Organizational Structure and its Impact on Performance

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Abstract

The purpose of this study is to seek the impact of organizational structure on performance of local government. The establishment and functioning of appropriate organizational structures and processes at the grassroots levels is crucial for addressing the local needs and aspirations. This study analyses organizational structure from three different perspectives such as (i) Centralization, ii. Formalization, and iii. Specialization and has an impact on organizational performance. Following a pragmatic approach, this study applied a mixed methods research design incorporating in-depth interviews with local government officials. The findings prevail the facts that there exists a lesser extent of differentiation in municipality, and organization structure is found to have a low pace of support to the organizational performance and employees are demanding for a more supportive environment and role clarity. The study shows that even today the municipality office has not been able to promote the downward accountability in the organizations as expected. A local governance realization in improving performance highly depends on the skills and motivation of its workforce and team spirit. Employee involvement in decision-making creates bonds for commitment and performance. In the overall picture, organization structure is somehow urging towards organizational performance. So far, the majority of respondents are positive towards the role played by municipalities for local development.

Keywords: *Organizational structure, local government, municipal performance*

Introduction

The structure and processes of local government matter in defining the role, expectations, progress, and overall performance at the grassroots level. The Constitution (2015) and Local Government Operation Act (2017) have given significant powers and responsibilities to local government units to attain their fullest potential and realizations

for upgrading local service provisions such as tax collection, distribution of social security allowances, program planning and development, council administration and so on be administered in transparent, accountable and accessible ways.

Previously, researchers have opined that there exist deficiencies in technical and administrative knowledge and skills, poor staff compliance, and also local staff are alarmed of having been appointed on the basis of nepotism and favoritism, with handwritten contracts on single sheets of paper (Acharya, 2018). Even though Constitution (2015) gives considerable powers and tasks to local governments to develop their areas with a degree of autonomy, the relevant institutional arrangements for service delivery seem to be blemished. So far, the current government system is a newly set-up structure under the republican order and this kind of research has yet to be published, in this sense this study is a milestone in the context of local governance performance.

Generally, organizational structure has been understood as the outline of an organization's framework for guiding and managing organizational tasks. Mainly, organizational structure determines how the roles, power and responsibilities should be defined and how the information is disseminated across the different levels of management. Organizational structure examines the extent of centralization, formalization and differentiation having an impact on organizational performance. Via the organizational structure, this study tried to examine the impact of centralization, formalization, or differentiation as independent variables having an impact on organizational performance via the decision-making process. It has been assumed that the more the extent of officials' participation in decision-making, the lesser the centralization and the higher the decentralization. Also, the lesser the extent of officials' participation the more the prevalence of centralization in decision-making of the municipality. It can be said that the existence of a higher degree of centralization in the organization could lead to the upward accountability of the organization. Likely, the existence of a higher degree of decentralization in the organization could lead towards the downward accountability of the organization. By downward accountability, it means the presence of transparency in organization and it could lead to more responsiveness of officials. Likewise, more rigidity in rules resembles the more rule-following behavior of officials and it could lead to formalization and upward accountability of the organization and more the competencies of officials resemble the presence of differentiation in the organization may lead to the competitive advantage of the organization and could be helpful for achieving the performance of the organization by improving the service standards.

The basic objective of this study is to examine the impact of organizational structure on the performance of local government as the establishment and functioning of appropriate organizational structures and processes at the grassroots levels is vital for addressing local needs and aspirations.

Review of Literature

This study basically concerns with the "Organization Theory" as proposed by Robbins (1983). According to him, Organization Theory is the discipline that studies the structure and design of organizations. The structure of an organization determines the performance of the system (Robbins, 1983). The structural dimensions of centralization, formalization and specialization/differentiation are considered to be of central importance in understanding the functioning of systems. And these three key 'structuring' dimensions are susceptible to managerial control.

Organization theory as a distinct domain of social science can be traced to the late 1950s and particularly to the work of the Carnegie Tech School; rooted in administrative theories, Weber's theory of bureaucracy and Coase's theory of firm boundaries. The field's domain includes questions about how organizations are structured, how they are linked to other organizations, and how these structures and linkages change over time. This study focuses on the following structure of organization as proposed by Robbins (1983).

Centralization: A high concentration implies high centralization, whereas a low concentration indicates low centralization or what may be called decentralization (Robbins, 1983, p. 76). Most theorists concur that the term centralization refers to the degree to which decision-making is concentrated at a higher level in the organization. This is the extent to which decisions are made exclusively by the top management; when work-related decisions are made at the activity centers, the organization is said to be decentralized. Centralization can be seen as an increase in decisions made at higher hierarchical levels within organizations and a decrease in the participation of employees in the decision-making process. It can also be conceptualized as a locus of authority and decision-making in the organization. Environment plays an important role for the locus of authority since organizations in uncertain environments should delegate decisions to lower hierarchy levels in order to quickly adjust to changing situations (Robbins, 1983).

