
ORGANISATIONAL STRUCTURE AND FIRM PERFORMANCE WITH PARTICULAR REFERENCE TO UNITED BANK FOR AFRICA IN LAGOS, NIGERIA

Olayinka, Hammed O.

Department of Business Administration
Nnamdi Azikiwe University, Awka
Mail: ho.olayinka@unizik.edu.ng

Abstract

This study determined the impact of organisational structure and firm performance with particular reference to United Bank for Africa in Lagos, Nigeria. Specifically, the research seeks to: ascertain the relationship between departmentalisation and firm performance and examine the relationship between centralisation and firm performance. This study employed a descriptive survey research design. The target population of this research consists of the entire employees of United Bank for Africa (UBA) headquarters, Marina, Lagos Island Lagos, Nigeria. Data were generated from the questionnaires administered to the targeted respondents. Pearson Product Moment Correlation Coefficient (PPMCC) was used to determine if there are significant relationships between exogenous and endogenous variables of hypotheses. The study found that there is a substantial association between departmentalization and firm performance. Also there is a substantial association between centralization and firm performance. Based on the results, it was recommended that all organizations should choose between structures and choose the correct one for the environment and for employees, it is important to stay open minded and think clearly to make sure all employee are satisfied and have the right attitude and perform to the best of their abilities.

Key words: Organisational structure, Departmentalisation, Centralisation and firm performance

Introduction

The structure of the organization relates to the arrangement of tasks, interrelations between different departments and levels of officials in order to attain collaboration of efforts, delegation of power and efficient communication along the scalar chain of control (Naudé, 2012). Structure describes the formal division, grouping, and coordination of work duties. It demonstrates the hierarchical relationships between organization members (March & Simon, 1998). In addition, nearly every organisation expects the greatest possible amount of productivity or optimized productivity.

Manufacturing companies have played an important role in the economic development of Nigeria over the years and will continue to do so. The need for effective organizational structures that support smooth production processes and thus promote the growth of companies has emerged due to the competitive business environment and the increased demand for goods and services in the manufacturing industry (Bekanwah, Miidom and Ukoha, 2020). Every organization, from the simplest to the most complex, must have an operational structure. The main goal of creating an effective organizational structure is to achieve operational efficiency and effectiveness, which will lead to greater growth of the company. According to Aluko, Odugbesan, Gbadoso and Osuagwu (2011), one of the motivations for organizations to act structurally is to achieve survival, expansion and profitability. According to this statement, the purpose of the organizational structure is to achieve business growth or any of the aforementioned goals. On the other hand, company growth depends on how well the organization's operations and performance are structured (Ezejiofor & Ezekwesili, 2021). The main purpose of the organizational structure is to promote cooperation and facilitate management. This makes it possible to maintain coordinated thinking and action, the relationship of each organization with development becomes more complex. Business failure refers to a business going out of business because it cannot make a profit or generate enough revenue to cover its costs. Organizational studies recognize that organizations are structured differently. It describes its complexity and employees with their goals and objectives, the most important of which is business performance/satisfaction. In this background, the purpose of this study is to choose and implement the most appropriate structure to achieve the best performance of the company. Organizational structure is an effective tool for implementing and achieving organizational goals. However, it is generally accepted that the structure of any organization should be based on its goals. Organizational structure has had a significant impact on business success in Nigeria according to studies such as Bekanwah, Miidom and Ukoha (2020); Ogosi and Agbaeze (2018). According to Ugwu, Onoh Nnadi, Udeze (2019), structure significantly affected organizational performance. This research investigates organisational structure and firm performance with particular reference to United Bank for Africa in Lagos, Nigeria. Specifically, the research seeks to:

- i. ascertain the relationship between departmentalisation and firm performance
- ii. examine the relationship between centralisation and firm performance

