



EFFECT OF ORGANIZATIONAL STRUCTURE ON EMPLOYEE EMPOWERMENT IN COMMERCIAL BANKS, RIVERS STATE

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ABSTRACT

Organizational structure is a framework of the relations on job, system, operating process, people and group of people making serious effort to achieve the stated goals of the organization. Empowerment in this context refers to granting power to help individuals to improve their self-confidence, overcome their inability or failure and create enthusiasm and motivation in them for mobilizing them to perform their duties. This study seeks to investigate the effect of organizational structure on employee empowerment. The study revealed that organizational structure affects employee empowerment positively or negatively. It was recommended that managers should use appropriate structure in order to empower their employees.

Keywords: Organizational Structure, Employee Empowerment, Centralization, Decentralization.

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INTRODUCTION

In the recent time, the issue of organizational structure and employee empowerment has attracted the attention of scholars in organizational behavior. Organizations have goals and objectives to achieve and this is only realizable through the coordinated effort of workers. The structure of an organization which is the framework within which these goals and objectives are carried out is very fundamental to the realization of these goals. Structure of an organization determines the level of employee empowerment because it defined allocation of task and authority. Ergenli

(2007) supported that employee empowerment depends on the types of structure in the organization.

Employee empowerment has become a problem in the Banking sector and other sectors in Nigeria. This is because empowerment is a motivational process which encourages transfer of policy and authority, access to information and decision making process. Employee empowerment create motivation, organizational effectiveness, competitive advantage, job satisfaction and commitment through a structure that allow allocation of organizational power, duties, improving self confidence and trust, democracy advancement and allowing employees to have sense of belonging and sense of choice in giving solution to problems. Klidas (1993) noted that employees with more empowerment have commitment and more satisfaction, effectively have more business partnership and have ownership of their work. This process of empowerment is enhanced through organizational structure centralized, formalize and complex. Jones cited in Al-Qatawueh (2014) that centralized structure concentrates authority at the top level. It does not allow full employee participating in decision making. Onyeche (2016) opined that employee empowerment covers workers' participation in decision making, trust, self-determination and competence. This transfer of power and responsibility so as to make quality decisions and attain desired goals and objectives is the major concern of employee empowerment.

Organizational structure refers to the arrangement of task, interrelations of various department and levels of authorities to achieve goals. The level of employee freedom and high degree of participation in management process is well define by the type of structure in place and the extent to which workers are allow to have access to information, have sense of choice of actions and have ability to influence administrative process. Empowerment can only exist when workers are given the room for improving their sense of self confidence. A centralized structure will largely influence the employee empowerment process because powers and authority are not shared. Element like specification and formalization vividly defined tasks and formal ways of structuring workplace.

There are so many dimensions of organizational structure that positively and negatively influence the level of employee empowerment. These dimensions are centralization, formalization, complexity and specialization. Nwizia, Ojiabo and Alagah (2017) supported that centralization, formalization, specialization and standardization are the key effective dimensions of organizational structure on the other hand, employee empowerment measures are self-determination, trust, competence (self-efficiency), impact having influences on strategic issues and meaning) evaluating the value of work when compared to others). Employee empowerment can be measured from psychological and structural perspective (Mohammad & Mehrdad, 2013).

The structural aspect of employment is concerned with administrative operations in the organization and flow of authority, responsibility and power from the top to low level. The psychological empowerment is the individual feelings of competence (self-efficacy) self-determination, having required job value and having control over activities. Shahriari, Makeli and Meyvand (2013) noted that psychological empowerment refers to individual belief towards his/her abilities for effective and efficient attainment of task. It deals with feelings and perceptions about job and general work environment. Spreitzer (1995) supported that individuals' feelings and perception strengthen employee performance to great extent.

Most studies regarding to organizational structure and empowerment have been done from different aspects. Spreitzer (2007) conducted studies on employees' empowerment while Shahriari, Maleki, Koolivand and Meyvand (2013); Pugh (1968) focused on employee empowerment and organizational structure. The fact that organizational structure can

significantly relate to employee empowerment in Commercial Banks, Rivers State have not been studied using the same variables. It is based on that fact that the researchers are interested in investigating the effect of and relationship between organizational structure and employee empowerment in Commercial Banks, Rivers State.

