UNIVERSITY OF GHANA

THE INFLUENCING EFFECT OF ORGANIZATIONAL STRUCTURE ON EMPLOYEE JOB STRESS AND EFFICIENCY IN GHANAIAN MICROFINANCE FIRMS

BY

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THIS THESIS IS SUBMITTED TO THE UNIVERSITY OF GHANA, LEGON IN PARTIAL FULFILLMENT OF THE REQUIREMENT FOR THE AWARD OF MPHIL HUMAN RESOURCE MANAGEMENT DEGREE

JUNE, 2015

DECLARATION

I do hereby declare that this work is the result of my own research and has not been presented by anyone for any academic award in this university or any other university. All references used in the work have been fully acknowledged.

I bear the sole responsibility for any shortcomings.

…….. ..……

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CERTIFICATION

I hereby certify that, this thesis was supervised in accordance with procedures laid down by the university.

…….. ……

DR MOHAMMED-AMINU SANDA **DATE**

(SUPERVISOR)

DEDICATION

I hereby dedicate this thesis to my husband Mr. Kwasi Anokye Gyimah, for your love and support throughout my education, and to our wonderful children Leonid, Leota and Leonel who had to make some sacrifices for this to happen. God richly bless you.

ACKNOWLEDGEMENTS

What do I say? I bless and thank God so much for the grace, strength and provision to finish this phase of my life. I thank God so much for my husband, Kwasi. You are God's gift to me. I thank you for your support, taking care of the home when I had to go for an early class and all the daddy day care duties you had to render on my behalf. I am eternally grateful. I could not have done it without you. I also want to thank my supervisor Dr. Mohammed Aminu Sanda for his guidance, his firmness, supervision and insight. Yvonne, Millicent, Benjamin and Believe wow indeed some friends stick closer than brothers. Thank you all so much for your support in collecting the data for this research. God bless you and reward you all. Sabina and Makafui amazing daughters!!! "Issues Dey ooh". Your support and constant encouragement will never be forgotten. I love you all. You are the best. And to my mum Justina, what a blessing you are to me. God bless you for taking care of the twins and the baby anytime I had to dash out for one thing or the other and sometimes for the use of your car. Auntie Sylvia and Auntie Jennifer for making waiting so much fun!! Thanks. To my colleagues of the HRM class of 2015 the best class ever!!! Glad I was a part of you. To everyone who spoke a word of encouragement or prayed, you know yourselves. Thanks so much. God bless you all.

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LIST OF ABBREVIATIONS

BOG	Bank of Ghana
GHAMFIN	Ghana Micro Finance Network
MASLOC	Microfinance and Small Loans Centre
MFEP	Ministry of Finance and Economic Planning
MFIs	Microfinance Institutions
NBFIs	Non-Bank Financial Institutions
NGOs	Non-Governmental Organizations
ROSCA	Rotating Savings and Credit Associations
UN	United Nations
WWBG	Women's World Bank, Ghana

ABSTRACT

The aim of this study was to determine the effects of organizational structure (formalization and centralization) on employee job stress and employee efficiency of micro finance firms in Ghana. Guided by theoretical concepts in organizational behavior and institutional theory, a standardized questionnaire was adapted and used to collect data from a sample of 222 employees working in the microfinance industry in Ghana. The collated data was analyzed using factor, correlational and regression analysis. Results from factor analysis showed that out of the seven factors tested only two components were found to be predictive of formalization (that is job codification and rule observation). Again it was found that out of the nine factors tested two components were found to be predictive of centralization (that is hierarchy of authority and decision making). Also out of the six factors tested two components were found to be predictive of job stress (that is lack of organizational support and job pressure). Finally out of twelve factors tested two components were predictive of employee efficiency (that is performance capacity and attendance). It is concluded that not all standardized factors of formalization and centralization are predictive of organizational structure in the Ghanaian situation. Correlational and regression analysis showed a negative relationship between formalization and job stress. It is concluded that organizations that are highly formalized will have more productive employees due to reduced job stress levels, whiles those with less formalized organizational structures will have less productive employees due to higher levels of job stress. It is therefore recommended that management of microfinance firms in Ghana design their organizational orientation to be highly formalized so that job stress of employees are reduced leading to increased productivity.

CHAPTER ONE

INTRODUCTION

This chapter introduces the research work to be undertaken. First, it provides a context within which the study will be situated. This is then followed by the identification of the problem. After this research questions are posed that allow the objectives of the research to be stated. The purpose of the study is stated, followed by the scope and limitations of the study. The chapter ends with an overview of the organization of the study.

1.1 Background

In this global and technology driven economy, organizations have to deal with difficult terrains in regards to the environment they operate in and stiff competition (CNN Money, 2014). The microfinance industry is no exception to this phenomenon. According to Sekyere (2013), the concept of micro financing can be traced back to the tradition of people saving and taking small loans from individuals or groups as self-help to start a business or farming venture. For over twenty years, the microfinance industry has recorded a lot of success in regards to outreach and sustainability in most countries of the world, particularly in Latin America and Asia (Gallardo, 2002).

Africa is not left out and is growing rapidly with extensive microfinance activities almost in every country on the continent. In Africa and particularly in Ghana, we can surmise that microfinance is primarily a supply-driven work, with a small number of methods used mainly to provide working capital loans to micro entrepreneurs, farmers and the vulnerable in our rural areas (MFEP, 2005).

According to a report by the Bank of Ghana (BOG, 2014), Ghana has four hundred and nine licensed microfinance institutions (MFIs). A World Bank report of micro finance institutions in Ghana notes that the policy framework for microfinance is based primarily on poverty reduction strategy. According to the World Bank Report (2010), it is an attempt to balance growth and macroeconomic stability with human development and empowerment. This then World Bank Report (2010) explains positively reduces the country's poverty levels in the medium term. Anku-Tsede (2013) notes that of particular interest in Ghana is the evolution of a tiered system of different laws and regulations for different types of institutions, for the most part in response to local conditions, needs and institutional developments.

Asiama (2007) observed that while Ghana's approach has resulted in a wide range of MFIs and products with the potential for substantial outreach to the poor, it has also allowed easy entry of institutions with weak management and internal controls. This has led to the closing of bankrupt units and takeovers among others (Asiama, 2007).

1.1.1 Micro finance institutions

According to the United Nations Development Program Report on Capacity Development (UNDP, 2005), microfinance involves the provision of financial services and the administering of small amounts of money through a range of products and a system of intermediary functions that are targeted at low income clients. This includes insurance, loans, savings, transfer services and other financial products and services.

The Ministry of Finance and Economic Planning (MFEP), Ghana refers to micro finance "as the provision of small loans and other facilities like savings, insurance, and transfer services to poor low-income households and microenterprises" (MFEP, 2005). According to Anku-Tsede (2014), micro finance has been employed over the years to apply to that portion of the financial sector that focuses on the delivery of financial services to the poor and low income earners.

Anku-Tsede (2014) further notes that micro finance in Ghana is understood to be a subsector of the financial sector and mostly referred to as non-banking financial institutions. According to Gallardo (2002) these institutions use a number of different financial methods to reach the poor. The microfinance sector in Ghana has various types of institutions and these have been grouped into three (BOG, 2005). These are as follows:

Informal financial suppliers which include Susu Collectors, Moneylenders, Family members, Rotating Savings and Credit Associations (ROSCA). Semi-formal financial suppliers which are credit oriented NGOs such as Sinapi Aba Trust, ENOWID Foundation and Catholic Relief Services. Formal financial suppliers which include the Non-Bank Financial Institutions (NBFIs) that is Savings and Loans Companies, like Women's World Bank, Ghana – (WWBG), Credit Unions, Rural and Community Banks and some commercial banks (for example, Agricultural Development Bank and Metropolitan and Allied Bank).

The commercial banks program their microfinance activities through their branches in the rural areas, whereas the Rural and Community Banks which are scattered in all the regions and

districts of rural Ghana collaborate with the ARB Apex Bank in getting to their targets (Sekyere, 2013).

1.1.2 Structures and operation of MFIs

Due to different regulatory requirements and groupings in operation, Dary and Issahaku (2013) observed that microfinance institutions take up different ownership and organizational forms. Ghana according to Gallardo (2002) currently has a three-tiered structure comprising of formal, semi-formal and informal institutions providing microfinance services to urban, rural poor and underserved sectors of the economy (Gallardo, 2002). Credit activities and financial intervention are regulated under the jurisdiction of the Bank of Ghana (BOG). The regulatory framework under the Banking Law (1989) and the Non-Bank Financial Institutions (NBFI) Law (1993) supports a tiered structure of licensed financial agents and of financial regulation (World Bank, 2005).

In the formal sector, institutions providing microfinance services are made up of Rural Banks, Savings and Loan (S&L) companies and Credit Unions (World Bank, 2005). According to Gallardo (2002), rural banks owned by communities are public companies. Gallardo (2002) further notes that they are usually assisted with capitalization from BOG and are registered and licensed as unit banks and have no branching privileges under the provisions of the Banking Law. Rural Banks according to Gallardo (2002) are limited to defined geographical (rural) area, and can only offer banking services limited to loans, checking, savings and time deposits. Also, ownership and voting control structures of Rural Banks appear like that of credit unions because of their one share-one vote structure (Gallardo, 2002).

On the other hand S&L companies are owned by private individual parties and are registered and licensed under the NBFI Law (Gallardo, 2002). Gallardo (2002) observed that they offer banking services limited to loans and to savings and time deposits. Unlike the Rural Banks, S&L companies can have branches throughout the country, that is, they are not restricted to a particular geographical area and have cumulative shareholding positions. The minimum capitalization requirements at entry for both Rural Banks (US$20, 000) and S&L companies (US$50, 000) are significantly lower than the levels set for commercial and development banks (Gallardo, 2002).

According to the Bank of Ghana (BOG, 2005), the Credit Unions are registered under the Law on Cooperatives and are subject to regulation by the Credit Union Supervisory Board, a government agency. They are owned mutually by cooperative associations of individual members. They are under the NBFI Law, required to be registered and licensed by the BOG.

Under the provisions of the Law on Trusts and Charitable Institutions, some NGOs, organized by private parties as trust entities or charitable institutions, offer micro loans and nonfinancial services to their clients (BOG, 2007). These are not regulated or supervised by external government agencies. Most of the microcredit NGOs belong to an umbrella organization called Ghana Micro Finance Network (GHAMFIN). GHAMFIN provides staff training and organizational capacity-building assistance and circulates best practice guidelines and standards for governance, operations and performance efficiency (Steel & Andah, 2003).

Gallardo (2002) noted that susu collectors found in the informal sector, provide collection and safekeeping services for the savings of mostly market women and operators of microenterprises. The market women and microenterprise operators are able to access "loans" from their susu collectors through "advance drawdowns", and they obtain these loans against the total amount of savings they have contracted to deposit weekly for a set period (Gallardo, 2002). The advances according to Gallardo (2002) are made by the commercial and development banks, rural banks, and S&L companies where the susu collectors deposit the monies they collect and manage.

Another variation on the susu collection system is the susu club. According to Anku-Tsede (2013) members go to a designated place on a scheduled day of the week to make their savings deposits with the susu collector who runs the susu club. The set-up allows a susu collector to manage the deposits of a much larger number of clients (Anku-Tsede, 2013).

Susu collectors and susu clubs are not registered and licensed by any government agency (Anku-Tsede, 2013). Anku-Tsede, (2013) further observes that there is, however a growing number of individual susu collectors who belong to cooperative associations of collectors (e.g., the National Association of Susu Collectors or the Greater Accra Association of Susu Collectors). These associations have established accreditation and identification procedures for their members. They also provide protection of deposits for the clients of their collectors. These are members who would otherwise lose their deposits as a result of nonperformance due to death or embezzlement by a susu collector (Anku-Tsede, 2013; Gallardo, 2002). Susu

collectors average about 150-200 market women and microenterprise operators, as clients, while susu clubs may have as many as 400-500 members (Dary & Issahaku, 2013).

1.1.3 Challenges facing MFIs

In a bid by Ghana to mobilize deposits from the segment of the population that are unbanked and encourage a habit of savings by Ghanaians, micro financing has faced some challenges. Due to this a number of account holders in parts of the country have lost their savings to such institutions within the past couple of years (Domfeh, 2013). Domfeh (2013) again argues that some microfinance firms have been shut down by the regulator whilst others collapsed as a result of poor risk and business management.

According to research conducted by Asiama (2007), some of the challenges or limitations are inappropriate institutional arrangements, poor regulatory environment, inadequate capacities, lack of coordination and collaboration, poor institutional linkages, no specific set of criteria developed to categorize beneficiaries, channeling of funds by MDAs, lack of linkages between formal and informal financial institutions, inadequate skills and professionalism, and inadequate capital.

In a speech by the Head of Banking Supervision at the Bank of Ghana, Mr. Franklin Belynye, at the 7th Ghana Microfinance Forum under the theme "Microfinance Regulation and Compliance" (2013) he noted that the challenges facing MFIs included under capitalization and pricing, incompetence in fund management, the large applications from potential companies

among many others. The specific challenges facing the industry are discussed in more detail below.

i. Institutional arrangements

According to Asiama (2007), different stakeholders play varying roles which are expected to complement each other. These roles currently overlap in certain cases because of the lack of defined areas of operation. Another reason for the overlap according to Belynye (2013) and Asiama (2007) is partly due to the fact that organizational and institutional hierarchy and reporting relationships among all the stakeholders are not clearly defined (Asiama, 2007; Belynye, 2013). Asiama, (2007) and Belynye, (2013) explained that the respective roles and responsibilities of stakeholders are not properly designed and communicated leading to job ambiguity, conflicting and overlapping roles.

ii. Regulatory Framework

Anku-Tsede (2014) noted that there seems to be a lack of information flow on the formulation, implementation and review of regulatory, supervisory policies and procedures to ensure cost-effective approaches to regulation across the institutions in the micro finance industry. Anku-Tsede (2014) observed further that there is also the absence of any specific rules or procedures in the resolution of conflicts arising out of microfinance activities (Anku-Tsede, 2014). Furthermore, Sekyere (2013) and Asiama (2007) also observed a lack of specific guidelines for operations among apex bodies, namely, CUA, GCSCA, ASSFIN and Cooperative Council, which has led to uncoordinated activities that impacts on the performance and outreach of their member institutions.

iii. Capacity Building and Funding for the Sector

According to Belynye (2013), despite attempts by the different stakeholders to improve the human capital in the industry by organizing training programs and activities, the staffing and competency level being achieved with these training programs is still below what is desired. This, Belynye (2013) explains means the human capacity of key stakeholders and institutions, including Microfinance and Small Loans Centre (MASLOC), GHAMFIN, MFIs, relevant Ministries, and technical service providers needs to be enhanced for microfinance operations. Asiama, (2007) and Belynye, (2013) both noted that the development of the human capacity in these areas is key as it may have had a rippling effect on the governance and structure of the industry.

Belynye (2013) again noted that microfinance Apex bodies do not have adequate skilled and professional in-house trainers and/or facilitators. Belynye, (2013) observed that they also lack in-house monitoring and evaluation units to continually measure progress of their activities over time. A World Bank Report on rural and micro finance firm regulation in Ghana, (2003) and Asiama (2007) suggested that in terms of infrastructure, the sub-sector has not developed an integrated and holistic logistical support and internal operating systems. Asiama (2007) noted three sources of funding for MFIs: the institutions themselves, government, and development partners. Available funds have not fully met the needs of developing and expanding the industry; also, the different sources come with their conditions, and distort the market in some cases (Asiama, 2007).

iv. Credit Delivery and Management

Asiama (2007) and rural and micro finance firm regulation in Ghana, report by the World Bank (2003) both noted that the strategies currently in place for the delivery of credit are not diversified or efficient enough, and as such are not able to fully meet the varying demands of the market and different categories of end-users. Asiama, (2007) notes also, that there is no framework for the categorization and upgrade of emerging microfinance institutions in the semi-formal and informal sub-sectors with respect to their operational capacities and capabilities. According to a 2010 UN report on Micro finance and Poverty Eradication: Strengthening Africa's Micro finance institutions, though the primary objective of microfinance is to provide resources for the poor, there is yet to be reliable and acceptable methods for classifying various poverty levels to enhance the categorization of potential and actual MFI clients.

v. Targeting the Vulnerable and the Marginalized

According to Asiama, (2007) people with disabilities and impairments lack products and services designed to meet their needs. Asiama, (2007) notes that they are not adequately served by existing microfinance funds and services. According to Asiama, (2007) this group can benefit from complementary skills training programs. Asiama, (2007) observed that current skills training and funding arrangements for women appear not to be market-driven, and argues specific services and products that target women for entrepreneurship development need to be more coherent. The Ghana Living Standards Survey (GLSS) estimates that about a third of the population of Ghana are young people aged 15-24 years and constitute over half of the unemployed population (GLSS 4, 2012). Sekyere (2013) opined that there is therefore a need

for special microfinance, grant and training programs that target the youth for entrepreneurial development.

vi. Data/Information Gathering and Dissemination

According to Anku-Tsede (2013) and Asiama (2007), there is a general lack of information on microfinance institutions, their operations and clients in the country. Asiama, (2007) observed that there are difficulties in centrally monitoring progress in the industry due to the different approaches to methodology for data and information gathering at the national level. An MFEP report on micro finance institutions in Ghana (MFEP, 2012) noted that the attempt to develop a national data bank on microfinance has not been fully realized and there is an absence of a well-defined reporting system by both the government and development partners with regards to their interventions.

The MFEP report (2012) concludes that the result is a database that is not adequate for decision-making and planning. According to Asiama (2007), institutionally the gathering and circulation of data/information are weak within and between institutions. Anku-Tsede (2013) also noted that inadequate and unreliable information on outreach in terms of its depth and breadth is one of the biggest challenges facing the industry. This lack of information Anku-Tsede (2013) observed has affected targeting of clients and ultimately poverty reduction.

Despite the many challenges facing the micro finance industry in Ghana it still remains one of the avenues government seeks to use in reducing poverty levels. It therefore becomes imperative for MFIs in Ghana to become efficient and remain competitive, so that they fulfill

the mandate of poverty reduction. It also becomes important to understand the role institutional arrangements i.e. organizational structure or institutional hierarchy plays in creating conducive working environment for employees such that they are productive.

1.2 Statement of the Problem

From the discussion highlighted in sub section 1.1.3 above, it is obvious that MFIs in Ghana face institutional arrangement, i.e. organizational and hierarchical structure issues that affect behavioral conditions of employees which poses a challenge that needs to be researched.

1.3 Purpose of the Study

The research therefore seeks to identify the factors that influence organizational structure and to provide an understanding of how differences in organizational structure of MFIs in Ghana results in differences in employee behavior, specifically employee job stress and employee efficiency.

1.4 Research Objectives

The objective of the study is to determine

1. The type of organizational structure that dominates MFIs in Ghana.
2. The effect of a highly formalized organizational structure on employee job stress.
3. The effect of a highly centralized organizational structure and employee job stress.
4. The effect of a highly formalized organizational structure on employee efficiency.
5. The effect of a highly centralized organization structure on employee efficiency.

1.5 Research Questions

In response to the problem stated above, this research seeks to specifically answer the following questions:

1. Which type of organizational structure dominates MFIs in Ghana?
2. What effect will a highly formalized organizational structure of MFIs in Ghana have on employee job stress?
3. What effect will a highly centralized organizational structure of MFIs in Ghana have on employee job stress?
4. What effect will a highly formalized organizational structure of MFIs in Ghana have on employee efficiency?
5. What effect will a highly centralized organization structure of MFIs in Ghana have on employee efficiency?

1.6 Research Hypotheses

Based on the research objective above four hypotheses were proposed as follows:

1. Highly formalized organizational structures of micro finance firms in Ghana will lead to employee job stress.
2. Micro finance firms in Ghana with highly centralized organizational structures will lead to high employee job stress.
3. Micro finance firms in Ghana with highly formalized organizational structure will have inefficient employees.
4. Micro finance firms in Ghana with highly centralized organizational structure will have inefficient employees.

1.7 Significance of the Study

Policy

The study will allow for the development of policies that empowers management to adopt organizational structures that best suits the firm in question and allows for the structure to be changed when needed. Results of this study will enable management of microfinance firms institute policies that allow for continual assessment on the structure of the organization so as to minimize negative employee behavior that affects productivity.

Practice

Management of micro finance firms need to look at organizational stressors, manage them so that they can minimize negative employee behavior. This will create a conducive working environment that will enhance efficiency and effectiveness.

