

## A SYSTEMATIC LITERATURE REVIEW OF THE IMPACT OF ORGANIZATIONAL STRUCTURE ON FIRM PERFORMANCE

<sup>1</sup>Rajaswini Mishra, <sup>1</sup>Swati Swetalin Martha, <sup>1</sup>Sushil Kumar Pradhan, <sup>1</sup>BKN Satapaty, <sup>1</sup>Bhakta Charan Jena

<sup>1</sup>Asst. Prof. Department of MBA, GITAM, Bhubaneswar

### Abstract

An organization can be likened to a building whose strength is determined by the structure and frames which holds it. The structure is the way interrelated elements (resources) are arranged so that the building can be stable, resist stress and it provides the right form. The objective of this paper is to determine the impact of a firm's organizational structure on its performance, measured through both financial and non-financial dimensions. A systematic literature review was carried out using a total of 35 articles from select management, finance and other relevant journals. Finalized articles included data and findings from a multitude of different geographic locations, industries and firm sizes. For analysis, a range of organizational structures were considered, including organizational structures comprised of hybrid internal systems.

**Keywords,** Organizational Structure, Firm Performance, Centralization, Decentralization, Ambidexterity.

### Introduction:

#### Conceptualization about organization structure

Within any organization, there exist different departments responsible for the execution of different tasks and jobs are classified as marketing, operations, accounting, human resources, and so on. Even within a specific department, there may be multiple numbers of hierarchy. Organization structure were first mentioned in Mintzberg's 1979 study 'The Structuring of Organizations' and identified five different organizational configurations: machine bureaucracy, simple structure, professional bureaucracy, adhocracy, and divisional organization, as well as the variables that affect the determination of organizational configuration, such as organizational environment, organization size, age, power, technical system/technology, and business strategy.

According to Nelson & Quick, 2007 it is the structure of an organization that acts as catalyst to fulfill goals and tasks. Thus, it can be inferred that a firm's organizational structure is the official configuration

amongst people in an organization in regards to allocation of various jobs, responsibilities and authority. (Jones & James, 1976) noted that a few structural variables can be taken into consideration in order to understand organizational structures, such as: (1) firm size, (2) product differentiation within an organization, (3) level of autonomy, (4) level of control reflecting centralization within an organization in the context of communication and flexibility, and (5) role structures, displaying the level of formalization within an organization as evidenced by hierarchical relations. (Indik, 1968), the organizational structure of an organization is influenced by a number of factors, including: (1) firm size; (2) hierarchical levels; (3) authority structure; (4) control span; (5) task specification level; (6) status structure; and (7) psychological distance between the various decision-makers and operational levels within an organization. (Pugh et al., 1968) came to the conclusion that the structure of an organization has six dimensions: (1) Standardization, which demonstrates the extent to which organizational practices are standardized, (2) formalization, an indicator of how thoroughly a company's tasks, such as those pertaining to communications and processes, are specified, (3) Configuration, which evaluates subordinates'

contributions (4) Specialization, which demonstrates the division of labor within an organization (5) Centralization, which measures the agency or locus of control practiced inside an organization such as labor relations, decision-making, finances, etc., and traditionalism which measures the numerous bureaucratic procedures of the company. (Akande and Ojokuku, 2008) an organizational structure is composed of an assortment of individuals who hold official responsibilities within a structure in order to accomplish a particular objective. A structure composed of relationships that facilitates the fulfillment of tasks is the typical definition of an organization. It is a system of social interactions between people. According to Nwugballa (2011), the establishment of an organizational structure implies reduction in single decision maker power. It also implies a degree of functionality that is necessitates the cooperative effort of many people to complete properly. This highlights the need of defining all of the responsibilities that should be performed by various specific jobs (job descriptions), the manner in which jobs will be performed (operation procedures), anticipate standards of performance, chain of authority, etc., in order to prevent misunderstanding and conflict.

Ismael, Nor'Aini, and Davoud, (2010) organizational performance is widely measured through the financial success of the organization. Financial stress for most profit-oriented organization can be assessed both in terms of sales as well as profitability measures.

Richard et al, (2009) stated that "organizational performance encompasses three specific areas of firm outcomes: (a) financial performance (profits, return on assets, return on investment, etc.); (b) product market performance (sales, market share, etc.); and (c) shareholder return (total shareholder return, economic value added, etc.)".As seen in other literature on organizational performance, Ismael, Nor'Aini, and Davoud, (2010) performance is all about achieving the objectives that organizations/firms set for themselves. The objectives of an organization / firm could be

financial, that is to say, profit-making or nonfinancial such as spreading awareness among a certain community etc. Organizational performance therefore could be categorized under two: financial and nonfinancial. The profitability of an organization is an important financial indicator to reflect the efficiency of the organization and the owners/managers ability to increase sales while keeping the variable costs down.