Statement of the Problem

Empowerment is growing as the new stimulant of this business world. Nowadays the main source of competitive advantage is not the mere use of technology, but it is rooted in sacrifice, innovation, positive thinking, commitment and ability of work force. Mohammadi (2001) noted that empowering employee brings positive effects on attitude and behavior. Employee empowerment also develops the power of decision making, independence at work and freedom in decision making. These can be successfully achieved through an effective organizational structure because organizational structure is one of the most vital factors in establishing and implementing employee empowerment process. An appropriate structure for empowerment requires its factors such as delegation of power, division of labor and decision making power.

In the banking sector, commercial banks operate the branch banking structure. There is a structure arrangement whereby very few large banks with network of branch office take instruction from the head office. This structural pattern hindered structural empowerment and psychological empowerment because it does not encourage meaningful work and self-determination among workers. It promotes job dissatisfaction, employee turnover and workers’ incompetency.

Based on these facts, the relationship between organizational structure (centralization and decentralization and employee empowerment (structural and psychological empowerment) in commercial banks will be examined.

CONCEPTUAL FRAMEWORK

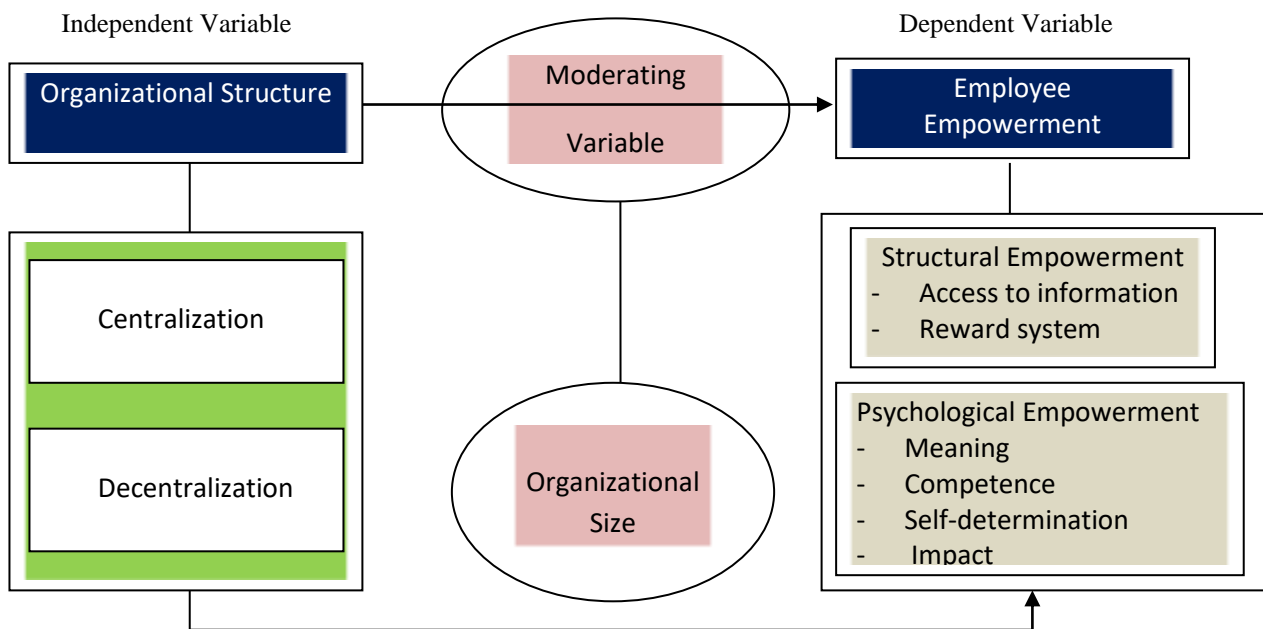


Figure 1: Conceptual framework of organizational structure and employee empowerment.

Objectives of the Study

The major objective of this study is to determine the effect of organizational structure on employee empowerment, while the specific objectives are:

- To determine the relationship between centralization and employee empowerment,
- To determine the relationship between decentralization and employee empowerment, and
- To determine how size of the organization moderate the relationship between organizational structure and employee empowerment.

REVIEW OF RELATED LITERATURE

Organizational Structure

Organizational structure is a framework of the relations on job, system, operating process, people and group of people making serious effort to achieve the stated goals of the organization. Schemi cited in Ahmady, Mehrpour and Nikooravesh (2016) that organizational structure can be formed in three ways such as functional, inclusion and hierarchy. The functional dimension shows different works performed in the organization. Inclusion dimension shows how close or far distance of each person in an organization to central core organization. Hierarchy dimension shows the relative ranks of organizational units by similar method of organizational chart. Organizational structure usually shows the functions performed, employees' ranks and distance between each worker and their responsibilities.