Future Research

In future research can be carried out to ascertain whether the model is able to predict employee job stress across different occupations and sectors. Again the industry chosen for this study is generally considered a high stress rather than a low stress environment because of the presence of overwhelming factors in the financial environment. It would therefore be of great interest to find out if external pressure affect employee job stress and if yes how it affects it. It would also be of great interest for researchers to explore how non-work lives, physical environment, role and interpersonal relationships influence stress at the workplace.

1.8 Scope and Limitation of the study

In this study, we did not try to construct a complete model of employee job stress in the microfinance sector of the financial industry, but merely to extend our knowledge in understanding the influence of organizational structure on employee job stress and efficiency in a Ghanaian setting.

The results of the study must be viewed in the light of two limitations. First, the study is limited to employees of microfinance firms in Ghana. The validity of the findings can therefore not be generalized to include job incumbents in other industries. In the future, research can be conducted to compare the predictive validity of the model across different occupations and industries. Secondly, the microfinance sector is a high stress environment due to the highly competitive nature of the industry. It would therefore be important to research if and how external pressures affect job stress of employees of MFIs.

1.9 Organization of the study

Chapter 1 of this study introduced the problem statement and described the specific problem addressed in the study as well as design components.

Chapter 2 presents a review of the literature and relevant research associated with the problem addressed in this study.

Chapter 3 presents the methodology and procedures used for data collection and analysis.

Chapter 4 contains an analysis of the data and the presentation of the results.

Chapter 5 offers a summary and discussion of the researcher's findings, implications for practice, and recommendations for future research.

CHAPTER TWO

LITERATURE REVIEW

This chapter provides an overview of previous research on organizational structure, employee job stress and employee efficiency. It introduces the study framework, the main focus of the research described in this thesis and also the theory underpinning the study. It is divided into 7 main sections: the concept of institutional arrangements, development of institutional theory, perspectives of institutional theory, organizational structure, organizational structure and workplace outcomes, the concept of organizational/employee efficiency and finally the study framework.

2.1 The Concept of Institutional Arrangement

According to the United Nations Development Program on Capacity for Afghan Public Service (UNDP Report, 2001), institutional arrangements are the policies, systems, and processes that organizations use to legislate, plan and manage their activities efficiently and to effectively coordinate with others in order to fulfill their mandate. The UNDP Report (2001) further noted that if a country, for example, has a "brain drain" problem, it can move from "brain drain" to "brain gain" by creating incentives to encourage skilled workers to remain in their home countries, to return to their home countries after university education abroad, or to return to their home countries on a short-term basis to engage in specific projects.

Eaton, Meijerink and Bijman (2008) similarly observed that institutional arrangement refers to a set of rules or agreements governing the activities of a specific group of people pursuing a certain objective. According to North (2005) institutional arrangements are the combination of

formal constraints, informal rules, and their enforcement characteristics. Chan (2007) indicated that institutional arrangements are the legislative activity, organizational structures, attitudes, sub-culture, policies and instruments employed by organizations to fulfill their mandate.

Institutional arrangement, institution and organization are terms often used interchangeably and in different ways (Ostrom, 1990). In a United Nations (UN) Report on Microfinance in Africa: Combining the Best Practices of Traditional and Modern Micro Finance Approaches towards Poverty Eradication (2013), institutional arrangements are viewed as the collective rules, norms and shared strategies that define or guide stakeholder behavior. The UN Report (2013) further noted that, institutional arrangements may be formally described in the form of a law, policy or procedure, or may emerge informally as norms, standard operating practices or habits. The United Nations Report (2013) further stated that institutional arrangements can facilitate cooperation among divergent stakeholders, define subsequent roles and responsibilities for action and act as a catalyst for implementation, including channeling resources effectively.

According to Williamson (2009), institutional arrangements can be seen in two main forms which are formal and informal institutional arrangements. Williamson (2009) noted that formal institutional arrangements are government defined and enforced constraints whiles informal institutional arrangements represents private constraints that arise from norms, culture and customs that emerge spontaneously and are not designed or enforced by government. Williamson (2009) further observed that informal institutional arrangements are strong determinants of economic development, whereas formal institutional arrangements are only successful when set in informal or private constraints.

According to Boateng (2006), institutional arrangements can be either top-down, bottom-up or lateral. Boateng (2006) notes that the top-down refers to the decision making process that begins from the national (constitutional choice level) to the regional (collective choice) and then to the local (operational level). Boateng (2006) further indicates that the bottom up institutional arrangement is usually led by stakeholders and communities with a focus on intervention, identification of the problem, strategy and implementation, whiles the lateral institutional arrangement is a collaborative effort.

2.2 Developmental Stages of Institutional Theory

Institutional theory since the 1960's has developed into one of the leading viewpoints in organizational analysis (Palmer & Biggart, 2002). According to Scott (2008) institutional theory is a theoretical posture that places emphasis on rational myths, isomorphism, and legitimacy. Scott (2004) further notes that institutional theory focuses on the deeper and more resilient aspects of social structure, and considers the processes by which structures, including schemes, rules, norms, and routines (elements), become established as authoritative guidelines for social behavior. Scott (2004) indicated that institutional theory has differing components that explain how these elements are created, diffused, adopted, and adapted over space and time; and also how they fall into decline and disuse.

Several researchers (DiMaggio & Powell, 1983; Oliver, 1991; Tolbert & Zucker, 1983; Scott, 2004, 2008) on this theoretical posture of organizational analyses share two broad views. Heugens and Lander (2009) note that researchers who share the first view generally are doubtful of simplistic social process accounts, like those provided by neoclassical economists or rational

choice political scientists. Granovetter (1985) further observed that, these accounts provide an antisocial understanding of organizational behavior that pays no attention to the impact of social forces on organizational action and decision making. Second, according to Wooten and Hoffman (2008) institutional theorists attribute the source of organizational action as coming from outside the organizations themselves. Scott (2001) indicated further that the environment must hence be seen as a social assemble with a background of action that crafts and grooms the very process of organizational decision making itself and not merely as a source of possibilities and disturbances to which organizations must rationally adapt.

According to Donaldson (1995) and Hirsch and Lounsbury (1997) despite the commonalities, areas of theoretical and empirical tension and contentious debate have existed in institutional theory since its conception. Donaldson (1995) noted that the most dominant being the structure versus agency debate. The central question surrounding this debate, according to Heugens and Lander (2009) is whether organizational behavior is primarily the product of macro social forces or of organizational agency. In the structuralist camp are Hoffman and Ventresca, (2002) who postulate that over time populations of organizations become increasingly isomorphic as together they integrate templates from their institutional environments in search of legitimacy. However Heugens and Lander (2009) further note that agency scholars (DiMaggio & Powell, 1983; Tolbert & Zucker, 1983) disagree with this view which they see as too deterministic. Agency scholars like DiMaggio (1988) and Oliver (1991) developed a counter hypothesis. DiMaggio (1988) and Oliver (1991) both postulate that organizations in responding to institutional pressures experience differing degrees of discretion. According to DiMaggio

(1988) and Oliver (1991) an increase in institutionalization provides a stimulus for acts of deviance and institutional entrepreneurship.

Barreto and Baden-Fuller (2006) note that a second contention among institutional theorists is in regards to the effect of isomorphic conformity on performance. According to Heugens and Lander (2009), most institutional theorists generally agree that organizations that conform to social norms reap more positive social evaluations. Heugens and Lander (2009) observed however, that there is disagreement on what effect conformity will have on organizations' substantive performance. DiMaggio and Powell (1983) observed that new templates for organizing are adopted by organizations, primarily out of a desire to be perceived as acceptable and appropriate. According to Meyer and Rowan (1977) the functionality of such templates was not considered at the time of adoption, hence their integration is performance-neutral. In contrast, performance scholars like Deephouse, (1999) and Westphal, Gulati, and Shortell, (1997) suggests that organizations are likely to favor templates that allow them to bring in practical benefits.

Heugens and Lander (2009) observed a third issue of contention among institutional theorists. This Heugens and Lander (2009) explain concerns the moderating influence of organizational field–level factors on isomorphic processes. According to Heugens and Lander, (2009) most institutional theorists in the past have focused on the organization-level drivers of isomorphism. DiMaggio and Powell (1983) note that these theorists' focus is within-field variability. In other words according to DiMaggio and Powell (1983) it is the extent to and rate at which organizations adopt characteristics that are similar to those of their peers. Heugens and Lander

(2009) noted that on the other end of the scale is examining the effect of organizational field–level factors on isomorphic change which few researchers have done. Heugens and Lander (2009) argue that this gap is understandable given the complexity and intensity of the task of collecting comparative field data.

2.3 Perspectives of Institutional Theory

According to Scott (1987) there are considerable variations among approaches in the defining principles of the institution and institutionalization. Scott (1987) noted that, in approaching institutional theory, it is best to acknowledge at the onset that there is not one, but several variants. Scott (1987) further observes that whiles some options are defined, clear and obvious about their definitions, others are less clear in their conception of institutions. There, however is an underlying similarity in the various approaches, but little agreement on specifics.

2.3.1 Institutionalization, a method of imparting value

The work of Selznick (1957) is one of the first and most dominant versions of institutional theory in organizations. Selznick (1957) observed that in addition to influences and constraints of the external environment, organizational structure was formed as a response to the features and obligations of participants. Selznick (1957) further stated that institutionalization refers to this process of adaptation and noted that, 'to institutionalize' is to impart value over and above the practical requirements of the job.

Selznick's (1957) approach to institutions also focused on the importance of history, the progress of a living form changing over time, and emphasized an all-inclusive approach.

Selznick (1957) applied his approach of institutional theory in an examination of the Tennessee Valley Authority, voluntary, educational, and service organizations. Primarily, Selznick's (1957) focus was on imparting value to a process that, before institutionalization, had only contributory usefulness.

Institutionalization advances permanence (that is continuance of the structure) by imparting value. Selznick (1957) further noted that institutionalization is a "process" that happens in the organization over time. Selznick (1957) observed that the extent to which institutionalization occurs varies from organization to organization; for instance, organizations with characteristics such as distinctive goals, are specific and technical in their business processes are less likely to develop into institutions than those without these characteristics. According to Scott (1987), Selznick's concept remains at the definitional level and does not explain it: Selznick only stated and illustrated the process but did not clearly justify it. Scott (1987) noted that Selznick's usage and handling of institutionalization lets us know that values are imparted but not how this impartation takes place.

2.3.2 Institutionalization as a way of producing reality

The second and the third types of institutional theory are grounded in the work of Berger and Luckmann (1967), the sociology of knowledge. Berger and Luckmann (1967) argue that public lawfulness is founded in part on public experience, a human creation, produced in public or communal relations. According to Berger and Luckmann (1967) public lawfulness survive as a result of the endeavor of humans. Berger and Luckmann (1967) explain that as individuals act, explain their achievements, and share with others their explanations, social order is created.

These interpretations Berger and Luckmann (1967) observed are a way of classifying the behavior into categories that helps the actors respond to the behavior in like manner. Berger and Luckmann (1967) explained that institutionalization is the means by which the actions recur or are frequent and are given comparable value over time. Berger and Luckmann (1967) indicated that activities and company are both key: certain activities are linked with particular players; e.g., Supervisors give orders, workers follow them.

Berger and Luckmann (1967), state that institutionalization has three stages: externalization, objectivation, and internalization. Wuthnow et al (1984) notes, when action is taken that is externalization, but when actions together are interpreted as an outside experience unconnected to ourselves then that is objectivation; as the objectivated world is internalized it becomes internalization. Berger and Luckmann (1967) suggest, therefore that society is a human product, whiles man is a social product. Berger and Luckmann (1967) explain that it is ironic that man is able to create a world he then sees and lives through as though it was not a product of human endeavor. This concept is the basis of work done by Zucker, Meyer and Rowan; theorists who have advanced and used these ideas in the analysis of organizational forms. Zucker (1977) therefore asserted that institutionalization is a process by which specific players circulate what is defined generally or within society as real. Zucker (1977) further asserts that an act is clearly seen as an unacknowledged part of this public experience. Zucker (1977) notes that institutionalization is also a property variable. This implies that institutionalized acts must be seen as factual and external (Zucker, 1977). Meyer and Rowan (1977) noted that institutionalization includes the procedures that public course of action, responsibilities, or facts assume rule-like prominence in public thinking and accomplishment.

Scott (1987) observed that the common characteristic these definitions have, stem from the fact that institutionalization is seen as the collective way humans come to accept a general explanation of public experience. According to Scott (1987) this concept is rigorously viewed as free from the perspective and behavior of the player. Scott (1987) explains further that it is however, unacknowledged as defining the "way things are" and or the "way things are to be done ".

Berger, Berger, and Kellner (1973) noted that contemporary awareness is fashioned by an interdependent belief system linked to the development of (i) technological production, (ii) bureaucracies, and (iii) diversification of our worlds (e.g., the distinction between public and private domains). Berger et al (1973) argued that the associated cognitive styles and belief systems, both progress and freely bring about additional increase of "rational" social, economic and political organizations. Zucker (1983) indicated that this opinion of the organization, is the predominant form of institution in modern society.

The focus on institutionalization as a process or procedure continues to dominate Zucker's (1983) work. Zucker (1983) notes that institutionalization is grounded in conformity in the taken-for-granted aspects of everyday life. Zucker (1983) contended that institutionalization is not conformity produced by authorization (whether positive or negative), nor is it compliance resulting from the process of internalization. Institutionalization according to Zucker (1983) produces a general agreement about what is suitable and, essentially, meaningful behavior.

2.3.3 Institutional systems as a class of elements

According to Scott (1987) this account of institutional theory emphasizes that institutionalized philosophies make up a unique group that give explains the structure of the organization. This importance stems from Meyer and Rowan's (1977) contention that the occurrence of organizational forms can be credited to the existence of elaborated "rational myths" or shared philosophies. According to Meyer and Rowan (1977) the importance moves from the properties of generalized ideologies to the presence of various sources of efficient and objective doctrines. These doctrines Meyer and Rowan (1977) contend recognizes numerous societal objectives and goals and spell out in a rule-like way the right way to practice them.

Meyer and Rowan (1977) note that the existence and efficacy of these sources go past the decision of any individual participant or organization and are therefore described as institutionalized. Scott (1987) argues that the shift in focus introduces a number of important changes; first, there is a reconceptualization of the significant features of organizational environments. This Scott (1987) contends, is in contrast to leading theories of organizational environments such as contingency theory or resource dependence. These theories according to Scott (1987) mainly concentrates on technical requirements, resource flows, data flows, and influence relation. Scott (1987) observed that the new concept on the other hand, stresses on the character played by ethnic elements (symbols, cognitive systems, normative beliefs) and the authors of such factors. Scott (1987) further notes that institutional elements of environments are defined in contrast to technical factors. Meyer and Scott (1983) stated that technical environments are those within which a merchandise or service is exchanged in a market. When this happens Scott (1987) explains further that organizations are honored for

efficient and effective control of the employment process, and institutional environments as characterized by the elaboration of principles and essentials to which individual systems must adapt if they are to receive support and legitimacy.

Second, Scott (1987) observed that institutionalization as a typical process is no longer stressed. Organizations according to Meyer and Rowan (1977), conform to a set of institutionalized beliefs. According to Meyer and Rowan (1977), it is the organizations are rewarded for doing so through resources, increased legitimacy, and survival capabilities and not necessarily because they "constitute reality" or are taken for granted. Scott (1987) again notes that organizational analysts began to theorize more clearly about the dissimilar types of procedures that might cause an establishment to alter its social system. According to Scott (1987), the concept of institutionalization is no longer linked by definition to a unique process. DiMaggio and Powell (1983) developed the best categorization of this character and distinguished among coercive, memetic, and normative processes leading to compliance. Nonetheless, Scott (1987) remarked that these classes are, not consistent with the operation-based definition of institutionalization. This Scott (1987) argues focuses specifically on conformity based on the degree to which the adopted model is taken for granted.

Third, Scott (1987) argues that attention can be paid to the nature of the belief systems with less attention devoted to distinct operations. In their formal propositions, Meyer and Rowan's (1977) concept of rational myths (and through the role of examples from public opinion, educational organizations, laws, courts, professions, political theories, regulatory structures,

awards and prizes, certification and accreditation bodies, governmental endorsements and requirements), highlighted the fact that there are multiple and various institutional sources and belief systems found in advanced societies.

Scott (1988) indicates that modern societies recognize that, the sources and varieties of social beliefs and symbolic systems have become rationalized. Scott (1987) explains that customs, folkways and traditions give way to laws, formulae, and regulations. For instance Scott (1987) observed that traditional authorities (example elders' council) are substituted by the nation-state, the professions, and rationalized systems of jurisprudence. Therefore, this version of institutional theory according to Scott (1987) calls attention to actors, like the state and professional connections that shape organizational life. This according to Scott (1987) is done by directly placing limits and requirements and also indirectly creating and circulating new rational myths.

The implication DiMaggio and Powell (1983) observed is that an institution seeks legitimacy of the morphological features of its organizational form from a superodinate unit. The subordinate unit DiMaggio and Powell (1983) noted does so voluntarily to seek out the attention and blessing of the authorizing agent and is in no way obliged to behave thusly. DiMaggio and Powell (1983) further indicated that studies show that this type of pressure is normative and mostly found among professional sectors and organizations. Scott (1987) observed that the voluntary hospitals in the U.S. for instance, are not required to obtain accreditation from the Joint Commission on Accreditation of Hospitals. As a precondition of their functioning,

however most find it beneficial to act thus. A work by Singh, Tucker and House (1986) of the population of voluntary social service agencies operating in Toronto, Canada during the period 1970-1980, measured such authorization mechanisms as being listed in the Community Directory of Metropolitan Toronto and receipt of a charitable registration number issued by Revenue Canada. Singh et al (1986) noted that voluntarily sought indicators like these showed that the organizations listed had been endorsed by powerful external collective actors and so had gained external legitimacy.

Singh et al's (1986) analyses also showed that acknowledgement of voluntary indicators or external legitimacy was connected with improved life chances. In other words, according to Singh et al (1986) these listed organizations had significantly higher charge per units of survival than those that were not listed over the period reviewed. According to Dornbusch and Scott (1975) authorization is the procedure by which norms supporting the use of dominance by a given agent are specified and imposed by a superordinate unit. Scott (2005) observed that legitimated power is authority and legitimated power is power that is normatively regulated. Scott (2005) notes that an association's authority if "approved" is, likely bolstered and constrained by the activities of authorities' above it and in a position to administer its proper utilization.

According to Scott (2005), there are multiple potential sources of empowerment and so organizations must determine which, external sponsors to connect to if any. Scott (2005) mentions that doing so usually involves monetary values as well as gains. Scott (2005) explains

that it is due to that fact that organizations may have to change their structures and/or natural actions to enable them attain the financial backing of outside agents. Despite this Scott (2005) notes further that the frequency of occurrence of the authorization process across many different industries, indicates the gains associated with these external connections far outweigh the costs.

2.3.4 Institutions as distinct societal spheres

Scott (1987) mentions that another concept of institution adopts the idea of diversity among ideologies and connects it with the traditional position of public foundations. According to Scott (1987), communal establishments refer to systems of principles and practices that come with differing operational setting within societal systems, e.g., faith, work, the family, and politics are understood as both symbolic (that is intellectual and standard) systems and behavioral systems, in most of these conventional definitions.

Scott (1987) noted further that institutional analysis involved describing different social constructions. For example, Scott (1987) mentioned that families paid attention to the different beliefs and patterns as opposed to economic interests. As Friedland and Alford (1991) put it; civilization is composed of societal spheres that are singled out. Friedland and Alford (1991) explained that each distinct sphere contains different philosophies and dissimilar types of social relations which are both correct and useful.

Friedland and Alford (1991) noted further that this account of institutional theory focuses on particular intellectual and standard systems (official reasoning and patterned human activities).

These Friedland and Alford (1991) that remain, in varying types and content, in all civilizations. Swidler (1986) notes also that these collections of reasons and behaviors are available to individuals and organizations to use for their own interests.

The four accounts of institutional theory evaluated above suggests that while there are some key repeating themes, there is still a lot of difference among current institutional theories of organizations. This study, therefore sits within the institutional theory, specifically the version of the theory that views institutions as a class of elements. This is because this study seeks to understand the organizational structure of microfinance institutions in Ghana. Institutional theory provides a framework in helping us understand how coercive, memetic or normative institutional mechanisms help in the formation of organizational structures of microfinance institutions in Ghana.

