

# Investigating the Relationship between Organizational Structure Factors and Personnel Performance

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## Abstract

Nowadays, for surviving in the dynamic and complicated environment, it is required for organizations to have agility and flexibility in which the main factor is organizational structure which is the principal force of change. It is a framework for all organizational decisions and processes and influence the performance improvement and productivity increase. The purpose of this research is ranking the organizational structures factors which are effective on Personnel performance. This is applied and survey research which its statistical population consists of employees of Karafarin and Parsian insurance companies. Convenience sampling method were used to collect research data. Analyzing, the research data, the Pearson and Friedman Tests were applied. The results showed that formality is the most effective factor and complexity is the least effective factor on personnel performance.

**Keywords:** Organizational structure. Personnel performance, ranking, formality, complexity.

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## Introduction

Any organization tries to have a proper and systematic structure in order to increase efficiency and productivity. Such attempts can solely contribute to increase in sales and net profit and ultimately result in success in business. In a flexible organizational structure, personnel can do their duties by knowing the customers' needs and prompt decision making. Such structure creates more liberties for employees and assists them to make more proactive roles in the organization instead of being a mere viewer. Appropriate organizational structure is very important in the achievement of organizational goals and strategies in a way that organizational structure is a significant source for obtaining competitive advantage through effective changeability and flexibility and is considered as one of the essential provisions for successful adaptation with changes. Good performance in organization requires a specific structure in it. The organizational structure also involves system plans by which all units are harmonized and consequently effective communication in organization is guaranteed. Organizational structure is the mean of strategies implementation for achieving desired goals and also the necessity of flexibility for compatibility with the changing world is unavoidable (Englehardt and Simmons, 2002). The internal structure of organization can ignite or prevent the performance in organization. Studies shows that existence of centralization in decisions and their formality in processes and work relations prevent new ideas creation; while distribution of power and flexibilities result in high performance in organization leveling the ground for new ideas creation in organization. Thus, this research aims to investigate the relationship between organizational structure factors and personnel performance in two insurance companies of Karafarin and Parsian in Kerman, Iran.

## Literature review

### *Organizational structure*

Organizational structure is the way or methods by which organizational activities are divided, organized and harmonized. Organizations produce structures to harmonize work factors and control employees' duties. Organizational structure is the determinant of formal relations and shows the levels available in administration hierarchy and specify the span control of managers. Organizational structure is the dominant relations of works, systems and operational processes, individuals and groups who try to achieve a common goal (Barney & Griffin, 1992). Structure shows those who are responsible for supervision and introduce managers to the employees to whom they have to obey. The other application of structure for organizations is assistance to facilitation of information flow (Arnold & Feldman, 1986). Therefore, organizational structure is the process of determining relations, individuals' responsibility, accountability and power and specify the way of doing works for effective use of human resources needed for organizational goal achievement (Liao and et al, 2011; Willem and Buelensa, 2009). Knowing and investigating the organizational structure factors is the start of using organizational resources and benefits, empowerment of identifying opportunities, provision of new combinations of available resources and ultimately leveling the ground for organizational development.

### *Complexity*

Hage (1980) introduced the characteristics of organizational structure and said that the degree of these characteristics are different in various organizations. This contributed to a long pace on the route of investigation of organization format. Complexity means the number of tasks or sub-systems in an organization.

### *Formality*

Formality points to the standard level of organizational jobs. In a formal organization, organizational relations are explained for employees in written and based on organizational chart and, if necessary, the next changes are presented by manager formally; but in an informal organization, organizational relations are illustrated verbally for employees, and if necessary, are changed naturally.

### *Centralization*

Hage (1980) defines centralization in line with the participation of individuals in decision making. Researchers express that those public institutions looking for better distribution of performance must pay attention to organizational structure and shift their attention from centralized systems to non-centralized ones to facilitate the higher levels of opinions and votes (Caruana et al., 2002). The centralization dimension is the determinant of individuals having the right of decision making in organization (Fry & Slocum, 1984).