Centralization can be defined more specifically as the degree to which the formal authority to make discretionary choices is concentrated in an individual, unit, or level (usually high in the organization), thus permitting employees (usually low in the organization) minimum input into their work (Robbins, 1983, p. 78).

Formalization: This refers to the amount of written documentation. It comprises written procedures, decision rules, job descriptions, policy manuals, and rules and regulations.

Differentiation: This pertains to the extent to which organizational tasks are divided into minute tasks. It is also the degree to which departments and employees are functionally specialized or integrated.

An organization theory approach to the public sector assumes that it is impossible to understand the content of public policy and public decision-making without analyzing the way political administrative systems are organized and their modes of operation. Organizational structure comprises broad 'structural' features, such as the overall physical size of an organization, and the 'structuring' activities, such as the decentralization of decision-making, that managers carry out. These latter activities actively shape the behavior of organizational members. As such, they provide the institutional support for a host of other critical internal organizational elements, such as values and routines. Social distance is created by the concentration of power (or centralization) in an organization. There is less need for feedback when power is concentrated at the top of the hierarchy since the role of subordinates is to implement decisions rather than to participate in the shaping of those decisions.

Organizational Performance is studied based on a subjective performance measure of the organization by using a set of questions that reveals the perception of municipal employees of Lalitpur district. Regarding the performance of the organization, it has been described by research scholars as a multi-dimensional concept. Some writers have related performance of an organization to the result of its activities and processes (Robbins and Coulter, 2007) which reflects on how well the organization exploits its tangible and intangible resources (Wheelen and Hunger, 2010) as mentioned by Latif and Ullah (2016, p. 35). Organizational performance is also considered 'as an indicator which measures how well organizations attain their objectives' (Hamon, 2003) and there are 'different aspects on which organizational performance can be evaluated" (Choudhary, Akhtar, & Zaheer, 2013, as cited by Latif and Ullah, 2016, p.35). An organization's success in improving performance depends largely on the skills and motivation of its workforce. Employee involvement in decision-making creates a spirit of cooperation within an organization and taps the creative contributions of each member for commitment and performance.

In a formal organization, the coordination between the departments needs to be defined properly for goal achievement. A structure depends on the organization's objectives and strategy. In a centralized model of structure, the higher level of management has authority and most of the decision-making power and tight control over divisions and departments. On the other hand, in the case of decentralized structures, the decision-making power is more or less distributed among the divisions and departments and they are more autonomous and have different degrees of independence in decision-making.

Of course, the goal of decentralization is not always desirable. There may be some conditions under which certain activities are done more efficiently when centralized. This explains, for instance, why financial and legal decisions tend to be centralized. "The suitable level of either high or low centralization may be desirable based on situational factors which might rightly determine the extent of centralization or decentralization" (Robbins, 1983, p. 85) while it has been argued that autonomy and capacity will rightly determine the extent of centralization or decentralization for getting performance success on any policy. Less hierarchical structures may afford greater opportunities for the free transfer of valuable knowledge, and for the resolution of collective action problems without recourse to formal control mechanisms (Miller, 1992). In particular, the presence of decentralized decision-making processes increases the prospect of managers and workgroups independently establishing connections across different functional groupings to bring together relevant stakeholders to maximize organizational performance for instance, in the case of service delivery by Local Governance. Similarly, decentralization implies that senior managers must have faith and trust in the ability of middle managers to make decisions. As decentralization flattens the organizational hierarchy structure helping decisions to pass across the organization which is becoming necessary in local government operations for fast decision-making and service delivery. Decentralization can be a source of motivation for employees as it allows people to participate in the decision-making process. According to Panou (2016, p. 4), "Decentralizing the decision-making, helps top management to delegate tasks to low-level managers, make them part of the business process and of the solution needed, by engaging and motivating them to succeed as being part of the project".

Professionals and skilled employees are particularly sensitive to having a say in those decisions that will affect how they will do their jobs. A final plus for decentralization is the training opportunity that it creates for low-level managers (Robbins, 1983). By delegating authority, top management permits less experienced managers to learn by doing. By making decisions in areas where impact is less critical, low-level managers get decision-making practice with the potential for minimum damage. This prepares them for assuming greater authority as they rise in the organization (Robbins, 1983, p. 85).