2.4 Organizational Structure

Porter and Lawler (1965) observed that the structure of an organization is its parts and positions and their methodical and comparatively lasting relationships to each other. Hage and Aiken (1967), also note that the organizational structure is the exercises undertaken in regard to rules, processes and policies in an organization. Hage and Aiken (1967) identified two key characteristics of organizational structure, namely formalization and centralization. According to Hage and Aiken (1967), formalization looks at how much supervision, employees get to make sure they are not breaking the rules and regulations of the organization. Centralization on

the other hand deals with the extent to which authority is disseminated among the different positions in the organization.

Hage and Aiken (1967), Hall (1991) and Matherly (1985) all noted that formalization has two further divisions, specifically, work codification characterized as the level to which an association, accurately spells out guidelines and methods identified with employments in distinctive circumstances. Hall (1991) explains that rule observation is the degree to which an association unbendingly holds fast to the rules and techniques. Hage and Aiken (1967), Hall (1991) and Matherly (1985) further indicate that centralization on the hand is divided into a hierarchy of authority and centralized decision making. Hage and Aiken (1967), assert that the former inspects the level subordinates are dependent upon their bosses in making decisions, while the latter distinguishes the level of employees' participation in the determination of asset distribution and policy development.

According to Mullins (2010) the division of work among members in an organization and the coordination of their activities, such that it is directed towards the goals and objectives of the organization is the purpose of organizational structure. Mullins (2010) notes that structure creates a framework of order and command through which activities of the organization can be planned, organized, directed and controlled. Mullins (2010) explains that it is also the pattern of relationship between positions and members in the organization. Mullins (2010) observes further that the goal of organizational structure is to provide economic and efficient performance of the organization. Other goals according to Mullins (2010) are resource

utilization, monitoring the activities of the organization, coordination of different parts of the organization and different areas of work, flexibility in order to respond to future demands and developments and to adapt to changing environmental influences, accountability for areas of work undertaken by groups and individual members of the organization and finally the social satisfaction of members working in the organization.

2.4.1 Dimensions of organizational structure

A review of literature indicates that several authors (Burton and Obel, 1998; Dewar and Dutton., 1986; Geeraert, 1984; Mintzberg, 1979; Pugh and Hickson, 1976; Robbins, 1990) have tried to define a logical set of organizational structure variables. According to Burton and Obel (1998), organizational structure in broad terms includes (i) the division of work, the distribution of tasks and activities, and (ii) coordination mechanisms, which includes standardization and formalization. Different dimensions of organizational structure are used by various authors.

For instance Geeraerts (1984) specialization is used in earlier studies to describe task distribution among firm members. Geeraerts (1984) also distinguishes between specialization and differentiation (also known as departmentalization). Geeraerts (1984) notes that both specialization and differentiation affect the 'complexity' of the organizational structure. Geeraerts (1984) further observes that most authors agree with the importance of separate attention to the locus of authority in decision-making ('centralization') and the relevance of codes and procedures for coordination ('formalization').

A last dimension Geeraerts (1984) contend describes how a firm organizes its day- to-day (partly informal) coordination between individuals and departments. Galbraith (1973) and Mintzberg (1979) identified three main types of coordination: direct control, mutual adjustment and standardization. According to Galbraith (1973) and Mintzberg (1979) this implies that the division defines how specialization and centralization of specific tasks and authorities are distributed in the organization. Galbraith (1973) and Mintzberg (1979) explain that formalization, standardization and coordination are about controlling and optimizing organizational procedures (that is coordination mechanisms).

Mullins (2010) indicated that grouping of activities, responsibilities of individuals, levels of hierarchical authority, span of control and formal organizational relationships are some of the variables that determine the dimensions of organizational structure. Child (2005) however, proposes six major dimensions as components of organizational structure. These according to Child (2005) are as follows (i) allocation of individual tasks and responsibilities, (ii) job specialization and definition, (iii) grouping together of sections, departments, divisions or larger units, (iv) formal reporting relationships, (v) levels of authority and spans of control, (vi)delegation of authority and procedures for monitoring and evaluating the use of discretion, systems, communication of information, integration of effort and participation and motivation of employees through systems for appraisal of performance and reward are the dimensions of organizational structure.

Mullins (2010) has suggested an additional dimension of organizational structure as information technology. Mullins (2010) argues that information technology impacts on the structure, management and functioning of most organizations. According to Mullins (2010) information technology results in new patterns of work, affects individual jobs, nature of supervision and managerial roles, changes to lines of command and authority, the formation and structure of groups and demands attention to job design. Information technology Mullins (2010) further notes typically result in fewer levels of management causing a flatter organizational structure.

Though difficult to accurately describe what constitutes a good or effective organizational structure Urwick (1952) proposes that a lack of or a deficient organizational structure is illogical, cruel, wasteful and inefficient. Urwick (1952) indicates that it is illogical because no member of an organization should be appointed to a senior position without first knowing his or her responsibilities and relationships attached to that position and its role within the social pattern of the organization. Again Urwick (1952) suggest it's cruel because the individual members of the organization suffer most when there is a lack of or deficient organizational structure. Urwick (1952) stated that the individual members without clear definition of their duties or the qualifications required to perform those duties will be held responsible for poor results. Urwick (1952) further noted it will be wasteful because jobs would not be put together along the lines of functional specialization hence new members of the organization cannot be trained effectively to take over those jobs. Urwick (1952) observed that in effect jobs will be fitted to members of the organization instead of members of the organization to the jobs. Finally Urwick (1952) suggests that a lack of or deficient organizational structure will create

inefficiencies because if the organization is not founded on principles managers will fall back on personalities that is playing politics in matters of promotion and reward. According to Urwick (1952) this is because they would have no clearly established principles which are understood by everyone in the organization.

2.5 Organizational Structure and Workplace Outcomes

In the public sector setting, empirical evidence establishes a negative impact of organizational structure on workplace outcome. For instance, Pandey and Welch (2005), found that a high degree of formalization brought about a high degree of work estrangement among public servants, prompting the negative impression of formality among supervisors. Pandey and Welch (2005) concluded that supervisors with a positive view of their work are able to rise above the imperatives of formality, because their level of participation in the job is high in contrast to those with negative work mentality. Pandey and Welch (2005) further noted that high job participation levels decreases work isolation, leading to supervisors that are better able to handle bureaucracy. Similarly, Sarros, Tanewski, Winter, Santora, and Densten (2002) investigated how transformational and transactional leadership styles (leadership behavior) and organizational structure (formalization and centralization) influence work isolation among officers in the US Fire Department. Sarros et al (2002) observed that centralization aggravates greater intensity of leadership behaviors, leading to work isolation. Sarros et al (2002) concluded that supervisors and managers must take into account empowerment in the decision-making process. According to Sarros et al (2002) this fosters a more noteworthy feeling of independence, clarity, achievements, and opportunity in their employment.

Yagil (2002) stated that low levels of formalization and inflexibility are highly associated with *leader expert power* and subordinate job satisfaction. French and Raven (1960) explained that expert power arises from the leaders' own experiences, skills or knowledge (French & Raven, 1960). Interestingly, Yagil, (2002) observed that employees, substitute the role of a leader with clear, itemized, and inflexible arrangements and methods with respect to their jobs and structure. According to Yagil, (2002) this shows that subordinates' attitude or behaviors is influenced more by situational factors related to organizational structure than by the level of powerfulness in leaders.

In a comparative study across sectors, Kim and Lee (2006) noted that competences of employee information-sharing differed between the public and private sector. Kim and Lee (2006) stated that this was because managers in the public sector face various organizational constraints (attributed to higher levels of formalization and centralization in the public than the private sector) in enhancing employee knowledge-sharing capabilities. A study by Michaels, Dubinsky, Kotabe, and Chae (1996) across cultures, found that high formalization led to low role uncertainty for Americans, yet it was not the case for the Japanese and Koreans. A reasonable explanation might be the different employment environment in the states studied. Erez and Earley (1993) observed that Japanese and Korean workers are more collectivist than their Americans counterparts, who are more individualistic. Michaels et al (1996) observed that for Korean and Japanese sales personnel, formalization increases their organizational commitment. Michaels et al (1996) further noted official rules, strategies, and processes provide procedures to employees about their work such that, fair enforcement of rules, caused employees to develop an optimistic view towards the organization. Michaels et al (1996)

indicated that in deciding on the level of organizational formalization and centralization to adopt management must take into account cultural and sector factors.

According to Tata and Prasad (2004) organizational structure has been found to effect or result in certain workplace outcomes which are obvious in many experimental inquiries. Tata and Prasad (2004) for example, studied the effect of organizational structure (that is formalization and centralization) on the relationship between self-management and team effectiveness. The study results indicated that higher self-guided groups seemed more effective in organizations that permit contributions from employees concerning their task performance (micro- level decision-making). Tata and Prasad (2004) observed that at all levels, however, macro-level decision making did not influence the strength of self-management and team effectiveness. Tata and Prasad's (2004) findings also suggested a stronger association between self-management and team efficacy in organizations with lower levels of formalization. Tata and Prasad (2004) further noted that when there are fewer instructions, strategies, and processes, it allows for flexibility in the self-management of teams leading to the teams' effectiveness.

In the same vein, Dean, Brandes, and Dharwadkar (1998) showed that organizational formalization has the potential to exacerbate organizational cynicism, which is more damaging. According to Dean, Brandes, and Dharwadkar (1998), it begins with the experiences of employees, like lack of integrity, honesty, fair dealings and sincerity, among top management in the introduction and enforcement of rules, procedures, or policies of the organization. Dean,

Brandes, and Dharwadkar (1998) further explained that this leads to feelings of distrust and disrespect among employees towards the organization.

2.5.1 Formalization and employee job stress

Robins and Coulter (2005) noted that formalization is the degree to which jobs are standardized within the organization and the extent to which the behavior of employees is guided by rules and procedure. A number of empirical findings have made evident the role of organizational structure as a cause of numerous workplace outcomes. For instance, Porter and Lawler (1965), indicated that differences in organizational structure resulted in differences in the attitudes and behavioral conditions of employees. This is further supported by the findings, of Aizzat, Ramayah, and Yeoh (2006), which found that formalization was positively related to job stress. According to Selye (1976), job stress is the non-specific response of the body to any demands made upon it. Parker and DeCotiis (1983) also noted that job stress is an awareness or feeling of personal failure to function normally due to perceived conditions at the workplace, and one's psychological and physiological reactions to these uncomfortable or undesirable conditions. Clarke and Watson (1991) observed further that job stress is considered to be an internal state or reaction to anything a person consciously or unconsciously perceives as a threat, either real or imagined. According to Cook and Hunsaker (2001), Matteson and Ivancevich (1999) and Robbins (2003) stress can be caused by a multitude of environmental, organizational, and individual variables. Von Onciul (1996) notes that these variables are known commonly as organizational stressors because they serve as agents that trigger stress reactions.

Aizzat, Ramayah, and Yeoh (2006) observed that a job that has inflexible rules and procedures gives less autonomy and freedom of the employee in the performance of their tasks, will most likely lead to job stress. According to Lapidus et al (1997) the role expectations of an employee will be formed through formalization. Aizzat, Ramayah, and Yeoh (2006) also noted that organizations with high formalization, have explicit job descriptions, numerous organizational rules, and clearly defined procedures concerning work processes. Aizzat, Ramayah, and Yeoh (2006) further stated that similarly, a highly formalized job, implies the individual doing that job has little discretion as to what is to be done, when it is to be done, and how he or she does it. Aizzat, Ramayah, and Yeoh (2006) observed that since formalization involves the creation of rigid rules and procedures, individuals are likely to experience high stress due to lesser control on their work performance and little flexibility to choose actions that they think well fits the particular situation. Lapidus et al. (1997) observed that high organizational formalization was positively related to job stress. From the discussion the following proposition (H1) is made:

> H1: Highly formalized organizational structures of microfinance firms in Ghana will lead to employee job stress.

2.5.2 Centralization and employee job stress

Another structural component of organizations is centralization. Robbins and Coulter (2005) describe centralization as the degree to which decision-making is concentrated at a single point in the organization. According to Robbins and Coulter (2005), an organization's key decision made by top managers with little or no input from lower-level employees, implies that centralization exists.

McShane and Von Glinow (2003), also note that when formal decision making is done by a small group of people typically top management or those at the top of the organizational hierarchy then the organization is centralized. Sohi et al (1996) observed that highly centralized organizations have low levels of flexibility because workers have limited autonomy and control over their work, which in turn, positively affects or increases their stress levels. According to Froiland (1993) as cited in Savery and Luks (2001), centralization means a lack of empowerment, therefore when employees are empowered, they have more control over how they perform their work, which tends to reduce the risk of stress. Lait and Wallace (2002) noted that lack of autonomy and control over day-to-day work activities in the financial services specifically banks contributed to higher job stress. In relation to microfinance firms in Ghana, proposition (H2) is made:

> H2: Microfinance firms in Ghana with highly centralized organizational structures will lead to high employee job stress.

2.6 The Concept of Employee Efficiency

According to Erdil, Kitapci & Timurlenk (2010) efficiency and productivity are sometimes used interchangeably. However Erdil, Kitapci & Timurlenk (2010) notes that productivity which is at times known as worker productivity is an evaluation of the efficiency of an employee or employees. Eling and Luhnen (2010) observes that productivity is typically a measure of the output of an employee over a specified period of time. According to Eling and Luhnen (2010) it is compared to the average of other workers doing similar kind of work in the organization. Rouse (2014) notes that the success of any organization lies primarily on the productivity

(efficiency) of its workforce. This Rouse (2014) opined makes employee efficiency (productivity) of great concern to organizations.

A study by Meijaard, Brand and Mosselman (2005), of 1141 firms in Holland revealed that organizational structure indeed had an effect on employee efficiency and needed to be considered in future analysis of organizational efficiency. Child (2005) also asserts that the fundamental requirements for the continued operation of an organization are the allocation of responsibilities, grouping of functions, decision-making, coordination, control and reward. Child (2005) notes therefore, that the quality of an organization's structure will affect how well these fundamental requirements are met.

Mullins (2010), contends that the structure of the organization, affects productivity and economic efficiency as well as the morale and job satisfaction of the workforce. Mullins (2010) notes that the human aspect of the organization is very crucial to its success. The structure of an organization according to Mullins (2010) must hence be designed in such a way that it maintains a balance of the socio-technical system and the effectiveness of the organization. Mullins (2010) observes that attention should be given to the interactions between structural and technological requirements as well as the social factors and the needs and demands of the human part of the organization.

Several researchers such as Johnson & Lenders, 2001; Kacmar et al., 1999; Kakabadse et al., 1999), argue that there is no perfect organizational structure that fits all organizations.

According to Johnson and Lenders (2001) organizations cannot be fully centralized or decentralized, but be both that is a hybrid. Hall (1991) also observed that depending on changes that occur in the external and internal environment, structure in any large organization needs to be revised from time to time. Johnson and Lenders (2001) further noted that managers therefore face a big challenge in terms of identifying which structure provides the most benefits to employees as well as the organization.

2.6.1 Formalization and employee efficiency

According to Dalton, Todor, Spendolini, Fielding and Porter (1980) formalization is the degree to which appropriate behavior is described in writing. In this regard formalization can be a job description detailing activities expected in a job classification (for example, "the human resource manager will be responsible for interviewing potential employees"). Dalton et al (1980) note that role ambiguity occurs when there is no minimum level of formalization. Kahn, Wolfe, Quinn, Snoek & Rosenthal (1964) and Rizzo, House, and Lirtzman, (1970) observed that employee attitude and efficiency is affected by role ambiguity. On the other hand, Hackman and Lawler, (1971) and Hulin and Blood, (1968) note that formalization can limit the scope of the job leading to job dissatisfaction, absenteeism, turnover, boredom, alienation and low efficiency.

Hage and Dewar (1973) in a study conducted on health and welfare agencies found no association between formalization and efficiency. Similarly Vredenburgh and Alutto (1977) who conducted a study on bank employees reported no association between formalization and

employee efficiency. Again studies conducted by Rogers and Mulnar (1976) on county administrators and Schuler (1975) on manufacturing employees found no association between formalization and employee efficiency.

Conversely studies conducted by Vinson and Holloway (1977) on white collar workers drawn from the bank, insurance companies, public utilities and governmental agencies reported a positive association between formalization and efficiency. Again in another study by Baum and Youngblood (1975) on undergraduate students a positive association was reported between formalization and employee efficiency. Harrison (1974) also reported a positive association between formalization and employee efficiency from their studies conducted on scientists.

Dalton et al (1980) however noted that it becomes quiet difficult to generalize these results to blue and nonprofessional employees due to the target population of scientists and students in the laboratory setting. The contradictory findings indicate that an association between levels of formalization and efficiency has not been convincingly demonstrated. Based on the discussion the following proposition (H3) is made:

> H3: Microfinance firms in Ghana with highly formalized organization structure will have inefficient employees.

2.6.2 Centralization and performance

According to Dalton et al (1980) centralization involves the placement of authority to make decisions in organizations. Dalton et al (1980) noted that a structure is considered centralized when the power to make decisions is exercised by one or few individuals. Dalton et al (1980) observed that the ultimate in centralization would be one person making all the decisions. In Dalton et al's opinion the distribution of decision-making authority throughout the organization is known as the degree of centralization. Empirical research conducted at the departmental level of analysis, by McMahon (1976) showed a negative association between centralization and employee efficiency. Further studies conducted by both Miller (1967) and Harrison (1974) also showed a negative association between centralization and employee efficiency.

Equally studies conducted by McMahon and Ivancevich (1976) and McMahon and Perritt (1971) also on the departmental level reported no (zero) associations between centralization and employee efficiency. On the organizational level the findings are similar. Hage and Dewar (1973) found no associations between centralization and employee efficiency, with Reimann and Neghandi (1976) also reporting no associations between the two variables mentioned above. Khandwalla (1973) and Fiedler and Gillo (1974) also reported no association between centralization and employee efficiency at the organizational level.

On the other hand also on the organizational level, Sorensen and Baum (1976) in their study conducted on employees of an international voluntary organization in Australia and New Zealand reported a negative relationship between centralization and employee efficiency. In another study conducted by Pennings (1976) on investment bankers a negative association was

reported between the two variables, centralization and employee efficiency. Similar findings were also reported by Beck an Betz (1975) and Luke, Block, Davey and Averch (1973)

In summary on both the organizational and departmental levels there is contradictory reports of no association and negative association of centralization and employee efficiency. Also according to Dalton et al (1980) the varying industries and employees used at both the departmental and organizational levels makes it difficult to make generalization and conclude on the association between centralization and performance. Based on the discussions above a fourth proposition (H4) was obtained:

> H4: Microfinance firms in Ghana with highly centralized organization structure will have inefficient employees.

2.7 Conceptual Framework

Based on literature on organizational behavior, specifically organizational structure, two constructs were identified, namely formalization and centralization as indicated by Hage and Aikens (1967) and Robins and Coulter (2005). Reviewing literature on workplace outcomes specifically employee behavior revealed a number of constructs such as leader expert power and subordinate job satisfaction (Yagil, 2002), organizational commitment (Michaels et al, 1996) and work alienation (Sarros et al, 2002). However, for the purposes of this study two constructs have been chosen employee job stress (Aizzat et al, 2006) and employee efficiency (Chebat et al, 2002). The study will therefore be guided by the study framework below (Fig 2.1). The figure below postulates that microfinance firms in Ghana that are highly formalized

will lead to increased employee job stress and inefficient employees whiles microfinance firms in Ghana that are highly centralized will lead to high employee job stress and decreased employee efficiency.