Organization is made up of different levels and with different tasks to be achieved. The structure is an organogram that defined levels of authority and allocation of tasks to workers. Welrich, Cannice and Koonts (2011) noted that organization implies a formalized intentional structure of roles or positions. Nwizia, Ojiabo and Alagah (2017) supported that the whole structure of an organization takes the shape of a pyramid which all hierarchical relationship between manager and employees are controlled.

Kazmi (2008) defined organizational structure as an arrangement that provides the mechanism for distribution of authority and responsibility within organization. It shows the authority and responsibility relationship between various positions in the organization. The structure provides a patterns of communication, coordination (Horizontal or vertical coordination), tasks allocation and general levels of community.

In the same vein, Shahriari, Maleki, Koolivand and Meyvand (2013) sees organizational structure as a way in which power, authority and responsibilities are shared to employees. It is pattern which allows working processes and procedures to be performed among members of the organizations. According to Onyeche (2016), organizational structure established a pattern of relationship among organizational members and various components of the organization.

Dimensions of Organizational Structure

Different scholars' measure organizations structure in different ways, Nwizia, Ojiabo and Alagah (2017) noted that formalization, centralization, specialization and standardization are the key elements in designing organizational structure. Shahriari, Maleki, Koolivand and Meyvand (2013) used complexity, formality and centralization and decentralization as dimensions of

organizational structure. In the same vein, Pugh (1968) also used specialization, standardization, configuration, formalization; centralization and decentralization are effective dimensions of organizational structure. For the purpose of this study, centralization and decentralization will be used as dimensions of organizational structure.

Centralization

Centralization refers to the establishment of a formal decision making authority by a particular group of people at the top of the organization hierarchy. Centralization in authority hierarchy refers to that level of authority in which the individual has decision making power. When decision is made in high organizational levels, the organization is called a centralized one (Fred, 2012). A centralized structure concentrates authority at top level. Nelson, Quick, Sniderman and Bulmash, (2010) supported that concentration is the extent to which decision making are made at the top of the organization. There are some decisions that form an area of centralized decision making. This includes; allocation of facilities, resources allocation, promotion recruitment and selection process, compensation system, information flows and planning process. The authority is responsibilities are solely given to the people at top hierarchy to make the above decisions in a centralized structure.

Decentralization

Decentralization is the delegation of authority to lower level in the organization. It makes decisions making faster and decision better adapted to local condition. In a Decentralized structure, decision making is spread out to include more low level managers. Pugh (1968) noted that decentralization of authority refers to systematic effort to bring dispersal of decision making power to the lower levels of the organization. In decentralization, only broad powers will be reserved at the top level. Such powers include power to plan, organize, direct, and control. Decentralization is just opposite to centralization. Onyeche (2016) also supported that in centralization authority is mostly concentrated at the top level management. Centralization and decentralization is mutually dependent. In a large organization, the process of centralization and decentralization co-exist and reinforce each other. Decentralization is a natural development when the organization grows large and complex (Fred, 2012).

In a decentralized organization, the top executives delegate much of their decision-making authority to lower tiers of the organizational structure. Thus, the organization is likely to operate on less rigid policies and wider spans of control among each officer of the organization (Shahriai, Maleki, Koolivand & Meyvand, 2013) Decentralized organization structure is most favorable for raising the moral, empowerment and motivation of subordinates which is visible through better work performance.

Employee Empowerment

Daft (2000) defines employee empowerment as granting power, freedom, knowledge and skill to employees for making decision in performing works effectively. Blanchard, Carlos and Randolph (2003) noted that empowerment refers to granting power which means to help individuals to improve their self-confidence, overcome their inability or failure and create enthusiasm and motivation in them for mobilizing them to perform their duties.

Empowerment is a process requires a clear vision and structure that will be provided the participation and continuous learning opportunities for employees and managers. Empowerment is encouraging more people to participate in decisions that affect their activities. Empowerment includes work forces that provide flexibility and more freedom for work decisions. It believes when employees have more responsibilities, they will react creatively and are encouraged to participate and help them to be satisfied with their job (Greasly, 2008). Empowerment exists when people feel that they have control over their working life. This feel includes: self-determination, personal meaning, sense of competence and effect perceived. The main element in the empowerment is to share employees in information and appropriate communicate and the relationship between manager and employee provide possibility of taking advantage from the knowledge of employees to manager (Abtahi & Abbasi, 2007).