Conceptual Framework

As managers and researchers apply organizational structure across disciplines, it is difficult to describe. However, it would be useful for us to explain the term in this context. In a sense, structure is the order of responsibility for the work to be done, which is best described by an organizational chart (Coase, 2000). The architecture of business expertise, leadership, talent, functional relationships and organization is also called structure (Cyert, 2000). Therefore, the organizational structure has an impact on the work of inspectors and work-related decisions (Schilling and Steensma, 2001). Managing organizational effectiveness involves promoting

the implementation of policies (Irish, Hitt and Sirmon 2003) and structures (Child and McGrath, 2001). Effective structures provide the company with the stability it needs to implement its strategy and maintain its current competitive advantages, allowing it to create competitive advantages that suit its strategic planning (Ireland, Hitt & Sirmon, 2003). Organizational structure means the long-term organization of tasks and activities. In other words, organizational structure is a set of strategies that aim to divide the organization into separate jobs and then achieve a balance between different responsibilities (Ezejiolor and Ezekwesili, 2021).

It concerns the extent to which organizational tasks are divided into small tasks (Ottih, 2006; Davenport and Nohria, 1994); it is also the degree of functional specialization or integration of departments and personnel (Teixeira, Koufteros, & Peng, 2012). This is the measure to which only top management makes choices; if work choices are made in activity centers, the organization is said to be decentralized (Ottih, 2006). It can also be designed as a place of organizational authority and decision-making (Teixeira et al. 2012).

On the other side, a commitment model is considered by a management system that tends to be flat, depend upon mutual goals for control and lateral coordination, bases influence on expertise and information rather than position, and lessens status variances (Teixeira et al. 2012). Organic organisations tend to have few levels of hierarchy and are described by more efficient and effective flows of information and decision-making; as information flows from one level to another, a flat organization can decrease information delays, distortion and corruption (Teixeira et al. 2012). According to Ottih (2006), there are some fundamental functions that organizational structures are intended to conduct and these functions are expected to feature mainly in designers' minds as the fundamental goals in the design attempt.

The concept of organizational performance is founded on the premise that an organization is a voluntary alliance of productive assets, such as human, physical, and financial resources, with the goal of achieving a common goal (Barney, 2001). Employee performance is usually measured in terms of results. It can, however, be viewed in terms of conduct (Thompson, and Lawrence, 2010). Employee performance is judged against the organization's performance standards (Tolbert and Hall (2009). When evaluating performance, a variety of factors can be considered, including productivity, efficiency, effectiveness, quality, and profitability (Wood, & Sangster, 2002). Efficiency and effectiveness are two different concepts. Efficiency is the ability to generate desirable outcomes with the least amount of resources necessary, whereas effectiveness is the ability of personnel to fulfill the intended objectives.

Empirical Review

Ezejiolor and Ezekwesili (2021) investigated the effect of organizational structure on employee performance in pharmaceutical companies in Anambra State, Nigeria. The study was conducted using a descriptive survey. The study involves 346 employees of 20 pharmaceutical companies in Anambra State, Nigeria. Using the Borg and Gall (1973) formula, the sample size was calculated to be 67. Using SPSS version 20, the researchers used regression analysis to test the hypothesis. The results revealed that working conditions and formalization have a significant positive effect on the work results of the employees of the pharmaceutical company. In a study conducted by Aghajan, Shogh, Shafizadeh, and Eisapour (2013), they found that there is a significant relationship between organizational structure and employee morale in Saveh Pars Company. The results showed a significant relationship between the employee's level of formalization, complexity, centralization and resourcefulness. In Nigeria, Bekanwah, Miidom and Ukoha (2020) investigated the