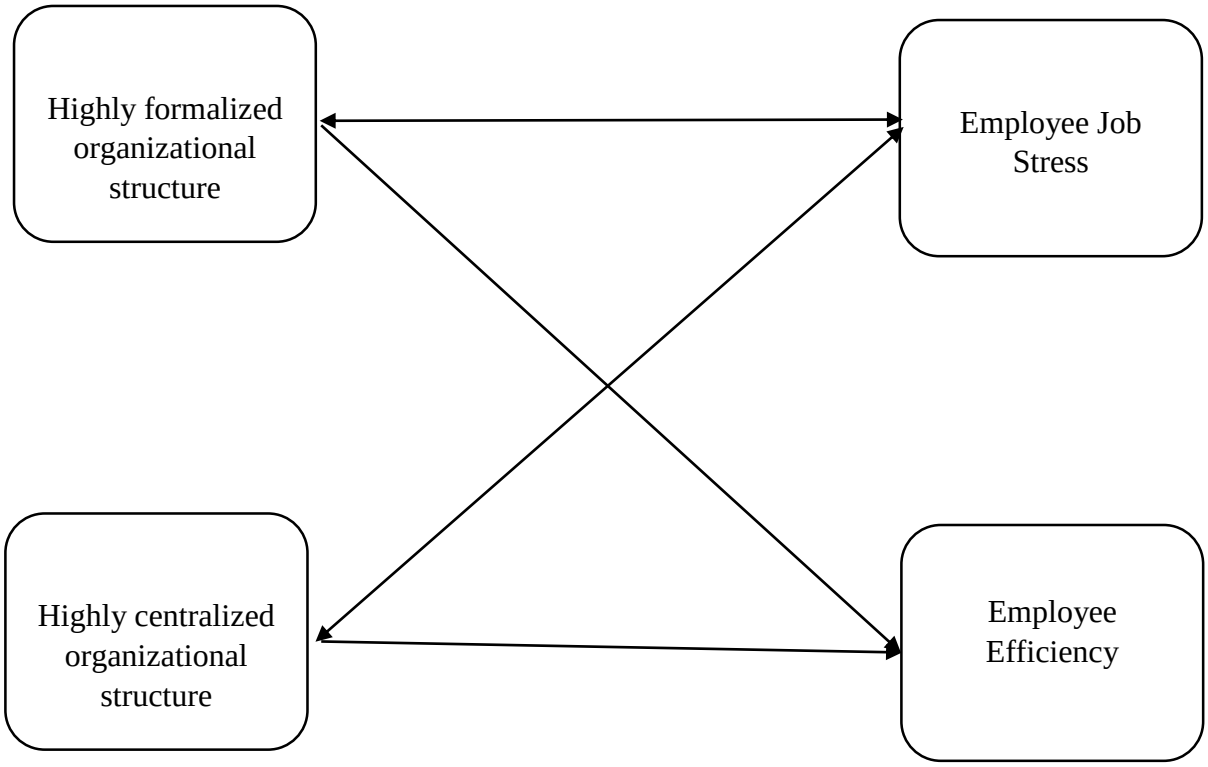

Fig. 2.1 Study Framework

CHAPTER THREE

RESEARCH METHODOLOGY

In this section of the study, the researchers explain the scientific methods which will be used in data collection to address the research questions. This section seeks to present the philosophical assumptions and strategy underpinning the research and discusses the data collection and method of analyzing it.

According to Sarantakos (1998), a research methodology or model entails theoretical principles as well as framework that provide guidelines about how research is done in the particular context of a paradigm. A paradigm is a set of beliefs, techniques and values form the fundamental philosophical assumptions which define what is valid research and its appropriate methods (Myers & Avison, 2002). This section of the study outlines the research design, the population under study, the sampling procedure, and the instrument for data collection, method for data analysis among others. Ethical considerations pertaining to the research were addressed as well.

3.1 Target and Study Population

Microfinance firms in the Greater Accra Region of Ghana constituted the study population. According to Kothari (2004), all the items under consideration in any field of inquiry constitute a ‘universe’ or ‘population’. A complete enumeration of all the items in the ‘population’ is known as a census inquiry. It can be presumed that in such an inquiry when all the items are covered no element of chance is left and highest accuracy is obtained.

The target population was however made up of eight microfinance firms within Accra. The selection of these firms was based on its staff strength (15 and above) and their willingness to participate.

Greater Accra Region was the preferred geographical location for the study due to its accessibility and the high concentration of microfinance firms operating in the region. This the researcher felt would constitute a good representation of microfinance companies. Again firms with a staff strength of fifteen and above were selected to ensure that the firm had some semblance of an organizational structure. According to the Ghana Statistical Services (2010) Greater Accra Region is an attractive location for many corporate and educational institutions as well as business activities. The results is a large pool of clientele and small to medium scale enterprises (SMEs) microfinance firms can sell their products to.

3.2 Sampling Procedure and Sample Size

Considering the population under study, a non-probability sampling technique was employed. Particularly the microfinance firms were selected using the purposive sampling technique. Kothari (2004) notes that this sampling technique is used when part of the universe is selected deliberately to constitute a sample representing the universe. In this study firms were selected based on a staff strength of fifteen and above to ensure that there were departments and the firms were large enough to have a formal organizational structure. Again according to the Bank of Ghana (2014) as at October 2014 four hundred and nine microfinance firms had been licensed

to operate in Ghana with Accra recording the highest number (195) followed by Kumasi in the Ashanti Region. Purposive sampling technique was hence the best to use for this study.

Criteria for selection of sample size was the inclusion criteria: Employees working at the selected microfinance institutions in Accra and those who were willing to participate in the study were included, whiles those not willing to participate were excluded from the study. A sample size of 400 was selected for the study. This was based on sample size determination by Miller and Brewer (2003) at 95% confidence level. The model is expressed as $n=N/[1+N(e)^2]$ where N is the sample frame; n is the sample size and e is the confidence interval.

3.3 Research Design

The research adopted a quantitative approach. This according to Kothari (2004) implies data is generated in a quantitative form which can then be subjected to formal and rigid quantitative analysis. Furthermore the quantitative approach is inferential in nature. Kothari (2004) notes that the purpose of an inferential approach to research is to develop a data base from which to infer characteristics or relations of populations. In other words Kothari (2004) explains that a sample of the population is studied either by questionnaires or observation to determine it characteristics and then it is inferred that the population has the same characteristics. This design was adopted since the research seeks to infer relationships between organizational structure, employee job stress and employee efficiency of microfinance firms in Accra. Finally the design is a non-experimental hypothesis testing. This design was adopted because the independent variable organizational structure cannot be manipulated. According to Kothari

departments of the microfinance firms. The period for the collection of data started from 9th April, 2015 and ended on the 12th of May, 2015.

3.7 Data Handling

The data gathered through the questionnaires was analyzed using IBM Statistical package for Social Sciences (SPSS) version 22 and Microsoft Excel 2013. Analysis of the data included exploratory factor analysis, Pearson's product moment correlation and regression analysis. Factor analysis was used to determine the dominant type of organizational structure used by microfinance firms in Ghana while regression was used to determine what effect the type of organizational structure had on employee job stress and employee efficiency. Pearson's product moment correlation was used to determine if any relationship existed between the variables under study (employee job stress, employee efficiency and organizational structure: centralization & formalization).

3.8 Ethical Consideration

For any social science research, there are some ethical issues that need to be considered for a successful study and these ethical issues were considered in this study. They are as follows:

Voluntary participation: Respondents were informed that the study was voluntary and they were free to withdraw at any time and for any reason.

Informed consent: This was obtained from the Human Resource Director through the introductory letter provided by the department and served as informed consent of respondents.

Confidentiality and Anonymity: This was ensured by the exclusion of any form of identification of respondents such as name, telephone numbers etc. from the questionnaire. Respondents were also assured that responses would be used solely for the purpose of the study.

CHAPTER FOUR

ANALYSIS AND DISCUSSION

This chapter presents findings of the empirical study. The demographic profile of the respondents is discussed in the first section of this chapter. The sample demographics were obtained using analysis of the frequencies of respondents in each of the demographic categories: gender, age, educational level, and number of years with the company.

The next section of the chapter examines the psychometric characteristics of the data. Following this, the factor structure of the variables in the study is examined. This is followed by the testing of the four propositions made in Chapter 2 following the review of relevant literature using Pearson's correlation, and regression, after which the findings are discussed.

4.1 Demographic Characteristics of Respondents

The respondents' demographic information includes their gender, age, educational level and the number of years working in the organization. These are analyzed and discussed in the sections below.

4.1.1 Respondents' sex distribution

Table 4.1: Sex distribution of respondents

Sex	Frequency	Percentage
Female	105	47.3
Male	117	52.7

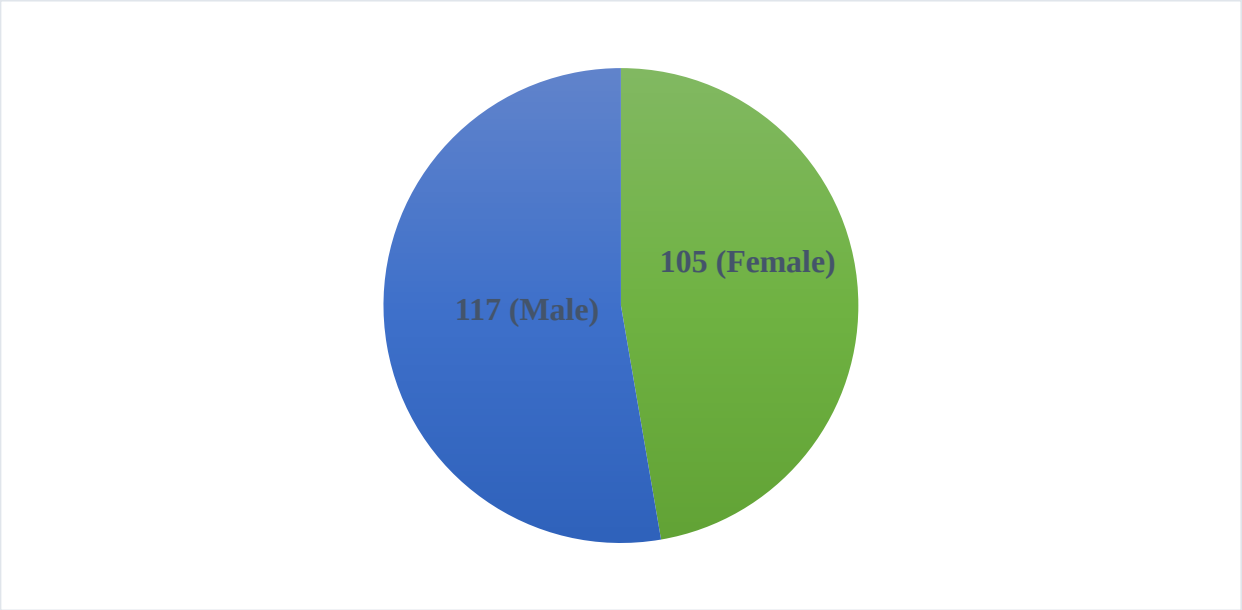

Figure 4.1: Sex distribution of respondents

Of the 222 respondents, 117 were males making 52.7 percent of the respondents. Females numbered 105 making 47.3 percent of the total respondents. There were therefore more males working in the sampled microfinance firms than females.

4.1.2 Respondents age distribution

Table 4.2: Age distribution of respondents

Age	Frequency	Percentage
18-24	63	28.4
25-34	109	49.1
35-44	38	17.1
45-54	11	5.0
over 55	1	.5

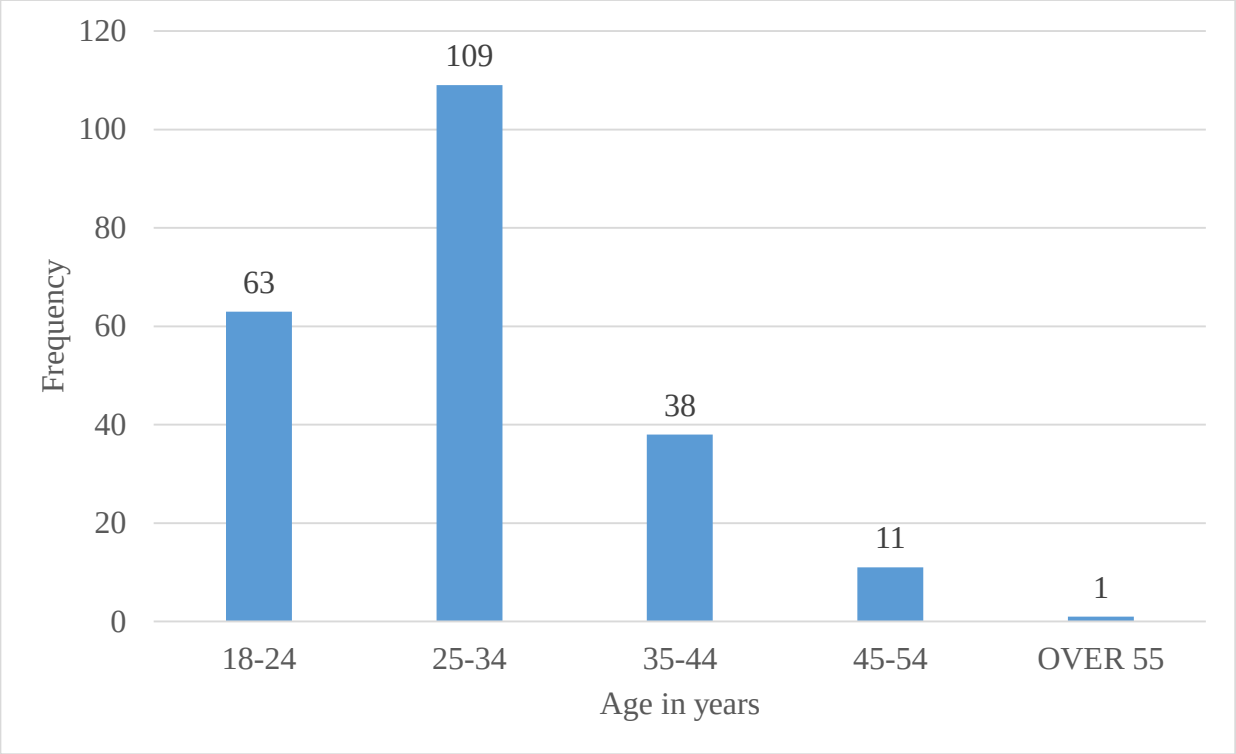

Figure 4.2: Age distribution of respondents

Referring to Table 4.2 and figure 4.2 above, 63 (28.4%) respondents were between the age 18-24, with 109 (49.1%) between ages 25-34. Respondents aged 35-44 were 38 (17.1%) in number, 11 (5%) were 45-55 years of age whiles only 1 (.5%) respondent was over 55 years of age. Of the total respondents therefore 172 making up 77.5 percent of the total respondents were aged 35 years and below. This implies that majority of the employees in the microfinance firms sampled were in their prime ages.

4.1.3 Respondents educational level

Table 4.3: Educational Level distribution of respondents

Educational Level	Frequency	Percentage
JHS	2	.9
SHS	36	16.2
Degree	151	68.0
Postgraduate	22	9.9
Other	11	5.0

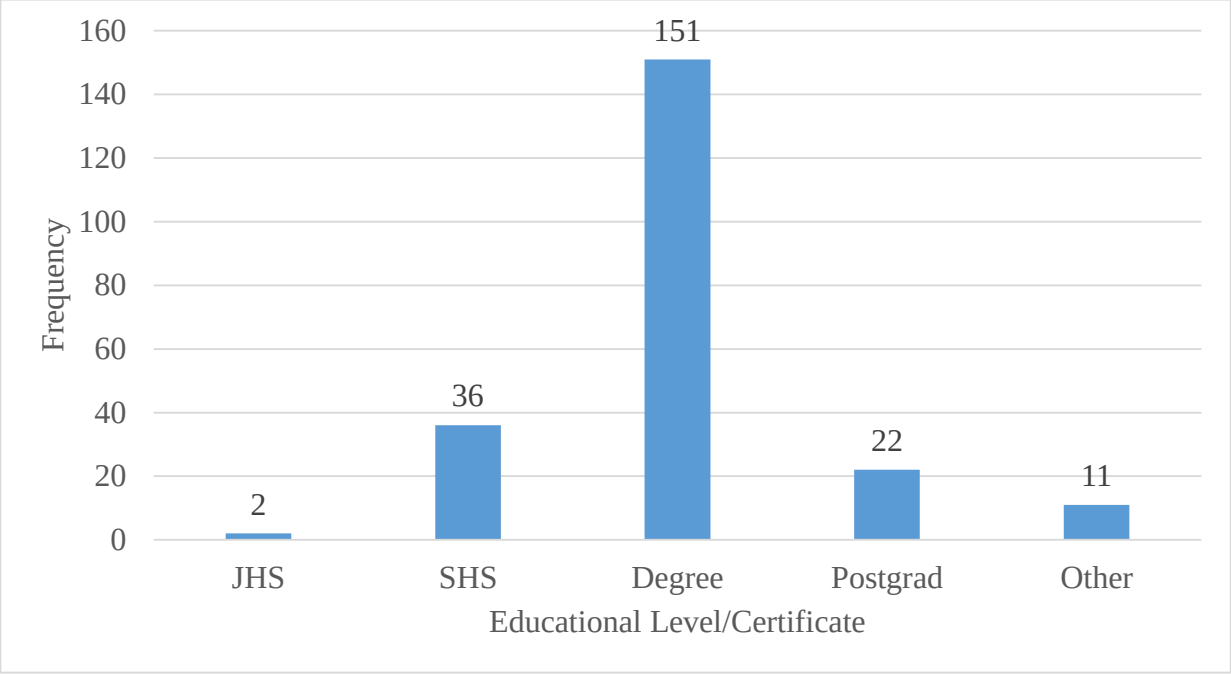

Figure 4.3: Distribution of respondents Educational Level

In terms of education (Table 4.3 and Figure 4.3) only 2 (0.9%) of the respondents had a JHS certification. 36 (16.2%) had SHS certification, 151 (68%) had first degrees, 22 (9.9%) had postgraduate degree whiles 11 (5%) had other degree all of which were diplomas. Based on this

it is concluded that of the microfinance firms' sampled majority (68%) of the employees had first degrees.

4.1.4 Number of years spent in the organization

Table 4.4: Distribution of respondents' years spent in organization

Number of years spent in firm	Frequency	Percentage
1-3	152	68.5
4-6	58	26.1
7-9	11	5.0
over 10yrs	1	.5

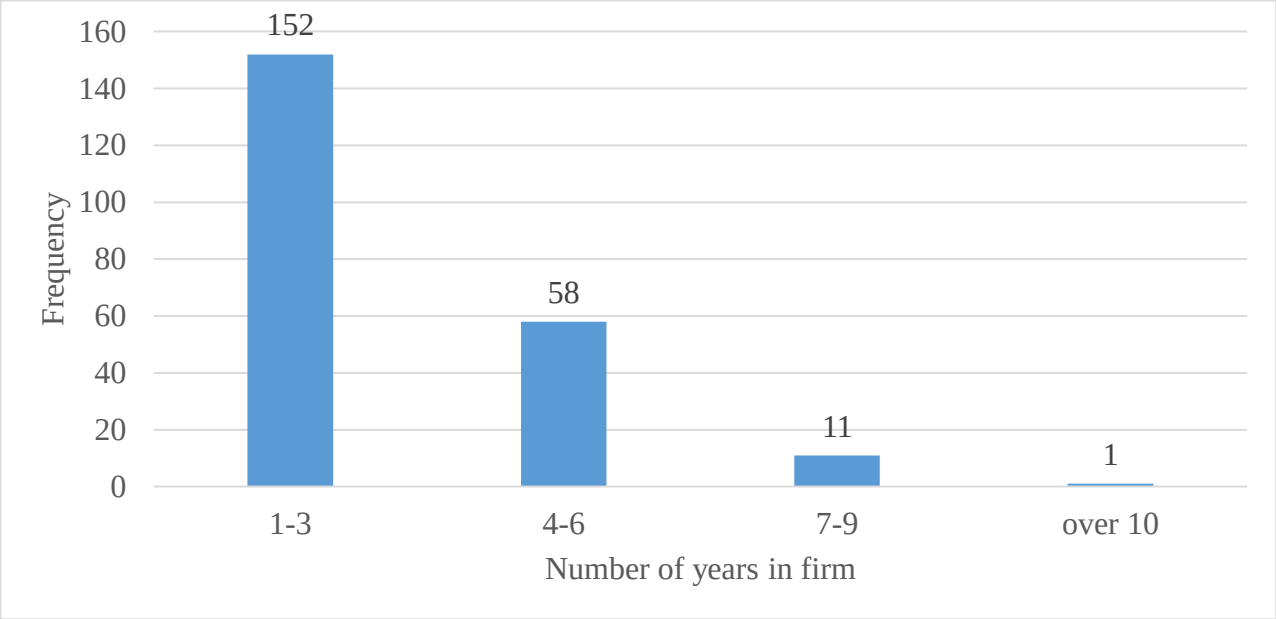

Figure 4.4: Distribution of respondents' number of years spent in organization

From Table 4.4 above 152 (68.5%) respondents had worked for their firms for between 1-3 years, 58 (26.1%) had worked for 4-6 years, 11 (5%) for 7-9 years whiles only 1 respondent (0.5%) had worked for over ten years. This implies that majority of employees of microfinance firms sampled had worked for 1-3 years. This can be attributed to the very young age of most of the firms sampled.

