

ORGANISATION DESIGN AND PERFORMANCE IN THE NIGERIAN CONSTRUCTION INDUSTRY

Paul O. Udofot* & Anietie P. Akpan**

Department of Business Management

University of Uyo, Uyo, Nigeria

*podofot@yahoo.com

**anietiepakpan@yahoo.com

Abstract

This study examined the relationship between organisation design and organisational performance in Julius Berger Nigeria Plc. Based on the Kates and Galbraith "Star Model" of organisation design, the study chose five elements of strategy, structure, process, rewards and people for examination. Data were collected from 181 respondents using an adaptive questionnaire from an earlier study. Descriptive statistics were used to analyse the data, while Pearson Product Moment Coefficient analysis was used to test the hypotheses formulated for the study. The results of analysis give correlation coefficients (r) of 0.623, 0.559, 0.528, 0.601, and 0.614 respectively for strategy, structure, process, rewards and people. These results imply that all the five elements of organization design under study have strong positive relationship with organisational performance. Based on the results, we concluded that there was a strong positive relationship between organization design and organisational performance. Consequently, we recommended that management of the studied organisation should consider all five elements when designing or re-designing their organisation rather than select some out of the five.

Keywords: Organisation design, Organisational Performance, Strategy, Structure, Rewards, People, Process.

Introduction

Organisation design plays an important role in influencing the behaviour of individuals and groups within an organization (Huwins, 2013). The global

business environment makes organisation design considerations even more critical. Managers are faced with an array of different design possibilities. It is through the design of the organisation that management can establish expectations from what individuals and groups will do to achieve the organization's purposes. It is through the design of an organisation that managers decide how the goals of the organisation will be accomplished.

Organization design can be defined narrowly, as the process of reshaping organization's structure and roles. Zajac and Shortell (1989) believe it is as the alignment of structure, process, rewards, metrics and talent with the strategy of the business. For Kates and Galbraith (2007) it is the deliberate process of configuring structures, processes, reward systems, and people practices to create an effective organization capable of achieving the business strategy. Design must therefore reflect organizational goals and purposes.

Many studies have been carried out on organisation design and organisational performance, but there has been no consensus on the outcome of the various studies. While some reported a significant correlation between organisation design and organisational performance (Jorry, 2016; Wendy & Wilmar, 2014; and Gilbert & Adeyemi 2016) others did not support a direct positive relationship between the two variables (Eden, 2015 and Bernard, 2015). Ours is to contribute to this robust literature using the (Kates and Galbraith, 2007) model and in the construction industry. The model emphasizes the five elements of strategy, structure, process, people and reward.

Review of Related Literature

An organization does not simply appear on its own. It is contrived from a social system by like-minded groups of persons in order to pursue and hopefully achieve a stated goal or purpose (Gutterman, 2015). Organization design is concerned with the factors, rules, processes, implementation and organizational success variables. Moreover, since an organization is perceived as a continuum, the dynamic nature of the variables must be acknowledged and managed in a consistent manner.

A wide range of methods and model have been used to identify and depict the elements that must be considered in the organization design process. The "Star Model" for example, developed by Galbraith in 1977 (cited in Gutterman, 2015) emphasizes the five major components: tasks, structure, information and decision processes, compensation and reward systems and people or human resources management. In this model, each component presents the organization designer with several key choices. With respect to tasks, the organization must decide upon the correct scope of diversity, difficulty and variability to meet its performance objectives. Structural choices include identifying the appropriate division of labor, departmentalization, configuration, and distribution of power. With respect to information and decision processes, the choices include selection of the decision mechanism, the frequency and formalization of information collection and decision making, and design of the database. When focusing on choices regarding the people who will be integrated into the organization, important factors include selection, training and development, promotion and transfer. Lastly, the choices with respect to reward systems include the compensation system, basis for promotion, leadership style and job design

Galbraith (1995) modified the five components of the *Star Model* to include strategy along with other elements of structure, business processes and lateral linkages, compensation and reward systems, and human resource management already mentioned earlier. Kates and Galbraith (2007) rearranged the *Star Model* of organization design to include the

following five elements: strategy, structure, process, people and reward.

Several other models of organisation design have evolved and been popularized by researchers and practitioners. For example, Adams (2011) added information technology to structure, process, people, culture and strategy to form a 6-point model of organization design which emphasises how the choice made with respect to organizational strategy should be aligned with the other organizational elements.

Another model of organization design is based on taking a strategic focus toward the following five areas: vision and strategy, values and culture, leadership and management, business processes, including information technology; and organizational structure, both formal and informal (Gutterman, 2015).

