



THE PRACTICES AND CHALLENGES OF DESIGNING ORGANIZATIONAL  
STRUCTURE: THE CASE OF TIGIST TADESE IMPORT AND EXPORT COMPANY

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## ACRONYMS

SPSS – Statistical Package for social Science

PLC – Public Limited Company

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## ABSTRACT

*The purpose of this study was to know the practices and challenges of designing organizational structure: the case of Tigist Tadese import and Export Company selected branches. A mixed research method of study was applied to reveal the practices and challenges of designing organizational structure: the case of Tigist Tadese import and Export Company selected branches. The sample population Tigist Tadese import and Export Company selected Head office and selected branch and worker by using purposive sampling techniques. In this study, both primary and secondary sources of data were used. The primary sources were Tigist Tadese import and Export Company managers and workers at head office and selected branches. Secondary sources such as working policy and procedure of the company, company directives, and management directives of the company issued at various times like management and other relevant data's to aid the researcher. As far as, data collection instruments (questionnaire, interview and document analysis) were adapted. Out of these respondents, 191 employees filled in the questionnaires. The rate of return of questionnaire was 90.09%. And interview was conducted at Tigist Tadese import and Export Company managers and workers. The data gathered were analyzed using such statistical tools as percentage, frequency, mean, and standard deviation. The result of the study showed that because of the company weak organizational structure the top level management and the employees haven't a good relationship. Due to this projects are delayed, there is an information gaps, the employees aren't responsible for additional tasks and they aren't harmonies. Hence, the researcher recommended that the management level should have to plan the future by considering the past to build an organizational structure. And to redesign the structure, the management who designs the existing organizational structure should have awareness or have a proper training on how to design an organizational structure in consideration of how to achieve the strategic objective goal by creating a smooth working environment for the employees.*

**Key words:** Practice, Challenges and Strategic objective

## CHAPTER ONE

### INTRODUCTION

In this chapter the background of the study, the problem identified with regard to the practices and challenges of designing organizational structure, the major research questions and the objectives the study tries to address are presented. Furthermore it contains the scope, limitation and significance of the study. Lastly the organization of the chapters to follow is presented.

#### 1.1. Background of the Study

Organization structure is a setup or a framework which determines the hierarchy of people, its activity function, workflow, and the reporting system in an organization. The organization structure is an enterprise environmental factor that plays an important role in guiding the ways in which we humans behave and our organization runs its operations the existence of a business organization is to achieve goals and objectives. The goals and objectives business organizations set to achieve determines how they managers allocate task to employees. The allocated jobs are usually grouped in to departments.

Opine that department in organizations can be categorized in to various units such as manufacturing, sales, marketing, advertising and so on. They added those departments are connected to shape the organizational structure. (Nelson and quick, 2011)

An organizational structure divides the entire organization in to distinct parts, functions and defines the relationships among the various teams. The organizational structure defines who has responsible for what role as well as documenting the reporting lines within the organization. The organizational structure defines the chain of command and resources accountability. Designing the structure of an organization goes beyond the definition of the relationship among the parts, but also shows the resource and systems needed to support performance within the organization. The appropriate structure should therefore facilitate proper coordination's of organizational processes to achieve the set goal of the organization. (Mansoor, Aslam, Barbu and carusneanu, 2012).

Tigist Tadese import and Export Company is working on importing solar lantern and export coffee. This company more focuses on importing solar products to introduce a new technology for the societies. In order to maximize the profit the company has to expand its business by improving upon its processes, select new areas to distribute, and introduce a new technology.

Tigist Tadese is a medium company with a complex structure. There are about seven departments ranging. Even though there is projects, distribution's etc. all these are handled by the General Manager not the engaged department. Hence the study will investigate how the organizational structure of Tigist Tadese Import and Export impacts on the employee's performance, because an appropriate structure is contingent upon both the type of work to be performed as well as the environment in which the organization conducts business (Bolman& Deal, 1997). The study Sough, to evaluate the practices and challenges of designing organizational structure of Tigist Tadese Import and Export Company.

## 1.2. Statement of the Problem

Managers who set out to design an organization structure face difficult decisions. They must choose among alternatives frameworks of jobs and departments. The issues of organizational structure have attracted the attention of managers in organizational behavior and have equally elicited wide research, discussion, argument and findings. Organizations have goals and objectives to achieve and this is the only realizable within an existing framework of the organizational structure. This research sought to establish how the organizational structure that a company embraces affects its overall activity.

Organizations' ability to pursue its objectives rests upon its efficient decision-making processes, level of employees' motivation, organizational learning and the availability of efficient information exchange systems within the organization. The resulting efficiency will be construed to largely depend on the design and functioning of the organizational structure that is in play at any given time within an organization (Wenxiao, Yicheng, Yunju and Lijie, 2016).

The Company is challenging in designing organizational structure. It's because of lack of knowledge about how to design organizational structure and how to achieve the Strategic business goal. Due to that employees don't take responsibility and risks and it's very unclear who is responsible for what and who is supposed to report to whom. Finally there is no evaluation on recently used organization structure to know the gap.

Due to these challenges the study intends to investigate the Practices and challenges designing of organizational structure in this company.

Many organizational flaws can be related to an inappropriate structure chosen in order to reach a desired goal. An appropriate structure is contingent upon both the type of work to be performed as well as the environment in which the organization conducts business (Bolman& Deal, 1997).

Therefore, by studying the practices and challenges of designing organizational structure, it is possible to have the right designed organizational structure. This however requires understanding of currently existing organizational structure. It is, therefore, necessary to access the practices and the challenges of designing organizational structure in this company.

### 1.3. Research Questions

Based on the above stated problem the researcher was tried to address the following questions

1. How does organizational structure linked with the strategic objective of the company?
2. How the company practices current designed organizational structure?
3. What are the main challenges in designing organizational structure in the company?

### 1.4. Objectives of the study

The study has general and specific objectives described as follow

#### 1.4.1. General Objective

The general objective of the study is to assess the practices and challenges of designing organizational structure in Tigist Tadese Import and Export Company.

#### 1.4.2. Specific Objectives

The following are the specific objectives of the organizational structure.

1. To determine the basis of practicing organizational structure in the Company.
2. To measure the designed organizational structure of the Company.
3. To assess the strategic objective of this company.

### 1.5. Significance of the Study

The research findings are significant for the company in general and for increase the company productivity. The research was carried out to help in the following areas. It assists management in understanding the current organizational structure and the gap in order to maximize their services.

## 1.6. Definition of Key Terms

For the better understanding of this study, the following terms are defined in the context of this research.

Organizational Structure is a system that outlines how certain activities are directed in order to achieve the goals of an organization. These activities can include rules, roles, and responsibilities.

Organizational Structure Design the process by which managers defines organizational structure and culture so that the organization can achieve its goals.

## 1.7. Scope of the study

### Conceptual Focus

Although organizational structure is influenced by several factors, the focusing here is on the determinant factors such as span of control, work specialization, chain of command, formalization, departmentalization and centralization and decentralization.

### Geographical Focus

Geographically, this study was limited on Tigist Tadese Import and Export Company Head office, located in Addis Ababa city and specific other branches located only in Amhara Region.

### Methodological Focus

This research adopts descriptive with qualitative and quantitative approaches for collecting and analyzing the data.

### Time Frame

This research was carried out during the 2021 budget year.

## 1.8. Limitation of the Study

There were some issues during the time of this study, which are listed below: -The time was during the Covid 19 epidemic to give questionnaires face to face for the employees of the company and the research was not focus on all branches of the import/export plc in the country.

### 1.9. Organization of the Study

This research paper consists five chapters. The first chapter includes background of the study, statement of the problem, research questions, objective of the study, significant of the study, scope of the study, and organization of the study. The second chapter covers the review of related literatures. The third chapter is all about research design and methodology of the study. Results and discussion are discussed under chapter four. The last chapter is about summary of major findings, conclusions and recommendations.

## CHAPTER TWO

### REVIEW OF RELATED LITERATURE

In this chapter empirical and theoretical and concepts of organizational structure, model of organizational structure, determinant factors of designing organizational structure, challenges of designing organizational structure and conceptual framework are included in detail.

#### 2.1.Theoretical Literature

##### 2.1.1. Organizational structure

Organizational structure defines how individuals and groups are organized or how their tasks are divided and coordinated (Mintzberg, 1983). In this changing world, companies have had to learn how to formulate and implement their strategies through projects and organizational Structures in order to successfully face threats and opportunities.

The organizational structure also determines how information flows between levels within the company. Businesses of all shapes and sizes use organizational structures heavily. They define a specific hierarchy within an organization. A successful organizational structure defines each employee's job and how it fits within the overall system. Put simply, the organizational structure lays out who does what so the company can meet its objectives.

This structuring provides a company with a visual representation of how it is shaped and how it can best move forward in achieving its goals. Organizational structures are normally illustrated in some sort of chart or diagram like a pyramid, where the most powerful members of the organization sit at the top, while those with the least amount of power are at the bottom.

Not having a formal structure in place may prove difficult for certain organizations. For instance, employees may have difficulty knowing to whom they should report. That can lead to uncertainty as to who is responsible for what in the organization.

