

Structures in Service Organizations: Driving Towards Corporate Effectiveness

CONTINUE ANDDISON EKETU *Ph.D, MTAMN, FICA,*

Department of Management,

University Of Port Harcourt.

E-mail: eketuresearch@gmail.com

Tel: +234 080-372-40736

And

WILSON OFOEGBU CHUKWUEMEKA

Department of Management,

University Of Port Harcourt.

Abstract

This paper discusses the crucial role of organizational structure in securing effectiveness in service organizations. The logical impetus was drawn from the classical thesis of Alfred Chandler concerning his strategy – structure relationship, also on the general concern that structures are chosen on the basis of the nature of operations of the firm, which further dictate the pattern of interaction among employees, and between the employees and the customers. The paper identified service organization with distinct characteristics demanding sustained physical contact with the customer as the service offering lasts. Because of the risk-proneness of service with regards to customer dissonance, the paper suggests to lose boundaries between and among specialization and professional to share service related knowledge freely. The adoption of mechanisms for easy feedback and control are also deemed to be enabling requisite for the effectiveness of service organization.

Keywords: Organizational structure, service organization, Organizational effectiveness, flexible structures.

Introduction

Organizational Structure is a construction or framework of identifiable elements (components, entities, factors, members, parts, steps, etc.) which gives form and stability, and resists stresses and strains in an organization. Thus structure is synonymous to a wand that binds all employees towards unified direction and aids the identification of who is who and what is what of the organization. Structure serves as basis for orchestrating organizational activities. Organizations must understand the importance of structure in business operations, and choose from variety of

structures like, functional, divisional, project, geographic teams, holding companies and matrix structure, then consider its flexibility in terms of organic and mechanistic frameworks.

An organization is a structured group of interacting people, equipped with skills, material resources, and working together with the objective of fulfilling common needs. According to Bateman and Zeithaml (1990) and Gibson *et al.* (1994), in Mbaraka (2015) organizations are social entities that are goal directed, deliberately structured activity systems with a permeable boundary. Hoy & Miskel (1991) and Nickerson (2008) also share the view that a learning institution is a system of social interactions, organized wholes, comprising of interacting personalities bounded together in an organized relationship. As a social system, it has interdependent parts, a clearly defined population/differentiation from the environment, a complex network of social relationships and its own unique culture. The essence of organization structure is to ensure effectiveness of internal operations and effectiveness of organizational outcomes.

Vinitwatanakhn (1998) asserts, organizational effectiveness can be viewed as the extent to which an organization can adapt to the internal and external constraints and achieve the multiple goals of its multiple constituencies in the long run. To increase organizational effectiveness, winning organizations create sustainable competitive advantage by aligning their talent and business strategies. The solutions to organizational effectiveness may involve, first, the strategy implementation. This involves the improvement of an organizations ability to successfully execute strategies to achieve organizational goals by focusing on structure, people systems and processes, and to deliver great customer experiences. Secondly, strategic workforce alignment is an interactive process in which executives can quickly assess and prioritize various workforce strategies, employee needs and investments. Thirdly, institutional solutions focus on the change effectiveness. In this case, strategies are designed to support change at all levels of the institutions. Executives drive the institutional change, empower managers to lead through change and enable employees to navigate and respond to change appropriately (Baker & Branch, 2002).

While it has connotations of rational, technical analysis, effectiveness is not a neutral term. Defining the effectiveness of particular organization always requires choices among competing values. Learning institutions, like other organizations, operate in complex environments with multiple internal and external constituencies. Singh (1991) and Sagimo (2002) assert that in order to be effective and achieve its goals, an organization must successfully respond to environmental factors. Different organizations face different environments, deal in different products, with different kinds of people and are at different stages of development, hence there are various models of determining institutional/organizational effectiveness. Furthermore, according to Verma and Jam (2001), multi dimensionality of organizational effectiveness is a result of the multiple values and preferences with which an organization is approached.

Consequently, understanding the relationship between structure and processes is a core requirement for gauging organizational effectiveness. Organizational structure can spell the difference between success and failure for an organization, as well as for the individuals who work within the organization. Whereas, very little is known about the role of organizational structures in terms of level of horizontal integration and nature of formalization, it has also emerged that communication and decision-making could also contribute to the achievement of organizational effectiveness. The paper, therefore, reflects on the relationship among various structural constructs (including level of horizontal integration, nature of formalization, communication and decision making) that are applicable to service organization in Nigeria and its impact on corporate effectiveness.