According to the research literature review, the conceptual model of research is defined as follows:

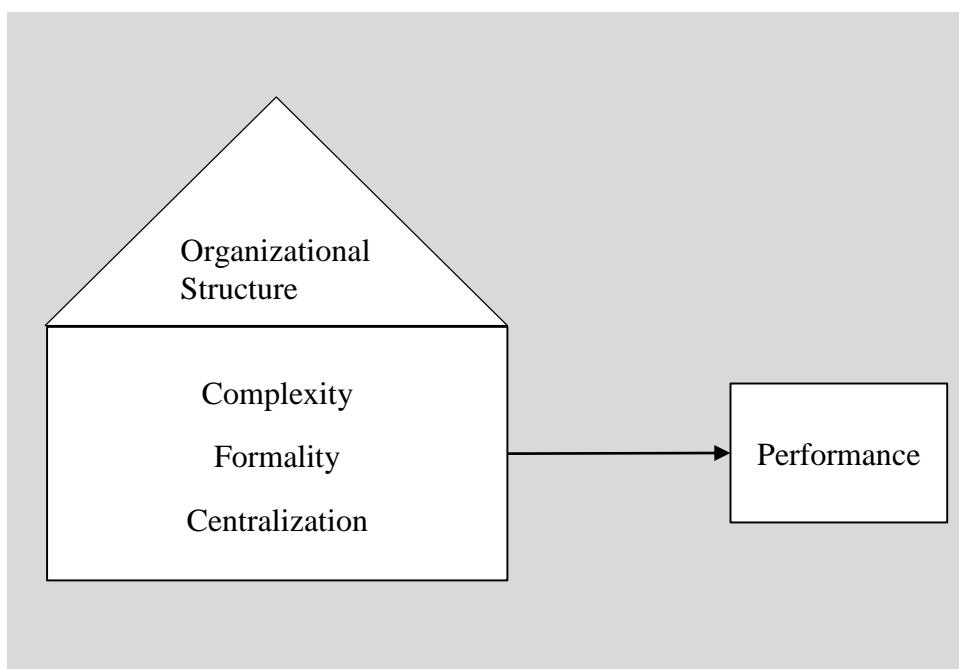


Figure 1 Conceptual model

**H<sub>1</sub>:** There is not a significant difference between organizational structure factors and personnel performance.

## Research methodology

The current research is an applied survey. The research tool is questionnaire. SPSS software package was used to analyze data and test the research hypothesis. Friedman test was applied to rank the organizational factors. Crobach alpha was also used to test the reliability of the research tool.

### Population and statistical sample

Current research applied convenience sampling method. The population size is 97 employees of two insurance companies, Karafarin and Parsian, in Kerman, Iran and the sample size is 80 based on Morgan's table.

### Demographic variables

Demographics of research population has been presented in table 1.

Table 1 Demographic variables

Variable	Type	No.
Gender	Female	52
	Male	28
Education	Post diploma	15
	bachelor	56
	Master and above	9

### Reliability and validity of questionnaire

The validity of questionnaire was approved by expert and its reliability was calculated by Cronbach alpha. According to table 2, its value was 0.81 which is more than the acceptable threshold, 0.70.

Table 2 Reliability results

Index	Cronbach alpha
Centralization	0.82
Formality	0.87
Complexity	0.76
Personnel performance	0.81

## Results

Firstly, the research investigates the relationship between personnel performance and organizational structure factors and then ranks these factors based on personnel

performance. The summary of correlations among performance and organizational structure factors is shown in table 3.

Table 3 Pearson's correlation matrix

Variable	Organizational structure	Centralization	Complexity	Formality
Personnel performance	0.680	0.639	0.651	0.626
Test result	Accepted	Accepted	Accepted	Accepted

According to the results, there is significant relation between personnel performance and organizational structure factors with confidence level of 0.95. Based on table 4 the significance level is 0.000 which is less than 0.05 showing that research variables does not have identical ranks and at least two variables are significantly different. The Friedman test result also shows the ranks of research variables in table 5.

Table 4 Priority level test

$K^2$	242.717
Degree of freedom	2
Significance	0.000

Table 5 Ranks of variables

Index	Rank average
Formality	4.75
Centralization	4.19
Complexity	3.82

## Conclusion

Nowadays in the current changing conditions, organizations are obliged to pay attention to their human resources in order to achieve more efficiency and effectiveness and ultimately their specified goals. Organizations are influenced by numerous factors resulted from dynamic environments around them and since organizational structure is stable and consistent, it is not always possible to estimate the need for efficiency and productivity capability. Therefore, the purpose of this research was investigation and ranking the relationships among organizational structure factors and personnel performance. Results indicates that there is a positive relationship between organizational structure factors and personnel performance. Formality has the highest rank and complexity has the lowest one among organizational structure factors. Totally, from the management perspective, organizational structure design emphasizes on omission of repetitive tasks, grouping similar tasks and deploying economy of scales, codirecting of strategies and organization abilities through which not only contributes to increase in efficiency in organization but also influences the development of abilities in organizational units.

## Recommendations for future research

Following recommendations are presented for scholars to conduct their future researches:

- ✓ Applying multidimensional decision makings in order to rank the organizational structure factors;
- ✓ Investigation the effect of mechanic and organic structures on personnel performance; and
- ✓ Surveying the organizational agility models on personnel performance.

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