Having a structure in place can help with efficiency and provide clarity for everyone at every level. That also means each and every department can be more productive, as they are likely to be more focused on energy and time. (Lawrence, and Lorsch, 1967).



An organizational structure is either centralized or decentralized. Traditionally, organizations have been structured with centralized leadership and a defined chain of command. The military is an organization famous for its highly centralized structure, with a long and specific hierarchy of superiors and subordinates.

There has been a rise in decentralized organizations, as is the case with many technology startups. This allows companies to remain fast, agile, and adaptable, with almost every employee receiving a high level of personal agency.

Establishing a company's organizational structure depends on a number of factors, including the size of the company, field of activity, consumer's demands, existing resource potential, etc. In addition to analyzing these factors the major principles of the organization design should be observed, with the following ones being outstanding: division of labor (Khomeiriki, 2008), departmentalization, chain of command, centralization /decentralization, span of management, degree of formality (Robbins, 2014). Work specialization (also called work division) must guarantee the division of the whole work into smaller portions by the company. It must be done in two directions: horizontal (sequence of works) and vertical (in hierarchical stages). Every employee must accomplish a certain portion of work. In order to coordinate the assigned tasks of the organization, the jobs and employees must be united as sub-divisions, departments or sectors by means of departmentalization in management. The tasks assigned to the structural units must be grouped according to their concrete functions (marketing, manufacturing, etc.), or product or geographical area. Following its choice, the company chooses between the functional, divisional or matrix departmentalization. In order to determine the associations, mutual subordination and sequence of the tasks and subsequently of the employees at the organization, an authority line or chain of command is needed. As it is known, authority is associated with a post in the company; it is distributed vertically, from top down and is the formal and fair right of the company employees to issue decrees to achieve the organizational goals and make decisions. The highest-level authority is given to top-managers. In managing the organizations, sometimes the top-managers delegate their authorities to the lower-level managers. Identifying the degree of delegation of organizational authorities is associated with the principle of centralization/decentralization. Small portions of authorities are delegated at the organizations with high degree of centralization, and vice versa, large portions of authorities are delegated at the organizations with high degree of decentralization. Decentralization is more acceptable for

modern companies, as in this case decisions are made not only in the top-managers offices, and employee's engagement is higher. When creating any structure, it is important to choose an optimal span of Control (Daft, 2012). This means fixing the number of employees under a single management. The choice of the span of management depends on the peculiarities of the assigned tasks. The less the span of management, the less the number of the employees under a single management and consequently, the more the number of tiers and hierarchy levels, and vice versa the more the span of management, the more the number of the employees under a single management and consequently, the less the number of tiers and hierarchy levels. At the company where the manager wishes to establish close relation with his subordinates the managerial standard must not be high. As the traditional view suggests, the standard is 7 to 10 employees being subordinate to one manager. When establishing an organizational structure, it is important for the company to identify the degree of formalization or the number of procedures, rules and regulations (Robbins, 2014). The more formalized the company is the less the misunderstandings and ambiguities are however; on the other hand a homogenous behavior of the company employees in concrete cases reduces the motivation and job satisfaction. In addition, high degree of formalization reduces innovations and prevents the companies from acting in response to the consumers' demands. Creating a flexible and transformable organizational structure adapted to the external changes needs consecutive steps, which can be simply formulated as follows:

Step one. This step means identification of jobs following the kind of the company activity and its classification depending on different signs, such as priority, functional homogeneity, etc (Chokheli, 2013).

Step two. This step shows the unification of tasks and their grouping into structural units (departments, sub-divisions, etc.).

Step three. This step covers the distribution of authorities, identification of responsibilities and development of detailed documentation. At this stage, each individual has a clear understanding of which he/she receives the tasks from, to whom he is accountable and kind of actions he may be made responsible for. After taking all three steps, the organizational structure must be formulated and all employees must be informed about their functions in the structural units of the company (Boddy, 2012).

### 2.1.2. Models of Structure

Mintzberg defines the organizational structure as; "...the sum of total in which its labor is divided into distinct tasks and then its coordination is achieved among these tasks." There is no such thing as a best organizational structure. One needs to carefully consider the reason for why the organization is there and Mintzberg (1983) means that the structure should be selected to achieve an internal harmony, as well as alignment with the organization's situation (Hatch, 2006; Mintzberg, 1983). By looking this, there are different aspects to constitute organizational structure. We will now look into two extreme organizational types.

#### 2.1.2.1.Mechanic Structure

A mechanistic structure, also known as a bureaucratic structure, describes an organizational structure that is based on a formal, centralized network. The mechanistic structure is best suited for companies that operate in a stable and certain environment. In general, a mechanistic structure is easy to maintain and rarely needs to be changed when an organization operates in a stable environment.

In mechanistic organizations, authority reflects a well-defined hierarchy where top-level managers make the majority of the decisions. Because the environment is relatively stable, complex decision-making processes that involve multiple parties are not required. Subordinates are expected to follow the directions of management and not question their rationale. Communication, much like decisions, also flows through hierarchical routes, or from the top down. In mechanistic organizations, it is typical for each person to be assigned one task that is relatively stable and easy to control. As a result of the stability of tasks, there tends to be low integration between functional areas or departments in organizations that use a mechanistic structure. There are of course differences to the extent an organization is mechanical, where the extreme mechanical structure can be said to have an obsession for control. Where the aim is to reduce all possible uncertainty to create a smooth going machine where informal communication between employees at lower levels preferably is avoided (Mintzberg, 1983).

#### 2.1.2.2.Organic Structure

Organic structures are used in organizations that face unstable and dynamic environments and need to quickly adapt to change. When an environment changes, an organization must be able to gather, process, and disseminate information very quickly. Failure to do so can directly affect an organization's ability to maintain its competitive advantage. Communication is lateral and rapid in these complex environments. To achieve this, organization that use an organic structure will

integrate functional area and department together so that information can flow seamlessly between them. The drawback of organic structure is that there is a risk that the teams become too autonomous and creates their own goals deviating from the ones of the larger organization (Granström, 1999).

### 2.1.3. Different types of organizational structures

The organization theorists consider mostly two types of structures: Physical and social structures. Physical structure refers to the relations between physical elements of organizations as buildings and geographical places in which the works are done (business). In organization theory, social structure refers to the relations between social elements as people, positions and organizational units (e.g. departments and sectors).

#### Different types of social structures

**Simple structure:** This is a set of flexible relations and due to limited separation, it has low complexity. The members of such organization can design organization chart with focusing on leaders and there is no need to formality. Considering the duties or management order is done by mutual agreement and coordination and supervision are direct and informal.

**Functional structure:** The organization with increased complexity is managed based on simple structure. Normally, functional structure is used as a tool to fulfill the increasing needs of separation. This is called function as in this structure; the activities are classified based on logical similarity of work functions. The functions that are created based on dependent duties and shared goals. In functional structure, re-work of activities is limited and this structure is efficient. The aim of this plan is maximizing saving of specialization scale.

**Multidivisional structure:** In organizational development path, if functional structure is developed, it is turned into multidivisional structure as a tool to reduce the decisions responsibility by top manager. Multidivisional structure is a set of separate functional structures reporting a central center. Each functional structure is responsible for management of daily operation. The central staff is responsible for supervision and management of organization relation with environment and strategy.

**Matrix structure:** This structure is created with the aim of creating a type of structure composed of functional and multidivisional structures. The aim of matrix structure is combining the efficiency of functional structure with flexibility and sensitivity of multidivisional structure not

only based on product logic, customer or geographical region, but also based on functional logic in multidivisional structure. In matrix organization, functional specialized employees work in one or some project teams. This delegation of activities to employees is done via negotiation between functional and project managers and sometimes with the presence of people of teams or potential members.

Network structure: The networks are formed when the organizations are faced with rapid changes of technology, short life cycles of product and dispersed and specialized markets. In a network, required assets are distributed among some network partners as there is no unified organization in a network to generate the products or services and the network is producer or supplier. In a network structure, the partners are associated via customer supplier relations and a type of free market system is created. It means that the goods are traded among network partners as in a free market, they are traded (Jo. hatch, Translated by Danayifard, 2014).

### Structural forms

Structural forms are divided into theoretical and practical. Theoretical forms are generic and abstract divided into organic and mechanistic. Content variables (goals and strategy, environment, technology and size) determine the type of mechanistic and organic structure of the combination of structural variables, organic or mechanistic form is created.

Different types of practical organizational structures are organic and mechanistic structures in a range and include partial and practical structures. The practical structures are divided into two groups:

- 1- Different types of practical structures based on five sections of organization.
- 2- Different types of practical structures based on grouping the activities of organization.

Different types of practical structures based on five sections of organization, Mintzberg believes that each organization is composed of five main sections:

- The operative core is the workers who actually carry out the organization's tasks (goods or services).
- The strategic apex is top management and its support staff.
- The middle line is the managers between operating core and top management of organization.

- The techno structure is analysts, with the duties of standards in organization.
- The support staff is the people who have support staff duty and help in linking with organization activities.

Each of five principles can control the organization. Based on the principle controlling the organization, the organization structure is designed specifically (based on this principle). Thus, based on the view of Mintzberg, there are five types of organization structures and each of them belongs to the principle in organization (Rabbinz, translated by Parsian and Arabi, 2012).

