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## ORGANIZATIONAL DESIGN AND PRODUCTIVITY IN THE BANKING INDUSTRY IN SOUTH-SOUTH NIGERIA

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### ABSTRACT

This research took a careful look at the effect of organisational design on productivity in the banking industry. The study focused on flexible systems and decentralization as aspects of organizational design. Descriptive research method was employed in the study. A sample of 539 taken from 10 banks were surveyed. Pearson product moment correlation and linear regression were used to test the hypotheses formulated. The study found that there is positive relationship between flexible system and productivity ( $r = 0.787$ ;  $p < 0.05$ ), and that there is significant relationship between decentralized authority and productivity ( $r = 0.816$ ;  $F = 992.720$ ;  $t = 31.507$ ;  $p < 0.05$ ). The study thus concludes that banks must institute structures, arrangements, and procedures that capture new conditions and expend current ones. The study recommends that management of banks should ensure that they operate a flexible and decentralized system because these improve productivity.

**Keywords:** Decentralisation flexible system, organisational design, productivity,

### INTRODUCTION

The axiom that the world is getting smaller is dramatically true for today's firms. Rapid advances in technology, and the time it takes to pass information to the most distant part of the globe has been reduced drastically. Business transactions can be completed online, trade barriers have been broken, and communication have become faster and cheaper. Though this growing linkage brings numerous benefits, it also means that the operating environment of firms is becoming more complex and competitive. The major solution to this problem is to look for structures and processes that address these challenges. This is where organisational design play a fundamental role.

The foundation of professional organizational design can be traced to the nineteenth century. Back then, organizational design became an issue for experts and professionals, especially among mechanical engineers (Shenhav, 1995). Richard (2008) provides that organisational design thinking can be divided into different phases. The first which began in 1920 is known as the mechanistic model. The second phase covers the period between 1955- 1965, it is known as the mechanistic human relations model. The third phase covers 1965-1975 and is known as the open system – product and geography model. The fourth phase was from 1975-1985, known as the matrix and shared services model. The fifth phase runs from 1985 to 2000. This phase is known as the entrepreneurial and self-managed work teams. The last and final phase covers 2000 till date and it is known as the organic model phase (Wren, 2005).

It should be noted that for much of the twentieth century, firms operated in a rather stable environment. As a result, management could focus on designing processes and structures that kept their operations running effectively and efficiently. There was little or no need to change processes or systems. The world of business today is dynamic, many companies face different challenges and the need to change structures and systems is inevitable.

Organisational design is a strange concept to Nigerian banks, owing to lack of empirical works on organization design. Thus, many banks doubt the importance of organisational design. Most banks when faced with challenges that can be solved by organisational design do not know where to start from and this

has affected their productivity. Many banks today take their internal system for granted. Poorly designed firms are less efficient, lose valued staff, lacks synergy and are slow to making decisions.

Thus, the broad objective of the study is to assess the level to which organizational design improve performance of banks in Nigeria. The specific objectives are to examine the nature of relationship between flexible system and productivity and ascertain the extent to which decentralized authority support innovation in the banking industry. The study was guided by the following hypotheses:

Ho<sub>1</sub>: There is a positive relationship between flexible system and productivity in the banking industry.

Ho<sub>2</sub>: There is a significant relationship between decentralized authority and productivity in the banking industry.

## LITERATURE REVIEW

### Organizational Design

Management scholars argue that organizing is critical to the effective functioning of firms. Managers are therefore, challenged to ensure that the structure of working relationships among employees and processes enhance effective efficiency in the performance of tasks aimed at achieving organisational goals (Gareth et al., 2000). Organizational design starts with the conception of a strategy. Strategy is derived from lucid, succinct statement of purpose-cum-vision and forms the organization's fundamental philosophy. Donnelly et al. (1992) and Peter (2000) describe organisational design as the official system of job-cum-reporting relationships that regulate how personnel use available resources to actualize the goals of the firm.

To design an organization is much the same as for building, road construction and plant. It is a strategy. Organisational blueprint is all about developing plans on how the firm should function. It is pertinent to state that good design must take into consideration, all the tasks, functions and goals of a business and then develop groupings and orderliness of job positions, and departments. Organization design is the method by which management selects and manage different scopes and parts of organizational culture and structure so as to enable the firm attain its target.

Organizational design can be seen from two perspectives. The first is the style of management used leaders to support and implement organizational structure (Sara, 2000). The second has to do with the processes. Organizational plan is a creative process for aligning and designing various elements of an organization to enable the firm get to its zenith (Gina, 2009). The truth is that both management style and the procedure complement each other.

