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STRUCTURAL DESIGN AND CORPORATE GOVERNANCE IN A POST PANDEMIC ENVIRONMENT

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ABSTRACT

The focus of this research was on the relationship between structural design and corporate governance in a post-pandemic environment. The research offered a conceptualization of the related concepts, specifically highlighting on the implications of corporate governance and the pandemic on the behaviour and well-being of organizations. Types of structural designs such as the functional, divisional and geographical structural designs were examined. Based on the review of literature, it was noted that the restructuring and modification of structural designs is necessary in light of the emerging new realities and crisis occasioned by the pandemic. Such restructures enable improved role performance and the efficiency of organizational systems – thus promoting outcomes of enhanced organizational effectiveness, competitiveness and productivity. Hence in conclusion, it was affirmed that designs such as reflected in the functional, divisional and geographical structural designs should be advanced the necessary considerations in line with the changes in the environment of the organization for improved outcomes of corporate governance.

KEYWORDS

Corporate governance, structural design, functional design, divisional design, geographic design.



INTRODUCTION

The health and wellbeing of the organization is an indicator of the effectiveness of its governing practices and control systems. Corporate governance describes the various mechanisms and processes in which the organizations cohesiveness and focus is maintained. As an action, it is aimed at ensuring control of the organizations people, assets and resources – controlling and maintaining such so that the organization can operate more efficiently and meaningfully (Coyle, 2006; Arosa et al, 2010). The objective of governance according to Crawford (2007) is to ensure compliance in terms of behaviour and actions; while at the same time promoting operational and functional stability through the implementation of rules and policies in the workplace. Corporate governance as such offers thresholds which shape and define workplace behaviour, relationships and the adoption, use or application of organizational utilities, assets and resources (Uche, 2004).

The recent change events occasioned by the COVID-19 is such that has in recent months challenged and bludgeoned the wellbeing and performance of most organizations across the globe (Lund et al, 2021; Smet et al, 2020). As such, there is an increased emphasis on the responsibilities and duties of corporate leaders to channel the organization effectively – ensuring its survival and performance. Ruler (2018) argued that research in the recent months has also shown increasing interest in corporate governance especially given its sensitive role in this post COVID-19 era. Ruler (2018) argued that there is a growing reference in practice and theory, to the position and role of corporate governance in stimulating the conditions and atmosphere of organizational change and effectiveness. Almazan et al (2005) posited that the effectiveness of corporate governance draws on the existing context of organizational practice and relations. This agrees with Farar(2005) observation that corporate governance is both systematic and relies significantly on the design of the organization.

Bloisi et al (2007) defined structural design as the accruing framework and linkage between roles, responsibilities and functions which establishes the hierarchy of relationships, reporting systems and span of control within the workplace. In other words, structural design is how task relationships, work arrangements and responsibilities are patterned within the organization (Northouse, 2013; Blanchard, 2008). Research on corporate governance is diverse and has for decades advanced a perspective of corporate governance as a primary factor in organizational outcomes of performance, effectiveness and productivity (Senior & Swailes, 2010; Wang et al, 2013; Tiller, 2012). However, there is rare evidence on the role of structural design in the development or emergence of suitable corporate governance. In view of this gap, this research examined the relationship between structural design and corporate governance in a post pandemic environment.

Purpose of the Study

The purpose of this research is to ascertain the nature of the relationship between structural design and corporate governance in a post pandemic environment. The objectives of the research are to:

- i. Examine the relationship between functional design and corporate governance in a post pandemic environment
- ii. Determine the relationship between divisional design and corporate governance in a post pandemic environment
- iii. Examine the relationship between geographical design and corporate governance in a post pandemic environment

Research Questions

The following research questions are put forward to guide the research:

- i. What is the relationship between functional design and corporate governance in a post pandemic environment?
- ii. What is the relationship between divisional design and corporate governance in a post pandemic environment?
- iii. What is the relationship between geographical design and corporate governance in a post pandemic environment?

Research Hypotheses

HO₁: There is no significant relationship between functional design and corporate governance in a post pandemic environment

HO₂: There is no significant relationship between divisional design and corporate governance in a post pandemic environment

HO₃: There is no significant relationship between geographical design and corporate governance in a post pandemic environment

Review of Related Literature

The review of related literature in this section, centred on discussing the nature, practices and relationship between the variables specified in this research, namely – structural design and corporate governance.

