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## ORGANIZATIONAL STRUCTURE AND BUSINESS GROWTH IN THE MANUFACTURING INDUSTRY IN NIGERIA

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### ABSTRACT

The research investigated the relationship between organizational structure and business growth in Nigeria in the manufacturing industry in Rivers State. In course of the research, two research questions were asked and two hypotheses were formulated and tested to ascertain the relationship between the two variables. The population of the study consisted of two hundred and fifty employees through whom a sample size of 187 was drawn with the use of Taro Yamene formula. Data was collected through questionnaire distribution and review of the literature. Data analysis was done with the application of descriptive, mean and standard deviation statistical tools. Findings revealed that there is a significant relationship between organisational structure and business growth in the manufacturing industry in Rivers State. The study, therefore, concluded that manufacturing industries should as a matter of necessity consider the inclusion of six key elements required in designing an organisation's structure to enable the achievement of business growth.

### KEYWORDS

Organisational Structure, Business Growth, Chain of Command, Formalisation



## INTRODUCTION

Manufacturing companies have played a vital part in Nigeria's economic progress through the years and continue to do so. Organizational structure/design is a common occurrence that has been thoroughly researched by numerous experts around the world due to its importance to the organization (e.g., Angle & Perry, 1981; Kim, 2001; Lb & Nyhan, 1994; Lo, Ramayah, & Mm, 2009). The necessity for an effective organizational structure that would support smooth manufacturing processes and hence promote corporate growth has arisen as a result of the competitive business climate and increased demand for goods and services from the-manufacturing industry. Every organization, without doubt, has a structure on which they operate, ranging from simple to complex structures.

Today's businesses operate in an atmosphere where knowledge is king. As businesses compete for a competitive advantage, organizational design has emerged as a critical factor to consider. (Cantner, Joel, & Schmidt, 2009; Chong, Chong, & Gan, 2011; Guidice, Heames, & Wang, 2009). The goal of organizational structure, according to this statement, is to achieve business growth or any of the above-mentioned goals. On the other hand, business growth is dependent on how well an organization's operations and performance are structured. According to Investopedia, an organizational structure is a system that outlines how certain activities are directed in order to achieve the goals of an organization. Rules, roles, and obligations are examples of these activities. The flow of information between structural levels inside the corporation is also determined by the organizational structure. The way jobs are done in an organization is defined by its structure. Tasks are formally divided, grouped, and coordinated. Hence, it becomes critical for managers to seek business growth through effective organizational structure through formalization and chain of command (Amanda Webster 2019).

Formalization is the process of creating a formalized structure and includes the maintenance of that formal structure over time. Formalization of an organizational structure is commonly initiated in an attempt to rationalize the decision-making process. The formalized organization is critical for the organization in which issues are known and changes are implemented slowly and purposefully. While chain of command is another dimension of organizational structure that helps in managing employees to achieve the organizational goal and objectives.

Additionally, the concept of organizational structure has been treated in literature over the years but yet many organizations still finds it difficult to understand and embrace a particular design or structure that best drives business growth. However, it is observed that much empirical works have not been carried out on organizational structure which has great impact on business growth in Nigeria. Contrary to the assertions most of the times organization fails to find out the nature of relationship between organizational structure and job design on employee performance in manufacturing industry. Thus the study focuses on the effects of organizational Design on Employee performance in Nigerian Manufacturing industry.

Organisational structure is a critical factor in boosting corporate growth. However, unlike manufacturing enterprises in industrialized nations, many manufacturing enterprises in Nigeria lack an adequate framework to support the attainment of goals and objectives that are well-structured and to improve the manufacturing of goods and services (Chigozie & Chijioke, 2015). As a result, the concept of organizational structure becomes a barrier to company growth in Nigerian manufacturing

enterprises. In Nigerian manufacturing organizations, the ability to really follow the structure established has become a severe challenge, which this study examines.