relationship between organizational structure and firm growth. Using Yamene's sampling technique, a sample size of 220 managers and supervisors was determined to 192 respondents. A questionnaire was used for data collection and copies of the questionnaire were distributed out of which 187 were completed for data analysis. Regression analysis was used to evaluate the data in SPSS version 23.0. According to the data, organizational structure has a large and strong relationship with the growth of the company. Ugwu, Onoh Nnadi, Udeze (2019) investigated the organizational structure and staff performance of some microfinance banks in Enugu state. The study used a survey design and collected information from both primary and secondary sources. Sixty-seven workers from three microfinance institutions in Enugu State participated in this study. Data were analyzed with the non-parametric Kruskalwallis test (MSS) using the Minitab statistical software version 15.0. In the selected microfinance institutions, the most important findings showed that organizational structure has a significant impact on employee performance. Král and Králová (2016) studied the relationship between the stages of the organizational structure change method, focusing in particular on managers, components, communication and results. The analysis adopts a multifaceted case study research design focusing on four organizations. The results are based on the methods to change the organizational structure. These methodological features include (a) focus on external or internal change drivers and (b) the prevalence of formal or informal change communication. The mutual combination of these characteristics leads to four possible outcomes, which are described in a 2×2 matrix as methods to change organizational structure. The matrix helps to understand how changing the content or form of communication facilitates changes in organizational change mechanisms. Thomas (2015) studied the effects of organizational structure on job satisfaction in the Nigerian financial sector, empirical insight from selected foremost banks in Lagos State, Nigeria. Based on the findings, it was shown that there is a relationship between organizational structure and optimal job satisfaction. Also, there is a bond between organizational structure and employee's recognition. In addition, the study revealed that there is a relationship between organizational structure and mechanisms of job satisfaction through need for dominance, achievement and autonomy. In a study conducted by Agbim (2013), that investigate the connection among organic and mechanistic structures, leadership and relationship styles, and the innovation process. It was discovered that the organic structure influences idea generation; mechanistic structure influences idea implementation; transformational leadership impacts idea generation; transactional leadership impacts idea implementation; relationship styles regulates the impact of transformational leadership on idea generation; and relationship styles regulates the impact of transactional leadership on idea implementation.

Methodology

This study employed primary data (questionnaire) for the research purpose. For this study, a descriptive survey research design was employed using a cross sectional survey method which aims to gain an insight into the connection between organisational structure and firm performance.

The target population of this research consists of the entire employees of United Bank for Africa (UBA) headquarter, Marina, Lagos Island, Lagos, Nigeria which is made up of management, senior and junior staff estimated to be One Hundred and Forty-four (144). The study's target population consists of the entire employees irrespectively of their gender, length of experience with the bank, educational qualification, marital status, age, position and their job function.

Having well-defined the population of interest, a sample of it was taken for the purpose of the study. The sample size used for this study is 105. The random sampling technique was used to choose the participants.

Method of Data Collection

There are basically two sources of information for research study. These are the primary and the secondary basis. Information from primary source is referred to as primary data. Subsequently, information from secondary source is called secondary data. The primary data are those that were acquired from the completed questionnaire, that is, from the original source. Secondary data are those obtained from journals, textbooks and other periodicals.

Method of Data Analysis

Based on the study issues, the completed questionnaire was gathered, serialized, coded and analysed sequentially. Tables were used to afford information to simplify analysis. Simple percentage and frequency were used to analyse the data with the aid of Statistical Package for the Social Sciences (SPSS) Version 20.0. Pearson Product Moment Correlation Coefficient (PPMCC) was used to determine if there are significant relationships between exogenous and endogenous variables of hypotheses.

Data Analysis

Table 1: Analysis of Departmentalisation

Variable		Frequency & Percentage (%)						Total
		SA	A	U	D	SD		
1.	Tasks performed by specialists in my department have greatly improved communication within my organisation	Freq	38	42	6	10	9	105
		%	36.2	40.0	5.7	9.5	8.6	100
2.	Employees work as a team in my organisation	Freq	10	66	8	9	12	105
		%	9.5	62.9	7.6	8.6	11.4	100
3.	I am encouraged to develop my job skills so I can advance my careers	Freq	17	65	5	12	6	105
		%	16.2	61.9	4.8	11.4	5.7	100
4.	I know the parts of my organization's plans that will affect me and my work	Freq	35	36	14	9	11	105
		%	33.3	34.3	13.3	8.6	10.5	100
5.	My organisation creates a work environment that helps me do my jobs	Freq	13	59	8	12	13	105
		%	12.4	56.2	7.6	11.4	12.4	100

Source: Field Survey, 2022.