In the same vein, Nadler and Tushman (1997) referenced informal and formal organizational structure, business processes and human resources. Merron (1997) focused on vision, strategic goals and strategic management, organizational culture and organizational structure. Henning (1997) mentioned the role of the organization (i.e., strategy and purpose), reward systems, groupings (i.e., organizational structure) and business processes and work design.

Strategy

Strategy is a company's formula for success. It sets the organization's direction and encompasses the company's vision and mission, as well as its short and long term goals (Kates and Galbraith, 2007). Strategy is derived from the leadership's understanding of the external factors (competitors, suppliers, customers, and emerging technologies) that bear on the firm, combined with their understanding of the strengths and weaknesses of the organization in relationship to those factors. The organization's strategy is the cornerstone of the organization design process (Brian and Joyce, 2007; and Gutterman, 2015). The purpose of a strategy is to gain competitive advantage and improve organisational performance. This advantage can be gained through the external

factors as well as superior internal organizational capabilities.

Edom and Edom (2009) opined that the strategy that an organisation chooses has implications on the level of organisational performance. Organisational success in terms of performance is direct proportional to how successful an organisation's strategy is.

Structure

An organization's structure determines where formal power and authority are located. Typically, units are formed around functions, products, geographies, or customers, and are then configured into a hierarchy for management and decision making (McFaden & Lansbury, 2011). The structure is what is shown on atypical organization chart.

Organization design is not limited to structural considerations, and many variations of a structure can be made to work. But if the structure is not approximately right, then it will be difficult to align the other design elements with the strategy (Simmons and Simmons, 2013). The structure sets out the reporting relationships, power distribution, and communication channels. It determines who comes in contact with whom. It projects a message about what work is more important. If the structure does not support the strategy, then everyone in the organization would be working against an obstacle.

According to Ibitayo and Essien (2016), there are four elements that organisational structure is derived from. These elements are function, product, geography, and customer. It is these four elements that bring about the four structures namely; functional product, geographical, and customer structures.

Process

Process means a series of connected activities that move information up and down and cross the organization (Kates and Galbraith, 2007). This includes work processes, such as developing a new product, closing a deal, or filling an order. It also includes management processes, such as planning and forecasting sales, business portfolio management, price setting, standards development,

capacity management, and conflict resolution. Processes that cross organizational boundaries force organizational units to work together. Their design has a significant impact on how well units work together vertically or laterally and how organisations perform generally. Clear articulation of roles and responsibilities is essential for the design of good processes.

Processes are the principal means of coordinating activities. Well-designed processes ensure that the right people are brought together for quick decision making towards enhancing organisational performance. It allows more decisions to be made closer to customers activities and also allow the company to be responsive to multiple constituencies (Spencer & Denim, 2015).

Rewards

Rewards align individual behaviours and performance with the organization's goals (Bafetimi, 2016). This is so because the reward system in an organisation communicates what the organisation values more clearly than any written statement can. The reward system motivates employees and reinforces the behaviours that add value to the organization through salary, bonuses, stock, recognition, benefits, among others.

Thierry (2016) stated that for a reward to be effective, it must be formulated and built on transparency, fairness and controllability. A transparent reward system would not only inform employees who would not want to take risk of the rules of the reward system, but it also keeps them abreast with the objectives of the organisation. Perceived uncertainty decreases the effectiveness of reward system (Gibbons, 2008). Clearly, how employees perceive reward systems to be transparent will have a positive and propelling effect on their level of motivation to perform. Lessening the risk of working hard and not getting rewarded accordingly in return is projected to make employees want to put in more effort and therefore increase performance.

The concept of fairness with regards to reward emphasizes the fact that employee's need to receive a fair amount of reward relative to the other employees and that the employee is expected to

compare his/her ratio of performance over reward to the same ratio of other employees (Thame and Henne, 2016). If the employee perceives that this concept of fairness has not been delivered, there is the likelihood that their motivation to perform will be reduced hence reducing performance. A study by Janssen (2001) has shown that managers who perceive effort-reward fairness perform better and feel more satisfied than managers who perceive under-reward unfairness.

Baker (2007) defines controllability as the extent to which the employee is able to control or influence the outcome of the process of determining performance measures that are to be rewarded. Within the cognitive evaluation theory, the controlling and informing elements of a reward system are expected to have an effect not only on performance but on motivation as well (Frey, 2007). An employee, who is involved in determining the performance measures that are used in an incentive program, will perceive the performance measurement itself as less controlling. Effective implementation of reward system has the potential of motivating employees to improve their effort and ability to perform desirably.