Review

Organizational Structure

Organizational structure is the way responsibilities and power are allocated, and work procedures are carried out among organizational members. They designate the nature and means of formal reporting relationships as well as the groupings of individuals within the organization (Germain, 1996; Gerwin & Kolodny, 1992; Randall & Jackson, 1996).

According to Randall and Jackson (1996), different structures arise in response to a variety of internal and external forces, including technological demands, organizational growth, environmental turbulence, size and business strategy. Organizational structure institutionalizes how people interact with one another, how communication flows, and how power relationships are defined (Grant *et al.*, 1994; Robbins, 1996). An organization has to make a series of decisions about what activities to be involved in, its goals and objectives, the strategies for attaining those goals, division and coordination of work, and distribution of responsibilities. Consequently, employees are grouped on the basis of activities to enable performance and coordination to be easier.

Organization structure intervenes between goals and organizational accomplishments and thus influences organizational effectiveness. It is a framework of an organization that helps in determining individual responsibilities and task processes of delegation and the distribution of authority. It is a tool of management for achieving plans. As plans tend to change, the organizational structure should be responsive to change. Structures are designed to ensure that resources are used most effectively towards accomplishing an organization's mission. Structure provides managers with a means of balancing two conflicting forces: the need for division of tasks into meaningful groupings and the need to integrate such groupings to ensure organizational efficiency and effectiveness (Dess *et al*, 2005). According to Hinebaugh (2010), formal structure indicates the purposive configuration of positions, jobs, duties and line of

authority among different parts of the enterprise. It identifies the jobs to be done, the person(s), in terms of positions, to perform specific activities and the ways in which the total tasks of the organization will be accomplished. Structure affects how effectively and efficiently group effort is integrated. To achieve its goals, an organization has to divide labour among its members and then coordinate what has been differentiated. Griffin (1997) defines organizational structure as the pattern of configuring an organization.

Generally, organization charts depict the formal structure of organization. A typical chart shows the various positions, the position holders and the line of authority that link them to one another. Daft (1995,2004) contended that organizational structure is reflected in the organization chart. It is the visible representation for a whole set of underlying activities and processes in an organization. According to Gray and Starke (1984), organizational structure includes such organizational design issues, authority and responsibility relationships, organizational policies and procedures, decision-making systems, individual job design and formal control systems that improve effectiveness. Zammuto and O'Connor (1992) and Daft (1995) observe that "significant changes are occurring in organizations in response to changes in the society at large. They contend that the mechanistic paradigm is effective when environments have a high degree of certainty, technologies tend to be routine, organizations are designed for large-scale, and employees are treated as another resource. Internal structures tend to be vertical, functional, and bureaucratic. The organization uses rational analysis and is guided by parochial values reflected in the vertical hierarchy and superior-subordinate power distinctions. The organic paradigm recognizes the unstable, even chaotic nature of the external environment, such circumstances call for organizations are based more on teamwork, face-to-face interactions, learning and innovation (Daft, 1995).

Organizational structure is partly affected by the firm's external environment (Hrebiniak & Snow, 1980), as research suggests that firms organized to deal with reliable and stable markets may not be as effective in a complex, rapidly changing environment. The more certain the environment, the more likely the firms organizational structure will have a centralized hierarchy, with formalized rules and procedures. Organizations that operate with a high degree of environmental uncertainty may decentralize decision-making (Ruckert *et al.*, 1985) and flatten their hierarchies.

Organizational structure has multiple dimensions, and Damanpour (1991) provides a rather thorough list as follows: specialization, functional, differential, professionalism, formalization, centralization, managerial attitude toward change, managerial tenure, technical knowledge resources, administrative intensity, slack resources, external communication, internal communication, and vertical differentiation, all of which have been used by researchers in their probe into the relationship between organizational determinants, and innovation. Daft (1995) provides a list that includes formalization, specialization, standardization, hierarchy of authority,

complexity, centralization, professionalism, and personnel ratios. Germain (1996) focuses on specialization, decentralization, and integration in describing the role of context and structure in adopting logistical innovations. Paswan et al., (1998) use formalization, centralization, and participation in explaining linkages among relationalism, environmental uncertainty, and bureaucratization in distribution channels. Lysonski *et al.* (1995) concentrate on the degree of centralization of decision-making, formalization of rules and procedures, and structural differentiation in their investigation of environmental uncertainty and organizational structure from a product management perspective. Among this variety of sub-dimensions for organizational structure, the five most commonly discussed are nature of formalization, level of horizontal integration, locus of decision-making and levels of communication. The five variables were used in the study due to the notion that performance can be achieved where decisions are made and communicated to the employees based on the type of formalization in existence and level of horizontal integration among staff (Argyris & Silverman, 2010).

