Can Structure-Strategy Nexus Impact on Corporate Performance? An Investigation of Selected Banking Organizations in Nigeria

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\textbf{Abstract:} Can a mismatch between strategy and the structure lead to inefficiency in all cases meaning a less than optimal input/output ratio and hence affecting performance? This has been a discourse of debate in the recent times. This work investigated the impact of structure-strategy nexus on the performances of selected banks in Nigeria. The work among other things ascertains if banking organization with well-designed structure but ineffective corporate strategy enjoys stellar performance; evaluates the impact of well-articulated strategy but poor structure on the corporate growth of banking firm and as well determines the effect of organic rather than mechanistic structure on the employee morale in banking institutions. The study utilized descriptive survey design; and data was collected through a self-administered questionnaire from a sample of 205 respondents who were staff of five selected banking organizations in Ikeja, Lagos State Nigeria. The findings revealed that firms with well-designed structure but ineffective corporate strategy do not enjoy stellar performance. The study also found out that well-articulated strategy but poor structure do not impact positively on the corporate growth of banking firm. It was also discovered that organic rather than mechanistic structure affect positively on the employee morale of Nigerian banking institutions. The study therefore concluded that the synergistic interface between structure and strategy are needed for enhanced performance in the Nigerian banking sector. It was recommended that management of today’s organizations particularly the banking firms needs to intensify their efforts in order to determine the synergistic relationship between strategy and structure and as well as enhance the implementation of these activities so as to increase their position through better applications of reliable structural dimensions and strategic elements.

\textbf{Key words:} Strategy, Structure, Employee Morale, Input/output Ratio

1. \textbf{INTRODUCTION}

Corporate strategy studies have been related to business environment changes along the last decades and created new challenges to companies, which have to adapt their strategies and increase their abilities to compete in a tumbling market. Competitiveness has been the major focus of corporate strategy studies. Corporate strategy is intensively discussed as a competitive advantage and as a nation competitive advantage (Porter, 2008). Wright (2000), Hitt, Ireland & Hoskisson (2002), Aaker (2001), Hill and Jones (1998), Hinings and Greenwood (1989) Certo and Peters (1993) dedicate a great part of their work to describe different procedures and concepts about environmental dynamics and the challenges created for corporate and for business competitiveness, based on Porter’s five force model.

Most of the earlier approaches consider mainly the influence of external factors as determinants of organisation performance and the firm’s ability to respond to challenges of
competition and customer demand. Opposing this approach, Hunt (1997) and Barney (2002) proposed the resource based view of the firm. According to these authors, the forms of competitiveness and their sustainability come from their ability to develop strategies that can generate value which is difficult to be imitated or that is costly. Chandler (2009) stated that competitiveness comes from the ability to create economy of scale and economy of scope. His studies enhanced the relation between the structure, the position and the technology of multiple business companies, generating economy of scale and scope, impacting transaction costs and competitiveness of firms. Chandler (2009) also analysed industries that grew and became strong in the domestic and in the international market using backward vertical integration, achieving economy of scale and using diversification strategies to distribute on a mass scale, achieving economy of scope.

There is widespread consensus in the strategy literature that a driving force behind firm growth is the firm’s resources, its structure, strategies and capabilities that can be deployed to new market opportunities. For many years both researchers and practitioners have attempted to learn why some organizations achieve higher levels of performance than others. Empirical studies have suggested that the success of an organization seldom depends upon a single factor but rather it largely stems from the ability to reach and maintain a viable balance among a combination of different factors. To address this, studies (Onodugo, 2005; James & Jones, 2006) have centered upon relationships between different variables within organizational context and process. A small body of research indicates that success depends upon a contingent relationship between environment and strategy. Likewise these studies indicate that strategist must pay close attention to structure when elaborating the strategic plans; not to take structure into account is to condemn the firm to inefficiency.