4.2 Statistical Analysis of Psychometric Characteristics

The psychometric tool used for this study was tested for the following: normality, reliability and validity. These tests are explained in the sections below.

4.2.1 Test for normality

Regression assumes there should normal distributions of the variables (Hair, Black, Babin and Anderson, 2010). To ensure these assumptions, the skewness, kurtosis, Shapiro-Wilk and Kolmogorov-Smirnoff tests of the variables reveal that no variable departed significantly from normal distribution (See Appendix II). Moreover, histograms and QQ plots (See Appendix III-VI) show a normal distribution of the data.

4.2.2 Test for reliability

Simply put, an instrument is said to be reliable when it gives you the same measurements after repeating the measure of the same unchanged objects or events (Wuensch, 2012). Descriptive statistics i.e. means and standard deviations are shown in table 4.5 below. Cronbach alphas vary from 0.6-0.90 (see Appendix VII) indicating that the measures used in this study are fairly reliable (George and Mallery, 2003).

Table 4.5: Descriptive statistics of the study variables

Type of variable	Mean	Std. Deviation
Formalization	13.87	3.67
Centralization	23.80	7.69
Employee job stress	16.30	3.52
Employee efficiency	21.11	5.72

From the table we observe that the mean score for formalization and centralization were 13.87 (S.D= 3.67) and 23.80 (S.D. =7.69) respectively. Given the higher value for centralization, it can be said that most of the sampled microfinance firms had a centralized organizational structure. Thus it is concluded that the dominant form of organizational structure amongst microfinance firms in Ghana is the centralized organizational structure. Additionally the mean score for employee job stress was 16.30 (S.D = 3.52). Thus it can be concluded that employee job stress level for sampled microfinance firms was relatively high.

4.2.3 Test for validity

Validity refers to how well a test measures what it is meant to measure (Cronbach, 1971). There are different types of validity, however, for the purposes of this study construct validity was tested. Construct validity is the extent to which an instrument measures the construct it is intended to measure (Cronbach and Meehl, 1955) and is tested using factor analysis. From the factor analysis conducted in this section 4.3 to 4.6 below, all the scales used in measuring the variables can be said to be valid because they all constitute what they are supposed to measure.

4.3 Factor Analysis of Formalization Variable

In this study five research questions were posed. Referring to sub section 1.4 of chapter one the first question asked which type of organizational structure dominated microfinance firms in Ghana? This lead to the first research objective which was to determine the type of organizational structure that dominated microfinance firms in Ghana. To be able to answer these questions a principal component factor analysis with varimax rotation was conducted to validate whether the independent variable (organizational structure: formalization and centralization) and the dependent variable constructs (job stress and employee efficiency) were conceptually distinct.

In interpreting the factors, only loadings of 0.50 or greater were considered in accordance with Stevens (2002) who concluded in his study that a cut-off point of 0.5 and above was appropriate for the purposes of interpreting. For the KMO statistics, Kaiser (1974) recommends a bare minimum of 0.5 and that values between 0.5 and 0.7 are mediocre, values between 0.7 and 0.8 are good, values between 0.8 and 0.9 are great and values above 0.9 are superb.

Table 4.6: Results from KMO and Bartlett's test for formalization

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		0.652
Bartlett's Test of Sphericity	Approx. Chi-Square	279.081
	df	21
	Sig.	.000

From Table 4.6 above, a KMO measure of sampling adequacy of .65 was recorded, indicating sufficient intercorrelations whiles the Bartlett's test of sphericity was significant (Chi square =279.08 $p<0.01$). Since the criteria was satisfied component analysis (C) was conducted and the results are displayed in Table 4.7 below.

Table 4.7: Rotated Component matrix for formalization variables

Formalization Factors	**Component Regression Values (R)**	
	C1	**C2**
I feel I am my own boss in most matters.	0.597	0.226
A person can make his or her own decision without checking with anybody else.	0.683	-0.097
How things are done here is left up to the person doing the work.	0.613	0.056
People are allowed to do almost as they please.	0.785	0.083
Most people make their own rules on the job.	0.701	-0.167
Employees are constantly being checked for rule violations.	0.111	0.841
I feel as though I am constantly being watched to see if I obey all the rules.	-0.082	0.849

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

a. Rotation converged in 3 iterations.

The results of the factor analysis for formalization revealed that all items loaded unto two components C1 and C2. C1 included

i. I feel I am my own boss in most matters (R=0.60)
ii. A person can make his or her own decision without checking with anybody else (R=0.68).
iii. How things are done here is left up to the person doing the work (R = 0.61).
iv. People are allowed to do almost as they please (R =0.79).
v. Most people make their own rules on the job (R = 0.70).

These factors dealt with the extent to which job descriptors and standardizations were specified and so was labeled as job codification. C2 had 2 factors loaded unto it which included:

i. Employees are constantly being checked for rule violations (R = 0.84).
ii. I feel as though I am constantly being watched to see if I obey all the rules (R = 0.85).

These also dealt with the extent to which employees were supervised to conform to standards set and hence was labeled rule observation. These two components explained 55.05% of the total variance. This indicated all these factors contributed to formalization and corresponded to work done by Hage and Aiken (1967) and also by Johari, Yahya and Omar (2006) who is their study found that all the factors under formalization contributed to it and loaded well unto two components. The scree plot of formalization factor analysis is presented in Appendix VIII. This gives a visual confirmation that all factors loaded unto two components. Furthermore correlation was conducted between the two components and the results are displayed in Table 4.8 below.

Table 4.8: Correlation Estimates for relationship between job codification and rule observation

	Rule Observation (C2)	
Job Codification (C1)	**Employees are constantly being checked for rule violations**	**I feel as though I am constantly being watched to see if I obey all the rules**
I feel I am my own boss in most matters	0.166	0.063
	0.007**	0.177
A person can make his or her own decision without	-0.050	-0.046
checking with anybody else	0.229	0.248
How things are done here is left up to the person	0.029	0.037
doing the work	0.332	0.294
People are allowed to do almost as they please	0.179	-0.015
	0.004**	0.414
Most people make their own rules on the job	0.034	-0.164
	0.306	0.007**

**p<0.01

As can be observed from the table the variables in C1 “I feel I am my own boss on most matters is significantly correlated to “employees are constantly being checked for rule violations” and “most people make their own rule on the job” is significantly correlated to “I feel as though I am constantly being watched to see if I obey all the rules.” Again “people are allowed to do almost as they please is significantly correlated to “employees are constantly being checked for

rule violations." The rest are however were not significantly correlated to the variables in C2 p> .05 and p>0.01.

4.4 Factor analysis of Centralization Variable

To conduct a principal component analysis on the centralization variable, the variable was first tested to determine if factor analysis could be conducted. The results are displayed in table 4.9 below.

Table 4.9: Results from KMO and Bartlett's test for centralization

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		0.873
Bartlett's Test of Sphericity	Approx. Chi-Square	1236.136
	Df	36
	Sig.	0.000

The KMO test for adequacy was 0.87 which fell in the range of great. This implied that the sample size was adequate for factor analysis. Bartlett's test for the data was also highly significant (Chi square 1236.14 = p<0.01) indicating that the correlation matrix is not an identity matrix and there are some relationships between the variables. In regards to the results above a principal component factor analysis was conducted to determine the dimensionality of centralization. The results are displayed in table 4.10 below.

Table 4.10: Rotated Component matrix for centralization variables

Centralization Factors	Component Regression Values (R)	
	C1	C2
Management in this organization does not seek inputs and feedbacks from employees before making important decisions.	0.852	0.071
Management in this organization does not solicit inputs and feedbacks from employees especially on decisions that affect employee service and well-being.	0.867	0.238
Employees in this organization are not encouraged to be involved in decision making.	0.792	0.359
Employees in this organization are not given the opportunity to be involved in decision making.	0.808	0.276
Little action can be taken until a supervisor approves a decision.	0.535	0.508
A person who wants to make his or her decision without consulting his or her supervisor will be quickly discouraged.	0.435	0.669
Even small matters have to be referred to someone higher up for a final answer.	0.353	0.754
I have to ask my boss before I do almost anything.	0.096	0.884
Any decision I make has to have my boss's final approval.	0.155	0.843

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

a. Rotation converged in 3 iterations.

Two components C1 and C2 emerged explaining 71.4 percent of the total variance. C1 had five loadings each which included the following:

i. Management in this organization does not seek inputs and feedbacks from employees before making important decisions (R = 0.85).
ii. Management in this organization does not solicit inputs and feedbacks from employees especially on decisions that affect employee service and well-being (R = 0.87).
iii. Employees in this organization are not encouraged to be involved in decision making (R = 0.79).
iv. Employees in this organization are not given the opportunity to be involved in decision making (R = 0.81).
v. Little action can be taken until a supervisor approves a decision (R = 0.54).

The factors that loaded highly unto C1 dealt with making decisions and were therefore labeled decision making. C2 had four loadings which included the following:

i. A person who wants to make his or her decision without consulting his or her supervisor will be quickly discouraged (R = 0.67).
ii. Even small matters have to be referred to someone higher up for a final answer (R = 0.75).
iii. I have to ask my boss before I do almost anything (R = 0.88).
iv. Any decision I make has to have my boss's final approval (R = 0.84).

Similarly the factors that loaded unto C2 dealt with the reporting lines in the organization hence is labeled hierarchy of authority. A scree plot (see Appendix IX) gives visual confirmation of

the two components. This correspondence to work done by Vagg and Spielberger (1999) and Holmström, Molander, Jansson & Barnekow-Bergqvist (2008) who also came up with identical components and factor loadings. The implication of the analysis is that all factors contributed and showed that centralization had two distinct dimensions. Further correlation analysis was conducted on C1 and C2. The results are displayed in Table 4.11 below.

Table 4.11: Correlation Estimates for relationship between decision making and hierarchy of authority

	Hierarchy of authority (C2)			
Decision Making (C1)	**A person who wants to make his or her decision without consulting his or her supervisor will be quickly discouraged**	**Even small matters have to be referred to someone higher up for a final answer**	**I have to ask my boss before I do almost anything**	**Any decision I make has to have my boss's final approval**
Management in this organization does not seek inputs and feedbacks from employees before making important decisions.	0.436 0.000	0.331 0.000	0.155 0.000	0.298 0.000
Management in this organization does not solicit inputs and feedbacks from employees especially on decisions that affect employee service and well-being.	0.564 0.000	0.475 0.000	0.316 0.000	0.345 0.000
Employees in this organization are not encouraged to be involved in decision making.	0.486 0.000	0.565 0.000	0.419 0.000	0.413 0.000
Employees in this organization are not given the opportunity to be involved in decision making.	0.466 0.000	0.505 0.000	0.366 0.000	0.312 0.000
Little action can be taken until a supervisor approves a decision.	0.535 0.000	0.486 0.000	0.443 0.000	0.468 0.000

The results in the matrix above showed there were significant correlations between C1 and C2. As can be observed from the table the all factors in C1 are significantly correlated to the all factors in C2 $p<0.01$.

4.5 Factor Analysis of Employee Job Stress

To ensure that data collected had enough intercorrelations for factor analysis to be conducted KMO and Bartlett's test were run on employee job stress. The results are displayed in Table 4.12 below.

Table 4.12: Results from KMO and Bartlett's test for employee job stress

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		0.682
Bartlett's Test of Sphericity	Approx. Chi-Square	302.288
	Df	15
	Sig.	0.000

The KMO measure of adequacy was 0.68 indicating sufficient intercorrelations whiles the Bartlett's test was significant (Chi square =302.29 $p<0.001$). This implied that factor analysis could be conducted to determine the dimensionality of employee job stress variable. This was done and the results are displayed in Table 4.13 below.

Table 4.13: Rotated Component matrix for job stress variables

Employee Job Stress Factors	Component Regression Values (R)	
	C1	**C2**
When I am at work, I often feel tense or uptight.	0.776	0.097
A lot of times, my job makes me very frustrated or angry.	0.872	0.075
Most of the times when I am at work, I don't feel I have much to worry about.	0.179	0.817
I am usually calm and at ease when I am working.	-0.268	0.713
I usually feel that I am under a lot of pressure when I am at work.	0.728	-0.150
There are a lot of aspects about my job that can make me pretty upset about things.	0.684	-0.154

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

a. Rotation converged in 3 iterations.

Results from factor analysis of employee job stress produced two components (C) with C1 having four factors loading unto it which included:

i. When I am at work, I often feel tense or uptight (R = 0.78).

ii. A lot of times, my job makes me very frustrated or angry (R = 0.87).

iii. I usually feel that I am under a lot of pressure when I am at work (R = 0.73).

iv. There are a lot of aspects about my job that can make me pretty upset about things (R = 0.68).

The factors that loaded unto C2 included the following:

i. Most of the times when I am at work, I don't feel I have much to worry about (R = 0.82).
ii. I am usually calm and at ease when I am working (R = 0.71).

Together the two components explain 61.72% of the total variance. The factors that loaded unto C1 mostly dealt with the support received or not from the organization and hence is labeled lack of organizational support whiles those that loaded unto C2 dealt mostly with the pressures of work and hence was labeled job pressure. A scree plot of the Eigen values gives a pictorial representation of the two components (please refer to Appendix X). To further analyze the relationship a correlation analysis was conducted on C1 and C2 the results of which are displayed in Table 4.14 below.

Table 4.14: Correlation Estimates of relationship between lack of organizational support and job pressure

	Job pressure (C2)	
Lack of organizational support (C1)	**Most of the times when I am at work, I don't feel I have much to worry about**	**I am usually calm and at ease when I am working**
When I am at work, I often feel tense or uptight.	0.110 0.051*	-0.149 0.013*
A lot of times, my job makes me very frustrated or angry.	0.147 0.014*	-0.175 0.004**
I usually feel that I am under a lot of pressure when I am at work.	0.009 0.447	-0.186 0.003**
There are a lot of aspects about my job that can make me pretty upset about things.	0.005 0.473	-0.163 0.008**

**p<0.01

*p<0.05

As can be observed from the table the variables "a lot of times my job makes me very frustrated or angry, I usually feel that I am under a lot of pressure when I am at work and there are a lot of aspects about my job that can make me pretty upset about things" in component 1 is significantly correlated with the variable "I am usually calm and at ease when I am at work in component 2 at p<0.01. Also the factors "when I am at work I often feel tense or uptight and a

lot of the times my job makes me very frustrated and angry was significantly correlated with "most of the times when I am at work, I don't feel I have much to worry about and I am usually calm and at ease when I am working."

4.6 Factor Analysis of Employee Efficiency

To measure employee efficiency the Endicott Work Productivity Scale was adapted. It is a 25-item scale that measures on four subscales; attendance, quality of work, performance capacity and persona factors (social, physical, mental and emotional). In this study the scale was reduced to a 12-item scale. This is in accordance with the developer of the scale who notes that up to a third of the items on the scale can be removed so as to tailor the scale to the specific study. To determine whether there were enough intercorrelations to run factor analysis a KMO and Bartlett's test was conducted. The results are displayed in Table 4.15 below.

Table 4.15: Results from KMO and Bartlett's test for employee efficiency

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		0.845
Bartlett's Test of Sphericity	Approx. Chi-Square	699.251
	Df	66
	Sig.	0.000

The KMO measure of adequacy was 0.85 indicating sufficient intercorrelations with a Bartlett's test of sphericity being significant (Chi square =699.25 $p<0.01$). Based on the results, a final factor analysis was undertaken to see the dimensionality of employee efficiency with results displayed in table 4.16 below.

Table 4.16: Rotated Component matrix for employee efficiency variables

Employee Efficiency Factors	Component Regression Values (R)	
	C1	C2
I arrive at work late or leave work early?	-0.049	0.826
I take longer lunch breaks?	0.196	0.753
I just do no work at times when I am expected to be working?	0.639	0.206
I find I have forgotten to respond to a request?	0.280	0.517
I become impatient with others at work?	0.566	0.234
I have a co-worker redo something I had completed?	0.641	0.111
I find it difficult to concentrate on the task at hand?	0.704	0.146
I fall asleep unexpectedly or become very sleepy while at work?	0.548	0.263
I lose interest or become bored with my work?	0.515	0.098
I have trouble organizing work or setting priorities?	0.688	0.205
I fail to finish assigned tasks?	0.704	0.111
I feel too exhausted to do my work?	0.740	-0.152

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

a. Rotation converged in 3 iterations.

Two components C1 and C2 emerged which explained 47.02 percent of the total variance. Roy, Desmeules and MacDermid (2011) recorded two components in their study after the EWPS was reduced to a 12-item scale with a Cronbach's alpha of 0.94. C1 had nine factors loading unto it which included

i. I just do no work at times when I am expected to be working (R = 0.64).

ii. I become impatient with others at work (R = 0.57).

iii. I have a co-worker redo something I had completed (R = 0.64).

iv. I find it difficult to concentrate on the task at hand (R = 0.70).

v. I fall asleep unexpectedly or become very sleepy while at work (R = 0.55).

vi. I lose interest or become bored with my work (R = 0.52).

vii. I have trouble organizing work or setting priorities (R = 0.69).

viii. I fail to finish assigned tasks (R = 0.70).

ix. I feel too exhausted to do my work (R = 0.74).

C2 had three factors loading unto it which included the following:

i. I arrive at work late or leave work early (R = 0.83).

ii. I take longer lunch breaks (R = 0.75).

iii. I find I have forgotten to respond to a request (R = 0.52).

The factors that loaded unto C1 mostly dealt with the performance capacity and quality of work and hence was labelled as performance capacity whiles factors that loaded unto C2 mostly dealt with attendance and hence was labeled attendance. A scree plot of the Eigen values also supported the results above (Please refer to Appendix XI). This result was also observed in a similar study by Tang, Beaton, Gignac, Lacaille, Badley, Anis and Bombardier (2008). The result therefore indicated two dimensions or subscales of employee efficiency and all factors contributed to the variable. Correlation analysis was further run on C1 and C2 and the results are shown in table 4.17 below.

Table 4.17: Correlation Estimates for relationship between performance capacity and attendance

	Attendance (C2)		
Performance Capacity (C1)	**I arrive at work late or leave work early?**	**I take longer lunch breaks?**	**I find I have forgotten to respond to a request?**
I just do no work at times when I am expected to be working?	0.052 0.220	0.315 0.000**	0.253 0.000**
I become impatient with others at work?	0.150 0.012*	0.200 0.000**	0.297 0.000**
I have a co-worker redo something I had completed?	0.042 0.268	0.263 0.008**	0.161 0.000**
I find it difficult to concentrate on the task at hand?	0.061 0.184	0.234 0.000**	0.328 0.000**
I fall asleep unexpectedly or become very sleepy while at work?	0.195 0.002*	0.231 0.003*	0.184 0.000**
I lose interest or become bored with my work?	0.144 0.016*	0.137 0.053*	0.109 0.000**
I have trouble organizing work or setting priorities?	0.154 0.011*	0.312 0.000**	0.225 0.000**
I fail to finish assigned tasks?	0.092 0.086	0.227 0.000**	0.249 0.000**
I feel too exhausted to do my work?	-0.020 0.383	0.047 0.007**	0.164 0.000**

As can be observed from the table all the factors in C1 are significantly correlated with the factor “I find I have forgotten to respond to a request in C2 at $p<0.001$. Also all factors in C1 are significantly correlated to the factor “I take longer lunch breaks.” Also the factors “I become impatient with others at work, I fall asleep unexpectedly or become sleepy at work, I lose interest or become bored with my work and I have trouble organizing work or setting priorities” in C1 is significantly correlated to the variable “I arrive at work late or leave work early” in C2.

4.7 Analysis of the Effect of Formalization on Employee Job Stress

In reference to research question 2 highlighted in Chapter 1 sub section 1.4 which asks what effect will a highly formalized organizational structure have on employee job stress?, objectives 2 found in sub section 1.5 of the same chapter were developed. The objective is to determine the effect of highly formalized organizational structure on employee job stress. This in turn led to proposition 1 of the study,

> H1: Highly formalized organizational structures of microfinance firms in Ghana will lead to employee job stress.