#### 2.1.4. Organization Design

A complex organization is an open social action system consisting of multi-forms of structures and processes. The cyclic repetitive process converts input resources to value added output resources by definite methods/measures. The value of the product/service depends on mainly two facts: a.) development of the structured process with specified predictable patterns is concerned with organization design which should minimize the variability of the output level. b.) Assessment of the environment in which they operate, determines the strategic choices to be made. Those strategies must “fit” the specific environment. So the process should be configured properly to cope with environmental differences (Andrew H. van de Ven, 1976).

To address the first issue we have to define organization in its design perspective: “An organization is defined as a system of interrelated behavior of people who are performing a task that has been differentiated in to several distinct subsystems, each subsystem performing a portion of task, and the efforts of each being integrated to achieve effective performance of the system.” (Lawrence, and Lorsch, 1967).

The second issue indicates the compatibility of organization design with the environment: “In varying degrees all organizations are dependent upon their environment for survival. The environment is defined as the organizations and associates in the factor markets that supply an organization with its input resources and the organizations and associates in the product markets that obtain the output products or services from an organization. Uncertainty in the environment in every aspect of situation considers internal and external as well as social, economic and environmental factors etc.” (Andrew H. van de Ven, 1976).

Organization design research must compare the efficacy of organizational structures and developmental processes, and organization designers must create methods for implementing

effective structures and processes. Organization design has been a central topic in management research. The research indicates that organization design is a dynamic culture and the objective is to develop an effective organization that is both time and environment specific. Completeness of the design can only be possible by the pre specification of the problem, the identification of pre-fixed alternatives and choosing of the best alternatives. For such a scientific approach, there needs to be a clear and stable boundary between the organization being designed and the context for which it is being designed.

#### 2.1.5. Determinant Factors of Designing Organizational Structure

Work specialization: sometimes called a division of labor, refers to the degree to which an organization divides individual tasks into separate jobs. It allows the manager to take complex tasks and break them down into smaller, more precise tasks that individual workers can complete. (<https://www.quora.com>)

Chain of command: is an organizational structure that documents how each member of a company reports to one another. At the top of the chart would be the founder, owner or CEO, and the people who report to them would appear directly below. This pattern continues until every person or level of employment at the organization is accounted for. This hierarchy changes over time as employees join and leave.

A chain of command exists to distribute power and responsibilities, keep employees aware of company news and create a system for sharing knowledge. It also ensures each employee is responsible for their own work but also has a more senior leader to offer support, encouragement and motivation.

Span of Control: This is crucial information for managers since they need to understand which the resources available from a human resources standpoint are. A hierarchical organizational structure normally has well defined boundaries that allow the manager to fully understand who part of his team is.

Nevertheless, when job positions are not properly designed, a confusing situation might emerge where a person has two or more bosses. This is important to avoid since it creates conflicts within the structure and guidelines become unclear for the subordinate. A clear definition of the span of control allows the manager to plan, organize and divide the work load among his team

according to his work method, assigning each team member the duties he thinks they are capable to handle, according to their skills, knowledge and academic background.

**Formalization:** The formalized organizational structure focuses on roles and positions rather than the people in the positions. Formalization is the process of creating a formalized structure and includes the maintenance of that formal structure over time. Formalization of an organizational structure is commonly initiated in an attempt to rationalize the decision-making process. The formalized organization is critical for the organization in which issues are known and changes are implemented slowly and purposefully.

**Departmentalization:** Departmentalization means grouping activities and people into departments, making it possible to expand organizations, at least in theory, to an indefinite degree.

Departmentalization refers to the formal structure of the organization, composed of various departments and managerial positions and their relationships with each other.

As an organization grows, its departments grow and more sub-units are created, which in turn add more levels of management.

**Centralization and Decentralization:** centralization is said to be a process where the concentration of decision making is in a few hands. All the important decision and actions at the lower level, all subjects and actions at the lower level are subject to the approval of top management.

Decentralization is a systematic delegation of authority at all levels of management and in all of the organization. In a decentralization concern, authority is retained by the top management for taking major decisions and framing policies concerning the whole concern. Rest of the authority may be delegated to the middle level and lower level of management. (<https://www.quora.com/>)

#### 2.1.6. Challenges of Designing Organizational Structure

There are a number of challenges for organizational designers that must be overcome when they are attempting to identify and implement the most effective structure for a particular organization.



### 2.1.6.1.Tall versus Flat Organizational Structure

Large, complex organizations often require a taller hierarchy. In its simplest form, a tall structure results in one long chain of command similar to the military. As an organization grows, the number of management levels increases and the structure grows taller. In a tall structure, managers form many ranks and each has a small area of control.

Although tall structures have more management levels than flat structures, there is no definitive number that draws a line between the two

Flat structures have fewer management levels, with each level controlling a broad area or group. Flat organizations focus on empowering employees rather than adhering to the chain of command. By encouraging autonomy and self-direction, flat structures attempt to tap into employees' creative talents and to solve problems by collaboration.

### 2.1.6.2.Horizontal and Vertical Differentiation

The processes of differentiation determine the relationships between employees and managers. Vertical differentiation, which refers to the location of decision-making responsibilities within a structure that is, centralization or decentralization and also to the number of layers in a hierarchy that is, whether the organizational structure is tall or flat.

Horizontal differentiation occurs as employees and managers receive their assignments for various business tasks.

The designer challenges relating to differentiation actually begins to arise when the activities of the organization get to the point where the founders become overloaded and there is a need for them to focus primarily on their core competencies.

### 2.1.6.3.Centralized organization vs. Decentralized organization

There are arguments for both centralization and decentralization. Centralization is the concentration of decision-making authority at a high level in a management hierarchy. Decentralization vests decision-making authority in lower-level managers or other employees.

Arguments for Centralization: There are four main arguments for centralization.

First, centralization can facilitate coordination. Consider a firm that manufactures components in California and performs final assembly in Seattle. These activities may need to be coordinated to

ensure a smooth flow of components to the assembly operation. This might be achieved by centralizing production scheduling at the firm's head office.

Second, centralization can help ensure that decisions are consistent with organizational objectives. When decisions are decentralized to lower-level managers, those managers may make decisions at variance with top managers' goals. Centralization of important decisions minimizes the chance of this occurring.

Third, centralization can avoid duplication of activities by various subunits within the organization.

Fourth, by concentrating power and authority in one individual or a management team, centralization can give top-level managers the means to bring about needed major organizational changes. Often firms seeking to transform their organizations centralize power and authority in a key individual (or group) that then sets the new strategic direction for the firm and redraws organization architecture.

**Arguments for Decentralization** There are five main arguments for decentralization.

First, top management can become overburdened when decision-making authority is centralized. Centralization increases the amount of information senior managers has to process. As a result of information overload, managers might suffer the constraints imposed by bounded rationality.

Decentralization gives top management time to focus on critical issues by delegating more routine issues to lower-level managers and reducing the amount of information top managers have to process, making them less vulnerable to cognitive biases.

Second, motivational research favors decentralization. Behavioral scientists have long argued that people are willing to give more to their jobs when they have a greater degree of individual freedom and control over their work.

Third, decentralization permits greater flexibility—more rapid response to environmental changes. In a centralized firm the need to refer decisions up the hierarchy for approval can significantly slow decision making and inhibit the ability of the firm to adapt to rapid environmental changes.

Fourth, decentralization can result in better decisions. In a decentralized structure, decisions are made closer to the spot by individuals who (presumably) have better information than managers several levels up a hierarchy.

Fifth, decentralization can increase control. Decentralization can establish relatively autonomous, self-contained subunits within an organization. (Robbins, 2014)

#### 2.1.6.4. Standardize and Mutual Adjustment

When the organization seeks to standardize it is attempting to remove variations and irregularities in the way that particular situations are handled so that there is conformity and predictability in the way that the situation is handled each time it occurs. The purpose of standardization or formalization is to make a person in an organization independent, whereby the interaction between the individuals in the organization is minimum. The people work on the basis of rules, procedures, systems, guidelines and policies. If the degree of such specialization is very high a person can supervise more number of people. In other words, it affects the span of control favorably. With specialization, the delegation of work and its control has become easier. Where standardization is not possible owing to the nature of business, the risk in business and decision making complexity span of control is reduced as the number of people handle similar range of operations.

The level of standardize can have a direct impact on the form and operation of the organizational structure. Since the use of standardize techniques to ensure that employees perform their tasks, and respond to certain situations, in a predictable manner allows the designer to expand managerial span of control and slow the tendency toward more and more hierarchical level of authority.

#### 2.1.6.5. Informal Organizational Structure

Informal organizational structure includes personal relations, relations and interactions of people in the organization that are created naturally, informally and unofficially. They take place in an informal way outside the framework of formal organizational structure, respectively; the informal organizational structure crosses it horizontally, vertically and diagonally.

Informal organizational structure in practice: A number of activities and relationships, especially informal communication and knowledge diffusion, go on through informal, rather than formal organizational structure.

## 2.2. Empirical Review

The purpose of this form is to examine similar studies that are conducted by other researchers. An empirical literature review is which reports research based on actual observations or experiments.