Based on the waving and changes in government, policies that are frequently occurring in Nigeria have defaced many manufacturing organization's operations which throws managers into dilemma whether to adopt certain structure or structures to meet their targets in business operations.

Organisation design consists of measures that are put in place in order to get employees to pursue the goals set by the organization's principals. The practices include allocation of decision-making to different employees (and thus the creation of a hierarchy), provision of diverse forms of pay and incentives, monitoring of employees by their supervisors or peers, hiring and firing procedures and rules, and much more.

Contrary to the assertions most of the times organization fails to find out the nature of relationship between organizational structure and job design on employee performance in the manufacturing industry. Thus, the study focuses on the effects of organizational structure on employee performance in Nigeria Manufacturing industry.

### STUDY OBJECTIVES

The main aim of this study was to ascertain the relationship between organisational structure and business growth in the Nigerian Manufacturing Industry. However, the specific objectives were to:

- i. Examine the effect of the chain of command on structural expansion in Nigerian manufacturing enterprises.
- ii. Investigate the effect of formalisation on structural expansion in Nigerian manufacturing enterprises.

### RESEARCH QUESTIONS

The under listed are research questions that were formulated to provide answers to the hypotheses

- i. What is the relationship between chain of command and financial viability in Nigerian manufacturing firms?
- ii. What effect does formalization have on structural expansion in Nigerian manufacturing firms?

### STATEMENT OF HYPOTHESES

The following hypotheses were formulated:

- H0<sub>1</sub>:** In Nigerian industrial industry, the chain of command has no meaningful relationship with financial viability.
- H0<sub>2</sub>:** In Nigeria, formalization has no major impact on structural expansion in manufacturing industry.

### CONCEPT OF ORGANIZATIONAL STRUCTURE

The term organizational structure refers to the formal configuration between individuals and groups regarding the allocation of tasks, responsibilities, and authority within the organization (Galbraith, 1987; Greeberg, 2011). It defines how job tasks are formally divided, grouped, and coordinated (Robbins, Judge, & Sanghi, 2009). They maintain that there are six key elements that managers need to address when they design their organisation's structure. These include work specialization, departmentalization, and chain of command, span of control, centralization, and decentralization. The structure gives it the form to fulfillers function in the environment. Hatch (1997) argues that

“structure refers to the relationships among the parts of an organized whole with regard to organization theory, social structure specifically refers to relationships that exist among people, positions, and organizational units, such as departments and divisions, to which they belong. The basic elements of organizational structure which were first outlined by sociologist Max Weber, are hierarchy of authority, division of labour, rules, and procedures.

In an extensive overview of organizational structure and its many component parts, Robbins (1990) discusses ways many of those parts are related to one another and therefore affects organizational structure. The author maintained that organization structure defines task allocation, reporting relationships, and formal coordination mechanisms in an organization. An organization's structure includes the three components of complexity, formalization, and centralization. Structural complexity refers to the extent to which there is differentiation, or a division of labour, in an organization. A complex structure has a greater need for communication across many departments horizontally or between many levels vertically. The more complex an organization is, the greater the need for effective communication, coordination, and control (Robbins, 1990).

### FORMALIZATION

According to Robbins and Coulter (2013), formalization refers to how well a company's functions are organised, and how much they are governed by rules and procedures. In highly organized organizations, it considers precise job criteria, numerous organizational norms and clearly defined policies, as well as work processes. As a result, formalization refers to the process of standardization of work within the organization (Robbins et al 2011). When a job is highly formalized, people have little control over what they do, where they do it, and how they do it. Employees are required to handle the same input in the same way every time, resulting in consistent and uniform output. There are extensive job descriptions, a plethora of organizational regulations, and precisely defined procedures that encompass work processes in formalization.

However, where formalization is low, workers and how they can accomplish their jobs are less consistent. While continuity and regulation necessitate a great deal of formalization, most organizations now rely less on rigorous rules and standardization to guide and regulate work behaviour and job processes (Robbins & Coulter, 2013).