Mohammad and Mehrdad (2013) identify structure empowerment and psychological empowerment as the majors of employee empowerment. Therefore, this study will use structural and psychological empowerment as majors of employee empowerment.

Structural Empowerment

The most important element of structural empowerment is sharing power between people of superiors and subordinates with goal of loss of decision-making power to lower levels of the organizational hierarchy (Spreitzer, 2007). In this view, structural empowerment refers to the policies, activities and organizational structure that give greater freedom to employees to make decisions and their impact about their work and is seen as a model for the redistribution of power that create equality of power, trust, and cooperation. It is an administrative empowerment in organization. Smith (2002) identified activities and organizational structures that power through the development of knowledge and skills, access to information, support, function and responsibilities defined as empowering cases. Robbins (2002) also provides a coherent and unified framework to clarify the role of subject variables, structural, cognitive and behavioral in processes of empowerment is important.

Access to Information: Access to information means necessary information should be easily available to employees so is caused the confidence and their awareness from the current state of the organization, strengthened a culture of trust (Samard, 2007). Access to information refers to having the formal and informal knowledge that is necessary to be effective in the workplace (technical knowledge and expertise required to accomplish the job and an understanding of organizational policies and decisions).

Reward System: Reward system is process that can improve field of initiative and creativity as the highest level of reward in employees continually (Robbins, 2002). Reward system is the set of factors that increase the frequency of optimal behavior. Other variable work structure is a system of incentive and encourage of rewards based on performance that can be important for empowerment. For empowerment, a reward system must identify the share of each wage. Although the rewards may be beneficial to the organization or group, but most often people cannot have a clear understanding of how impact of their activities on a higher level of performance. Consequently, rewards based on individual performance are important for empowerment.

Psychological Empowerment

This approach concentrates on the employees' perception of empowerment and delineates how they perceive empowerment. In psychological empowerment, power distribution does not necessarily lead to employees' empowerment. What enhances empowered workers is feelings and perception on work environment. In most research studies, four common and similar dimensions can be found for psychological empowerment. In one of the best studies carried out on empowerment, Spreitzer (2007) has identified and offered four dimensions for psychological empowerment. They are meaning, impact, competence and self-determination.

Psychological approach to empowerment as a process of developing intrinsic motivation through preparing the grounds, creating a passage to convey more feeling of self-efficacy and finally more energy (Mohammadi, 2001). In order to empower others successfully, managers should develop these four characteristics in their employees. Successful empowerment means: 1- the feeling of self-efficacy (competence) 2- the feeling of self-organizing (having the right of choice) 3- admitting personal consequence (effectiveness) 4- the feeling of meaningfulness (being valuable).

Meaningfulness: This refers to the value of job goals and objections which are judged in relation to personal standards or ideals, in fact meaningfulness includes accordance between the requirements of role and job with beliefs, values and personal behaviors. Empowered individuals have meaningfulness feeling and they value the goals and objectives they are engaged in. There is consistency between their goals and standards with what they are currently doing and this activity is considered as important in their value system (Farokhi, 1997).

Competence: this refers to individual belief toward his capabilities for successfully performing allocated tasks. They feel personal mastery and believe that can learn to deal with new challenges and develop (Siegall & Gardner, 2000). When individuals become empowered they feel self-efficient or feel that they have the necessary capability and skill for performing a task successfully. Empowered individuals not only feel competent but also feel confident that they can perform the task in an efficient manner.

Self-determination: Self-determination refers to the persons feeling about having choice and being pioneer in adjusting activities which indicate independence and continuity of processes. Some examples in this regard include decision making about how to do tasks or determining the amount of effort in performing activities. Being "self-determine" refers to the experience of having choice in personal performing and organizing the activities related to one's self in a small scale.

Impact: It refers to the ability of the person to influence strategic, administrative or operational consequences of his activities (Smith, 2002). Individuals in whom the aspect of impact is strong and they are empowered. They have feelings of "active control" and align the environment with their demands (opposite to passive control) and try to maintain their dominance and control on what they see instead of having a reactive behavior against environment.

Organizational Size

Organizational size is the span of control. Fred (2012) stated sizes determine the level of centralization and decentralization in an organization. The size of the administrative hierarchy also relates to the organization structure. As organization size increase, so do its complexity and the requirement for coordination, and empowerment also increase? Organizational Size is the number of people in the organization because organization is a social system; size is typically measured by the number of employee. Other measures such as total such or total assess also reflect magnitude, but they do not indicate the size of the human part of the social system (Daft, 2001). Alexander, Nick and Timothy (2007) noted that organizational size can be measured using number of employees and other similar proxies like revenue size, physical capacity, volumes of input and output and financial resources.