The purpose of this study is to show about practices and challenges in designing organizational structure.

Many researchers are written on the practices and challenges of designing organizational structure. Organizational structure is a mandatory at any level of organization. In developed country they are used the right designed organizational structure because of they are used consulting office to have better structure. In our country most of the organizations are more traditional and not use the designed organization that's why it causes problems.

This research is basically indicated on the use of to having the right designed organizational structure.

### 2.3. Conceptual Framework

Based on the practice and challenges of designing organizational structure, this conceptual framework is developed.

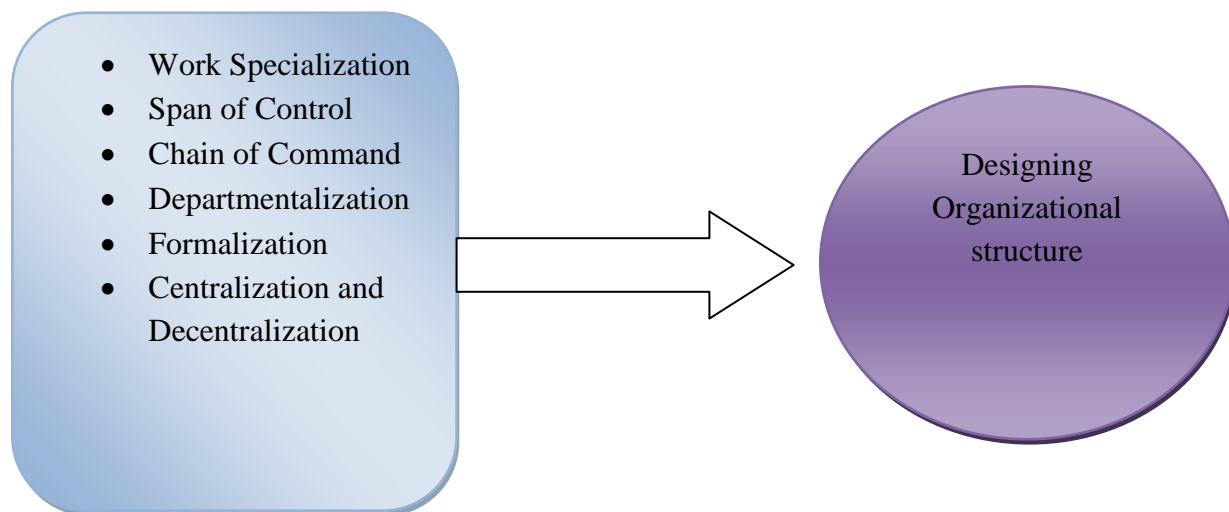


Figure 2.1. Conceptual Frame of the Study

## CHAPTER THREE

### RESEARCH DESIGN AND METHODOLOGY

This chapter deals with the methodology considered to meet the objectives of the study that comprises the approach of research followed that fits the intended purpose. In addition, covers the target population and sample size, sampling techniques, methods of data collection and analysis techniques applied in the study.

#### 3.1. Research Design and Approaches

According to Cooper and Schindler (2014) the research design is a plan that guides on the time, scope of the study whilst also giving a practical guideline of the activities that is implemented in the research process with a view of answering the research questions to satisfy the objectives of the study. Furthermore, the research design provided a clear direction on how to select the appropriate sources and types of information that is necessary to understand the relationship between organizations structures and the resulting performance of outcomes.

The research design use for this study is descriptive in nature and applied the use of the appropriate qualitative and quantitative analysis techniques to establish the causal relationship of organizational structure's dimensions; namely speed and quality of decision making processes, organizational learning and efficiency of the information exchange systems on organizational. Descriptive studies are often designed to collect data that describe the characteristics of the populations under the scope of the research topic through carefully selected representative samples. The choice of this design is because it is best suited to get the kind of data needed to measure the outcomes of organizational structural changes within an organization guided by the research questions.

To achieve the objectives of this research study, the sample respondents for this study is drawn from the employees of Tigist Tadesse Import and Export Company.

## 3.2. Target Population and Sampling Design

### 3.2.1. Target Population

A research population is the sum of all the elements about which the researcher intends to make assumptions (Bryman & Bell, 2011). The target population in this study comprises the current employees of the TigistTadese Import and Export Company. The current employees are sources of information to measure the Practice and Challenges of designing organizational structure. As per the recent official document of the company, there are 450 employees of in this company.

### 3.2.2. Sampling Design

#### 3.2.2.1. Sampling Frame

According to Cooper and Schindler (2014), a sampling frame is a list of elements from which the sample is drawn and closely related to the population. The sampling frame will be drawn from the full time employees of Tigist Tadese Import and Export.

This sampling frame chosen because it provided accurate and relevant responses for the attainment of the research study's objectives. This is because they had the visibility and have first-hand experience of the practices and challenges of designing organizational structural in the company. The sample frame intentionally excluded temporary short term employees in the company since by the nature of their engagement with the rest of the organization working.

#### 3.2.2.2. Sampling Technique

A sampling technique refers to the method that is used to select the members of a sample for the research study (Cooper & Schindler, 2014). The members of the sample can be selected using either probability or non-probability procedures.

#### 3.2.2.3. Sample Size

Ligthelm and Van (2005) described the sample size as a smaller sub set of the larger population. The sample size is the smaller representation of the entire population under consideration for a study and which should characteristically resemble or reflect the entire populations by generating generalize conclusions. This study identifies a good sample that could provide an accurate and precise representation of the population's perspectives on the practices and challenges of designing organizational structural alignment on the performance using guiding principles as enunciated by Cooper and Schindler (2014). Research generality is highly affected by sample

size. Hence, determining the number of representative sample size is a pivotal concern of every researcher to a given population. The following sample size determination formula, by Yamane (1967) formula developed for sampling size, using 95% confidence level with 5% margin error, target population 450 the sample size was 212.

$$n = \frac{N}{1 + Ne^2}$$

Where n is the sample size,

N: is the population size, and

e: is the sampling error = ( 0.05)

$$n = \frac{450}{1 + 450(0.05)^2} = 212$$

Table 3.1.Study sample

Department	Total Number	Sample Proportion	Sample Size
Human Resource	15	15*212/450	7.06
Finance	70	70*212/450	32.97
Marketing	200	200*212/450	94.2
Planning and Business Development	10	10*212/450	4.71
Supply and Logistic	120	120*212/450	56.53
Export	20	20*212/450	9.42
Information Technology	15	15*212/450	7.06
<b>Total</b>	<b>450</b>		<b>212</b>

### 3.3.Source of Data

#### ❖ Primary Data

This source provides data which was original and might have not been used before. The questionnaire and interviews were used as the principal source of data gathering.

## Questionnaire

Questionnaire constitutes a very important instrument of data collection. With this study, the questionnaire was contained close ended questions as well as questions which open ended in nature. The questions that are close ended were given a number of alternatives to respondents from which they selected options they considered appropriate. Whereas, the open-ended questions was allowed the respondents to give more relaxed views, perceptions and reflections. The questionnaires for the purpose of this study were distributed to branch and head office level.

## Interview

In undertaking this research, face-to-face with key informants were conducted to gather information from the member of the departments. Furthermore, key informants discussion was held with representatives of employees, middle and top-level managers of the company to get detailed information in regard to the current situation of organizational structure.

### ❖ Secondary Data

Secondary data was collected from working policy and procedure of the company, company directives, management directives of the company issued at various times like management and other relevant data's to aid the researcher. Above, all the secondary data used for the research were textbooks, journals, articles and other online sources.

### 3.4.Data Collection Methods

A structured questionnaire is used to collect quantitative and qualitative data for the purposes of answering the research questions for this study. A structured questionnaire is typically used in large surveys where specific answers are anticipated from the respondents. Closed ended questions would on the other hand typically limit the response from the respondents to predetermined categories; offering the advantage of often being quick and easy to answer as well as to keep the answers within the objective facts that questionnaire aims to collect (Burns & Ryman, 2008).

The primary data will collect through an interview and by utilizing a self-administered questionnaire. The questionnaire items are clearly simplified and structure in a manner void of any ambiguity.



Secondary sources of data in addition to the interview and questionnaire is obtained through the company's website and empirical data from the all department.

The information gathered from the interviews was evaluated after its relevance towards the purpose of the thesis, where the information found needed and beneficial, it is included in the empirical finding.

### 3.5.Procedures of Data Collection

The study uses questionnaire and structured interview to collect primary data from respondents. The form of questionnaire that was used in the study was a close ended questionnaire. Close ended questions has been rated with Likert scale method. Likert scale is "A psychometric response scale primarily used in questionnaires to obtain participants preferences or degree of agreement with a statement or set of statements. Respondents are asked to indicate their level of agreement with a given statement by way of an ordinal scale." A 5-point scale ranging from 1 to 5 in which, 1 "strongly disagree" 2, disagree, 3 neutral, 4 agree and 5 strongly agree"

A total of 212 questionnaires were distributed to the selected employees in person and e-mail. While addressing questioner distribution and collection, reminders were done to respondents and recall them to respond for the questioner since they are busy on daily operations. As a result, 191 was filled and returned back to the researcher. Interviews were also conducted Tigist Tadesse Import and Export Management and Department Heads. The interview was held face to face inside the respondent's office and also other appropriate place for them.