Table 2 displays that 38(36.2%) of the participants agreed strongly that tasks performed by specialists in their department have greatly improved communication within their organisation, 42(40.0%) agreed, 6(5.7%) were undecided, 10(9.5%) disagreed while 9(8.6%) disagreed strongly. It was also observed in the analysis that 10(9.5%) % of the participants agreed strongly that employees work as a team in their organisation, 66(62.9%) agreed, 8(7.6%) were undecided, 9(8.6%) disagreed while 12(11.4%) disagreed strongly. On the statement that they are encouraged to develop their job skills so they can advance their careers, 17(16.2%) of the participants agreed strongly, 65(61.9%) respondents agreed, 5(4.8%) were undecided, 12(11.4%) respondents disagreed while 6(5.7%) respondents disagreed strongly. Furthermore, 35(33.3%) of the participants agreed strongly, 36(34.3%) participants agreed, 14(13.3%) were undecided, 9(8.6%) participants disagreed while 11(10.5%) participants disagreed strongly that they know the parts of their organization's plans that will affect them and their work. Also, 13(12.4%) of the participants agreed strongly, 59(56.2%) participants agreed, 8(7.6%) were undecided, 12(11.4%) participants

disagreed while 13(12.4%) participants disagreed strongly that their organisation creates a work environment that helps them do their jobs.

Table 2: Analysis of Centralisation

Variable		Frequency & Percentage (%)					Total	
			SA	A	U	D		SD
1.	Decisions are exclusively made by top management in my organisation	Freq	46	24	11	15	9	105
		%	43.8	22.9	10.5	14.3	8.6	100
2.	My organisation has a good mentoring culture	Freq	15	57	6	15	12	105
		%	14.3	54.3	5.7	14.3	11.4	100
3.	Management does not ask inputs and feedbacks from me especially on decisions that affect my services	Freq	15	27	18	25	20	105
		%	14.3	25.7	17.1	23.8	19.0	100
4.	I am not encouraged to be involved in decision making	Freq	20	18	6	28	33	105
		%	19.0	17.1	5.7	26.7	31.4	100
5.	I am not given the opportunities to be involved in decision making	Freq	12	33	6	24	30	105
		%	11.4	31.4	5.7	22.9	28.6	100

Source: Field Survey, 2022.

Table 2 illustrates that 46(43.8%) of the participants agreed strongly that decisions are exclusively made by top management in their organisation, 24(22.9%) agreed, 11(10.5%) were undecided, 15(14.3%) disagreed while 9(8.6%) disagreed strongly. It was also observed in the analysis that 15(14.3%) % of the respondents agreed strongly that their organisation has a good mentoring culture, 57(54.3%) agreed, 6(5.7%) were undecided, 15(14.3%) disagreed while 12(11.4%) disagreed strongly.

On the statement that management does not ask inputs and feedbacks from them especially on decisions that affect their services, 15(14.3%) of the participants agreed strongly, 27(25.7%) participants agreed, 18(17.1%) were undecided, 25(23.8%) participants disagreed while 20(19.0%) participants disagreed strongly.

Furthermore, 20(19.0%) of the participants agreed strongly, 18(17.1%) participants agreed, 6(5.7%) were undecided, 28(26.7%) participants disagreed while 33(31.4%) participants disagreed strongly that they are not encouraged to be involved in decision making. Also, 12(11.4%) of the participants agreed strongly, 33(31.4%) participants agreed, 6(5.7%) were undecided, 24(22.9%) participants disagreed while 30(28.6%) participants disagreed strongly that they are not given the opportunities to be involved in decision making.

Table 3: Analysis of Firm Performance

Variable		Frequency & Percentage (%)					Total	
		SA	A	U	D	SD		
1.	My organisation makes profit by selling large quantities of products and services	Freq	38	22	13	14	18	105
		%	36.2	21.0	12.4	13.3	17.1	100
2.	Experience to cut costs is an important goal in my organisation	Freq	22	52	9	10	12	105
		%	21.0	49.5	8.6	9.5	11.4	100
3.	My organisation emphasises opening new branches	Freq	15	26	11	37	16	105
		%	14.3	24.8	10.5	35.2	15.2	100
4.	Ability to gain market share is high in my organisation	Freq	57	21	10	11	6	105
		%	54.3	20.0	9.5	10.5	5.7	100
		%	26.7	35.2	15.2	11.4	11.4	100

Source: Field Survey, 2022.

