### **7. Test of Hypotheses**

Hypothesis one:

H<sub>0</sub>: Top level structure does not have significant effect on employee productivity in First bank, Nigeria.

Independent variable: Top level

Dependent variable: Productivity

Test statistic: Pearson's product moment correlation coefficient

The analysis showed a correlation coefficient of 0.872 indicating the existence of strong positive relationship between top level structure and employee productivity. It shows that the test was significant at 0.01 significant level and led to the rejection of the null hypothesis which states that there is no significant relationship between top level structure and employee productivity. Consequently, the alternative hypothesis was accepted and conclusion reached that there is a significant relationship between top level structure and employee productivity.

Hypothesis two:

H<sub>0</sub>: Low level structure does not have significant effect on quality of work in First bank, Nigeria.

Independent variable: Low level

Dependent variable: Productivity

Test statistic: Pearson's product moment correlation coefficient

The analysis showed a correlation coefficient of 0.845 indicating the existence of strong positive relationship between low level structure and employee productivity quality of work. It shows that the test was significant at 0.01 significant level, and led to the rejection of the null hypothesis which states that there is no significant relationship between Low level structure and employee productivity. The alternative hypothesis was consequently accepted and conclusion reached that there is a significant relationship between low level structure and employee productivity.

## 8. Discussion of Findings

Based on the analysis of the results, the following finding were revealed thus; In hypothesis one, it was revealed that there is a significant relationship between top level structure and employee productivity. The finding is in line with the works of Archibong (2010), who posit that organizational structure defines how activities including roles and responsibilities such as task allocation, coordination and supervision are directed towards the achievement of an organization's goals. The structure also determines how information flows between levels within the company, and consists of hierarchical, functional, horizontal, divisional, matrix, team-based and network.

Organizational structures can help companies streamline business operations. In hypothesis two, it was revealed that there is a significant relationship between low level structure and employee productivity. The finding is in line with the works of Lens (2020), who posit that companies can use organizational structure to improve their business decision making process. Organizational structure helps business owners create a management chain to ensure all business locations operate according to the company's standard procedures. It often outlines employee tasks which the manager is responsible for overseeing each employee; employees may undergo a training period in which they learn the company's organizational structure and work roles.

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. Organizational structure is a way responsibility and power are allocated, and work procedures are carried out, among organizational members. Organizational structure plays a critical role in the accomplishment of an organization's overall strategy. Based on the analysis, the major findings are summarized as follows:

- 1) There is a significant relationship between top level structure and employee productivity in First bank, Nigeria.
- 2) There is a significant relationship between low level structure and employee productivity in First bank, Nigeria.

## 9. Conclusion

The study examined organizational structure and employee productivity. The study revealed that top level structure and low level structure positively affected employee productivity in First bank, Nigeria, Nigeria. 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.

Organization structure affects the way in which people at work are organized and coordinated. Organizational structure plays a critical role in the accomplishment of an organization's overall strategy. The organization structure also determines how information flows between levels within the company organizational structure comprises of hierarchical, functional, horizontal, divisional, matrix, team-based and network. Organizational structure is the method by which work flows through an organization. It allows groups to work together within their individual functions. It is a system used to define a hierarchy within an organization, it identifies its functions and where it reports to. It determines how the organization performs or operates.

## 10. Recommendations

In line with the findings of this study, the following are recommended.

- 1) Organization should implement system of task and reporting relationships that will control, coordinate, and

motivate employees so that they cooperate to achieve an organization's goal.

- 2) Organizational structure needs to be continuously inter-linked in order to achieve desired results. The structure should be based on the overall strategy, which drives the policies and procedures of an organization.

## References

- Aghion, P., (2010). Formal and real authority in organization. *Journal of Political Economy*, 101, 1-29.
- Akinyele, S. T., (2010). Significance of strategic marketing to enterprise performance: An empirical analysis of Nigeria oil and gas industry. *Global Journal of Management and Business Research*, 10(6), 6077.
- Archibong, F., (2010). The organic organization and innovation. *Journal of Management Studies*, 39(4), 63-82.
- Armour, H., (2019). Organizational structure and economic performance: a test of the multidivisional hypothesis. *Bell Journal of Economics*, 2(2), 23-45.
- Bassey, K. & Umoh P., (2010). Supervisory span, relational coordination and flight departure performance. *International Journal of Academic Intellectual University*, 11(5), 56-69.
- Bucic T. & Gudergan S., (2014). The impact of organizational settings on creativity and learning in alliance. *Management*, 7(1), 257-273.
- Child, J., (2015). Organizational structure, environment and performance: The role of strategic choice. *International Journal of Sociology*, 6(1), 1-22.
- Coase, R., (2000). Organizational structure and performance. *Journal of Management science*, 1(3), 59-68.
- Cyert, H., (2000). Organizational form and environment: An analysis of between-form and within-form responses to environmental change. *Strategic management journal*, 21(7), 753-773.
- Dalton, M. & Brown, A., (2011). Delegation and organizational structure in small businesses. *Group and Organization Management*, 25(1), 4-21.
- Daniel, L., (2016). Delegation and organizational structure in small businesses. *Group and Organization Management*, 2(2), 14-31.
- Lenze, R., (2020). Determinants of organizational performance. An interdisciplinary review. *Strategic Management Journal*, 2(2), 131-154.
- Murphy, T. and Willmott, P., (2010). The Impact of organizational structure on organizational commitment. *European Journal of Business and Management*, 2(3), 23-34.
- Nwosu, H., (2015). Strategic planning and organizational performance: A Study of Selected Brewing Firms in Nigeria. *The International Journal of Business & Management*, 3(I), 162-186.
- Oyedijo, Ade, (2012). Antecedents and Performance Outcomes of Strategic Planning Nigeria Public Universities. *International Journal of Asian Social Science*, 2(4), 448-461.
- Richard, K., (2012). The Impact of organizational structure on organizational commitment. *European Journal of Business and Management*, 2(1), 4-10.

## Copyrights

Copyright for this article is retained by the author(s), with first publication rights granted to the journal.

This is an open-access article distributed under the terms and conditions of the Creative Commons Attribution license (<http://creativecommons.org/licenses/by/4.0/>).