The secondary source of data's was gathered by reviewing related literatures, books and company documents.

### 3.6.Reliability and Validity Test

Before the actual administration of data gathering instruments, the instruments were pilot tested in order to ensure the validity and reliability of the instruments. To do this, the researcher carried out pilot study in Tigist Tadesse Import and Export Company Plc Head office. This is non-sampled. It is commonly used as a measure of the internal consistency or reliability of a psychometric test score for a sample of examinees. It is associated with the degree to which an individual's response or their score on a survey would stay the same over time. Cronbach's alpha is a coefficient of reliability. Thus, the researcher tested the reliability of the items that were developed for respondents. Therefore, as shown on table 3.2 below the reliability of the whole

items is .916, which ensures that the whole items in the questionnaire are reliable and appear to produce internally consistent results. Hence, the researcher first analyzed all fifty-six items from pilot study questionnaire response at alpha 0.05 and the result of the pilot test analysis was 0.916. As Taiwo (1995:11) point out reliability coefficient( $r=0.80-1.00$ ) which interpret as high. Therefore, the result for this analysis is 0.916 which reveals high reliability. Subsequently, based on the information obtained from the feedback of respondents each item was restated as required. After making necessary correction based on reliability analysis result that obtained from pilot study, the researcher distributed the questionnaire for all samples according to schedule prepared.

Table 3.2. Reliability Test of the Items

Cronbach's Alpha	No of Items
.916	56

### 3.7.Data Analysis Methods

Data analysis in a research study is the process of scrutinizing, cleaning, inspecting and modeling the collected data with the objective of identifying outcomes or relationships that can be generalized back to draw inferences about the population under study in line with the specific research questions (Hyndman, 2008).The data collection interview and edits to ensure completeness and validity in line with the research questions in this study. Microsoft excels applications and SPSS which are the principle analytics tools use for this study.

### 3.8.Ethical Considerations

An ethical consideration of confidentiality and privacy was addressed. The researcher tried to clearly inform to the respondents the purpose of the study is for academic purpose. In addition to this, they informed that their participation in the study was based on their consents. The researcher also not personalizes any of the response of the respondents during data presentations, analysis, and interpretation. Finally, all the materials that were used for this research are duly acknowledge.

## CHAPTER FOUR

### DATA ANALYSIS AND INTERPRETATION

Based on the information gathered from the questioner the researcher analyses the data to identify the findings and interpret their meaning. Here the researcher has been reach the step of explaining the real conditions of the organization. The presentation and analyzed data are also interpreted by the researcher.

#### 4.1. Response Rate

To collect the primary data from the respondents, questioners were distributed to 212 employees of Tigist Tadesse Import Export company plc working under the head office and Amhara region. The response rate of the questionnaires is presented on below table.

Table4.1. Response Rate

Response Rate of Respondents		
	Frequency	Percentage
Returned	191	90.09
Unreturned	21	9.91
Total	212	100

Source: own survey, 2021

The questionnaires were distributed to 212 respondents. Out of these, 191 questionnaires were fully filled and returned back to the researcher giving 90.09% response rate. This helps to the researcher the data obtained from the respondents is sufficient to come up with realistic conclusion. The rest 21(9.91%) unreturned from the head office due to the respondents were out of Addis Ababa.

#### 4.2. Demographic Background of Respondents

The first part of the questionnaires was the demographic background of the respondents which was analyzed and interpreted in the following table. In the first part gender, age, educational background, length of services, employee work status, and income level.

Table 4.2. Demographic Background of Respondents

Gender of Respondents	Frequency	percentage
Male	112	58.6%
Female	79	41.4
Total	191	100%
Age of Respondents	Frequency	% age
18-25	42	21.9%
26-35	59	30.8%
36-50	55	28.8%
Above 50	35	18.32%
Total	191	100%
Education background	Frequency	% age
Diploma	73	38.2%
1 <sup>st</sup> Degree	111	58.1%
Masters	7	3.66%
Total	191	100%
length of service	Frequency	% age
3 years	92	48.16%
4-8 years	51	26.70%
9-10years	20	10.47%
Above 10 years	28	14.65%
Total	191	100%
Employee work Status	Frequency	% age
Permanent	183	95.81%
Contract	8	4.19%
Total	191	100%
Salary	Frequency	% age
2,500-5000	73	38.21%
5,001-7,500	51	26.70%
7,501-10,000	49	25.65%
Above 10,000	18	9.42%
Total	191	100%

Source: Own survey Result, 2021

As shown in the above table 4.1 the gender distribution of respondents which is 58.6% of the respondents are male while the rest 41.4% are female. This shows that the number of male employees dominates the number of female employees in the organization. As to the age distribution of the respondents, out of the total respondents 21.9% of the respondents are between the age 18-25; 30.8% of the respondents are found between the age 26 to 35, 28.8% of the respondents are found between the age of 36-50 and 18.32% of the respondents are more than 50 years old. This shows that most employees of this organization are young employees. And as shown in the above only 38.2% of the respondents have a diploma; 58.1% of the respondents have first degree and 3.66% of the respondents have master's degree. Based on this the above data it's possible to say that most employees in the organization are holders of First degree which means most employees are well educated. As to the length of service of respondents within their current organization, out of the total respondents 48.16% of the respondents have served the organization less than three years; 26.70% of the respondents have served the year between 4-8; 10.47% of the respondents have served between the year 9 to 10 and the rest 14.65% of the respondents have served for more than 10 years. As it's shown in the table most employees have worked on the organization for a short period of time. This indicates about how the organizational structure fully challenges the employees. The respondent's employee status shows 95.81% are permanent and the rest is 4.19% contract employees. And as it has been shown in the salary of the respondent in the organization is 38.21% of the respondents earn Birr 2,500-5000; 26.70% of the respondents earn Birr 5001-7,500; 25.65% of the respondents earn Birr 7,501-10,000 and the rest only 9.42% of the respondents earn more than Birr 10,000 a month. As we can see from the analysis most employees are paid within the range of Birr 2,500-7,500 per month.

### 4.3. Analysis of Collected Data

The second part of the questionnaire, respondents were asked the questions which covers respondents view on some aspects of Strategic objective of company, practice and challenges of designing organizational structure. Thus, the mean score analysis and interpretation is shown in the below table.

Table 4.3. Mean Score Interpretation

Mean Score	Interpretation
1.00-1.80	Very Low
1.81-2.60	Low
2.61-3.20	Medium
3.21-4.20	High
4.21-5.00	Very High

Source: Moidunny (2009)

#### 4.3.1. Strategic Objective of the Company

In this section responses obtained on the linkage strategic objective of the company.

Table 4.4. Strategic objective of the company

S/N	Statements	Scale	Frequency	Percent	Mean	Std. Deviation
1	The company encourage employees to participate in the design of the organizational structure	Strongly Disagree	25	13.09	2.56	1.24
		Disagree	110	57.59		
		Neutral	2	1.05		
		Agree	32	16.75		
		Strongly Agree	22	11.52		
		Total	191	100		
2	You fully understood what the company structure is all about	Strongly Disagree	32	16.75	2.52	1.16
		Disagree	89	46.60		
		Neutral	20	10.47		
		Agree	39	20.42		
		Strongly Agree	11	5.76		
		Total	191	100		

3	The company structure is linked with the company business objectives	Strongly Disagree	23	12.04	2.73	1.29
		Disagree	97	50.79		
		Neutral	4	2.09		
		Agree	42	21.99		
		Strongly Agree	25	13.09		
		Total	191	100		
Aggregate Mean		2.60				

Source: Own Survey Result, 2021

Table 4.4. Shows the analysis made on the given to measure the level of agreement of respondents on each statement that used to show the company encourage employees to participate in the design of the organizational structure. Out of 191 respondents 13.09% of respondents strongly disagree and 57.59% of the respondents disagree the rest 1.05%, 16.75% and 11.52% of the respondents were neutral agree and strongly agree respectively. The mean score is 2.56. This indicates that only the managers are involved in the designing organizational structure.

For fully understood what the company structure is all about 16.75% of the respondents strongly disagree, 46.60% of the respondents disagree, 10.47% of the respondents neutral, 20.42% and 5.76% of the respondents agree and strongly agree respectively. The mean is score is 2.52. This implies that the employees are not participating in designing structure. So, the employees of this company have no awareness about the structure.

The company structure is linked with the company business objectives 12.04% of the respondents strongly disagree, 50.79% of the respondents disagree, 2.09% of the respondents neutral, 21.99% of the respondents agree and 13.09% of the respondents strongly agree. The mean score is 2.73. This shows that the designed organizational structure of this company is not link with the company set objectives.

### 4.3.2. Practices of Designing Organizational Structure

In this section responses obtained on the practices of designing organizational structure such as Work Specialization, Span of Control, Chain of Command, Departmentalization, Formalization and Centralization and Decentralization analyzed and discussed as follow.