A mismatch between strategy and the structure will lead to inefficiency in all cases meaning a less than optimal input/output ratio and therefore affect performance (Chandler, 1962; Child, 1975). To date though there remains very few studies available that have focused upon the broader issue of the joint influence of these factors upon organizational performance. It is for this reason that researchers are thus interested in the relationship between strategy and structure in organization. Interestingly, despite the near universal recognition of Chandler’s insight and most widely held view that structure follows strategy, there are studies that have also suggested the alternative as true (Hall & Saias, 1980; Fredrickson, 1986; Russo, 1991). Importantly, they concluded that strategy, structure and environment are closely linked although their relationship remains complex and iterative which makes the debate continue.

Organizational design is the choice of appropriate structure for the organization. Some corporate managers often do not critically align the strategy, nature and scope of the firm with its structure. This non-alignment makes the mechanism for corporate effort and desired organizational performance difficult to be actualized. In a state where no one is given order in that chain of command creates a situation of ineffective leadership, conflict role overlap, and poor execution of corporate strategies (Dalton, 1980). Employees’ morale and growth potential is thus affected in such an organization leading to high labour turnover which is unhealthy for the continuity of the firm. Few previous studies (Ouchi & Harris, 2004; Onodugo, 2005; James & Jones, 2006) have provided many important insights on what is the relationship between strategy-structure and performance. Specific works explored mostly on how strategy-structure issues such as globalization and ownership structure affects performance and these have not been domiciled in the Nigerian financial sector. There are theoretical and empirical gaps on the place of organizational strategy-structure nexus on the performance of firms in Nigeria. Hence, this work examined the impact of structure-strategy nexus on
the organizational performance of Nigerian banking firms. This study (i) ascertains if banking organization with well-designed structure but ineffective corporate strategy enjoys stellar performance; (ii) evaluates the impact of well-articulated strategy but poor structure on the corporate growth of banking firm; and (iii) determines the effect of organicist rather than mechanistic structure on the employee morale in banking institutions.

2. LITERATURE REVIEW

Conceptualizing Organizational Structure

Organization structure may be defined as the established pattern of relationships among the components of the organization. Organization structure in this sense refers to the network of relationships among individuals and positions in an organization (Hill, 2008). Jennifer and Gareth (2009) have defined organization structure as the formal system of task and reporting relationships that controls, coordinates and motivates employees so that they cooperate and work together to achieve an organization’s goals. In fact organization structure describes the organization framework. Just as human beings have skeletons that define their parameters, organizations have structures that define theirs. It is like the architectural plan of a building. Just as the architect considers various factors like cost, space, special features needed etc. while designing a good structure, the managers too must look into factors like benefits of specialization, communication problems, problems in creating authority levels etc., before designing the organization structure.

Digalwar & Sangwant (2007) explains that manager determines the work activities to get the job done, writes job descriptions, and organizes people into groups and assigns them to superiors. He fixes goals and deadlines and establishes standards of performance. Operations are controlled through a reporting system. The whole structure takes the shape of a pyramid. The structural organization implies the following things:

• The formal relationships with well-defined duties and responsibilities
• The hierarchical relationships between superior and subordinates within the organization;
• The tasks or activities assigned to different persons and the departments;
• Coordination of the various tasks and activities;
• A set of policies, procedures, standards and methods of evaluation of performance which are formulated to guide the people and their activities.

The arrangement which is deliberately planned is the formal structure of organization. But the actual operations and behaviour of people are not always governed by the formal structure of relations. Thus, the formal arrangement is often modified by social and psychological forces and the operating structure provides the basis of the organization. The organization structure contributes to the efficient functioning of organization in the following ways; (Jones, 2005).

i. **Clear-cut Authority Relationships:** Organization structure allocates authority and responsibility. It specifies who is to direct whom and who is accountable for what results. The structure helps an organization member to know what his role is and how does it relate to other roles.

ii. **Pattern of Communication:** Organization structure provides the patterns of communication and coordination. By grouping activities and people, structure facilitates communication between
people centered on their job activities. People who have joint problems to solve often need to share information.