THEORETICAL FRAMEWORK

Modern Structural Organization Theory

This theory was developed in the early 1900s. Structural organizational theory is concerned with vertical differentiation, hierarchical levels of organizational authority and coordination, and horizontal differentiation between organizational units.

There basic four assumption of structural theory, these are:

- Rational organizational behavior occurs through formal rules and hierarchy
- There is a best structure but best structure is determined by many factors.
- Division of labor increase productivity
- Most problems are structural flows, organizations are seen as a rational institution whose common objective is to achieve stated goals and rational organizational behavior can be best achieved through well-defined rules and formal authority. By this theory, organizational problems result from fault and imperfection which can be solved through structural change.

Structural Empowerment Theory

Kanter (1993) expresses the characteristics of a situation can either constrain or encourage optimal job performance, regardless of personal tendencies or predispositions. According to Kanter (1993), power is defined as the ability to mobilize resources to get things done. Power is on when employees have access to lines of information, support, resources, and opportunities to learn and grow. When these 'lines' or sources are unavailable, power is 'off' and effective work is impossible. These lines of power are sources of 'structural' empowerment within the organization (Manojlovich, 2007).

According to Kanter (1993) these lines of power emanate from formal and informal systems within organizations. Jobs that are highly visible permit discretion or flexibility in how work is accomplished, and are central to the overall purpose of the organization; describe positions that are high in formal power. When positive relationships among superior, peers, and subordinates are encouraged, the resulting alliances confer informal power.

EMPIRICAL REVIEW

Shahriai, Maleki, Koolivand, and Meyvand (2013) conducted a study using Pearson's test which indicate that there is a reverse and significant relationship between dimensions of organizational structure and psychological empowerment of staff employees of the Ministry of Economic Affairs and Finance. They further revealed that centralization has a negative effect on psychological empowerment of individuals. The more an organization has mechanisms of information exchange to decision-making points and appropriate feedback system for evaluating the decisions' outcomes, the more will be decentralization which can have a positive effect on psychological empowerment increase of employees. It means that there is a significant relationship between decentralization dimension of organizational structure and empowerment of employees.

Numerous studies have demonstrated a strong relationship between structural empowerment and job satisfaction. Laschinger and Wong (2013) observed that the more nurses perceive they have access to workplace empowerment structures are more satisfied with their work, and report higher performance. An employee can be satisfied and empowered with the basic content of the job, but may be frustrated if it does not allow one to grow or move in to roles in others areas of the organization. Access to opportunity to learn and grow is an important component of structural empowerment. Sabiston and Laschinger (1995) found that employee who considered their work environments empowering felt a greater sense of power and autonomy at work.

Finally, workplace empowerment has also been linked to stress and burnout, specifically among workers (Laschinger & Wong, 2013). Greco, Lachinger and Wong (2006) examined the impact of empowerment on person-fit and work engagement/burnout among staff. The study showed that empowering leaders could enhance person job fit and prevent burnout. Manojlovich (2007) expresses that powerless workers are ineffective, less satisfied with their jobs and more susceptible to burnout and depersonalization.

CONCLUSION

People are empowered through knowledge and self-motivated and empowerment is not giving power to the people, but empowerment is to release the power. Empowerment provides potential capacities for exploiting the capabilities of human that don't use completely. Employee empowerment is considered main driving force, employees with a feeling of competence, meaning implement selecting the best innovations and their ideas.

With more organizations looking for employees who take the initiative and respond creatively to the challenges of the job, empowerment becomes important at both individual and organizational levels. Unfortunately, empowerment programs have not always been proven effective (Siegall & Gardner, 2000), therefore, a better understanding of which organizational factors positively influence empowerment would be useful.

The study concluded that centralization has a negative effect on psychological empowerment of individuals and decentralization has a positive effect on psychological empowerment. It means that there is a significant relationship between decentralization dimension of organizational structure and empowerment of employees.

Recommendations

- Bank managers should encourage delegation of authorities in order to promote structural empowerment (Information Sharing) and employee competency.
- Managers should create sense of meaningfulness and employee self-determination (feelings of self-efficient) in order to fuel employee psychological empowerment.
- Banks should improve on their reward system in order to increase employee intrinsic motivation and job satisfaction.
- Also managers should use appropriate structure in order to empower their employees.

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