#### Work Specialization

Table 4.5 Respondents opinion in work specialization

S/N	Statements	Scale	Frequency	Percent	Mean	Std. Deviation
1	Does the organization structure adopts foster efficient individual tasks in to separate jobs	Strongly Disagree	-	-	2.93	1.16
		Disagree	112	58.64		
		Neutral	5	2.62		
		Agree	50	26.18		
		Strongly Agree	24	12.56		
		Total	191	100		
2	Is the designed structure at this company avoid the confusion of division of labor	Strongly Disagree	25	13.09	2.56	1.24
		Disagree	110	57.59		
		Neutral	2	1.05		
		Agree	32	16.75		
		Strongly Agree	22	11.52		
		Total	191	100		
Aggregate Mean			2.74			

Source: Own Survey Result, 2021

Table 4.5 shows the analysis made on the given to measure the level of agreement of respondents on each and individual sentence that used to show the current existing level of work specialization. Out of the total 191 respondents 58.4% of the respondents disagreed the rest 26.18% and 12.56% of the respondents agreed and respond strongly agreed respectively. 2.62% of the respondents were neutral. The mean score is 2.93. This shows that there should be need improvement in this area. This indicates in the organization workplace is organization structure and foster efficient.



Which an organization divides individual tasks into separate jobs. According to the analysis made in the designed structure at this company avoid the confusion of division 13.09% of the respondents strongly disagreed and 57.59% of the respondents disagreed to the premises 1.05% of the respondents were neutral while 16.75% of the respondents agreed and 11.52% of the respondents strongly agreed to it. The mean score 2.56, shows that there is a negative opinion of the respondents; this shows us that the work and responsibility break them down into top level management to smaller.

### Span of Control

Table 4.6 Respondents View in span of control

S/N	Statements	Scale	Frequency	Percent	Mean	Std. Deviation
1	The span of control wide with large number of subordinates	Strongly Disagree	21	10.99	3.27	1.21
		Disagree	40	20.94		
		Neutral	14	7.32		
		Agree	98	51.31		
		Strongly Agree	18	9.42		
		Total	191	100		
2	The span of control narrow with small number of subordinates	Strongly Disagree	20	10.47	2.80	1.26
		Disagree	90	47.12		
		Neutral	15	7.85		
		Agree	41	21.47		
		Strongly Agree	25	13.09		
		Total	191	100		
3	The organization structure at this company facilitates optimal span of control for all employees	Strongly Disagree	32	16.75	2.52	1.16
		Disagree	89	46.60		
		Neutral	20	10.47		
		Agree	39	20.42		
		Strongly Agree	11	5.76		
		Total	191	100		
Aggregate Mean			2.86			

Source: Own survey Result, 2021

Table 4.6. Shows that, in the span of control wide with large number of subordinate 10.99% of the respondents strongly disagreed and 20.94% of the respondents disagreed to this premises; 7.32% of the respondents were neutral while the rest 51.31% of the respondents agreed and 9.42% of the respondents strongly agreed. The mean score is 3.27. This indicates the organization explains have not well structure subordinates and the organization has not a good defined boundaries that allow the manager to confused who part of his team and coworkers performed.

As we can see the span of control narrow with small number of subordinates 10.47% of the respondents strongly disagreed to it; 47.12% of the respondents were disagree, 7.85% of the respondents were neural while the rest 21.47% of the respondents agreed and 13.09% of the respondents strongly agreed. The mean score is 2.80. This indicated the majority number of the respondents which is 47.12% of the respondents were not supported this fact which is the “the span of control allows the manager to plan, organize and divide the work load among his team according to his work method unfortunately with the company wide span of control the manager cannot control all his team.

The organization structure of a company facilitates optimal span of control for the all employees are 16.75% of the respondents strongly disagreed 46.60% of the respondents disagreed 10.47% were neural while the rest 20.42% of the respondents are agreed and 5.76% of the respondents strongly agree. The mean score is 2.53. This indicated the majority number of the respondents that disagreed the organization facilitate optimal level of control within the organization.

### Chain of Command

Table 4.7 Respondents attitude in chain of command

S/N	Statements	Scale	Frequency	Percent	Mean	Std. Deviation
1	Is there the line of authority clear and unbroken	Strongly Disagree	25	13.09	2.76	1.29
		Disagree	87	45.55		
		Neutral	10	5.24		
		Agree	46	24.09		
		Strongly Agree	23	12.04		
		Total	191	100		
2	Is there Relationship between	Strongly Disagree	32	16.75	2.79	1.38

individuals and top level management	Disagree	79	41.36		
	Neutral	7	3.66		
	Agree	43	22.51		
	Strongly Agree	30	15.71		
	Total	191	100		
Aggregate Mean		2.78			

Source: Own Survey Result, 2021

From the table 4.7. In the line of authority is clear and unbroken 13.09% of the respondents are strong disagreed 45.55% of the respondents are disagreed 5.24% neutral 24.09% of the respondents agreed while the rest 12.04 % of the respondents are strong agreed. The mean score is 2.76. These indicated the hierarchy and distribute power and responsibilities it is not well defined. In the relationship between individuals and top level management 16.75% of the respondents are strong disagreed 41.36% of the respondents are disagreed 3.66% of the respondents are neutral and 22.51% of the respondents are agreed 15.71% of the respondents are strong agreed with the mean score of 2.79. This indicated the top level management and low level workers is not freely related each other's.

### Departmentalization

Table 4.8 Respondents opinion in departmentalization

S/N	Statements	Scale	Frequency	Percent	Mean	Std. Deviation
1	The department are narrow and the job tasks are clear for the employees	Strongly Disagree	21	10.99	2.98	1.39
		Disagree	83	43.46		
		Neutral	6	3.14		
		Agree	41	21.47		
		Strongly Agree	40	20.94		
		Total	191	100		
2	The departments are wide and the job tasks are very unclear for the employees	Strongly Disagree	40	20.94	3.03	1.39
		Disagree	41	21.47		
		Neutral	5	2.62		
		Agree	84	43.98		

		Strongly Agree	21	10.99		
		Total	191	100		
Aggregate Mean		3.00				

Source: Own Survey Result, 2021

Table 4.8. Shows the analysis made on the given to measure the level of agreement of respondents on each and individual sentence that used to show the current existing of job task clarify for the employees. Out of the total 191 respondents 10.99% respondent strongly disagreed and 43.46.7% of the respondents disagreed the rest 3.14% of the respondents neutral and 21.47% of the respondents agreed and respond 20.94% strongly agreed. The mean score is 2.98. This indicates in the organization structure there are no cleared job tasks to employee. For the department are wide and the job tasks are very unclear 20.94% of the respondents strongly disagreed, 21.47% of the respondents disagreed. 2.62% are neutral the rest 43.98% and 10.99% of the respondents agree and strongly agree respectively. The mean score is 3.03. This indicates that there is no division of work among the coworkers.

#### Formalization

Table 4.9 Respondents view in formalization

S/N	Statements	Scale	Frequency	Percent	Mean	Std. Deviation
1	The designed of organizational structure is formal and organizational roles are separated from individual	Strongly Disagree	18	9.42	2.93	1.31
		Disagree	88	46.07		
		Neutral	3	1.57		
		Agree	53	27.75		
		Strongly Agree	29	15.18		
		Total	191	100		
2	The organizational structure is easy to understand and explain in order to achieve success	Strongly Disagree	7	3.66	3.11	1.28
		Disagree	91	47.64		
		Neutral	2	1.05		
		Agree	56	29.32		
		Strongly Agree	35	18.32		
		Total	191	100		

Aggregate Mean	3.02
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Source: Own Survey Result, 2021

Table 4.9. shows in the designed organizational structure formal and organizational role are separated from individual 9.42% of the respondents are strongly disagreed 46.07% of the respondents are disagreed 1.57% of the respondents are neutral 27.75% of the respondents agreed and 15.18% of the respondents are strongly agreed. The mean score is 2.93. This indicated the organization are structured and assigned responsibly to individual focuses on roles and positions. In the organizational structure the employee easily understand the rule and regulation in order to achieve success 3.66% of the respondents strongly disagree 47.64% of the respondents disagree 1.05% are neutral the rest 29.32% and 18.32% are agree and strongly agree respectively. The mean score is 3.11. This indicates that the designed organizational structure is complex and it's not clearly defined the objectives.

#### Centralization vs. Decentralization

Table 4.10 Respondents opinion in centralization and decentralization

S/N	Statements	Scale	Frequency	Percent	Mean	Std. Deviation
1	The decision making system is centralization	Strongly Disagree	17	8.90	3.72	1.20
		Disagree	21	10.99		
		Neutral	6	3.14		
		Agree	102	53.40		
		Strongly Agree	45	23.56		
		Total	191	100		
2	The decision making system is decentralization	Strongly Disagree	45	23.56	2.35	1.31
		Disagree	102	53.40		
		Neutral	5	2.62		
		Agree	10	5.24		
		Strongly Agree	29	15.18		
		Total	191	100		
3	The organization structure at this company facilitates faster	Strongly Disagree	23	12.04	2.73	1.29
		Disagree	97	50.79		

decision making system	Neutral	4	2.09		
	Agree	42	21.99		
	Strongly Agree	25	13.09		
	Total	191	100		
Aggregate Mean		2.93			

Source: Own survey Result, 2021

Table 4.10. shows in the decision making system related to centralization 8.90% of the respondents are strongly disagreed 10.99% of the respondents are disagree 3.14% of the respondents are neutral 53.40% of the respondents are agreed and 23.56% of the respondents are strong agreed with the mean score of 3.72. This indicated Concentration of decision making is in a few hands subject to the approval of top level of management. The decision making system related with decentralization 23.56% of the respondents are strongly disagree 53.40% of the respondents are disagree 2.62% are neutral the rest 5.24% and 15.18% are agree and strongly agree respectively with the mean score of 2.35. This implies that the decision making system is not include all the coworkers only the manager involves. The organization structure at this company facilitates faster decision making system 12.04% of the respondents are strongly disagree 50.79% of the respondents are disagree 2.09% of the respondents are neutral the rest 21.99% and 13.09% of the respondents are agree and strongly agree with the mean score of 2.73. This shows that the organization decision making system is not at the right time.