### CHAIN OF COMMAND

The chain of command is another significant aspect of organizational structure. The chain of command is the authority that runs from the top of the organization down to the bottom, indicating who reports to whom (Robbins & Coulter, 2013). It can also be defined as an unbroken line of authority that extends from the top of the organization to the lowest echelon and clarifies who reports to whom. It answers the questions for employees such as “to whom do I go if I have a problem?” and “to whom am I responsible?” Robbins et al. (2009). Managers must grasp it when assigning duties since it helps workers answer queries. It is important to have a firm grasp on the chain of command. The reasons are that authority and unity of command are two complementary concepts that make chain of command to be effective. By authority we mean the rights inherent in a managerial position to give orders and expect the orders be obeyed, while the unity of command helps preserve the concept of an unbroken line of authority thus, allowing a person to have one and only one superior to be directly responsible to in order to avoid conflict (Robbins et al. 2009). However, as a result of advancements in information technology and the trend toward empowering employees, the concept

of chain of command, authority and unity of command is no longer as important as it were. This is because information can easily be accessed in seconds than before which could only be made available to him only by the superior officer. Employees can also communicate with anybody through network computers without going through the formal channels of communication (Robbins, etal. 2009).

**Work Specialisation:** Work specialization describes the degree to which activities in the organisation are sub divided into separate jobs. This allows jobs to be broken down into a number of steps which must be completed by separate employee, thus making him or her to be a specialist on the job. Most manufacturing jobs in Nigeria are done with high work specialization The reason is that different employees have different skills; thus specialization induces the most efficient way of using employee's skills through repetition. This results to less time being spent in changing tasks, and changing from one step to another, and as a consequence contributes to industry growth.

### CONCEPT OF ORGANIZATIONAL GROWTH

The concept of organizational growth is something for which most companies, large or small, strive for. In this case, small firms want to get big, big firms want to get bigger. Indeed, companies must grow, observed Philip B. Crosby, author of *The Eternally Successful Organization*, 'if for no other reason than to accommodate the increased expenses that develop over the years. Inflation also raises the cost of everything, and retaliatory price increases are not always possible. Salaries rise as employees gain seniority. The cost of benefits rises because of their very structure, and it is difficult to take any back, particularly if the enterprise is profitable. Therefore, cost eliminations and profit improvement must be conducted on a continuing basis, and the revenues of the organisation must continue to increase in order to broaden the base.' Company's ability to set a price that returns a reasonable amount to suppliers must be ensured. In addition, market growth can be characterized as a company's long-term success and dominance over its competitors. Furthermore, equating the term sustainable with future growth draws attention to the concept of sustainability, which is integrated into management.

### ORGANIZATIONAL STRUCTURE AND ORGANIZATIONAL GROWTH

Organisational structure boosts productivity by providing transparency to employees at all levels. By considering the organisational structure, systems become more like well- oiled machines, focusing time and energy on the most vital tasks. In addition to a well- defined structure may also include a roadmap for internal promotions, enabling organisations to build strong employee progression paths for entry-level employees. As a result, no organisational structure (simple, functional, or multi-divisional) actually focused on achieving business growth. There really is no right organisation, according to Drucker (1999). Rather, the step is to prepare the organisation for the specific task and mission at hand. In this sense, Drucker (1999) suggested that the firm must choose a structure that is "right" for the specific approach which has been chosen to fulfil the firm's strategic purpose and strategic task, since no single structure is optimal in all instances. So, managers must concentrate on developing proper matches between strategies and organisational structures for attaining business growth rather than searching for an "optimal" structure.

## PROBLEMS WITH ORGANISATIONAL GROWTH

Small business owners seeking to guide their organisations through periods of growth-whether that growth is dramatic or incremental-often encounter difficulties. After all, when a firm is small in size, the entrepreneur who founded it and usually serves as its primary strategic and operational leaders can often easily direct and monitor the various aspects of daily business. In such environments, added Theodore Caplow, author of *Managing an Organization*, the small business owner can also “understand a larger proportion of the relationships subordinates have with each other and with outsiders.