Corporate Governance

Literature offers no agreed definition or position on the conceptualization or meaning of corporate governance; however, researchers tend to agree that it resonates with the development and emphasizing of actions, practices and rules, patterned towards ensuring stability in the organization and controlling its resources (Mensah, 2003; Al-Faki, 2006; Andres & Vallelado, 2008). Corporate governance is critical to the survival and performance of the organization as it ensures that organizational practices and actions align with the values and goals of the organization. Since the 90s, the Organization for Economic Cooperation and Development (cited in Abdullah & Valentine, 2009) issued its Principles of Corporate Governance (Abdullah & Valentine, 2009). These have become reference documents for policy makers, investors, corporations and other interest groups (stakeholders) around the world and even in Africa; with the OECD increasing their agenda and providing as well as stating a specialized guideline to good practices for their implementation that can be adapted to the particular circumstances of each country (members or non-members of the OECD) or region, whether for legislative and / or regulatory initiatives in member and non-member countries (Abdullah & Valentine, 2009). Such principles can be summarized with the following postulates as follows (Abdullah & Valentine, 2009):

- i. Stockholder's rights must be protected at all times and all must be treated fairly and equitably
- ii. Shareholders must be availed necessary information and be briefed on a timely basis with regard to the affairs and situation of the organization
- iii. Effective monitoring of the behaviour and various processes of the organization, including the decisions and actions of its management by the organizations board of directors
- iv. Recognize the right of interested and affected third parties or stakeholders, and take active steps towards cooperating and collaborating with them

- v. Create and facilitate processes that recognize and effectively address the violation of shareholders rights in the affairs of the organization.

Implications of Corporate Governance

Corporate governance according to Magdi and Nadareh(2002) maintains the stability and health of the organization. This suggests that both good and poor corporate governance, hold significant implications for organizational outcomes. Bauer et al (2004) posited that corporate governance embraces both stakeholders and shareholders values – seeking a balancing of interests wherewith organizations are able to address the needs and concerns of their shareholders while at the same time navigating and effectively harmonizing the interests and expectations of their stakeholders with those of the organization. Success in this action or practice often leads to outcomes of increased collaboration between the organization and its stakeholders, access to opportunities, internal cohesion and improved outcomes of organizational effectiveness, competitiveness and performance. However, failure to balance the needs and expectations of the organizations shareholders and stakeholders is often degenerative and negative in its outcomes. Colley (2005) argued that such often lead to increased outcomes of conflict between the organization and its stakeholders, strive and the decline in the organizations ability to meet its specified objectives and goals.

Structural Design and Types

The structural design refers to the varied functional and work-related frameworks adopted by the organization in patterning its roles and operations. Kupritz and Cowell (2011) argued that the structural design of an organization is reflected in the flow of communication, cross-level collaboration, reporting systems and the span of control for the organization. This also includes the geographical network of the organization and other related forms of correspondence between the various functions and units of the organization. This reiterates Northouse (2013) observation that the structure defines the behaviour of the organization and determines how well it supports innovative behaviour and is able to cope with change. Mintzberg (2009) stated that the structure of the organization also conditions the receptiveness of the organization and its readiness towards change – ensuring that structures are flexible and responsive according to Mckinsey(2021) is one way to achieve robustness and resilience during change or crisis events such as manifested in during the COVID-19 pandemic. While the types of structural design vary based on existing theories and contingent organizational approaches, this research addressed three types of structural design – (a) functional (b) divisional, and (b) geographical structural design (Mintzberg, 2009).

- i. **Functional structural design:** A functional structural design is that which within the workplace groups or categorizes workers together based on their roles or functions into units or departments (Mintzberg, 2009). Functional design is a form of work arrangement that emphasizes on particular characteristics or attributes such as qualifications or skills in the classifying or grouping process of the organization (Mintzberg, 2009).
- ii. **Divisional structural design:** This form of design focuses on grouping of workers based on the products or markets; apportioning roles and responsibilities which align with the needs and demands of related markets. Divisional structural design is necessitated by the market of the organization and emerges from its needs to address the satisfaction gaps of its market (Mintzberg, 2009).
- iii. **Geographical structural design:** This refers to the various branch networks and systemic location of the organizations business units such that increase the organizations presence and the access to its products and services. The geographical structural design is one which

enables the organizations extension of its products and services in a more effective way and across a wide range of locations (Mintzberg, 2009).

Pandemic and Implications

Reports indicate that the recent pandemic advanced significant changes, not only in the operations and markets of organizations but also in their structures and overall design. Lund et al (2021) argued that crisis and change associated with the pandemic, in so many ways, exposed fundamental gaps in the behaviour and structural designs of organizations. This follows Smet et al (2020) observation that most organizations in the recent months have altered their approaches and designs, allowing for increased levels of work-integration and teleworking activities. Smet et al (2020) posited that the pandemic had a sweeping effect on global business industries, impacting both social and economic lives. The inability to adjust or reconfigure themselves led to the failure of many businesses and organizations. Hence, the implications of the pandemic suggest a re-aligning of structural designs by organizations as a way of ensuring their survival and also as a basis for sustaining their positions within their various contexts and markets.