#### 4.3.3. Challenges of Designing Organizational Structure

In this section responses obtained on the Challenges of designing organizational structure at Tigest Tadese import Export Company Plc are presented and interpreted.

Table 4.11. Challenges of designing organizational structure

S/N	Statements	Scale	Frequency	Percent	Mean	Std. Deviation
1	Limiting the ability of Multi task	Strongly Disagree	22	11.52	3.55	1.30
		Disagree	29	15.18		
		Neutral	5	2.62		
		Agree	91	47.64		
		Strongly Agree	44	23.04		
2	Limited communication and cooperation among the employees	Strongly Disagree	17	8.90	3.23	1.30
		Disagree	61	31.94		
		Neutral	8	4.19		
		Agree	72	37.69		
		Strongly Agree	33	17.28		
3	There is poor relationship with their subordinates	Strongly Disagree	28	14.66	3.12	1.35
		Disagree	52	27.23		
		Neutral	6	3.14		
		Agree	79	41.36		
		Strongly Agree	26	13.61		
4	There is lack of collaboration	Strongly Disagree	-	-	3.32	1.07
		Disagree	69	36.13		
		Neutral	9	4.71		
		Agree	95	49.74		
		Strongly Agree	18	9.42		
5	There is miscommunication between the employees	Strongly Disagree	19	9.95	3.36	1.27
		Disagree	45	23.56		
		Neutral	3	1.57		
		Agree	96	50.26		
		Strongly Agree	28	14.66		
6	Accountability and performance become highly difficult	Strongly Disagree	13	6.81		
		Disagree	97	50.78		
		Neutral	5	2.62		

		Agree	76	39.79		
		Strongly Agree	-	-	2.75	1.06
7	There is conflict between departments	Strongly Disagree	9	4.71	3.03	1.24
		Disagree	89	46.60		
		Neutral	7	3.66		
		Agree	59	30.89		
		Strongly Agree	27	14.14		
8	There is balancing of centralization and decentralization	Strongly Disagree	-	-	3.13	1.24
		Disagree	99	51.83		
		Neutral	6	3.14		
		Agree	49	25.65		
		Strongly Agree	37	19.37		
9	There is delay in work	Strongly Disagree	23	12.04	3.08	1.21
		Disagree	41	21.47		
		Neutral	5	2.62		
		Agree	115	60.21		
		Strongly Agree	7	3.66		
10	There is increased inflexibility	Strongly Disagree	26	13.61	3.26	1.29
		Disagree	41	21.47		
		Neutral	2	1.05		
		Agree	101	52.88		
		Strongly Agree	21	10.99		
11	There is slowed in communication	Strongly Disagree	29	15.18	2.93	1.17
		Disagree	51	26.70		
		Neutral	15	7.85		
		Agree	96	50.26		
		Strongly Agree	-	-		
		Total	191	100		
Aggregate Mean			3.21			

Source: Own survey Result, 2021



Table 4.11. shows that limiting the ability of multi task 11.52% of the respondents are strongly disagree 15.18% of the respondents are disagree 2.62% are neutral the rest 47.64% and 23.04% are agree and strongly agree respectively with the mean score of 3.55. This implies that no one is responsible for additional task.

Limited communication and cooperation among the employees 8.90% of the respondents are strongly disagree 31.94% of the respondents are disagreed 4.19% are neutral 37.69% of the respondents are agreed and 17.28% of the respondents are strongly agree with the mean score of 3.23. This indicates that the employees are not harmonies and there is information gap because of the organizational structure.

There is poor relationship with their subordinates 14.66% of the respondents are strongly disagree 27.23% of the respondents are disagreed the rest 3.14%, 41.36% and 13.61% are neutral, agree and strongly agree. The mean score is 3.12. This shows that weak relationship between the top level manager and the coworker.

With related to lack of collaboration 36.13% of the respondents are disagreed 4.71% of the respondents are neutral 49.74 and 9.42% of the respondents are agree and strongly agree with mean score of 3.32. This shows that the structure is not clearly set to employees because of that the employees are not work together to minimize time and cost.

There is miscommunication between the employees 9.95% of the respondents are strongly disagree 23.56% of the respondents are disagree 1.57%, 50.26% and 14.66% are neutral, agree and strongly agree respectively. The mean score is 3.36%. This indicates that due to the structure the employees have an information gap with their working area.

Accountability and performance become highly difficult 6.81% of the respondents are strongly disagree 50.78% of the respondents are disagree 2.62% of the respondents are neutral 39.79% of the respondents are agree. The mean score is 2.75. This shows that they know how to perform their task and they are accountable for what they do.

There is conflict between departments 4.71% of the respondents are strongly disagree 46.60% of the respondents are disagree 3.66% of the respondents are neutral 30.89% and 14.14% of the respondents are agree and strongly agree respectively. The mean score is 3.03. This indicates that one department really much better than the other but there is a positive stereotype between departments so it cannot lead them to conflict.

There is balancing of centralization and decentralization 51.83% of the respondents are disagree 3.14% of the respondents are neutral 25.65% and 19.37% of the respondents are agree and strongly agree respectively with the mean score of 3.13. This indicates that there is no balancing between centralization and decentralization. The decision making system is only in one handed that's why the employees are not involving. Due to this it cannot be balanced.

There is delay in work 12.04% of the respondents are strongly disagree 21.47% of the respondents are disagreed 2.62%, 60.21% and 3.66% of the respondents are neutral, agree and strongly agree with the mean score of 3.08. This shows that due to the miscommunication and lacks of collaboration among the employees the work (project) is delay.

There is increased inflexibility 13.61% of the respondents are strongly disagree 21.47% of the respondents are disagree 1.05% are neutral 52.88% of the respondents are agrees and the rest 10.99% of the respondents are strongly agree. The mean score is 3.26. This implies that the employees are not flexible to do their tasks. In working area the employees need to be flexible and relax .If they are flexible they know there job and no need to give a command to do.

There is slowed in communication 15.18% of the respondents are strongly disagree 26.70% of the respondents are disagree 7.85% of the respondents are neutral and 50.26% of the respondents are agreed. The mean score is 2.93. This indicates that the information from top level to department heads and coworkers have a big gap. The flow of information is very slow.

Table 4.12. Based on aggregate mean summary of responses

S/N	Statement	Aggregate Mean	Interpretation
1	Strategic objective of the company	2.60	Low
2	Work Specialization	2.74	Medium
	Span of control	2.86	Medium
	Chain of Command	2.78	Medium
	Departmentalization	3.00	Medium
	Formalization	3.02	Medium
	Centralization Vs decentralization	2.93	Medium
3	Challenges of designing organizational structure	3.21	High

Source: Own survey Result, 2021

Table 4.12. Result shows that the strategic objective of the company with an aggregate mean 2.60 it need more the management's attention, the challenges of designing organizational structure have an aggregate mean of 3.21 needs more focus of the company top level management. Practice of designing organizational structure takes the third place for more improvements and it need the company managerial level attention. The mean score is 2.74, 2.86, 2.78, 3.00, 3.02 and 2.93 respectively.

## CHAPTER FIVE

### FINDING, CONCLUSION AND RECOMMENDATION

This research work has attempted to the practice and challenges of designing organizational structure at Tigist Tadese Import and Export Company plc. Thus, based on the data discussion, analysis and interpretation the following summary of major findings, conclusions and recommendations are presented as follow.

#### 5.1. Summary of Major Findings

The main purpose of this study was to assess the practices and challenges of designing organizational structure in the selected branch and head office of Tigist Tadese Import and Export Company Plc. Specifically, Practices of designing organizational structure, Challenges of designing organizational structure and the linkage of strategic objective of the company. To achieve this objective, the following research questions were developed:

1. How does organizational structure linked with the strategic objective of the company?
2. What are the practices of the current designed organizational structure of the company?
3. What are the main challenges in designing organizational structure in the company?

The study was conducted in selected branches of Tigist Tadese Import and Export Company and it was selected purposively. This company was selected due to there is work (projects) delay; the employees haven't awareness about the designed structure. A descriptive with qualitative and quantitative approach was applied. A total of 212 questionnaires were distributed. Out of these, 191 (90.09%) of them are filed in and collected back. The data were collected by means of questionnaires, and document review. Thus, for analysis of data which were gathered through close ended questionnaire were analyzed quantitatively through using statistical package for social science (SPSS) and Microsoft Excel and the obtained results were analyzed with statistical tools such as percentage, frequency, mean, and standard deviation. Based on analysis and interpretation of data the following is summary of findings:

- The linkage of organizational structure with the strategic objective of the company

Majority of the respondents disagree with the company encouragement of employees to participate in designing organizational structure, the employees fully understood what the

company structure is all about and disagree with the company structure is linked with the company business objective.