To answer the research question 2 posed in the study the hypothesis H1 above was tested. First Pearson’s Product-Moment Correlation was conducted on all four variables under observation. This was to confirm if there were any statistically significant relationships among the variable. The results are displayed in Table 4.18 below

Table 4.18: Results of Pearson Product-Moment correlations and reliability estimates

Variables	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**
Age (1)	(--)							
Sex (2)	0.260**	(--)						
Educational Level (3)	0.277**	-0.053	(--)					
Number of years spent in firm (4)	0.478**	0.154*	0.272**	(--)				
Employee efficiency (5)	0.250**	0.080	0.041	0.153*	(0.82)			
Employee job stress (6)	0.097	0.032	0.028	-0.010	0.320**	(0.60)		
Centralization (7)	-0.138*	-0.147*	-0.071	-0.053	0.064	0.053	(0.90)	
Formalization (8)	0.129	0.107	-0.115	0.075	0.055	-0.203**	-0.207**	(0.61)

**. Correlation is significant at the 0.01 level (2-tailed).

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

Cronbach's alpha reliability coefficients are reported on the diagonal in parentheses

As seen from the table, all the alpha coefficients show reasonable internal consistency, with all of them exceeding the minimum recommended level of 0.60 (Sekaran, 2000) with the exception of employee job stress which was at 0.60. Again the values of Pearson's correlation α indicated not all the variables understudy had associations. There was significant correlation between formalization and employee job stress (α=-0.203, $p<0.01$) but no significant correlation between centralization and employee job stress (α=0.053, $p>0.05$). Since there was a significant relation between formalization and employee job stress a linear regression was conducted to determine if the relationship was a linear one. The results are shown in Table 4.19

Table 4.19: Summary of the Regression Model

Model[b]	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.203[a]	0.414	0.371	3.45340

a. Predictors: (Constant), Formalization

b. Dependent Variable: Employee job stress

The coefficient of determination (R^2) was found to be 0.414 indicating that 41.4 percent of employee job stress was explained by the structural variable formalization. The resulting ANOVA values from the regression further enables us to determine the predictive ability of the model using the significance values. This is also shown in Table 4.20 below.

Table 4.20: ANOVA Results of Linear Regression

Model[a]		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	112.619	1	112.619	9.443	0.002[b]
	Residual	2623.716	220	11.926		
	Total	2736.335	221			

a. Dependent Variable: Employee job stress

b. Predictors: (Constant), Formalization

Results from the ANOVA table indicated that the organizational structure variable of formalization predicted employee job stress to a statistically significant degree ($p<0.01$, $p=0.002$). Again the results show that the relationship between the structural variable formalization and employee job stress is a linear one. The results also prove that formalization

has a negative effect on employee job stress. Additionally the coefficients for the model is found in the table below.

Table 4.21: Estimates of Coefficient of regression model

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	**Std. Error**	**Beta**	**T**	**Sig.**
1	(Constant)	19.004	0.909		20.900	0.000
	Formalization	-0.195	0.063	-0.203	-3.073	0.002

a. Dependent Variable: Employee job stress

Based on the results from the table above regression equation for the model is as follows:

Regression equation for model 1

$Y = 19.004 - 0.195x_1 + e$, where x_1 represents formalization and e the error term

Therefore the proposition 1 (H1) which states that highly formalized organizational structures of microfinance firms in Ghana will lead to employee job stress was supported. Therefore in determining the effect of a highly formalized organizational structure on employee job stress (objective 2 of the study), results from testing H1 shows that highly formalized organizational structures have a negative influence on employee job stress. This finding however was contradictory to results of previous studies conducted on the same variables. For instance literature reviewed for the study identified work done by Aizzat et al., (2006) who observed that a job that has inflexible rules and procedures gives less autonomy and freedom to the employee in the performance of their tasks (formalization), led to employee job stress. Lapidus

et al (1997) in their study noted that when sales people were required to follow rigid rules and procedures (formalization) they experienced job stress because they had no control in the performance of their jobs.

The reason for the contradictory finding can be attributed to a number of factors (i) one reason could be attributed to the differences in respondents and the context of the study. From the literature reviewed most studies were carried out in Asia and the America (Aizzat et al, 2006). This study was conducted in Ghana and might have some contextual factors that contributed to the negative relationship found. (ii) Again according to Matteson and Ivancevich (1993) and Robbins (2003) other factors such us monthly income, job tenure, organizational tenure and number of children, contribute to job stress. These might therefore account for the negative relationship found between formalization and job stress.

4.8 Analysis of Effect of Centralization on Employee Job Stress

Referring to sub section 1.4 in Chapter 1 the third research question posed was how a centralized organizational structure relates to employee job stress. The objective developed was therefore to determine the relationship between a centralized organizational structure and employee job stress. A second proposition was thus made as follows:

> H2: Microfinance firms in Ghana with highly centralized organizational structures will lead to high employee job stress,

to aid in the answering of the question posed. To do this a Pearson Product-Moment Correlation (α) on the variables had to be conducted to determine if there was any significant relationship between the variables under observation. Table 4.18 in section 4.5 above contains the results of the Pearson's Correlation. The α value between structural variable of centralization and

employee job stress was 0.053 ($p > 0.05$). This implied that even though there some relationship between the two variables (centralization and employee job stress) it was not statistically significant. Based on these findings further analysis using regression was not conducted. The hypothesis H2 which states that microfinance firms in Ghana with highly centralized organizational structure will lead to high employee job stress was therefore not supported.

Therefore after testing H2, the third objective to determine the effect of a highly centralized organizational structure on employee job stress was not achieved. In other words centralization did not lead to employee job stress in Ghanaian micro finance firms. This finding however contradicts current literature. For instance Lait and Wallace (2002) noted that due to the lack of autonomy and control over day-to-day work activities (i.e. high centralization) in the financial services, specifically banks higher levels of employee job stress was recorded. Sohi et al (1996) also observed high job stress levels in highly centralized organizations. Sohi et al (1996) noted that this was so because highly centralized organization have low levels of flexibility and workers have limited autonomy and control over their work. The contradictory results obtained in this study might be due to context or the environment in which the study was conducted. Most literature reviewed were dominated by studies conducted in North America and Asia. Therefore in Ghana where the study was conducted centralization does not influence employee job stress in contrast to their counterparts in North American and Asia.

Another possible explanation for the difference may be attributed to the financial industry which is characterized by great demands to produce error free work, pressures to meet deadlines

and the uncertainties of changing jobs within a short span of time compared to other industries (Rahman and Zanzi, 1995). Therefore a predictable structure, clear lines of communication and of decision making may lower employee job stress.

4.9 Analysis of the Effect of Formalization on Employee Efficiency

Looking back at Chapter 1 sub section 1.4 the fourth research question posed asked what effect a highly formalized organizational structure will have on employee efficiency. This lead to the fourth objective which was to determine the effect of a highly formalized organizational structure on employee efficiency leading to the third proposition,

> H3: Microfinance firms in Ghana with highly formalized organization structure will have employees who are not efficient

Testing of third proposition (H3) helped in answering the fourth research question. To do this Pearson's correlational analysis (α) was first run. Since this analysis was conducted to help answer the second research question, we refer to table 4.18 above.

In this instant some relationship did exist between formalization and employee efficiency ($\alpha = 0.055$, $p>0.05$). The association however, was not statistically significant. Based on the findings from correlation analysis further analysis of the two variables using regression was not conducted. This implied that the third proposition of the study H3 above was not supported and the fourth objective of the study was not achieved. This meant that highly formalized organizational structure of Ghanaian micro finance firms did not lead to employee inefficiencies.

This contradicts earlier work done by researchers and current literature. Literature reviewed showed either no association or positive association between formalization and employee efficiency. For example studies conducted by Vredenburgh and Alutto (1977) on bank employees, Rogers and Mulnar (1976) on county administrators and Schuler 1975) on manufacturing employees reported no association between formalization and employee efficiency. However, studies conducted by Vinson and Holloway (1977) on white collar workers drawn from the bank, insurance companies, public utilities and governmental agencies reported a positive association between formalization and efficiency. Also Baum and Youngblood (1975) study on undergraduate students reported a positive association between formalization and employee efficiency.

The contradictory results might be explained in light of the context in which the study was conducted. Literature reviewed for this study was dominated by studies conducted in the Americas and Asia. Therefore differing context of the study might shed light on the different results obtained. In concluding, structural variable of formalization had no influence on employee efficiency from sampled microfinance firms in Ghana.

4.10 Analysis of Effect of Centralization on Employee Efficiency

The final research question posed in sub section 1.4 of Chapter 1 asked what effect a highly centralized organizational structure will have on employee efficiency. Out of this the objective to determine the effect of a highly centralized organizational structure on employee efficiency

was developed. To enable the question posed to be answered a fourth proposition was formed which stated that

> H4: Microfinance firms in Ghana with highly centralized organization structure will have inefficient employees.

To test the hypothesis first correlational analysis was conducted. Since this analysis was conducted earlier we referred to the results displayed in Table 4.18 above. The results indicated that there was no significant association between centralization and employee efficiency (α= 0.064, p >0.05). The fourth and final hypothesis was therefore not supported and the fifth objective after testing the fourth proposition H4 was not achieved. This also contradicted with literature reviewed for the study.

Empirical research conducted both on the departmental and organizational level showed either no association or a negative association between centralization and employee efficiency. For example McMahon (1976), Miller (1967) and Harrison (1974) reported negative association between centralization and employee efficiency on the departmental level. Equally studies conducted by McMahon and Ivancevich (1976) and McMahon and Perritt (1971) on the departmental level reported no (zero) associations between centralization and employee efficiency.

On the organizational level, Hage and Dewar (1973) and Reimann and Neghandi (1976) also reported no associations, whiles Sorensen and Baum (1976) and Pennings (1976) reported a negative association between the two variables, centralization and employee efficiency.

The contradictory evidence obtained in this study may be due factors such as (i) the highly centralized structure of Ghanaian microfinance firms. According to Dalton et al (1980) this means a taller structure indicating more reporting levels. Baum (1968) observed organization with tall structures that is highly centralized would have more obvious promotion guidelines based on merit rather than on how long the employee has worked in the organization. This might motivate employees to be more productive hence efficiency (ii) to the differences in the respondents and the context in which the study was conducted. As observed earlier most of the literature reviewed had studies conducted in the Americas and Asia. The working environment, culture and climate of organizations in Africa differ significantly from their counterparts in America and Asia and may have some elements that resulted in no significant association between organizational structure and employee efficiency.

The results from table 4.18 however, indicated a statistically significant association between employee job stress and employee efficiency. Mediation and moderation of employee job stress on organizational structure (formalization and centralization) and employee efficiency was also ruled out. This is because one of the first conditions to satisfy before mediation analysis can be done is that there be a significant correlation between all variables (Baron and Kenny, 1986). This also indicated that moderation was not possible since there was not a significant relationship between organizational structure and employee efficiency for moderation to occur.

4.11 Path Analysis

Recalling from chapter 2 literature reviewed showed relationships between the four study variables i.e. organizational structure (formalization and centralization), employee job stress and employee efficiency. This led to the four propositions made and a study framework depicting the relationships as seen in figure 4.5 below.

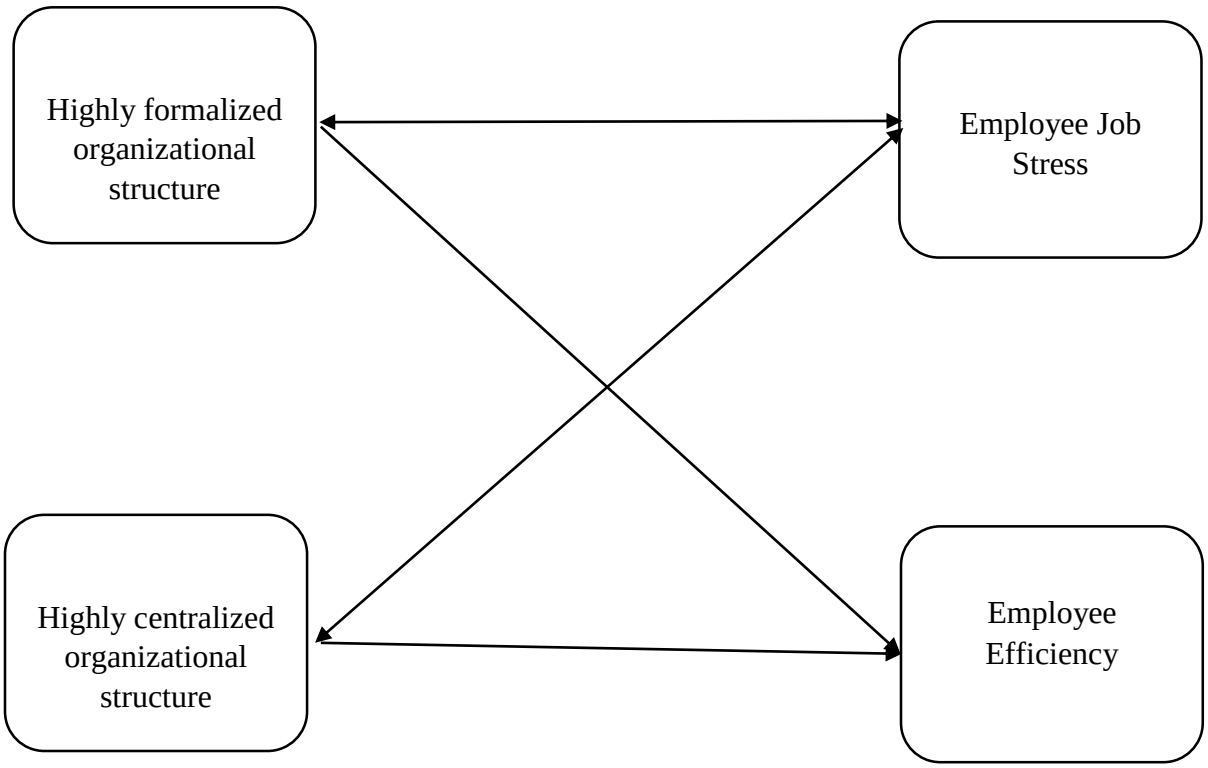

Figure 4.5: Study Framework

Based on results from the analysis it was observed that apart from the structural variable formalization that had an influence on employee job stress, centralization had no influence on employee job stress and both formalization and centralization had no statistically significant correlation with employee efficiency. This is shown in Figure 4.6 b

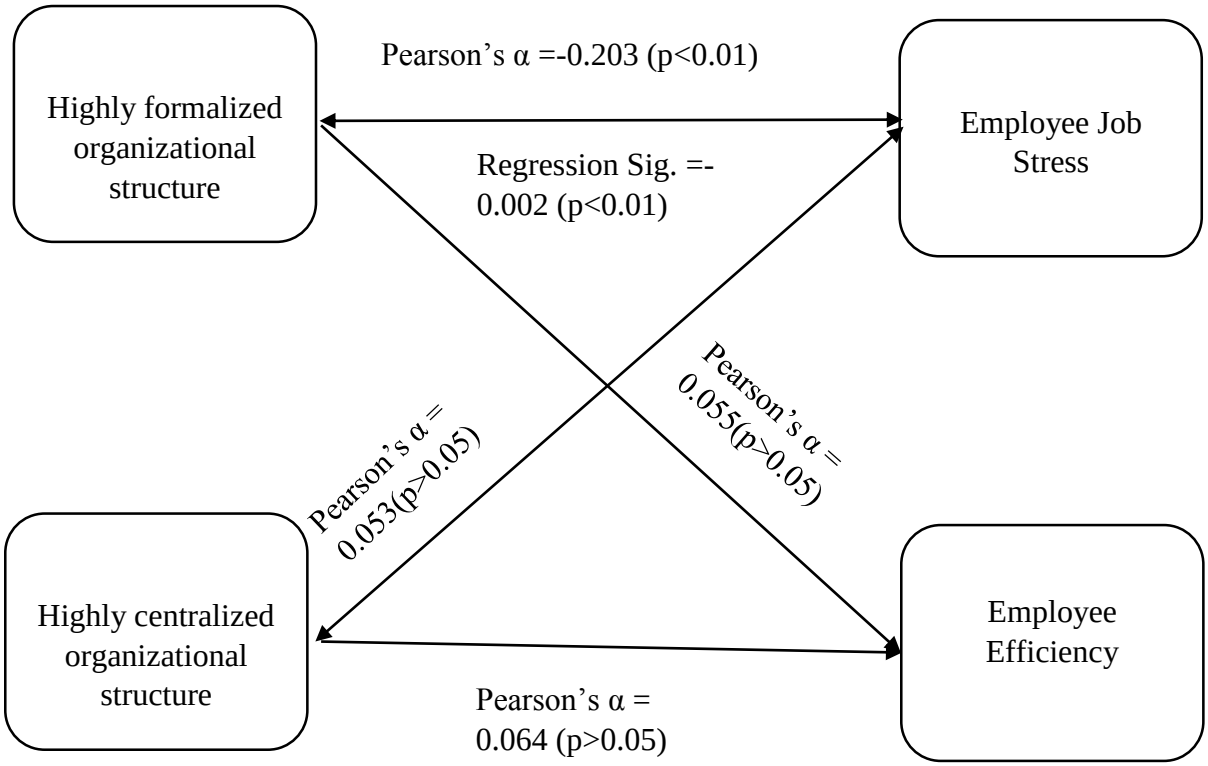

Figure 4.6: Study Framework with estimated values

Hence from the estimated values shown, the study framework does not hold. A modified study framework was developed based on the results from analysis and is shown in figure 4.7 below.

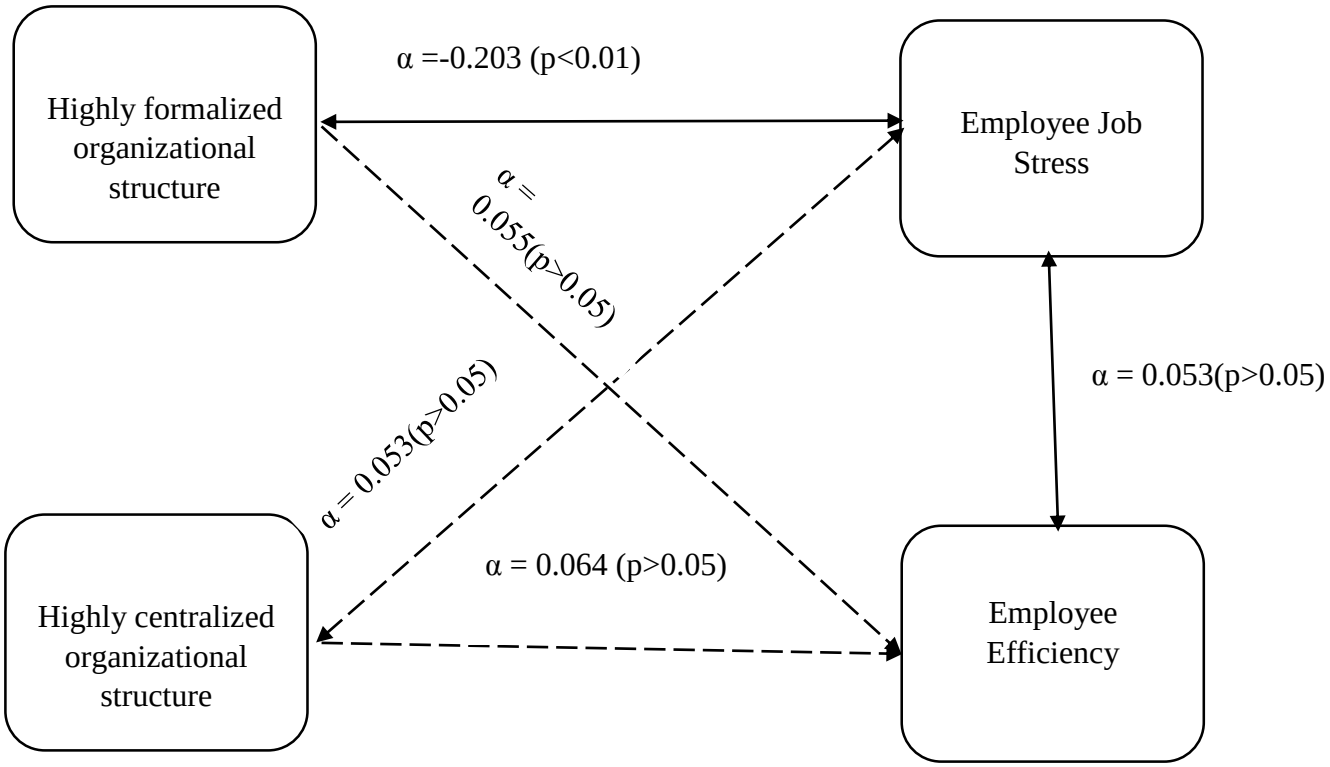

Figure 7 Modified Study Framework

α = Correlation value

——— = Significant values

---------- = Non significant values

CHAPTER FIVE

CONCLUSION AND RECOMMENDATIONS

In this chapter, a summary of the results of the study was presented. This was followed by the conclusions of the empirical study and the literature review. The conclusions from the empirical study outlined the effect of organizational stressors on workplace outcomes. Finally, recommendation was made for future directions of research.