Organisational growth. However, brings with it an inevitable dilution of that ‘hands-on’ capability, while the complexity of various organisational tasks simultaneously increases. As the organization grows, Caplow, believes that control becomes more complex by the mere addition of numbers. There are ways of reducing the complexity by delegating responsibility and installing better date systems but there is no way of avoiding it altogether.

According to Caplow, organizational growth also triggers an almost inevitable reduction of consensus about organisational goals.’ He attributed this in part to the inherent difficulty of getting a larger number of people who know each other less well to agree about anything, in part to the importation of new people and ideas, but mostly to the fact that as an organisation grows, its relationships to its members and to the environment necessarily change. Oftentimes, organisational growth has a transformational effect on the business, especially if the growth has been realized via dramatic rather than incremental means, for example, opening of a second store, a new promotional effort for a popular product, major expansion of services, introduction of an online web site, etc. Caplow pointed out that such growth can be particularly disorienting for employees and owner alike: Often the people involved may not realize that anything significant has occurred until they discover by experience that their familiar procedures no longer work, and that their familiar routines have been unusually transformed

## METHODOLOGY

**Research Design:** The study adopted the cross sectional or the quasi experimental research design because of the nature of the study which involved the determination of relationship between organisational structure and business growth in the manufacturing industry, and again, the inability of the researcher to manipulate the individuals under study.

**Population for the study:** The study population consisted of eight manufacturing firms selected from the entire population.

**Sampling method:** The sampling method adopted was the convenience or the judgmental sampling as a result of the relatively small size of the population.

**Sample size determination:** The sample size was determined with the application of the Taro Yamen formula.

**Methods of data collection:** The data that were collected was through primary source. The primary source was through the administration of questionnaire.



**Validity of the research instrument:** The research instrument was subjected to face and content validity by using knowledgeable experts in the field of study for comments and ratifications.

**Reliability of the research instruments:** In terms of the reliability of the research instrument, the study utilized the Cronbach Alpha test for reliability which showed a high level of reliability result of above 0.7, meaning strong internal consistency.

**Measurement of variable:** The variables under study were measured using Likert 5-point scale.

**Data Analysis technique:** The descriptive statistic was used to analyse the demographic characteristics of the respondents. The data collected were analysed using mean and standard deviation statistical techniques. The benchmark for rejection was placed on the mean score below 3.9.

### Data presentation and analysis

Included in the study were all of Nigerian manufacturing enterprises. However, based on the vast population and dispersed geographical location of manufacturing firms in Nigeria, the study focused on the accessible population 250 respondents which consisted of managers and supervisors in 8 manufacturing firms in Nigeria operating in Edo State, based on the fact that some of the manufacturing firms operate in Rivers State coupled with restriction on inter-state movement as a result of containing covid-19 at the time of this study.

The manufacturing firms and the accessible population of each firm include; Andy Industries Nig Ltd. (38); Boaboa Industries Ltd (28); BUA Cement (32); Niki Biscuits. (30); Edo Production Center (32); Agen Longspan (26); Cowrie Paint (4Q); and SIO Industries (24) Respondents were chosen based on convenience or judgmental sampling. To determine a sample size from the population, Yamene (1964) sample size determination technique was applied. The primary data for the study were gathered from the respondents through questionnaire, while, the secondary data were collected from related literature.

In terms of reliability test the study employed Cronbach Alpha test of reliability (Cronbach, 1951). The result from the test shows a high level of reliability result of 0.7 and above. In this instance, formalization scored 0.84, number of items = 4, chain of command scored 0.77, number of items 4, financial viability 0.71, number of items = 4, structural expansion 0.80, number of items 4. Thus, from the results, it is obvious that all the items for the variables met the reliability score of 0.7 and above.