iii. **Location of Decision Centers:** Organization structure determines the location of centre of decision making in the organization. A departmental store, for instance may follow a structure that leaves pricing, sales promotion and other matters largely up to individual departments to ensure that various departmental conditions are considered.

iv. **Proper Balancing:** Organization structure creates the proper balance and emphasizes on coordination of group activities. That more critical aspect for the success of the enterprise may be given higher priority in the organization. Research in a pharmaceutical company, for instance, might be singled out for reporting to the general manager or the managing director of the company. Activities of comparable importance might be given, roughly equal levels in the structure to give them equal emphasis.

v. **Stimulating Creativity:** Sound organization structure stimulates creative thinking and initiative among organizational members by providing well defined patterns of authority. Everybody knows the area where he specializes and where his efforts will be appreciated.

vi. **Making use of Technological Improvements:** A sound organization structure which is adaptable to change can make the best possible use of latest technology. It will modify the existing pattern of authority- responsibility relationships in the wake of technological improvements.

**Mechanistic and Organic Structures: Which is the Best Approach?**

Mechanistic organizations are characterized by highly specialized tasks that tend to be rigidly defined. The authority and control are hierarchical and communication is generally from the top down. Obedience to superiors would, at least on the surface, be a facet of the culture. Mechanistic organizations are very highly formalized and centralized. Members tend to view their responsibilities in terms of their immediate role descriptions, are less adaptive to change, and rarely will be creative in the task to be done (Carla, 2005; Forslund, 2007). Bartlett (2002) explains that the organic organizations are characterized by a flexible approach to tasks where roles are interdependent and continually adjusted and redefined through interaction with organizational members. Control depends less on formal job description and more on expertise relevant to the task to be performed. Communication is both vertical and horizontal depending on the needed information. Members will accept responsibility for task accomplishment beyond their role description, are more likely to adapt to change, and be creative in their approach to task accomplishment.

Onodugo (2005) explained that the fundamental reason for the establishment of an organizational structure is to accomplish work that cannot be accomplished by one individual on their own. No one organizational structure can be perfect for all situations. The prime target of the organization is to create a structure that merges task specialization with task integration under an appropriate chain of command. An appropriate chain of command is a reflection of the competency of the members of the organization. The greater the ability of the individual to perform a task and the more willing the individual to accept responsibility, the higher the chances are of success for a “widened span of control”. Inherent in tall organizations is the underutilization of the worker’s potential as well as a low level of motivation. Control by the supervisor is high, a product of constant interaction and a small workforce. Widening the span of control promotes autonomy, higher involvement in task, and in increase in motivation. It also lessons the amount of control supervisors have over workers. Interaction is decreased, increasing the necessity for localized departmental day-
Anderson & Gerbing, (2008) explains that narrow spans of control are indicative of bureaucratic organizations depicted in pyramidal form. Highly specialized functions, clearly defined departmental boundaries, “routine” job descriptions, and close supervisory control make sure that work is completed. They are designed to control the employee’s behaviour and decrease empowerment creating an organizational culture that is generally passive/aggressive in nature with an aggressive/defensive leadership style.

The narrower the pyramid, the smaller the span of control ratio and the smaller the ration the greater the expense that the organization has in administrative costs to maintain that ration. If the ration is 1:5 then a four layer pyramidal system could employ 125 workers. If the ration were increased to 1:8 then in the same four layer structure 512 workers could be employed. The increase in personnel supervised is exponential and can represent a significant cost reduction to the organization by raising the ratio even slightly. As the organization flattens the human limitations of leadership will spawn attributes of an organic structure. Individuals and teams, lacking supervision will begin to make decisions on their own. Assuming the workers are positively motivated, the decisions will be made with the betterment of production in mind (Jennifer and Gareth, 2000).

The Concept of Corporate Strategy

The words “strategies”, “plans”, “policies” and “objectives” are used interchangeably by many. Mintzberg (1994) defines strategy as “a plan, or something equivalent – a direction, a guide or course of action into the future, a path to get from here to there”, and as “a pattern, that is, consistency in behaviour over time”. The Greek origin of the term strategy, strategia means the art of war. In military terms, strategy refers to “the important plan” (Mugo Minja, & Njanja, 2015).