People

This implies the human resource management practices of an organisation. These practices include selection, staffing, training, and development that are established to help form the capabilities and mind-sets necessary to carry out the organization's strategy. An organisation requires an effective management team that understands how to use the organization as a lever for competitive advantage. Equally, an organisation requires employees at all levels to have a fundamental set of competencies to interact across organisational boundaries, participate in teams, and make decisions that take multiple perspectives into account.

Human resource remains the most important and integral resource of the organisation and its management affects the organization positively. According to Henry and Mudeen (2016), there is a positive and significant relationship between human resource management practices in an

organisation and the level of performance in such an organisation

Organisational Performance

The concept of organizational performance is core to businesses. This is so because the major objective of businesses is to make profits. However, researchers have divergent views of what performance is (Smithsword, 2016). According to Richard (2009) organisational performance encompasses three specific areas of firm outcomes; financial performance (profits, return on assets, return on investment, etc), product market performance (sales, market share, etc), and shareholder return (total shareholder return, economic value added, etc.). Organisational performance is the organisation's ability to attain its goals by using resources in an effective and efficient manner Daft (2008).

Iravo (2013) stated that one of the important questions in business has been why some organizations succeed while others fail and this has influenced studies on the drivers of organizational performance. Odhiambo (2016) identified four approaches to performance in an organization. These are the goal approach, which states that an organization pursues definite identifiable goals. This approach describes performance in terms of the attainment of these goals. The second approach is the systems resource approach which defines performance as a relationship between an organization and its environment. This concept defines performance according to an organization's ability to secure the limited and valued resources in the environment. The third approach is the financial perspective approach which identifies the key financial drivers of enhancing performance which are net profit, asset turnover, leverage, cash flow, and working capital. The fourth approach is the customer focus approach which describes performance in terms of brand image, customer satisfaction, customer retention and customer profitability. For this study, organisational performance was measured using the customer focus approach. Further clarification of this approach is needed, perhaps in a sentence or two.

Hypotheses

The hypotheses of the study were formulated as follows:

- a. There is no positive relationship between strategy and organisational performance;
- b. There is no positive relationship between structure and organisational performance;
- c. There is no positive relationship between process and organisational performance;
- d. There is no positive relationship between rewards and organisational performance; and
- e. There is no positive relationship between people and organisational performance.

Methodology

We adopted a survey research design for the study. The target population of the study comprised all the staff of Julius Berger Nigeria Plc, a construction company with its regional office in Uyo in South Eastern geographical location of Nigeria. From this staff population, a sample size of 197 employees was selected for this study. The scale to measure organization design and organisational performance was adapted from a questionnaire earlier used by Dermont and Frekline (2012). The researchers’ adapted questionnaire was subjected to face and content validity. The instruments were trial-tested through pilot study using 15 employees of Julius Berger Plc. The pilot study helped in enhancing the validation process. Cronbach Alpha reliability statistics was adopted to test the reliability of the instrument with the items having a reliability coefficient of 0.73. The validated questionnaire was then used in collecting data from the respondents. Copies of the questionnaire were administered to the respondents at their place of work during official hours. 181 copies of the questionnaire

representing 91.8% were completed and returned in useable form. Descriptive statistics (simple percentages and frequency counts) were used to analyse the data, while Pearson Product Moment Coefficient analysis was used to test the hypotheses formulated.

Result and Interpretation

Demographic Characteristics

Table 1: Respondents’ Profile

S/N	Sample Characteristics	Number of Respondents	Respondents (%)
1	Sex		
	Male	102	56.4
	Female	79	43.6
2	Age		
	21-30	23	12.7
	31-40	76	42.0
	41-50	63	34.8
	Above 50	19	10.5

Source: Field survey 2017

Table 1 indicated that male respondents were more than female respondents in the study. The male respondents represented 56.4% while the remaining 43.6% were of the female category. Those between the ages of 21-30 constituted 12.7% of the population, 42.0% were between 31-40years while 34.8% were those of 41-50 years bracket. Those above 50 years constituted 10.5% of the total number.

Ho₁: There is no Positive Relationship between Strategy and Organisational Performance

Table 2: Correlation between strategy and organisational performance

		Organisational performance	Strategy
Pearson’s r	Organisational Correlation coefficient	1.000	.623**
	Performance Sig. (2 tailed)	.	.000
	N	181	181
	Strategy Correlation coefficient	.623**	1.000
	Sig. (2 tailed)	.000	.
	N	181	181

**correlation is significant at 0.05 level (2 tailed)

From Table 2, the correlation (r) value of 0.623 indicates that there is a strong relationship between strategy and organisational performance. Equally, since the p-value (0.000) is less than the level of significance ($\alpha = 0.05$), we therefore, rejected the H_{01} and concluded that there is a strong positive relationship between strategy and organisational performance.