Linking Organization Structure with Organizational Effectiveness

Organizational effectiveness is one of the most critical functions of the higher education system. Providing quality service and programmes in every aspect of the academic environment, implementing various strategies for assessing quality, and developing necessary and appropriate corrective measures define the components of an organizational effectiveness process (Benedict College, 2010). According to the New England Association of Schools and Colleges (2011), an organization is a system of governance that facilitates the accomplishment of its mission and purposes, and supports effectiveness and integrity through its organizational design and governance structure. Jeffrey *et al.* (2005) assert that the structure, decision-making processes and policies of an organization should be clear and consistent with its mission and support for effectiveness. As such the system of governance of an organization involves the participation of all appropriate constituencies and includes regular communication among them. Managers, through an appropriate administrative structure, consistently drive the institution to fulfil its purposes and objectives and establish the means to assess its effectiveness.

Zheng (2010) posit that knowledge management mediates the impact of organizational structure and strategy on organizational effectiveness. Bhargava *et al.* (1992) hold that the problems in organizations have been discussed from different perspectives and one of the perspectives focuses on organizational structure and design. Johari (2009) supports this idea asserting that formalized rules and procedures and centralized decision-making also hinder employees from “thinking outside the box” in performing tasks. Hence, employees do not put extra effort or take any initiative to improve the way their jobs are performed. Sparrow and Hiltrop (1997) also add that autonomy in decision-making is vital to organizational effectiveness.

Empirical Review on Organizational Structure and Effectiveness

In a study among 80 British corporations, Dalton *et al.* (1980) found that, formalization and performance is contingent. Small organizations are more effective with little formalization and larger organizations are more effective with formalized structures. The results of Kessler's research (1999) in 229 academic departments throughout the United State and Canada have shown that organizational structures don't directly affect faculty members' productivity, and organizational structure moderated the relationship between abuse and job performance such that highly productive faculty members working in more organically structured departments commit fewer instances of abusive behaviors. According to Dammen (2001), a significant relationship exists between the structure of organization and overall levels of both trust and job satisfaction. Ledbetter (2003) investigated the effect of organizational structure on organizational effectiveness in Texas Grand Prairie Fire Department. The results show that environment, technology, size, strategy, goals, culture and philosophy impact on organizational structure and a definite connection is between organizational effectiveness and organizational structure.

Hao and Colleagues (2007) studied about the relationship between organizational structure and performance, especially through organizational learning and innovation, based on evidence from Austria and China. The findings have shown that in a hi- technology or knowledge intensive industries, organizational structures affect organizational performance mainly through innovation and organizational learning. But in traditional industry, such as labor- or capital-intensive industry, organizational structure impacts organizational performance mainly through innovation. In 2009, Seykora showed that the edge organization operating in a high trust environment produces the most accurate results in the least amount of time. Additionally accuracy performance in the rigid hierarchy was more resilient than the flexible edge structure to change in trust level. Kasrai and Alirahimi (2009), in an investigation which was conducted in retirement organization in Iran, the findings showed that there is a significant and negative relationship between complexity and effectiveness of communication .Also this result is similar to the relationship between centralization and effectiveness of communication. Zhang (2010) studied the possible mediating role of knowledge management in the relationship between organizational culture, structure, strategy and organizational effectiveness. The results suggest that knowledge management fully mediates the impact of organizational culture on organizational effectiveness and partially mediates the impact of organizational structure and strategy on organizational effectiveness.

According to Vineburgh (2010) higher levels of empowerment, higher levels of support for innovation, and lower levels of interpersonal conflict were associated with higher levels of organizational trust. Lewis (2011) conducted a study in order to examine the effects a bureaucratic organization on communication capacity of management information system. The results identified traditional organizational structures create vertical and horizontal boundaries impeding communication. The findings determined the critical aspects to improve communication through the reduction of boundaries was direct leadership support for a

centralized management information system team with clear responsibility, accountability and authority to facilitate organizational communication.

Veisi (2012) in an investigation which conducted in Bank found out that the positive relationship is between organic structure and participatory culture. Also there is significant relationship between mechanical structure and bureaucratic culture. Powley and Nissen (2012) examined the effect of trust levels and organizational design on performance. The results have shown that trust and organizational design have strong interactions and that hierarchical organizations experience performance levels well below flexible organizational structures.