### DATA ANALYSIS TECHNIQUE

The descriptive statistic was used to analyze the demographic and research factors in this study. The null hypotheses were evaluated using the regression coefficient in the Statistical Package for Social Sciences. (SPSS Version 23.0). However, 187 copies of the questionnaire were distributed to the respondents in the 8 manufacturing companies. The entire 187 copies were filled and retrieved for analysis. Thus, this signified a successful administration and distribution of the research questionnaire.

### Univariate Analysis of Items on Questionnaire

The study used descriptive statistic (mean score and standard deviations) in the analysis. The benchmark for rejection lies on the mean score that falls below 3.9 on a Likert 5-point. The study

displays the univariate analysis of the mean and standard deviations for each item on the questionnaire of the study.

### Means score computations and standard deviations for items on the study variables

#### Descriptive Statistics

	N	Minimum	Maximum	Mean		Std Deviation
	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic
Formalization	187	1.00	5.00	4.1016	.07013	.95902
Chain of command	187	1.00	5.00	4.0053	.06090	.83278
Financial Stability	187	1.00	5.00	4.2139	.06855	.93741
Structural Expansion	187	2.00	5.00	4.2193	.04856	.93741
Valid N (Listwise)	187					

From Table I, all items on the variables were above 3.9 criterion mean. This indicates that the items for this variable is in line with the benchmark of 2.5 mean score on the Likert's 1-5 point scale. This implies that greater number of respondents attested to the items on variables. Regression test based on the statements of Hypotheses The study tested hypotheses I and 2 based on the fact that the two hypotheses seek to examine the effect of formalization and chain of command on financial viability.

**H<sub>01</sub>:** There is no significant effect of formalization on financial viability in manufacturing firms in Nigeria.

**H<sub>02</sub>:** There is no significant effect of chain of command on financial viability in manufacturing firms in Nigeria.

#### Model Summary

					Change Statistics				
Model	R	R Square	Adjusted R Square	St. Error of the Estimate	R Square Change	F Change	df1	Df2	Sig. F Change
1	.956 <sup>a</sup>	.914	.913	.35769	.914	980.202	2	184	.000

a. Predictors: (Constant), Formalization, Chain of Command.

From the result, the value of 0.956 indicates a good prediction level. The "R Square" of 0.914 is the R<sup>2</sup> value or coefficient of determination which is the proportion of variance in the dependent variable that is explained by the independent variables. Hence, 8.6% (100% - 91.4%) of the variation is caused by factors other than the predictors included in this model. Thus, 91.4% proportion of variance in financial viability can be explained by formalization and chain of command.

#### CONCLUSION:

To anticipate the impact of organizational structures on business growth in Nigeria, a regression analysis was used. The regression model predicted business growth statistically substantially, indicating that it was a strong fit for the data. Furthermore, the two independent factors, formalization and chain of command, both strongly predicted a high level of financial viability and structural expansion. These findings show that organizational structure has a major impact on Nigerian business growth.



## RECOMMENDATIONS

Based on the fact that organizational structure has a big and high level of effect on business growth in Nigeria, the following recommendations were made for management of manufacturing businesses in Nigeria to design appropriate organizational structure to promote company growth in Nigeria.

- i. Management in Nigerian manufacturing enterprises should successfully employ formalization as a technique to increase financial viability.
- ii. In order to increase structural expansion in Nigerian manufacturing enterprises, management should adopt formalization and utilize it appropriately.
- iii. To boost financial viability in Nigerian manufacturing enterprises, management should construct a proper chain of command.

## CONTRIBUTION TO KNOWLEDGE

The relationship between organizational structures and business growth in Nigeria was investigated in this current study. The study used autopoietic systems theory as a baseline theory for describing how organizational structure might increase business success. This idea contributes to the literature's research of organizational structure and corporate growth, thereby increasing knowledge of these subjects

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