➤ Practices of designing organizational structure

Majority of the respondents disagree with the practices of work specialization, the structure adopts foster individual tasks in to separate jobs and the company avoid the confusion of division of labor.

In light of this, the respondents disagree with the practice of chain of command, the line of authority clear and unbroken and there is a relationship between individuals and top level managements.

Majority of the respondents agree with the practices of span of control, the company span of control is wide with large number of subordinate.

At last, but not least, respondents disagree with the practices of formalization and decentralization, the designed structure is formal and organizational roles are separated from individuals, the structure is easy to understand and explain in order to achieve success and the decision making system is decentralized.

➤ Challenges of designing organizational structure

Majority of the respondents agree with, the limitation of ability of multi task, limited communication and cooperation among the employees, poor relationship with their subordinates, there is balancing of centralization and decentralization, delay in work, slow in communication and increased inflexibly in this company.

## 5.2. Conclusions

Based on the findings of the study which are discussed above, the following conclusion has been drawn.

The findings of the study revealed that designing organizational structure in Tigist Tadese Import and Export Company Plc. Stretches the extremes of practices and challenges.

Therefore, based on the above summary of the major findings, it can be concluded that because of the designed organizational structure the strategic objective of the company is not clear and

discourage employees in participation of designing the structure. Due to this the strategic objective is not achieved.

In the process of designing organizational structure the challenges that the company faces because of lack of knowledge about organizational structure, only the managements involves in designing the structure and they aren't follow up the current structure to know the structure is comfortable for the employees or not.

Finally, the company practices in designing organizational structure aren't comfortable for the employees. Because of weak structure the practices in designing organizational structure fully covered by the challenges.

### 5.3. Recommendations

Based on the finding and conclusions of the study, the researcher forwards the following recommendations for Tigist Tadese Import and Export management consideration and researches for further study.

#### 5.3.1. Recommendations for Management Consideration

Based on the major findings and conclusions drawn, the following recommendations are suggested, to the company in order to overcome the challenges, exploit the unused practices in adoption of designing organizational structure and to ensure a successful practice of designing organizational structure in this company. So, based on the findings from the analysis of the collected data, the following recommendations are forward: -

- ✚ The company employees are not encouraged by the management to participate in the design of the organizational structure. Therefore, the management should have participates the employees in designing organizational structure to understand the structure and in order to achieve the strategic business goal of the company. To encourage employees in designing the structure have a benefit for the company they may have a different level of knowledge about how to design structure to achieve strategic business goal and to have a good working flow.
- ✚ The organizational structure challenges the employees to do their job. Hence, the company needs to redesign the structure. The management who designs the existing organizational structure should have awareness or have a proper training on how to design an organizational structure in consideration of how to achieve the strategic

objective goal by creating a smooth working environment for the employees. Finally they must have reviewed their designed structure annually.

- ✚ The company managements better to know the employees perspective on the structure, if it is best suited or not. It helps the management to know the gap and to fix the problems immediately.

### 5.3.2. Recommendation for Further Study

The present study focused on practice and challenges of designing organizational structure in Tigist Tadesse Import and export Company which was conducted specific to employees of the company and thus it can't be generalized to all employees of the company. The study has therefore primarily laid a foundation for further studies to be undertaken covering entire or all employees of the company with large sample so as the results to be generalized to the entire company.

Also, this study was focused on challenges and practice of designing organizational structure. Furthermore statically analysis should be conducted so as to have knowledge n the specific demographic as well as challenges which influence designing organizational structure. Since this research focused on the private company in Ethiopia, further studies therefore need to be done on this company.

This is because different companies have unique characteristic and diverse contextual realities that might challenges in designing organizational structure. This would bring out a comprehensive empirical results and findings on the determination of strategic to manage the challenges.

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## APPENDIX-1

Survey Questionnaire for the Practice and Challenges of Designing Organizational Structure to be filled by the company employees.

Dear respondent,

This questionnaire is prepared for academic purpose to study the Practice and Challenges of Designing Organizational Structure in TigistTadese Import and Export. In that helps to address if further improvement is required. In this regard, your truth full responses are very useful to achieve the purpose intended. Your responses and suggestions will be treated confidentially and the researcher has no way of identifying any specific respondent who fills the questionnaire for anybody. Use ✓ to fill the questionnaires.

Thank you for taking the time to complete this questionnaire!!

### Part One: Profile of Respondents

#### 1. Gender of respondent

A. Male  B. Female

#### 2. Age of respondent in years

A. 18-25 year's  B. 26-35 years  C. 36-50 years  D. above 50 years

#### 3. Educational level

A. Diploma or TVET education  B. First Degree education

C. Masters Degree

#### 4. How long have you worked for the company?

A. 3 years  B. 4 - 8 years  C. 9 - 10 year's  D. above 10 years

#### 5. Please indicate your current employment status.

A. Permanent employee

B. contract employee

6. Monthly income in Birr

A 2500 Birr -5000birr

B. 5001-7500 Birr

C. 7501-10,000 Birr

D. above 10,001Birr

7. Please indicate your current department -----

Part Two: Opinion survey of Practice of designing organizational structure

Please rate the level of your satisfaction level by encircling one of the given alternatives for the items indicated in the following tables. The numbers *mean 1 = strongly disagree, 2 = disagree, 3 = Neutral, 4 = agree, 5 = strongly agree.*

S / N	Statement	Response Categories				
		1	2	3	4	5
	<ul style="list-style-type: none"> <li>Company structure linkage with business strategic objective</li> </ul>		2	3	4	5
1	The company encourage employees to participate in the design of the organizational structure					
2	You fully understood what the company structure is all about					
3	The company structure is linked with the company business objectives					
	<ul style="list-style-type: none"> <li>Work Specialization</li> </ul>	1	2	3	4	5
1	Does the organization structure adopts foster efficient individual tasks in to separate jobs					
2	Is the designed structure at this company avoid the confusion of division of labor					
	<ul style="list-style-type: none"> <li>Span of Control</li> </ul>					
1	The span of control wide with large number of subordinates					
2	The span of control narrow with small number of subordinates					
3	The organization structure at this company facilitates optimal span of control for all employees					

• Chain of Command					
1	Is there the line of authority clear and unbroken				
2	Is there Relationship between individuals and top level management				
• Departmentalization					
1	The department are narrow and the job tasks are clear for the employees				
2	The departments are wide and the job tasks are very unclear for the employees				
• Formalization					
1	The designed of organizational structure is formal and organizational roles are separated from individual				
2	The organizational structure is easy to understand and explain in order to achieve success				
• Centralization Vs. Decentralization					
1	The decision making system is centralization				
2	The decision making system is decentralization				
3	The organization structure at this company facilitates faster decision making system				

Part Three: Opinion survey on Challenges of designing organizational structure

S/N	Statement	Response Categories				
		1	2	3	4	5
1	Limiting the ability of Multi task					
2	Limited communication and cooperation among the employees					
3	There is poor relationship with their subordinates					
4	There is lack of collaboration					
5	There is miscommunication between the employees					
6	Accountability and performance become highly difficult					
7	There is conflict between departments					
8	There is balancing of centralization and decentralization					
9	There is delay in work					
10	There is increased inflexibility					
11	There is slowed in communication					

Additional Comment or Suggestion

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.....  
.....  
.....

Thank you for taking the time and effort to fill out this survey. Your input is highly valued and will be taken into consideration. Your confidentiality is guaranteed

## APPENDIX -2

### Interview with management and Employee Representatives

I. Personal Information Sex: ----- Age -----

Position -----

Experience -----

Qualification -----

II. Discussion Points

- What do you understand about organizational structure?
- How do you explain the existing organizational structure?
- Do you think the employees understand the existing organizational structure? How
- Do you think the organization achieve the strategic objective with the existing organizational structure?
- Do you want the organization to improve the designed organizational structure? Why
- Do you think the organization creates you a good working environment? How

### Declaration

I declare that, this work entitled “The practices and challenges of designing organizational structure: the case of Tigist Tadeses Import and Export Company Plc is my original work. I have prepared it under the guidance and suggestion of my research advisor Shoa Jemal(Asst. Prof). It has not been submitted for a degree in any other universities and all the materials used in this study have been duly acknowledged.

Name of Candidate

Fekeraddis Shiferaw                      Signature -----                      Date -----

This thesis has been submitted for final examination with my approval as an advisor.

Name of advisor

Shoa Jemal (Asst. Prof) Signature----- Date -----

**ENDORSEMENT**

This is to certify that the research paper entitled” The Practices and Challenges of Designing Organizational Structure: The case of Tigist Tadese Import and Export company plc.” prepared and presented by Fekeraddis Shiferaw, has got my approval.

APPROVED BY

SHOA JEMAL (Assistant Professor)

ADVISOR

-----

SIGNATURE