Aghajani and others (2013) found the significant relationship between organizational structure and employee creativity in Saveh Pars Company. Also the results have shown the significant relationship between the level of formalization, complexity, centralization and creativity of employee. Shaemi Barzoki and colleagues (2013) determined organization's structure dimensions effect on organizational trust. They found that formalization, standardization, hierarchy of authority, centralization and professionalism dimensions had affected organizational trust and complexity, specialization, employee ratio and management ratio dimensions didn't affect organizational trust in this company.

Rozeman and Loveless (1987), for example, observe that public sector research and development units differ only slightly from private sector units on a measure of formalization (the extensiveness of rules and formal procedures and their enforcement). Rainey *et al.* (1995) find little difference between public and private managers in their perceptions about rule enforcement in their organizations. Kurland and Egan (1999) posit that respondents in public agencies perceive less formalization of their jobs and of communications with their supervisors than do respondents in private firms.

The finding that organizational effectiveness was slightly but significantly lower in public than in private universities is consistent with findings of other studies (Khojastch, 1993; Kovach & Patrick, 1989; Lachman, 1985; Solomon, 1986). Such studies focus on work satisfaction, and report lower work satisfaction on the part of people in public agencies, especially at managerial levels. The consistency in these findings may, however, been due to the fact that the current study used measures of organizational effectiveness similar to those used by Khojastch (1993) and Kovach and Patrick (1989). These measures refer to specific facets of work, such as promotion prospects, autonomy in the job, pay levels, and many others. These tended to lower ratings of satisfaction by public university respondents.

Service Organization, Structure and Effectiveness

Service organizations are differentiated from manufacturing organization by their intangible offerings. Their products are not physical, yet satisfy customer needs. Most service organizations offer services to their customers and keep constant touch with them as the service offering lasts (Kazmi, 2008; and Daft, 2004). Thus, apart from the quality of the product, their entire emotional labour environment with which the offering is made add up to the total service quality (McShane & VonGlinow, 2008). Also, because the customer receives the service physically, directly from the service providers, vast knowledge of the service is expected of the service provider. This requires affective knowledge sharing among employees in service oriented firms (Eketu, 2009). The structure that permits service effectiveness of the service organization tends to take specific forms. In this regards, a flexible structure found in organic structural typology is necessary for service organization effectiveness. This structure permits knowledge sharing, use of individual initiative to solve problems etc (Damanpour, 1991). Again, professionalism- the ratio of professional to non-professional should be high, to enable professions services to be offered. For instance, such service organizations as law firms, clinics, civil engineering firms, accounting firms, etc., have more professionals than non-professionals. High level of specialization is necessary but no close boundaries on the transfer of knowledge between specializations. This permits the quality of service given, including professional advice to clients. Also, the opening of boundaries to share knowledge among specializations permits task mobility of employees (Huang, 2001; and Eketu, 2009).

The inherent liberty of the organic structure encourages the utilization of employee talent resources, which may be hibernated in mechanistic structures. This adds up to enhance the effectiveness of service organizations. Thus, the distinct features of the service organization that permit effectiveness free flow are: flow of communication; customer service; coordinated pattern of responsibility and accountability; employee empowerment; definite but unemphasized authority; and control and feedback mechanism to sensor quality service delivery effectiveness. This may be complemented with designing a structure based on service differentiation, of the organization has multi-service lines.

Conclusion and Implications

This paper builds on literature from organizational learning, innovation, team cohesion and group potency, organizational structure among others. It describes a framework for understanding the relationships between dimensions of organizational structure and indicators of organizational effectiveness. Organizational structure has both objective and subjective elements, and this impact on the organizations decisions and ability to secure effective approaches in communicating organizational shared values and ideas. The paper suggests that the four concepts formalization, horizontal integration, communication and decision-making — are important for organizational effectiveness. The paper also suggests that for effectiveness, organizational processes, which include teamwork, information technology, management support and quality

improvement efforts, must be facilitated. Organizational improvements are a combination of changes in the organizational structure variables and organizational processes that culminate in organizational effectiveness. The outcomes generated by organizations are the ultimate measure of effectiveness.

Organizational structures are reflections of rationalized organizational rules which account for the expansion and increased complexity of formal organizational structures, thus formal procedures make it difficult for employees to be creative. Therefore, there is need to put procedures in place that can help ensure that all members have the opportunity to present their ideas. There is also a need to compile and report information on work and education outcomes to enable the commitment of resources to ailing units. This means that the models and measures for assessing effectiveness must be flexible and dynamic and ones that can change to fit the demands of the market.

External forces are driving heightened expectations for technology in organizations. The large scale movement towards online communication has fuelled an expectation among employees that technology can resolve pressure capacity problems for less money and less. paper work. This needs to be facilitated to provide for more effective services.