To achieve the objectives of the firm, management must deliberately configure processes, structures and payment system in a way that suit the environment of the firm. Flexible organizational design encourage employee productivity. When an organisation is well designed, employees will be effective and efficient, and this will lead to increased productivity. Similarly, when an organisation is poorly designed, this can create confusion, frustration and disharmony, which may lead to low productivity. The essence of organisational design is to ensure that the organisation is able to attain its goals and objectives notwithstanding the precarious nature of the environment (Garett et al., 2000).

The challenges facing business organisations today include rapid advances in technology, global competition, etc. This challenges calls for a paradigm shift, and management cannot continue doing things the old way. Today's managers must find new ways of solving tomorrow's problems (Peter, 2000). Flexible and decentralized organizational designs are some of the new solutions managers have found for the challenges they face.

Flexibility suggests that management must not be rigid but allow employees to figures ways of solving most company challenges. Employees are happy when given the opportunity to set their own goals and

objectives which must be in harmony with that of the organisation. It gives them a sense of belonging. Thus, a flexible system encourage productivity in the system. Today's managers must design new approaches for a dramatically new world order. Flexible organisational design is one answer new challenges in the operating context. Managers must have a contingency plan to mitigate the challenges they face. A flexible system will give management the leverage to make do with available resources effectively and efficiently (Richard 2008).

Decentralization on the other hand, require managers to give opportunities to subordinates to initiate, monitor assess their performance. Most organizations today use technology to decentralize their system. Middle managers and employees now have opportunity to monitor and examine their goals. This will definitely give rise to innovative managers and employees. That is the more reasons firms in developed countries are moving or shifting from a paradigm or model built on mechanical arrangements to one based on natural biological system in other words an organic system. A system that is friendly, that inspire innovative mind-set.

As organizations in Nigeria increasingly face international competition, most are moving towards flexible, decentralized structures that encourages innovation and productivity. In this new environment, managers are redesigning their companies for flexibility, decentralisation and innovation.

### **Organizational Productivity**

Productivity is the added value of work units (individuals and departments) in relation to realized outputs; or the quantifiable value added by work units, relative to its costs (Ateke & Amangala, 2020). Productivity means increasing the value of the goods being produced and providing better and improved services. When an organization is not productive, that firm is as good as dead. No productivity no organization. Firms must strive for increased productivity to ensure their continued existence.

Productivity is the goal of any organization. For a firm to be productive, it must be efficient and effective. Effectiveness has to do with the achievement of organizational goals while efficiency is the achievement of the ends with the least amount of resources. One of the major factor affecting organizational productivity is the human element. When an organization's workforce is highly skilled and people are obligated to work together in groups to accomplish tasks, the organization is expected to attain its goals which is concomitant to increased productivity.

### **Theoretical Framework**

The study adopts contingency theory as a baseline of organizational design. Problems are sure to arise when firms are treated as the same, this was the case with administrative principles and scientific management methods that tried to design or arrange all organizations as the same. It should be noted that the processes, structures and systems that work in the banking sector will not be adequate for a manufacturing firm. Similarly the organization system and financial process that are best for a bank will not work for a fast food outlet. Exigency means that one thing rest on others and for organizations to be operative and efficient, there must be a goodness of fit between the systems, processes and synchronization in the outside environment (Gareth et al., 2000). There is no one best method of doing things; what work in one setting may not work in another. Contingency theory is applicable to organizational design because the world of business is precarious. The only option to mitigate this threat is to develop appropriate structure, processes and systems. This can only be achieved through organizational design.

## **METHODOLOGY**

This study adopted a descriptive research design. The population of the study consist 10 banks in South-South Nigeria: Zenith Bank, FirstBank, Diamond Bank, Union Bank, United Bank for Africa, Unity Bank, Sky Bank, Eco Bank, Assess Bank and Guaranty Trust Bank. The selection was done through convenience

sampling technique. Besides, the choice of the selected banks was anchored on the fact that it was a combination of old and new generation banks. The sample size for the study was determined using Cochran (1963) sample size determination statistical formula for finite population. The sample size was 539. Data presentation and analyses involves the conversion and processing of the data generated in a study into information. The completed questionnaire forms were collected, coded, and subsequently analysed using both descriptive and inferential statistics. To analyse the hypotheses, Pearson's Product Moment Correlation and linear regression were employed. The analyses was aided by the Statistical Package for Social Sciences (SPSS). **Decision Rule:** The calculated value of the test statistic will be compared with critical or table value of the statistic. The critical or table value serves as a standard for rejecting or not rejecting the null hypothesis. The decision rule applied in this research is to reject the null hypothesis if the calculated value at 5% significance level with respective degrees of freedom is more than the table value, otherwise do not reject.