5.1 Summary of findings

This study sought to understand the influence of organizational factors on employee job stress in Ghana. Specifically, the study examined the potential effects of organizational structure in the form of formalization and centralization on employee job stress and efficiency among a sample of microfinance firms in Accra, Ghana.

Research question 1: Which type of organizational structure dominates MFIs in Ghana?

With respect to research question 1 results from factor analysis showed that out of the seven factors tested only two components were found to be predictive of formalization (that is job codification and rule observation). It was again found that out of the nine factors tested only two were predictive of centralization (that is hierarchy of authority and decision making). Again descriptive analysis showed that mean score for formalization and centralization were 13.87 (S.D = 3.67) and 23.80 (S.D = 7.69) respectively. This implies that microfinance firms in Ghana have highly centralized form of organizational structure.

Research question 2: What effect will a highly formalized organizational structure have on employee job stress?

With regards to question 2, factor analysis of formalization indicated two components namely job codification and rule observation. Correlation and regression analysis results showed a significant negative relationship between formalized organizational structure and employee job stress ($r= -0.203$, $n=222$, $p=0.002<0.01$). This implies that as formalization increases employee job stress decreases and vice versa. Results of regression analysis further revealed that the regression model was fit and 41.4% of the variation in employee job stress was explained by structural variable of formalization. Regression also showed that the rule observation component of formalization had a major impact on employee job stress.

Research question 3: What effect will a highly centralized organizational structure have on employee job stress?

Factor analysis of centralization indicated two components namely hierarchy of authority and decision making and for job stress two components namely lack of organizational support and job pressure were obtained. Correlation analysis on centralization and employee job stress showed no significant relationship between the two ($r=0.53$).

Research question 4: What effect will a highly formalized organizational structure have on employee efficiency?

In respect of question 4 results from factor analysis of employee efficiency also resulted in two components namely performance capacity and attendance. Correlation analysis showed no significant relationship between the formalization and employee efficiency ($r=0.055$).

Research question 5: What effect will a highly centralized organizational structure have on employee efficiency?

Results from correlation analysis also indicated no significant relationship between centralization and employee efficiency (r=0.064).

5.2 Conclusion

The following conclusions were drawn based on results from the analysis of collated data:

i. Ghanaian microfinance firms mostly adopt a centralized organizational structure.
ii. Microfinance firms in Ghana with highly formalized organizational structure will have more productive employees due to reduced job stress than firms with less formalized organizational structure.
iii. Highly centralized organizational structures of microfinance firms in Ghana neither reduced nor increased employee job stress.
iv. Microfinance firms in Ghana with highly formalized organizational structure will not increase or decrease productivity or efficiency of employees.
v. Highly centralized organizational structures of microfinance firms in Ghana neither increased nor decreased productivity or efficiency of employees.

5.3 Recommendations

In light of the conclusions drawn above the following recommendations are made:

- Management of microfinance firms in Ghana should design their organizational orientation to be highly formalized so that job stress of employees are reduced leading to increased productivity.

- Management of microfinance firms should institute stress management programs for employees to better handle stress so that there will be an increase in productivity.
- Management of Ghanaian microfinance firms

Organizational structure plays an important role in the success of an organization. Although scholars differ when it comes to the nature of the relationship, they do agree that stress influences organizationally desirable outcomes such as job satisfaction and job performance. From a managerial point of view the results of the study indicate that microfinance firms need to divert attention to structural factors that are likely to act as organizational stressors. In order to do this management should consider reducing excessive bureaucratic paperwork and empowering their employees.

It would be potentially important to determine if (and how) external pressures affect job stress of employees. Finally, given that there may be a multitude of other elements associated with one's physical environment, role, interpersonal relationships, organization, and non-work lives that may influence stress at the workplace, researchers interested in this area should try to explore these factors in future.

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APPENDICES

Appendix I: Questionnaire

SECTION A: Demography

Please kindly answer the following by checking the answer that best describes you.

1. Age:

   [ ] 18-24 [ ] 25-34 [ ] 35-44 [ ] 45-55 [ ] over 55

2. Sex:

   [ ] Female [ ] Male

3. Education Level:

   [ ]Elementary [ ]JHS [ ]SHS [ ]Degree [ ]Postgraduate [ ]Other (Please specify)

4. How long have you been working with the organization?

   [ ] 1-3yrs [ ] 4-6yrs [ ] 7-9yrs [ ] over 10yrs

SECTION B: Employee Efficiency

Please kindly circle the appropriate response. Please mark one response per item.

No.	During the past week, how frequently did	Never	Rarely	Some times	Often	Almost Always
Q5	I arrive at work late or leave work early?	1	2	3	4	5
Q6	I take longer lunch breaks?	1	2	3	4	5
Q7	I just do no work at times when I am expected to be working?	1	2	3	4	5
Q8	I find I have forgotten to respond to a request?	1	2	3	4	5
Q9	I become impatient with others at work?	1	2	3	4	5

Q10	I have a co-worker redo something I had completed?	1	2	3	4	5
Q11	I find it difficult to concentrate on the task at hand?	1	2	3	4	5
Q12	I fall asleep unexpectedly or become very sleepy while at work?	1	2	3	4	5
Q13	I lose interest or become bored with my work?	1	2	3	4	5
Q14	I have trouble organizing work or setting priorities?	1	2	3	4	5
Q15	I fail to finish assigned tasks?	1	2	3	4	5
Q16	I feel too exhausted to do my work?	1	2	3	4	5

SECTION C: Job Stress

Next to each item please kindly answer by circling the appropriate number which describes how frequently the condition described occurs. Please mark one response per item.

No.	**To what extent do you agree with statements below**	**Strongly Agree**	**Agree**	**Not Sure**	**Disagree**	**Strongly Disagree**
Q17	When I am at work, I often feel tense or uptight	1	2	3	4	5
Q18	A lot of times, my job makes me very frustrated or angry	1	2	3	4	5
Q19	Most of the times when I am at work, I don't feel I have much to worry about	1	2	3	4	5
Q20	I am usually calm and at ease when I am working	1	2	3	4	5
Q21	I usually feel that I am under a lot of pressure when I am at work	1	2	3	4	5

Q22	There are a lot of aspects about my job, that can make me pretty upset about things	1	2	3	4	5

SECTION D: Centralization

Next to each item please kindly answer by circling the appropriate number which describes how frequently the condition described occurs. Please mark one response per item.

No	How much do you agree or disagree with statements below	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
Q23	Management in this organization does not seek inputs and feedbacks from employees before making important decisions.	1	2	3	4	5
Q24	Management in this organization does not solicit inputs and feedbacks from employees especially on decisions that affect employee service and well-being	1	2	3	4	5
Q25	Employees in this organization are not encouraged to be involved in decision making	1	2	3	4	5
Q26	Employees in this organization are not given the opportunity to be involved in decision making	1	2	3	4	5
Q27	Little action can be taken until a supervisor approves a decision	1	2	3	4	5

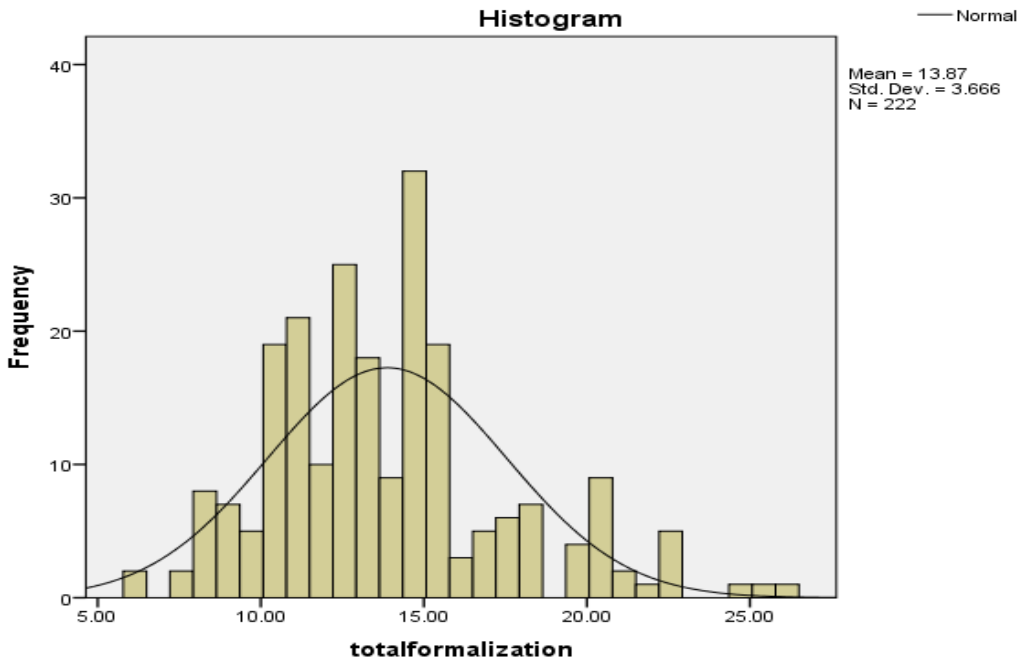
Q28	A person who wants to make his or her decision without consulting his or her supervisor will be quickly discouraged	1	2	3	4	5
Q29	Even small matters have to be referred to someone higher up for a final answer	1	2	3	4	5
Q30	I have to ask my boss before I do almost anything	1	2	3	4	5
Q31	Any decision I make has to have my boss's final approval	1	2	3	4	5

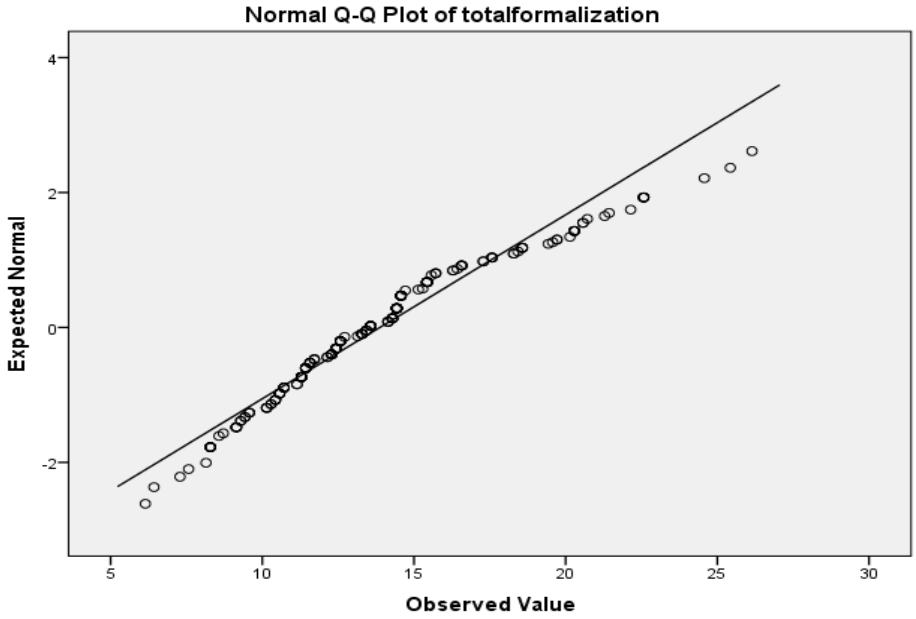
Appendix II – Tests for Normality

	Skewness		Kurtosis	
	Statistic	**Std. Error**	**Statistic**	**Std. Error**
Employee efficiency	.551	.163	.166	.325
Employee job stress	.082	.163	-.498	.325
Centralization	.317	.163	-.559	.325
Formalization	.787	.163	.703	.325

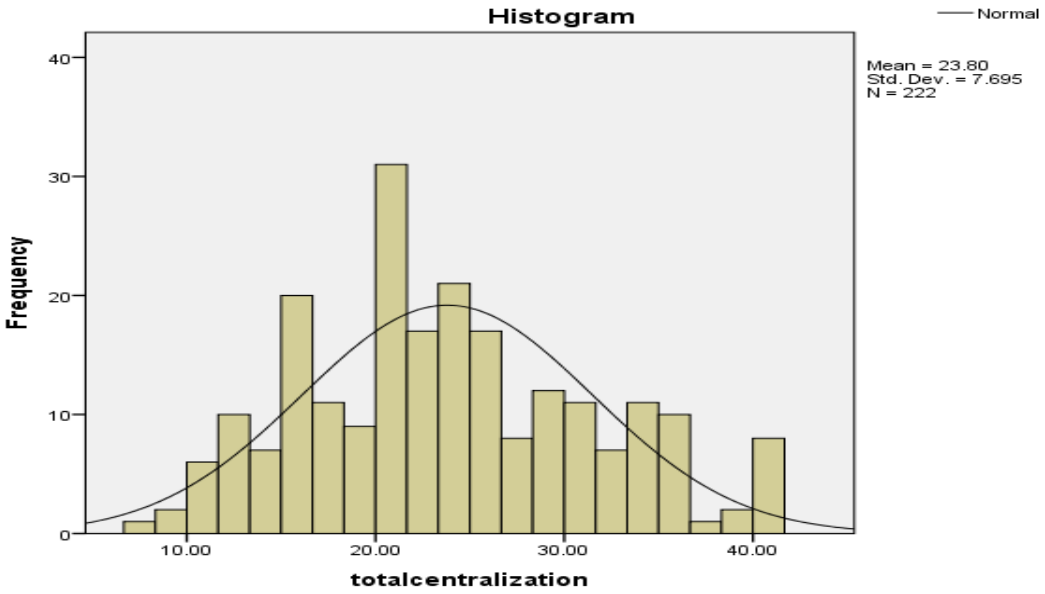
	Kolmogorov-Smirnov[a]			Shapiro-Wilk		
	Statistic	**df**	**Sig.**	**Statistic**	**df**	**Sig.**
Employee job stress	.062	222	.039	.988	222	.070
Employee efficiency	.078	222	.002	.974	222	.000
Centralization	.073	222	.006	.977	222	.001
Formalization	.132	222	.000	.955	222	.000
a. Lilliefors Significance Correction						

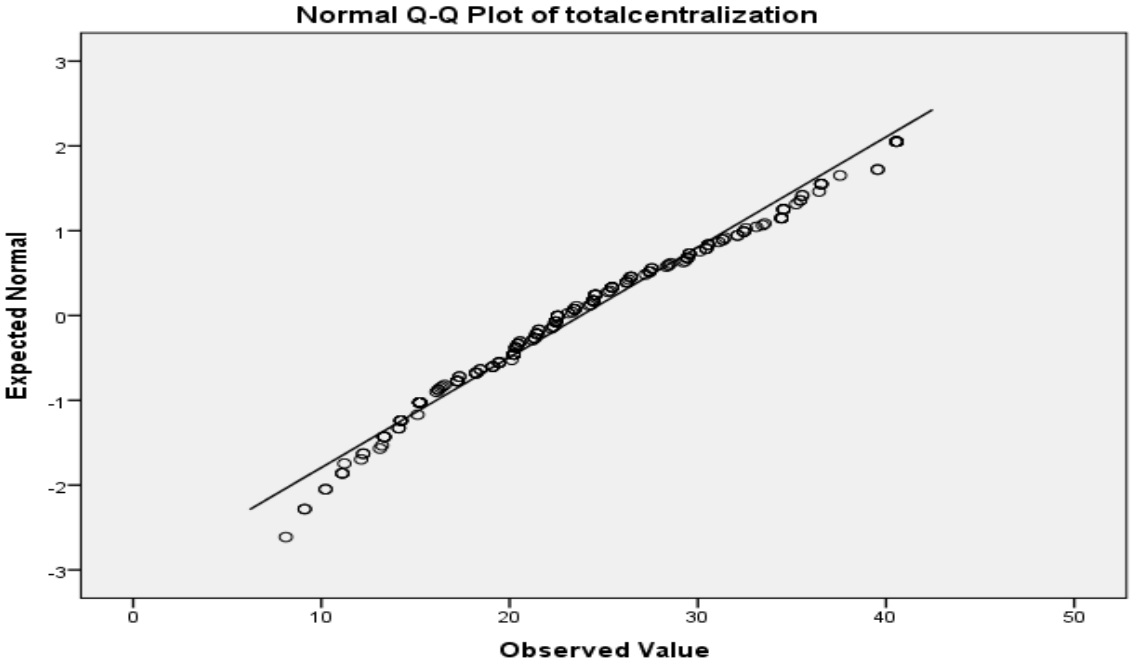
Appendix III: Histogram and QQ plot of Formalization Variable



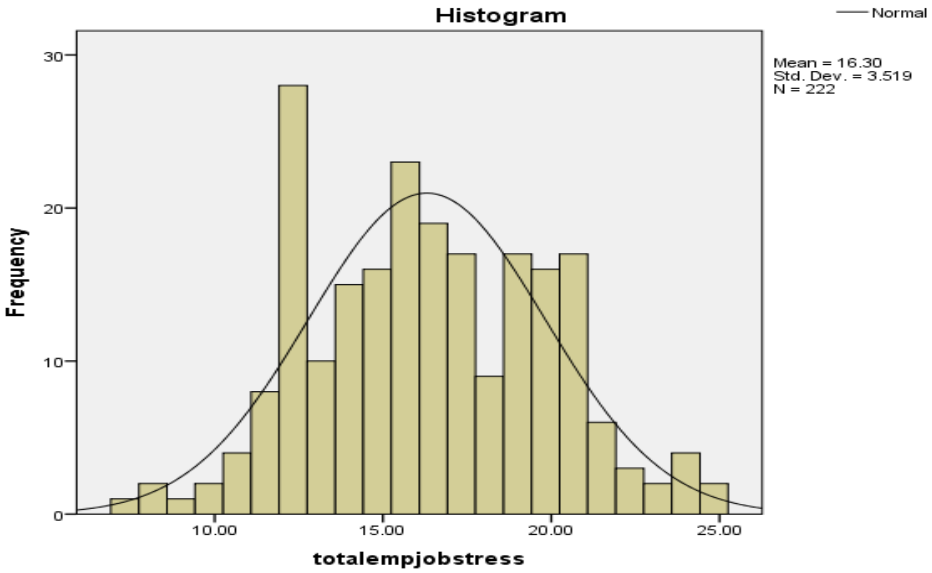


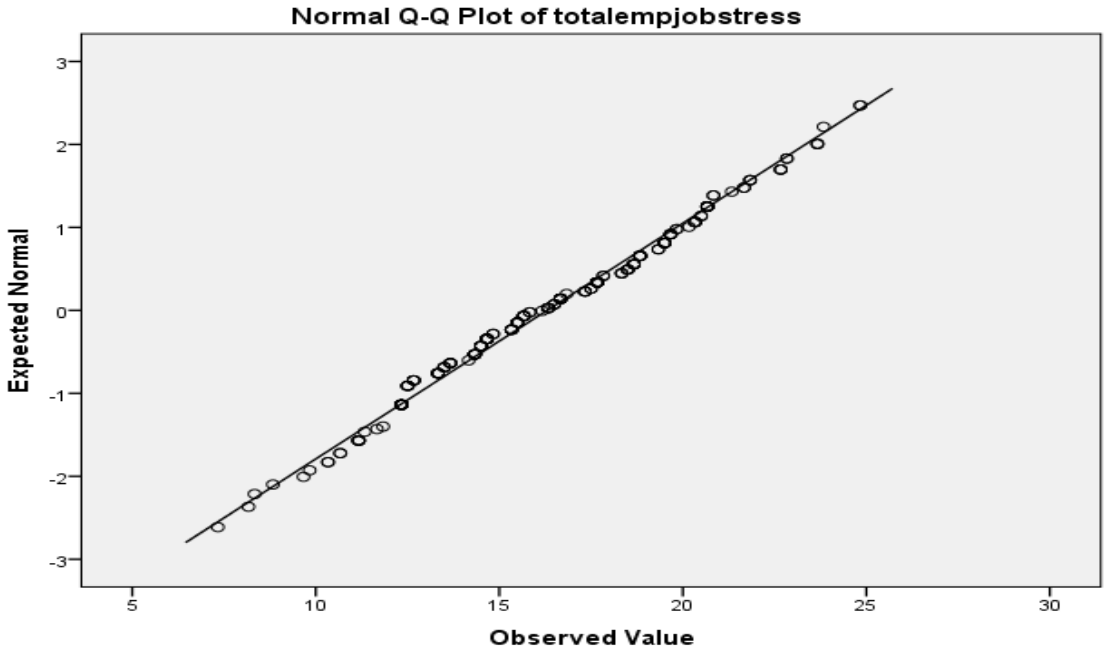
Appendix IV: Histogram and QQ plot of Centralization Variable