Concerning structures and effectiveness in service organizations, the paper suggests service differentiated structures for direct provision of quality service. High level of structural professionalism and specialization is also suggested, with loose boundaries to enable knowledge sharing between and among professionals and specializations. The structure should permit prompt feedback and control information to ensure that deviations and dissonance are handled promptly. Besides, the structure should be dominantly organic, with the customer being at the apex, to demonstrate his superior interest in the whole service operations.

References

- Adler, P. S., & Borys, B. (1996). Two Types of Bureaucracy: Enabling and Coercive. *Administrative Science Quarterly*, 41(1), 61-89.
- Argyris, N. S., & Silverman, B. S. (2004). Organization Structure and the Development of Corporate Technological Knowledge. *Strategic Management Journal*, 25, 929-95 8.
- Baker, K. N., & Branch, K. M. (2002). Concepts Underlying Organizational Effectiveness. Bass. B. M Trends in the Organization and Management Science Literature. Retrieved

September 102010 from [http://www .right.com/capabil ities/organizational_effecgiveness /default.aspx](http://www.right.com/capabilities/organizational_effectiveness/default.aspx)

Bateman , T. S., & Zeithaml, C. P. (1990). *Management: Function and Strategy*. Boston: Irwin Inc.

Benedict College (2010). *Institutional Effectiveness*, Division of Institutional Effectiveness.

Boyne, G. A. (2002). Public and Private Management. What's the Difference? *Journal of Management Studies*, 39(1), 97-122.

Cameron. K. 5. (1986). Effectiveness as Paradox: Consensus and Conflict in Conceptions of Organizational Effectiveness. *Management Science*, 32, 539-553.

Crewson, P. E. (1997). Public Service Motivation: Building Empirical Evidence of Incidence and Effect. *Journal of Public Administration Research and Theory*, 7(4), 499-518.

Daft, R. L. (1995). *Organization Theory and Design*, New York: West Publishing Company.

Daft, R. L. (2004). *Organization Theory and Design*, New York: RR Donnelley & Sons Company.

Damanpour, F. (1991). Organizational Innovation: A Meta-Analysis of Effects of Determinants and Moderators. *Academy of Management Journal*, 34(3), 555-590.

Eketu, C.A. (2009) *Knowledge Management and Intellectual Capital Development in the Nigerian Telecoms Industry*. Unpublished PhD Thesis, Rivers State University of Science and Technology, Port Harcourt.

Foss, N. (2003). Selective Intervention and Internal Hybrids: Interpreting and Learning from the Rise and Decline of the Otico Sphaghetti Organization. *Organization Science*, 14, 331-349.

Germain. R. (1996). The Role of Context and Structure in Radical and Incremental Logistics Innovation Adoption. *Journal of Business Research* 35, 117-127.

Grant, R. M., Shani, R., & Krishnan, R. (1994). TQM's Challenge to Management Theory and Practice. *Sloan Management Review*, 35, 25-35.

- Grung J. E., & Don, L. C. (1999). *Guidelines for Measuring Relationships in Public Relations*. Gainesville: The Institute for Public Relations.
- Hrebiniak, L. G., & Snow, C. C. (1980). Industry Differences in Environmental Uncertainty and Organizational Characteristics Related to Uncertainty. *Academy of Management Journal* 23, 750-759.
- Huang .I. (2001). *From Organizational Effectiveness to Relationship Indicators: Mahwah, NJ: Lawrence Erlbaum Associates.*
- Johari, J. (2009). Linking Organizational Structure, Job Characteristics, and Job Performance Constructs: A Proposed Framework. *International Journal of Business and Management*, 4(3).
- Kazmi, A. (2008) *Strategic Management and Business Policy*, New Delhi: McGraw-Hill.
- Khojasteh, M. (1993). Motivating the Private vs. Public Sector Managers. *Public Personnel Management*, 22(3), 391-401.
- Lachman, R. (1985). Public and Private Sector Differences: CEOs' Perceptions of Their Role Environments. *Academy of Management Journal*, 28(4), 671-79.
- Ledingham. J. A. (2000). Guidelines to Building and Maintaining Strong Organization Public Relations. *Public Relations Quarterly*, 45(3), 44-46.
- McShane, S. L., & Glinow, M. A. V. (2008). *Organizational Behaviour, Emerging Realities for the Workplace Revolution* (4th ed.). McGraw Hill Companies, Inc.
- Nahrn, A. Y., Vonderembse. M. A., & Koufteros, X. A. (2003). The Impact of Organizational Structure on Time-based Manufacturing and Plant Performance. *Journal of Operations Management*, 21, 281-306.