Generally, a strategy is action taken by an organization to attain superior performance (Hill, 2011). Strategic management is the process by which managers choose a set of strategies for their organizations (Brassington & Pettitt, 2003; Kotler & Keller, 2014). According to Andrews (2000) strategy is the pattern of decisions in an organization that determines and reveals its objectives, purpose and goals, produces the principal policies and plans for achieving those goals and defines the range of products and services the organization is to pursue, the kind of organization it is or intends to be and the nature of the contribution it intends to make to its constituencies. For Bats and Eldredge, (2004) strategy is seen the guiding philosophy of the organization in the commitment of its resources to attain or fulfill its goals.

Business strategy is a comparatively young field of study-- even within the management sciences. There are different definitions of strategy, both within its generic and business contexts. Although business strategy is fairly new, many of its concepts and theories have their antecedents in military strategy, which extends back to principles enunciated by Julius Caesar and Alexander the Great and further still on Sun Tzu's classic treatise written in about 360 B.C.

There are three levels of strategy, corporate, business and functional levels strategies (Ezigbo, 2011). Olayinka and Aminu (2006) see corporate strategy as the art or science of formulating, implementing and evaluating cross-functional decision that enables an organization to achieve stated objective. David (2001) grouped strategy into the following categories: integration strategies, intensive strategies, diversification strategies and other strategies.

Company corporate strategies always contain growth strategies (Kotler & Amstrong, 2009). Mugo et al (2015) explain that different types of growth strategies are available to a firm and every firm has to develop its own growth strategy according to its own characteristics and environment.
According to Ansoff (1965) the main growth strategies available to a firm include; Integration (Horizontal and Vertical-forward or backward), Diversification (Related and Unrelated); New Product Development, Modernization/New Technology, and Internationalization.

**Theoretical Underpinnings: Classical and Non Classical Organization Theories**

This study relies heavily on classical and the non classical theories of organization. Classical organization theory was developed in the first half of the 20th century as a way of bringing together scientific management (Taylors, 1910), bureaucratic theory (Weber, 1933) and administrative theory (Frayo, 1920). Scientific management focused on getting the best people and equipment, and scrutinizing each production task. Bureaucratic theory involved establishing a hierarchy to describe the division of labor in a company and recognizing the importance of specialization. Administrative theory worked to establish a set of management principles that applied to all organizations. Classical organization theory didn’t work because it described motivation only as a function of economic rewards. Improvements in organization theory led to consideration of the work environment. Productivity improves in an environment with coherence of values and purpose. Organizations can succeed with a cohesive environment where subordinates are accepting of managerial authority. The key to this theory is maintaining equilibrium. Of course, there can be unpredictable responses to managerial authority (Anderson, 2001) and this is what the neo-classical theory emphasized on.

3. **METHODOLOGY**

The descriptive survey design method was adopted for this study. The study area was Ikeja, the capital of Lagos State Nigeria. Ikeja was selected in Lagos because it has large concentration of Nigeria banking firms. Five money deposit banks were purposively chosen based on Central Bank of Nigeria (CBN) 2017 performance indicators. These banks were Zenith Bank, First Bank of Nigeria, GTBank, Diamond Bank and FCMB. The population of the work consists of all the management staff of the selected banks in Ikeja, Lagos State Nigeria. The population of the staff of the selected banks in all the branches in Ikeja was 331. A sample of 223 was drawn from the study population with the use of Trek (2004) formula. Data for this study were collected mainly from primary source through questionnaires that were self-administered to the staff of the selected banking firms. Information collected through the questionnaire was analyzed with frequency distribution and percentage table. The answer options for the questionnaire were developed using Likert scale with: SA – Strongly Agree, A – Agree, U – Uncertain, D – Disagree, SD – Strongly Disagree. The test instrument was validated by face and content methods and a test-retest method of reliability was carried out with reliability score of 0.71 which indicated that the research test instrument is reliable.