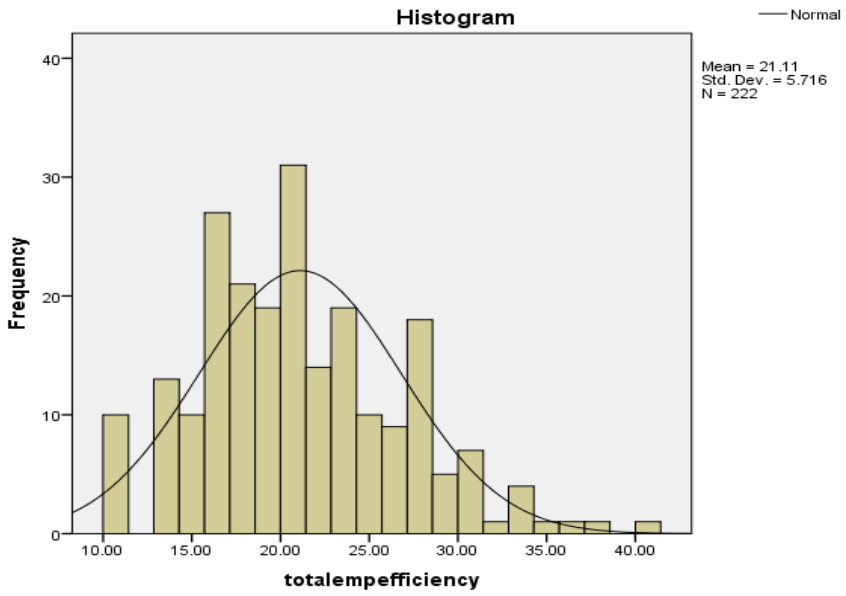


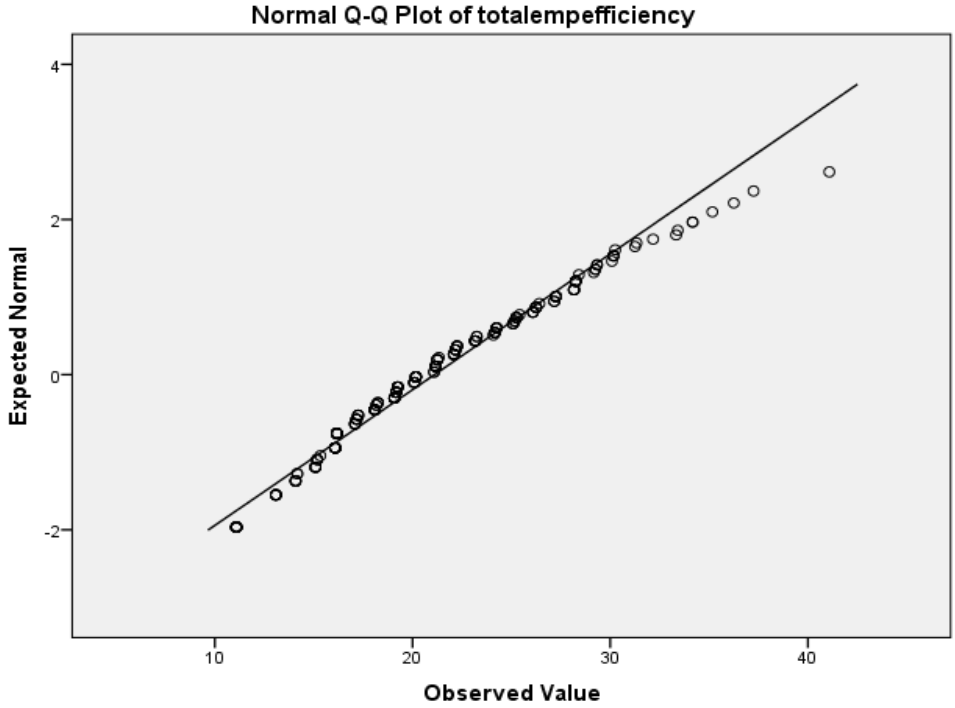
Appendix: Normality distribution curve and histogram of employee job stress variable





Appendix VI: Normality distribution curve and histogram of employee efficiency variable





Appendix VII - Estimates of Cronbach's Alpha for Research Instrument

Reliability Statistics for Employee Efficiency

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
0.822	0.825	12

Reliability Statistics for Employee Job Stress

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
0.598	0.555	6

Reliability Statistics for Centralization

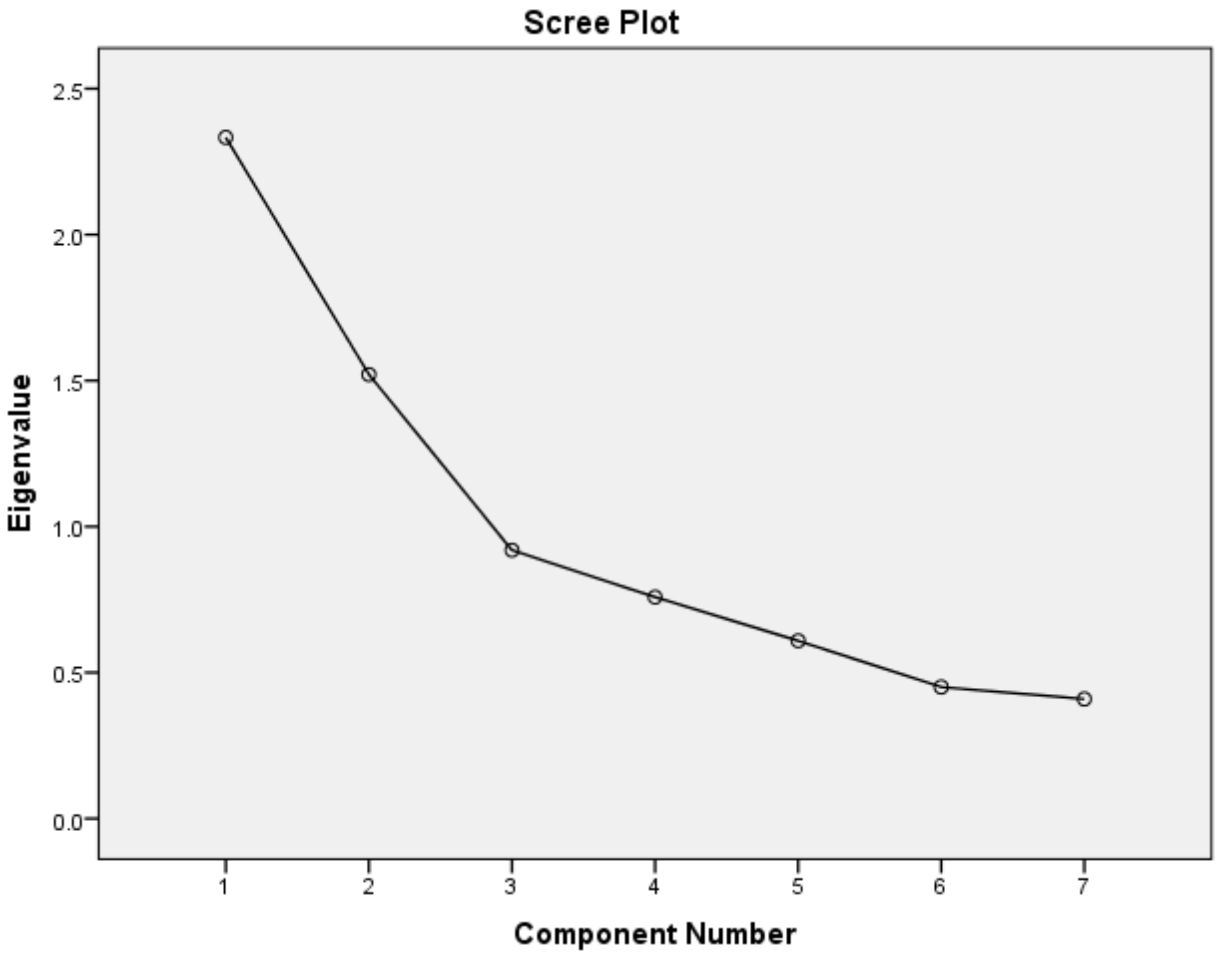
Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
0.899	0.901	9

Reliability Statistics for Formalization

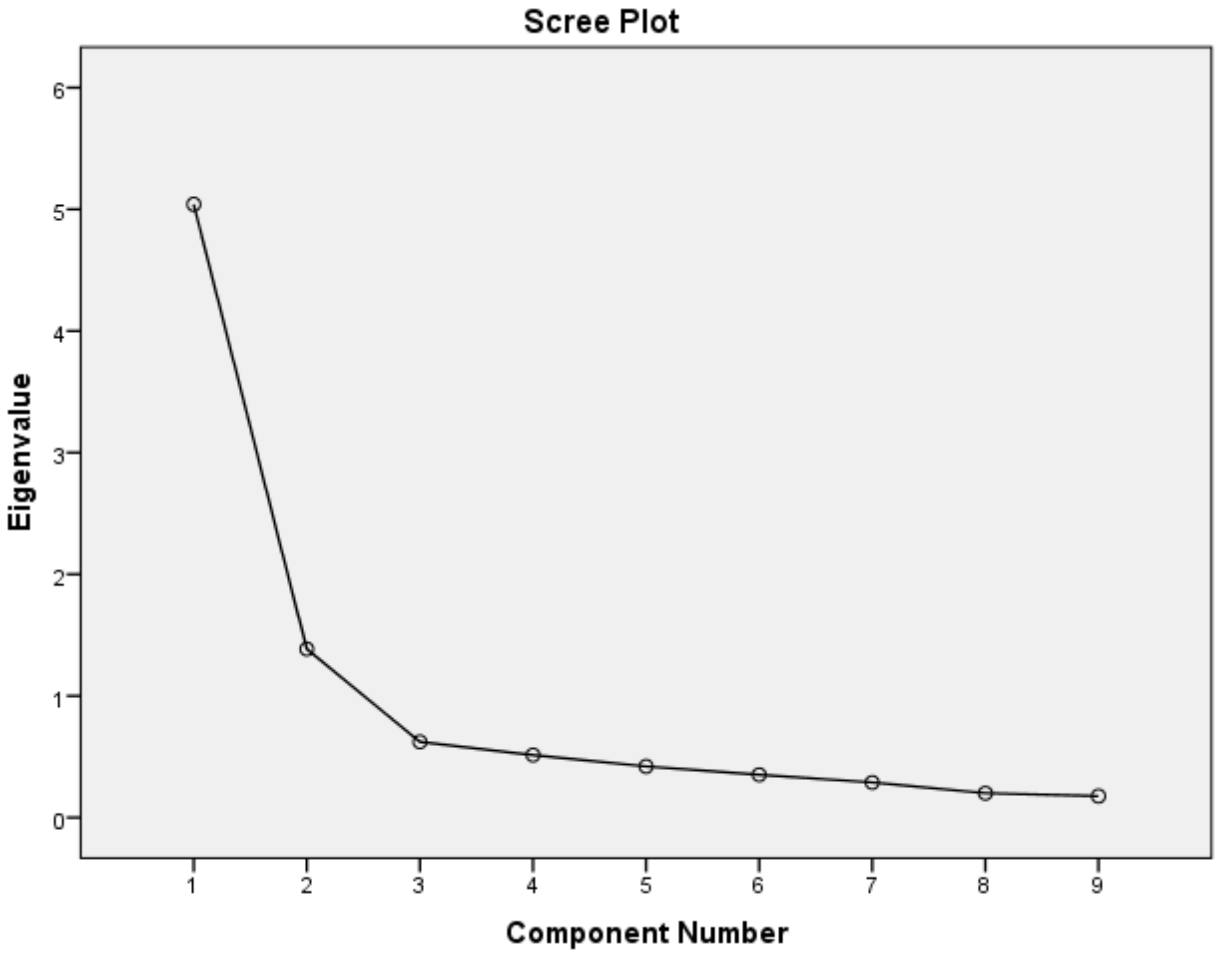
Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.609	.619	7

Appendix VIII – Scree Plots

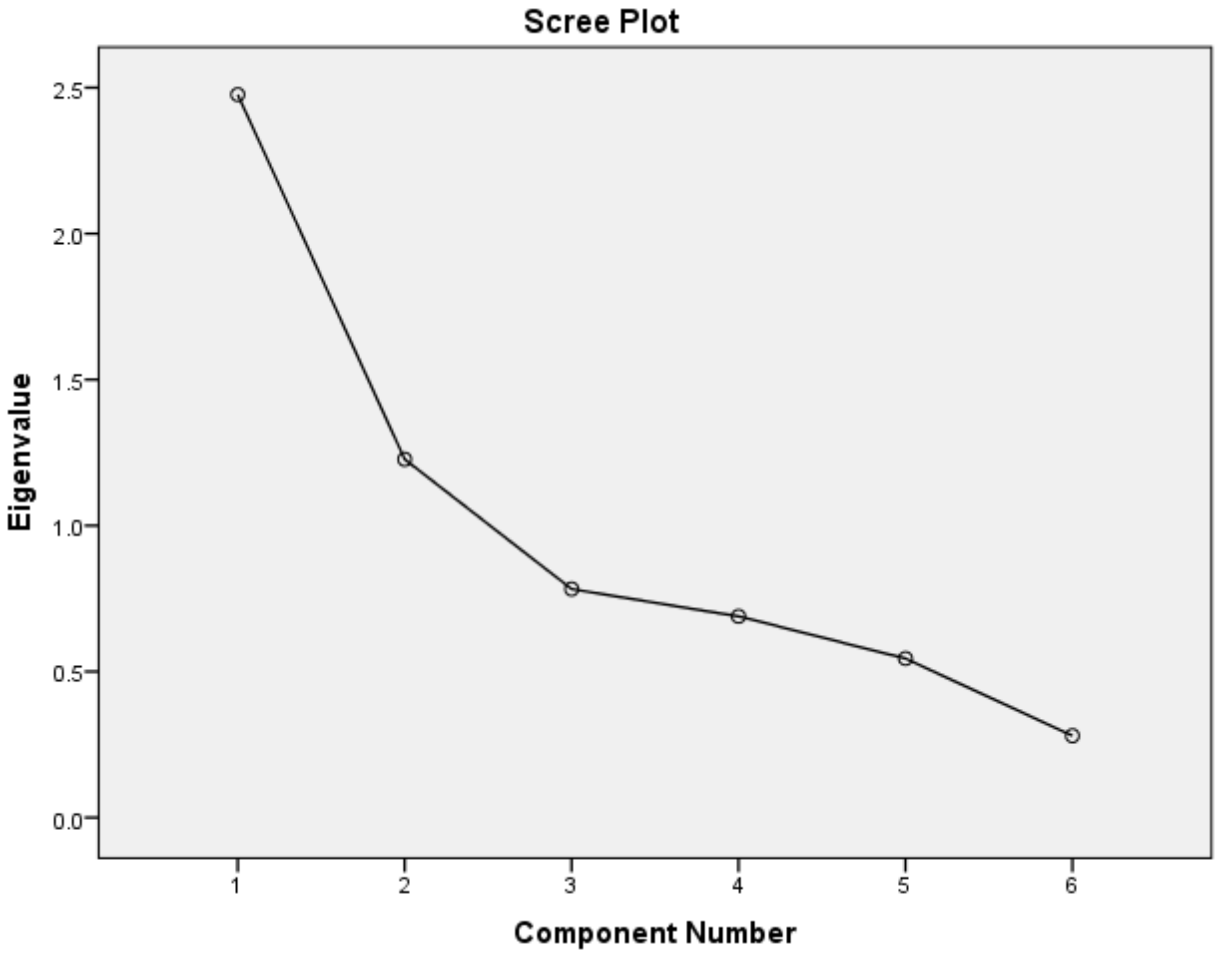
Formalization



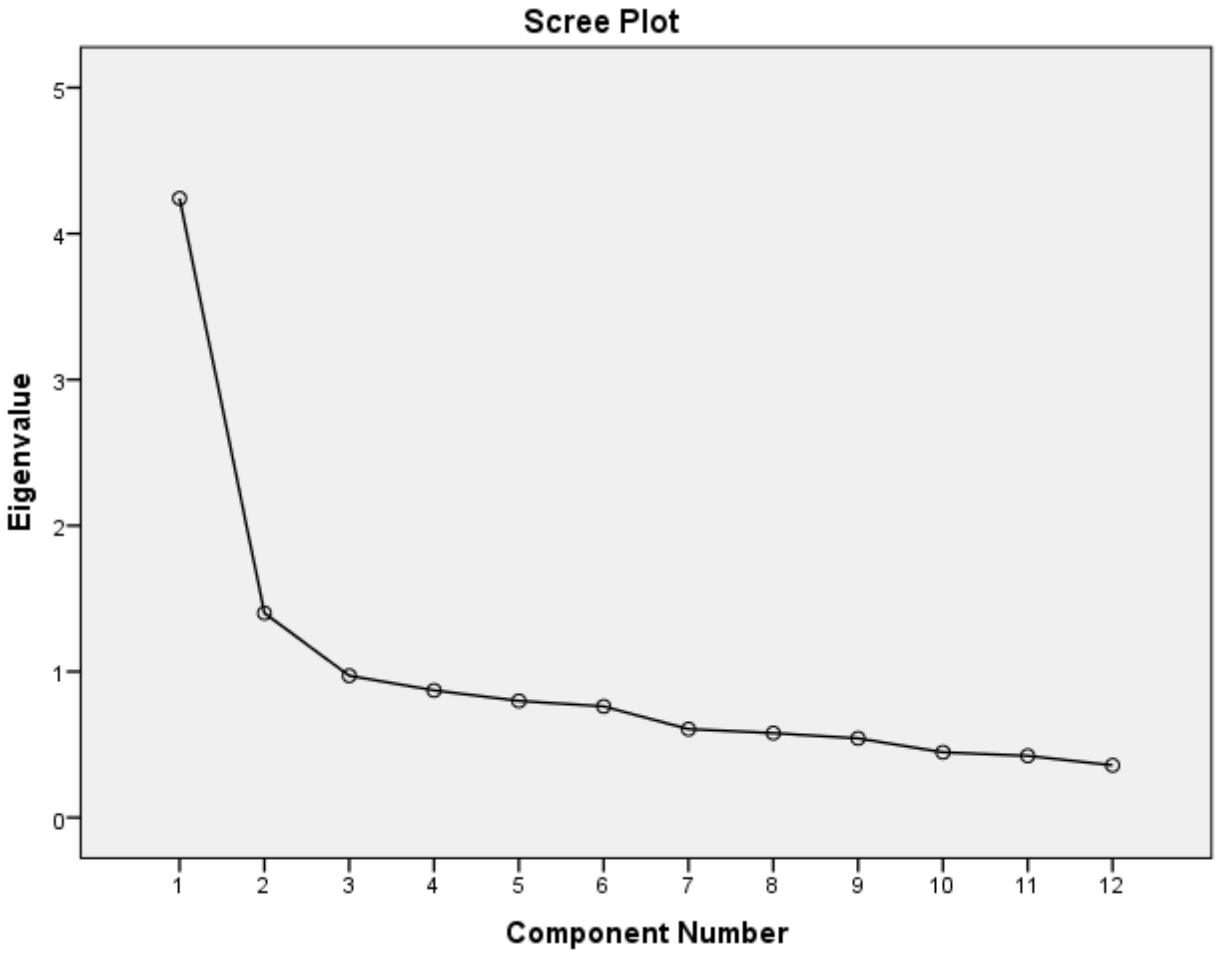
Centralization



Job Stress


Scree Plot
Eigenvalue
2.5
2.0
1.5
1.0
0.5
0.0
1
2
3
4
5
6
Component Number

Employee Efficiency



Appendix IX – Pearson's Product-Moment Correlation for Study Variable

Variables	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**
Age (1)	(--)							
Sex (2)	0.260**	(--)						
Educational Level (3)	0.277**	-0.053	(--)					
Number of years spent in firm (4)	0.478**	0.154*	0.272**	(--)				
Employee efficiency (5)	0.250**	0.080	0.041	0.153*	(0.82)			
Employee job stress (6)	0.097	0.032	0.028	-0.010	0.320**	(0.60)		
Centralization (7)	-0.138*	-0.147*	-0.071	-0.053	0.064	0.053	(0.90)	
Formalization (8)	0.129	0.107	-0.115	0.075	0.055	-0.203**	-0.207**	(0.61)

**. Correlation is significant at the 0.01 level (2-tailed).

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