Ho₂: There is no Positive Relationship between Structure and Organisational Performance

Table 3: Correlation between office structure and organisational performance

		Organisational performance	Structure
Pearson's r	Organisational performance	1.000	.559**
	Correlation coefficient Sig. (2 tailed)	.	.000
	N	181	181
	Structure	.559**	1.000
	Correlation coefficient Sig. (2 tailed)	.000	.
	N	181	181

**correlation is significant at 0.05 level (2 tailed)

From Table 3, the correlation (r) value of 0.559 indicates that there is strong relationship between structure and organisational performance. Since the p-value (0.000) is less than the level of significance

($\alpha = 0.05$), we therefore, rejected H_{02} and concluded that there is a strong positive relationship between structure and organisational performance.

Ho₃: There is no Positive Relationship between Process and Organisational Performance

Table 4: Correlation between office process and organisational performance

		Organisational performance	Process
Pearson's r	Organisational Performance	1.000	.528**
	Correlation coefficient Sig. (2 tailed)	.	.000
	N	181	181
	Process	.528**	1.000
	Correlation coefficient Sig. (2 tailed)	.000	.
	N	181	181

**correlation is significant at 0.05 level (2 tailed)

From Table 4, the correlation (r) value of 0.528 indicates that there is a strong relationship between process and organisational performance. Also, since the p-value (0.000) is less than the level of

significance ($\alpha = 0.05$), we therefore, rejected the H_{03} and concluded that there is a strong positive relationship between process and organisational performance.

Ho₄: There is no Positive Relationship between Rewards and Organisational Performance

Table 5: Correlation between office rewards and organisational performance

		Organisational performance	Rewards
Pearson's r	Organisational Performance	1.000	.601**
	Correlation coefficient Sig. (2 tailed)	.	.000
	N	181	181

Rewards Correlation coefficient	.601**	1.000
Sig. (2 tailed)	.000	.
N	181	181

**correlation is significant at 0.05 level (2 tailed)

From Table 5, the correlation (r) value of 0.498 indicates that there is a strong relationship between rewards and organisational performance. Since the p-value (0.000) is less than the level of significance

($\alpha = 0.05$), we therefore, rejected the Ho₄ and concluded that there is a strong positive relationship between rewards and organisational performance.

Ho₅: There is no Positive Relationship between People and Organisational Performance

Table 6: Correlation between office people and organisational performance

		Organisational performance	People
Pearson's r	Organisational Correlation coefficient	1.000	.614**
	Performance Sig. (2 tailed)	.	.000
	N	181	181
	People Correlation coefficient	.614**	1.000
	Sig. (2 tailed)	.000	.
	N	181	181

**correlation is significant at 0.05 level (2 tailed)

From Table 6, the correlation (r) value of 0.614 indicates that there is a strong relationship between people and organisational performance. Since the p-value (0.000) is less than the level of significance ($\alpha = 0.05$), we therefore, rejected the Ho₅ and concluded that there is a strong positive relationship between people and organisational performance.

These studies all agreed that the studied organisation design elements are positively correlated with organisational performance.

Discussion and Conclusion

The findings of this study show that all the elements of organisation design (i.e. strategy, structure, process, rewards and people) have strong positive relationship with organisational performance. This can be seen from the results of data analysis on Tables 2, 3, 4, 5 and 6. A further look at the results of analysis of this study reveals that strategy, people and rewards with correlation coefficient of 0.623, 0.614, and 0.601 respectively have the strongest relationships with organisational performance. This suggests that of all the elements of organisation design studied, strategy, people and rewards contribute the most to organisational performance. The findings of this study agrees with earlier studies including (Gutterman, 2015), (Bafetimi, 2016), Thierry (2016), (Thame and Henne, 2016), Janssen (2001), and Baker (2007).

Based on the findings of this study, it was concluded that there is strong positive relationship between organisation design and organisational performance in the Nigerian construction industry. Consequently, it is recommended that management of organisations in the Nigerian construction industry should consider all five elements when designing or re-designing their organisation rather than selecting some out of the five.

Limitation

This study made use of a sample from one organization, therefore, results and findings may not be generalized. This notwithstanding, the result and findings of this study cannot be invalidated and there is provision of a base for further examination of organization design and organisational performance in other construction companies to aid generalization.

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