4. **DATA AND RESULTS**

Two hundred and five (205) questionnaires were returned for the data analysis out of the two hundred and twenty three (223) questionnaires that were administered. This represents 91.9% response rate

<table>
<thead>
<tr>
<th>Biography Info</th>
<th>Options</th>
<th>Freq</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
<td>Male</td>
<td>177</td>
<td>86.3%</td>
</tr>
<tr>
<td></td>
<td>Female</td>
<td>28</td>
<td>13.7%</td>
</tr>
</tbody>
</table>

**Table 1: Biographical Data of the respondents**
The biographical information shown above revealed that most of the respondents of the selected five banking organizations were male (86%). Also, majority of the respondents in the organizations were of low level managerial position (51%) which definitely gives the work more meaningful information since the issues relating to structure and strategy affect this management cadre to a very significant extent. Additionally, the study respondents were mostly from marketing (48%).

**Test of Hypothesis**

The hypotheses were tested using one-way ANOVA, z-test and regression analysis. Hypothesis one was tested using one-way ANOVA, hypothesis two was tested with one-sample z-test and hypothesis three was tested with regression analysis. The respondents opinions to the questions raised in the test instrument were used to test the various hypotheses.

**Hypothesis 1:**

**HO:** Banking organization with well-designed structure but ineffective corporate strategy cannot enjoy stellar performance

**HA:** Banking organization with well-designed structure but ineffective corporate strategy enjoys stellar performance
Table 2a: Test of Homogeneity of Variances

*Strategy but not structure & performance*

<table>
<thead>
<tr>
<th>Levene Statistic</th>
<th>df1</th>
<th>df2</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>.871</td>
<td>2</td>
<td>203</td>
<td>.441</td>
</tr>
</tbody>
</table>

Table 2b: One-Way ANOVA

*Strategy but not structure & performance*

<table>
<thead>
<tr>
<th></th>
<th>Sum of Squares</th>
<th>Df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Between Groups</td>
<td>5954.400</td>
<td>2</td>
<td>1551.135</td>
<td>4.859</td>
<td>.06</td>
</tr>
<tr>
<td>Within Groups</td>
<td>4329.400</td>
<td>203</td>
<td>319.188</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>10283.800</td>
<td>205</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: SPSS analysis of field data 2018

**Hypothesis 2:**

**H0:** A well-articulated strategy but poor structure would not impact on the corporate growth of banking firm

**HA:** A well-articulated strategy but poor structure would impact on the corporate growth of banking firm

Table 3a: One-Sample Statistics

<table>
<thead>
<tr>
<th>Decisions on strategy/structure &amp; growth</th>
<th>N</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>Std. Error Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>205</td>
<td>34.5000</td>
<td>17.11113</td>
<td>2.11411</td>
</tr>
</tbody>
</table>

Table 3b: One-Sample Test

| Test Value = 0 |
Hypothesis 3:

**H0:** Organist rather than mechanistic structure would affect negatively on the employee morale in banking institutions.

**Ha:** Organist rather than mechanistic structure would affect positively on the employee morale in banking institutions

Regression model: \[ Y = \alpha = \beta X + \mu \ldots \] (For all observations \(i = 1, 2 \ldots n\))

Where \(Y\) = employee morale

\(X\) = organist rather than mechanistic structure

\(\mu\) = error term of random variable

\(\alpha\) = a constant amount

\(\beta\) = effect of \(X\) hypothesized to be positive

Hence, the regression (predict) equation will be \(Y = 99.331 + 0.114X\)

### Table 4a: Model Summary

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.662</td>
<td>.817</td>
<td>.663</td>
<td>28.22119</td>
</tr>
</tbody>
</table>

a. Predictors (Constant): organist rather than mechanistic structure

### Table 4b: ANOVA

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>Df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
</table>