Where are decisions made in the organizations: on top by senior management or down low where decision-makers are closest to the actions? This implies that processes and structures are crucial components of public policy. By processes, it resembles the activities and behavior that play out over time. These can be decision-making, opinion-forming, implementation, or learning processes. By structures, it resembles the frameworks within which processes unfold. The structures set limits as to who can participate. They also limit what are deemed acceptable, reasonable, appropriate or valid perceptions of a situation, a problem, or suggested solutions. The organizational structure consists of role expectations and rules for who should or can do what, and how each task should or can be done. Meanwhile, this structure says nothing directly about how an organization's members

actually behave; it only provides guidelines and a framework. A distinction can be made between formal and informal norms. Centralized organizational structures rely on one individual to make decisions and provide direction for the company while the decentralized organizational structures follow the interactive approach. To know the municipal proximity towards centralization or decentralization in the decision-making process, the officials' views on their participation in the municipal decision-making process and information sharing have been taken as one criterion in this study.

Formalization in organizational structure is a process in which managers specify in written form the procedures, rules and responsibilities for the individual employees, organizational units, groups, and teams which lead to the development of processes, relationships, and operating procedures. The formalization of the organization is the result of the management's tendency towards bureaucracy and centralization. The extent of the presence of formalization has been measured in this study by two criteria: rigid organizational rules and responsibility. Measuring the optimum level of formalization is quite tough as formalization occurs in every organization, but there is a wide variety of degrees and scopes. A common problem for organizations is therefore to find the so-called optimum formalization. As per some research scholars, if there is under-formalization i.e. the existence of too small quantities of rules and documents, it leads to the freedom of action of workers, which in turn can result in chaos and a decline in efficiency (Robbins, 2008). More rigidity resembles more formalization. In this study, the presence of formalization is examined by the officials' opinion regarding the presence of rigidity in the rule.

In terms of organizational theory, differentiation is the series of processes that organizations use to assign employees and assets for achieving their goals. A differentiation strategy involves the organization creating a product or service, which is considered unique in some aspect. In this study, the respondents' opinion regarding the availability of more trained human resources and feeling of urgency in work has been considered as a key means to know the presence of differentiation in the organization.

Methodology

This study employed a pragmatic approach with a mixed methods research design encompassing both a quantitative structured questionnaire survey and in-depth interviews with municipal officials of Lalitpur district. There are 29 wards in Lalitpur district out of 29 this study covers the 5 Wards belonging to Lalitpur Metropolitan City and Godawori Municipality. Both of which serve the highly dense population. The pre-coded structured questionnaire survey has been administered to the officials and staff. The total sample size of the study is 30 who were selected through purposeful sampling and followed up with 5 in-depth interviews for further information. The qualitative information obtained from interviews with respondents is used to accustom the service delivery-related problems in the

municipality such as resource allocation, training needs, resource constraints, grievances and institutional capabilities and performance-related issues. The information obtained is very useful to understand and elucidate the pertinent facts. As I have been involved in data collection, it helped me to better perceive the current situation of the municipal ward office so that the variables under investigation became clearer and understandable. Moreover, municipal publications and bulletins have also been studied to validate the findings. In order to strengthen the validity of data and findings, a pretested questionnaire survey has been employed. Hence, in this study utmost importance has been given for maintaining the reliability and validity of data.

Findings

Structural Impact on Performance

In order to know the impact of organizational structure on the performance of local government at first, the officials' evaluations of municipal functioning were conducted based on a series of statements focusing on areas such as work roles, rules and rigidity, time management, responsibility and training undertaken. Secondly, for more clarification of issues, few in-depth interviews have been conducted with municipal officials covering the areas such as training, decision-making practices and administrative capabilities.

In order to know the officials' views on municipal functioning in areas such as rigidness on organizational rules, time management (punctuality), responsibility undertaken, and sense of urgency in the official work and competitive status (as having training), few statements have been asked as shown in Table 1.

Table 1

Officials Views on Functioning of Organization   n=30

Statements	Agree% (partly and strongly)	Disagree% (partly and strongly)
• Work roles are structured in our organization	69	31
• Rules in our municipalities are rigid and complex	30	70
• Time management is Problem	35	65
• Most service providers have a strong desire to avoid responsibility	31	60
• There is a sense of lack of urgency thinking that somebody else will take care of it.	56	44
• Our municipality lacked a trained person	40	60

Q. Please provide your opinion on the following statements (1 strongly disagree, 2- partly disagree, 3-partly agree, 4- strongly agree and 5- do not know). Source: Field Survey, 2022-2023

As depicted in Table 1, it has been found that 69% of respondents agreed that 'Work roles are structured in an organization' and 70% of officials disagreed with the statement "the Rules in municipalities are rigid and complex". It can be said that the rules of municipalities are not too rigid as per officials. It indicates that officials prefer to follow the rules of the municipality and the extent to which work roles are structured in an organization and the activity of the employees is governed by rules favours and indicates the presence of formalization in the organization.