Table 3 illustrates that 38(36.2%) of the participants agreed strongly that their organisation makes profit by selling large quantities of products and services, 22(21.0%) agreed, 13(12.4%) were undecided, 14(13.3%) disagreed while 18(17.1%) disagreed strongly. The table also revealed that 22(21.0%) of the participants strongly agreed that experience to cut costs is an important goal in their organisation, 52(49.5%) agreed, 9(8.6%) were undecided, 10(9.5%) disagreed while 12(11.4%) disagreed strongly. It was also observed in the analysis that 15(14.3%) % of the participants strongly agreed that their organisation emphasises opening new branches, 26(24.8%) agreed, 11(10.5%) were undecided, 37(35.2%) disagreed while 16(15.2%) disagreed strongly.

The Table also confirms that 57(54.3%) of the participants agreed strongly that ability to gain market share is high in their organisation, 21(20.0%) agreed, 10(9.5%) were undecided, 11(10.5%) disagreed while 6(5.7%) disagreed strongly. On the statement that their organisation is often the first to market new products and services, 14(13.3%) of the respondents agreed strongly, 54(51.4%) respondents agreed, 11(10.5%) were undecided, 11(10.5%) respondents disagreed while 15(14.3%) respondents disagreed strongly.

Test of Hypotheses

Hypothesis 1

H₀: There is no significant relationship between departmentalization and firm performance

Table 4: Correlations Matrix For Hypothesis One

		Departmentalization	Firm Performance
Departmentalization	Pearson Correlation	1	.867**
	Sig. (2-tailed)		.000
	N	105	105
Firm Performance	Pearson Correlation	.867**	1
	Sig. (2-tailed)	.000	
	N	105	105

** . Correlation is significant at the 0.01 level (2-tailed).

Interpretation of Results

Furthermore table 4 displays the Pearson correlation coefficient results, it is perceived that that the correlation coefficient (r) is .867, this implies that the relationship that exist between departmentalization and firm performance is strong and positive, in addition the p value is 0.000, which is less than the critical value of 0.01, making the relationship to be significant, consequently the null hypothesis was dismissed while its alternative was established and this states that there is a substantial association between departmentalization and firm performance.

Hypothesis 2

H₀: There is no significant relationship between centralization and firm performance

Table 5 Correlations Matrix For Hypothesis Two

		Centralization	Firm Performance
Centralization	Pearson Correlation	1	.879**
	Sig. (2-tailed)		.000
	N	105	105
Firm Performance	Pearson Correlation	.879**	1
	Sig. (2-tailed)	.000	
	N	105	105

** . Correlation is significant at the 0.01 level (2-tailed).

Interpretation of Results

Lastly table 5 displays the Pearson correlation coefficient results, it is seen that that the correlation coefficient (r) is .879, this implies that the relationship between Centralization and firm performance is strong and positive, in addition the p value is 0.000, which is less than the critical value of 0.01, as such indicates that the relationship is significant, consequently the null hypothesis was dismissed while its alternative was established and this states that there is a substantial association between centralization and firm performance.

Conclusion and Recommendations

The study examined organisational structure and firm performance with particular reference to United Bank for Africa in Lagos, Nigeria. Focusing on departmentalization, the study made findings that majority of the respondents agreed that, tasks performed by specialists in their department have greatly improve communication within the bank, also that, their employees cooperate and work as a team, in addition that, they encourage and enable their employees to develop their job skills so they can advance their careers, furthermore that, their employees know the parts of their organization’s plans that will affect them and their work, finally that, their bank creates a work environment that helps their employees do their jobs.

In addition, an examination of this thematic independent study shows that how an organization centralizes; use different number of management levels and how the departmentalization is used is the key factors of an organizational structure. These factors of the structures have an effect on how creative and innovative employees are which has an outcome on the performance and attitudes of employees.

Based on the results, the study has shown that organizational structure, departmentalization, and centralization have strong and significant impact on firm performance.

The study therefore, recommended the followings;

- i. The banking sector should also endeavour to have well structure mechanism in order to achieve laid down objectives.
- ii. All organizations should choose between structures and choose the correct one for the environment and for employees, it is important to stay open minded and think clearly

to make sure all employee are satisfied and have the right attitude and perform to the best of their abilities, structures can have an influence on these factors and because it does organizations should spend more time on the problem of how different structures can have a better production outcome.

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