Results, Findings and Discussions

i. The performance measures of banking organization with well-designed structure but ineffective corporate strategy

Data for the test of this hypothesis were obtained from responses of the questionnaire. One-way ANOVA was used to test the validity on whether banking organization with well-designed structure but ineffective corporate strategy enjoys stellar performance. Tables 2a&b above reveals that while the f-distribution result shows the existence of insignificant result on the variables (F = 4.859 at p<0.05). The significant level is 0.06, and due to this we do not reject the null hypothesis which states that banking organization with well-designed structure but ineffective corporate strategy cannot enjoy stellar performance. The result of this finding is different from the empirical findings made by Bownas, Peterson, and Dunnette (2004). Their work pointed out that the structure and organizational styles adopted by global organizations have implications on the firm’s productivity. Though the work conducted by and Ouchi & Harris, (2004) signifies that culture and structure of organizations have much to play in the business survival, hence they determine the successful operations of business organizations. Submissions from (Cummings & Berger, 2006; Ford & Slocum, 2007) were of the same findings with our own.
ii. The impact of well-articulated strategy but poor structure on the corporate growth of banking firms.

Having analyzed the data from the questionnaire using z-test to examines if well-articulated strategy but poor structure would impact on the corporate growth of banking firm, tables 3a&b revealed that the z-test result shows the existence of insignificant result on the variables ($z = 3.231 > \text{ at } p< 0.05$). The significant level was found to be 0.07, and because of this we do not reject the null hypothesis that states that well-articulated strategy but poor structure would not impact on the corporate growth of banking firm. Our finding is closely related to the work done by James & Jones, (2006); and Ouchi & Harris, (2004) who argued that strategy without structure is a downturn route for firms. However, our result negates the findings of Onodugo (2005). The result of his paper was that the one of the interface between strategy and structure can stimulate business growth.

iii. The effect of Organist rather than mechanistic structure on the employee morale in banking institutions

Having analyzed the third hypothesis on table 4a, b & c above with regression, the statistics revealed that the regression result shows the existence of significant result on the variables ($R^{** \text{ calc}} = 0.0817 > \text{ at } p< 0.05$). The significant level was found to be 0.04, and due to this we reject the null hypothesis and accept the alternate one which states that Organist rather than mechanistic structure affect positively on the employee morale in banking institutions. We discovered that organist structures tend to be effective in the banking firms than the mechanistic structures. However, this may not be the same in all the industry or in all countries since the works of (Kilman, Pondy, & Slevin, 2006; MacKenzie, 2008) did not conform to our results. Though, our finding is partially similar to the finding of the research outcome of Melcher (2006).

5. CONCLUSION AND IMPLICATIONS

In line with the findings, the study concluded that organizational structure and strategy both have impact on the organizational performance and one of the elements cannot independently stimulate stellar performance without the complimentary support of the other. This is so because the dimensions of the firm’s structures and its corporate strategies go a long way in impacting on the overall corporate performance. There is a significant relationship between strategy, structure, leadership, decision making and productivity. Structure gives rooms for reliable leadership which also in turn leads to proper decision making. An effective strategy is made by informed leaders with excellent decision making skills. In line with this conclusions, the management of today’s organizations particularly the banking firms needs to intensify their efforts in order to determine the synergistic relationship between strategy and structure and as well as enhance the implementation of these activities so as to increase their position through better applications of reliable structural dimensions and strategic elements. Further, since banking firms wish to advance their operations, they must periodically pursue growth and generic strategies. This would cover intensive, integrative and diversification strategies. It will also incorporate the application of overall cost leadership, focus and differentiation. There should be proper diagnosis of other management-structure decision areas, such as corporate planning, employee training and development, organizational design among others. This should cover issues like the best management systems and techniques to adopt at the right time, with the right cost and to the right employee, and also taking into the consideration the environmental factors and variables.
REFERENCES
Anderson, U & Gerbing, S (2008), CSR Structure for responsibility. Master’s Thesis, School of Business Administration, Jonkopin, USA.