Structural Design and Post Pandemic Realities on Corporate Governance

The action of aligning or modifying structural designs to enable flexibility and responsiveness in the post pandemic environment, is premised on facilitating continuity through the matching of roles and responsibilities with the demands or emerging concerns of the environment (Leavitt, 2003; Blanchard, 2008)). such alignment enables the increased ease of governance through increased information transfer and the enhanced role flexibility. Ruler (2018) stated that learning and its integration depend substantially on the structure of the organization and the extent to which it allows for the assimilation of new skills and new knowledge. This aids the development of practices and rules which can be considered as applicable and suitable within the context and its new realities. Tiller (2012) affirmed that structural design overarches the organizations processes and determines the level of efficiency, quality and quantity of the organization's products. One could therefore argue that an effective shift and revaluation of the structural design of the organization further conditions relationships and roles such that enables a more relatable and effective control and coordination of the organization's activities and behaviour, thus a more effective outcome of corporate governance.

Research Methodology

Social research is hinged on two dominant epistemological social paradigms – the positivism and interpretivism paradigms. The positivism paradigm advances a position on the nature of knowledge that is overly generalistic and focused on the concreteness of social factors – otherwise referred to as social realities (Bryman & Bell, 2011). This suggests that social relationships and institutions are real, distinct from their related social actors and able to influence or impact the behaviour of such actors. Thus, it adopts a deterministic stance on the social world and emphasizes a nomothetic methodology in its investigation of social phenomena. (Bryman & Bell, 2011; Saunders et al, 2003) This differs from the narrative offered by interpretivism. Reichertz(2010) described interpretivism as subjective and emphatic on the link between consciousness and the environment or social world. Hence, the need for direct participation in a particular context for one to fully grasp and understand its characteristics and generate knowledge about such a context. Thus, emphasis in interpretivism is placed on an idiographic methodology.

This research adopts a nomothetic methodology, and by that a quantitative method in its investigation of the relationship between structural design and corporate governance. This is in line with the rooting

of the investigation in positivism ideologies which align with the validation and verification of research theories through the testing of hypothesis. Bryman and Bell (2011) argued that an underpinning positivism research stance promotes the objectification of values and actions as substantially capable of effecting and being affected by other actions. This agrees with the goal of this research which is ascertain the nature of the relationship between structural design and corporate governance.

Research Design: The research design according to Saunders et al (2003) prescribes suitable approaches that guide the generation and assessment of data for the research. This research adopts the correlational design in its assessment of the relationship between structural design and corporate governance. This choice stems from the specification of both variables as distinct and occurring within the same time-line of interest, and the goal of identifying the link or level of correlation between both variables. As a descriptive form of design, the correlational design is patterned in such a way that it provides data on the properties and manifestations of the variables and also enables the evaluation of behavioural changes expressed in the criterion variable accounted for by the predictor variable (Saunders et al, 2003). It is as Saunders et al (2003) noted a viable and effective approach towards predicting organizational outcomes in social or management research.

Population for the Study: Population in social research refers to the entirety of individuals or groups that are of interest and which share a particular context or characteristic of concern to the researcher. It is important that populations are clearly specified for the purpose of generalization and inference. The population for this research is 5 tier-1 capital deposit money banks located in Rivers State, Nigeria and as sourced from the Central Bank of Nigeria (Vanguard, 2022).

Sample Size Determination: Sample determination in this research draws on the management level of the tier-1 deposit banks. This is as 10 managers and supervisory staff (general managers, departmental managers, team or group supervisors) are adopted as the unit of measurement and at the same time the sample for this research. This gives a total of 50 target participants for the research. The research will also be conducted as a census and will on that basis involve all specified units identified in the sampling frame of the research (Bryman & Bell, 2011).

Sampling Technique: The sampling technique for this research is the judgemental sampling technique which identifies particular referents or participants as important and preferred given their access to the required information or their experience within the context of the organization of interest (Saunders et al, 2003). Thus, this research adopted the judgemental sampling technique in the specification of its unit of measurement – narrowing such down to the management staff of the banks based on their noted positioning as the leadership and decision-making group in the organization (Bryman & Bell, 2011).

Sources of Data Collection:Data sources comprise of both primary (first-hand information accessed from referents in the context of interest) and secondary data sources (historical records and documents detailing records of the practices, actions and behaviour of the specified organization in line with the interest of the research). This research will however focus on the primary source. Data will be sourced directly from the referents (management staff) from the 5 tier-1 capital deposit banks using the structured questionnaire. This choice and focus stems from the observed lack of content or secondary data particular to the tier-1 capital banks in line with the variables of interest (structural design and corporate governance).