Just 35% of the respondents agreed on the statement 'Time management is a problem' which indicates that officials are punctual and they will be available on the desk all the time during office hours. This may not cause a delay in the service delivery which definitely will be good for service seekers.

Likewise, 56% of respondents disagreed on the statement 'Most service providers have strong desire to avoid responsibility' which means officials are seriously completing their responsibilities which in turn resembles the presence of formalization. Such working tendency of officials will give quality service which will be helpful for boosting the satisfaction level of the public.

For knowing the degree of competence of officials, two statements 'There is a sense of lack of urgency thinking that somebody else will take care of it' and 'Municipality lacks trained person' have been asked.

It has been found that 56% of respondents agreed on the statement, "There is a sense of lack of urgency thinking that somebody else will take care of it". This result also indicates the possibility of delay in getting work done which is panic for the public again. This kind of officials' attitude may lead to public dissatisfaction with municipal service delivery.

Likewise, 40% of officials agreed with the statement 'Municipality lacked trained people' which again speaks against local government. If the Municipality lacks trained people, how can quality service be assured? In short, this study portrays the fact that there is a lack of professionalism among officials in the municipality.

Further another question has been asked of municipal employees 'Have you received any other training for your skill development?' It has been found that 49% of respondents said that they have received training for skill development and 51% said no. As per employees, such training programs are also not so frequent. It reflects the fact that the municipality organizes skill development training for staff but all staff are not getting the opportunity to participate.

Regarding the training requirement for the officials, an in-depth interview has been organized with municipal staff, Ms. Jyoti Sharma (name changed). As per her, "the general skill development training is more frequently organized by the municipality but for the proper skill development and enhancement more training is needed".

Regarding the organizational structural orientation, it has been found from the above discussions that the municipal structure favors the mixed approach. It has been found that the majority of officials' 70% disagreed with the statement, 'Rules in municipalities are rigid and complex' and 69% of respondents agreed on the statement 'Work roles are structured in an organization'; it reflects that the rules are not found to be of rigid nature in the municipality as per the views of officials. Regarding, 'professionalism' and 'skill development' via the training achieved were found to be of lesser extent which resembles the lack of differentiation in the organization. So, in downward accountability, the organization is more transparent about its actions, and listens and responds to those lower down the hierarchy and involves them in decision-making.

According to Fukuyama (2012), more centralization means less autonomy, in this situation, the governance system may be less transparent to the public and also to the officials at the bottom level. If the organization is more hierarchically oriented then, in such a condition, the performance- success of the organization may suffer. Also, it has been found that there exists some extent of clarity on the goals and objectives of the organization which could bring on formalization and leads to impartiality in treatment. Fukuyama (2012) said that autonomy and capacity are interdependent, when there is autonomy it demands more capacity for the performance success of the organization or governance i.e. competence of the organizational staff enhances the performance of the organization. In that way also it can be said that the competence of officials brings on the performance-success of the organization by promoting specification and differentiation.

One of the officials has opined "this new organization structure demands more skillful administrative staffs as there are lots of projects and programs, accordingly proper formulation and implementation of development plans and projects is a quite challenging task and it demands proper number and quality of staff who can accomplish the task on time and so far, all staffs are having hectic schedule".

As per the officials, the decision-making process is becoming quite quicker as compared to previous days. The in-depth interviews with officials reveal the facts that local governments at the grassroots are following a middle way between centralization and decentralization in the decision-making process.

Conclusion

In this study, the structural orientation and capabilities of local government have been examined empirically. Depending upon the context, situation, and severity of issues, the leadership needs to keep the balance between centralization and decentralization. However, centralization and decentralization are just opposite ways to transfer decision-making power and to alter the organizational structures. From the analysis above, it has been found that there exists a lesser extent of differentiation in municipalities, and organization structure is found to have a low pace of support to the organizational performance and employees are demanding a more supportive environment and role clarity. It has been concluded that even today in the Municipality Office; there is presence of lesser extent of downward accountability in the organizations. A local government's success in improving performance highly depends on the skills and motivation of its workforce and team spirit. Employee involvement in decision-making creates cooperative bonds for commitment and performance. Finally, it has been concluded that the majority of respondents are positive towards the role played by municipalities for local development.

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