## RESULTS AND DISCUSSIONS

**Table 1: Descriptive statistics on flexible system and productivity**

Descriptive Statistics			
	Mean	Std. Dev.	N
Flexible system	1.4681	.74356	502
Productivity	1.7655	.51789	502

Table 1 shows the descriptive statistics on flexible system and productivity with a mean response of 1.4681 and std. deviation of .74356 for flexible system and a mean response of 1.7655 and std. deviation of .51789 for productivity and number of respondents (502). From a meticulous observation of standard deviation values, one can say that the difference in terms of the standard deviation scores is inconsequential. This infers that there is about the same variability of data points between the dependent and independent variables.

**Table 2: Correlation between flexible system and productivity**

Correlations			
		Flexible system	Productivity
Flexible system	Pearson Correlation	1	.787**
	Sig. (2-tailed)		.000
	N	502	502
Productivity	Pearson Correlation	.787**	1
	Sig. (2-tailed)	.000	
	N	502	502

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

Table 2 above shows a Pearson correlation coefficient of 0.787 between flexible system and productivity. What this means is that the correlation is significant at 0.05 level (2-tailed) and indicates that there is a substantial positive relationship between flexible system and productivity ( $r = .787$ ). The computed correlations coefficient is greater than the table value of  $r = .195$  with 500 degrees of freedom ( $df = n-2$ ) at alpha level for a two-tailed test ( $r = .787, p < .05$ ). From the result, the computed  $r = .787$ , which is more than the table value of .195 we will reject the null hypothesis and conclude that there is positive relationship between flexible system and productivity ( $r = .787; P < .05$ ).

**Table 3: Regression Summary decentralized authority and productivity**

Model Summary <sup>b</sup>					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.816 <sup>a</sup>	.665	.664	.35930	.115

a. Predictors: (Constant), Decentralized authority

b. Dependent Variable: productivity

**Table 4: Analysis of Variance**

ANOVA <sup>a</sup>						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	128.156	1	128.156	992.720	.000 <sup>b</sup>
	Residual	64.548	500	.129		
	Total	192.703	501			

a. Dependent Variable: productivity

b. Predictors: (Constant), Decentralized authority

**Table 5: Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	.068	.047		1.441	.150
	Decentralized authority	.900	.029	.816	31.507	.000

a. Dependent Variable: Productivity

$R = 0.816$ ;  $R^2 = 0.665$ ;  $F = 992.720$ ;  $T = 31.507$ ;  $DW = 0.115$

The result above showed that the regression summation of squares (128.156) is more than the residual sum of squares (64.548), which indicates that more of the variation in the dependent variable is not explained by the model. The significance value of the F statistics (0.000) is less than 0.05, which means that the variation explained by the model is not due to chance. The correlation coefficient (R) which has a value of 0.816, shows that there is positive connection between decentralized authority and productivity. The coefficient of determination ( $R^2$ ) shows that 66.5% of variation in productivity is explained by the model.

The outcome also directs that with the linear regression model, the error of estimation is little, with a value of about .35930. The Durbin Watson statistics of 0.115, which is not close to 2, it shows that there is no autocorrelation. The environmental change coefficient of 0.816 shows a positive significance between decentralized authority and productivity, which is statistically significant (with  $t = 301.507$ ). Therefore, the null hypothesis is rejected.

## CONCLUSION

Today's business environment is precarious because of the dynamics in the environment. From all indications there is rapid shift to a more flexible approach in the running of today's firms. This shift is from a model of mechanical pattern to one based on natural biological arrangement. Yes, managers of today's firm and beyond cannot forecasts and control their operations using outdated methods in understanding or scanning the environment of business. The success recorded in achieving the objectives of this study unveiled the importance of organizational design on performance of organizations.

A poorly designed organization will mean that the organization is taking more time, spending more money, very rigid and loosening more good staff indeed, if the organization is poorly design it may not be able to produce the result expected of it. The option available for business firms today is to reorganises their systems, structures, cum methods to capture new environment and enlarge existing ones. A germane factor of tactical competitive benefit is organizational design.

On the basis of the findings, the study recommends that captains of banking institutions in Nigeria particularly in the South-South, should ensure that the system the firm is operating is flexible not rigid since this will increase productivity. The study also recommends that management of banks should understand the importance of decentralisation. This is because when an organisation accept this concept, it will promote flexibility in the system. Decentralization of authority should be encouraged by managers because it informs

productivity. Further, the study recommends that, to have a productive workforce, banks should design organizational structures that impact positively on employees' psychosocial well-being. Management should develop organizational structures that promotes job satisfaction and decentralization which is concomitant to increased productivity.

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