Questionnaire Distribution: The administration of the questionnaire for this research is to be carried out personally by the researcher, through the assistance of established contact personnel within each of the main branches of the tier-1 capital deposit money banks in Rivers State. A time window of 2 weeks is considered as suitable and will serve as a framework for distributing and retrieving questionnaire copies through contact persons within the banks to the specified units of measurement (management staff) for the research.

Data Analysis Technique: Data analysis techniques for this research will comprise of both descriptive and inferential statistical techniques. Descriptive statistical techniques in this research such as frequency distributions and mode will be used in assessing the demographic characteristics and the distribution for the manifest or observable properties of the variables. These will be displayed using contingency tables and charts. Inferential statistical tools, such as the Pearson's product moment correlation coefficient (PPMC) will be used in the test for the hypotheses of the research. The 95% confidence interval is adopted in the statement of the hypotheses, hence the research decision on the significance of relationships will anchor on a probability value comparison with the 0.05 level of significance where a $P_v < 0.05$ would indicate a significant relationship- hence a rejection of the null hypotheses; and a $P_v > 0.05$ would suggest an insignificant relationship and thus an acceptance of the null hypotheses.

Data Analysis

Table 1: Bio-data of the respondents

	Number	Percentages
Sex		
Male	32	64%
Female	18	36%
Educational Qualification		
NCE/OND	2	4%
HND/B.SC	17	34%
MASTERS	21	42%
Ph.D	10	20%
Years of Service		
1-5years	5	10%
6-10years	14	28%
11-20years	18	36%
21-30years	11	22%
31years and above	2	4%

RESULTS AND DISCUSSION

A profile of the sampled respondents showed that the sampled respondents comprised of 64% males and 36% females. Of these 4% are NCE/OND degree holders, 34% are HND/B.SC , 42% are MASTERS degree holders while 20% of them are Ph.D degree holders. Further analysis showed that 5% of the respondents had spent 1-5 years of service with their employer, 28% have spent 6-10 years, 36% have spent 11-20years, 22% have spent 21-3years and finally only 2% have spent 31years and above.

H₀₁: There is no significant relationship between functional design and corporate governance in a post pandemic environment.

Correlations

		Functional Design	Corporate Governance
Functional Design	Pearson Correlation	1	.884**
	Sig. (2-tailed)		.000
	N	50	50
Corporate Governance	Pearson Correlation	.884**	1
	Sig. (2-tailed)	.000	
	N	50	50

** . Correlation is significant at the 0.05 level (2-tailed).

The result of the relationship between functional design and corporate governance showed strong positive one. It revealed a Pearson moment correlation coefficient of 0.884 and probability value of 0.000. This negates H₀₁ that there is no relationship between two variables. This means that grouping employees according to their jobs or duties into departments or units substantially correlates with corporate governance. This is consistent with the argument of Mintzberg (2009).

H₀₂: There is no significant relationship between divisional design and corporate governance in a post pandemic environment

Correlations

		Divisional Design	Corporate Governance
Divisional Design	Pearson Correlation	1	.935**
	Sig. (2-tailed)		.000
	N	50	50
Corporate Governance	Pearson Correlation	.935**	1
	Sig. (2-tailed)	.000	
	N	50	50

** . Correlation is significant at the 0.05 level (2-tailed).

A Pearson moment correlation coefficient of 0.935 and probability value of 0.000. This shows solid affirmative rapport between customer divisional design and corporate governance. This indicates that when it is necessary to address the satisfaction gaps of its market, divisional design is a decision that facilitates corporate governance. This supports Mintzberg (2009) position.

H₀₃: There is no significant relationship between geographical design and corporate governance in a post pandemic environment

Correlations

		Geographical Design	Corporate Governance
Geographical Design	Pearson Correlation	1	.820**
	Sig. (2-tailed)		.000
	N	50	50
Corporate	Pearson Correlation	.820**	1

Governance	Sig. (2-tailed)	.000	
	N	50	50

** . Correlation is significant at the 0.05 level (2-tailed).

The result shows a strong positive correlation (0.820) between the variables ($r = 0.820$, $n = 50$, $p < 0.05$). Therefore, the null hypothesis was discarded and posit that there is a noteworthy affiliation between geographical design and corporate governance.

Conclusion

The suitability and effectiveness of organizational practices, rules and actions that reflect its corporate governance, build on the extent to which its structures and overall design is supportive and matches the unique experiences and challenges of its environment. This is manifested in the current post pandemic environment, with more and more organizations constantly adjusting and modifying their structural designs to accommodate new challenges and that way cope more effectively with the new realities that currently shape the business environment. Going by the review of literature, it is evident that structural design necessitates improved outcomes of corporate governance; hence, in conclusion it is affirmed that designs such as reflected in the functional, divisional and geographical structural designs should be advanced the necessary considerations in line with the changes in the environment of the organization for improved outcomes of corporate governance.

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