Henry(1993) supplemented a comprehensive analysis of what constitutes a firm's organizational structure. According to the author, a firm's organizational structure can be distinguished on the basis of three essential characteristics: (1) the mechanism of coordination amongst the different divisions and departments within a firm, (2) the key aspects of a firm that determine failure or success and (3) the kind of decentralization that exists within the firm, i.e., the extent to which subordinates are part of the decision making process. Based on these different dimensions, different types of organizational structures exists:

## 2.0 Literature Review on Firm Performance:

For emerging nations, having prosperous enterprises is crucial. Many economists compared them to a locomotive in terms of the growth they contribute to on an economic, social, and political level. In order to survive in a market that is extremely competitive, every organization must operate in accordance with performance-based norms. Firm performance is now a prominent topic and is commonly utilized as a dependent variable as a result of recent developments in strategic management research. Although this idea is frequently used in academic contexts, its definition and method of assessment are not generally acknowledged. Due to the fact that the majority of academics do not agree on an operational definition of business performance, several interpretations have been offered by various people based on their own perspectives.

**(Georgopoulos and Tannenbaum, 1957)** In the early 1950s, firm performance was regarded as the equivalence of organisational effectiveness, which

represents the extent to which a company with constrained means and resources achieves its goals. Performance was assessed using productivity, adaptability, and interorganizational conflicts.

**(Seashore & Yuchtman, 1967)** Later in 1960s and 1970s firms began to experiment with novel ways of assessing their performance. The competence of an organisation to take full advantage of its environment so as to acquire and use scarce resources was characterized as performance.

**(Adam, 1994)** Considered organizational performance as significantly dependent on the employees' performance quality. He argued that in order to ensure a high-quality organizational performance, firm employees on a regular basis need to renew and update their knowledge and skills, which in return would help to face market dynamics and ultimately enhance the quality of organizational performance.

**(Pan et al., 2018)** In their paper investigated how exploitative technological diversification (ETD) enhances company performance and what factors may modify this connection. From 2003 to 2014, the sample comprises 1,569 Chinese listed firms and 7,555 observations. Patent data were obtained from the State Intellectual Property Office, whereas financial information were obtained from the China Stock Market and Accounting Research database. The hypotheses were tested using the system generalised method of moments model. According to the empirical findings, the linkage between exploitative technological diversification (ETD) and firm performance is inversely U-shaped. Furthermore, this relationship is moderated negatively by environmental munificence, which refers to the availability of resources in the environment in which the firm operates, and positively by environmental dynamism, which refers to the extent of volatility and unpredictability in firms' external environments. (Lebas&Euske, 2011) provided a framework for judging an organization's performance and included the following aspects: (1) Judging financial as well as non-financial indicators, (2) viewing

performance as dynamic in need of subjective interpretations (3) use of causal models, (4) subjectivity in interpretation, (5) understanding fundamental concepts, and (6) quantifying results. At the core of strategic management is the improvement of performance, financial and non-financial, albeit they occupy different importance in strategic management literature.

(Ramanujam & Venkatraman, 1986) describe financial performance as the central domain of performance in strategic literature, one that is subject of construct in most academic literature relevant to strategy and management. However, it is also stated that overall organizational effectiveness is a combination of both financial and operational performance which encompasses a broader understanding of business performance literature. Research by (Ittner & Larcker, 1988) also emphasizes the importance of non-financial measures of performance, such as customer satisfaction, firm innovative capabilities, product quality and employee satisfaction.

(Liu et al., 2018) In their paper evaluated the relationship between firm performance and product market competition (PMC), and then examined the influence of corporate governance and/or state-ownership (SOEs) on the relationship between PMC and firm performance using Chinese listed firms. The authors investigate three product market competition (PMC) drivers that influence the nature of competition and employed market concentration, product substitutability, and market size as proxies for PMC. The authors had developed a corporate governance index that assesses board independence, supervisory board monitoring strength over board of directors, and board of directors monitoring strength over CEO. The authors examine a sample of 20,706 observations listed on the Chinese stock exchange between 2001 and 2016. The authors discovered an unexpected linkage that, higher PMC is related with lower firm performance. The authors also discovered that excellent corporate governance policies mitigate the negative impact of increased PMC on business performance. The relationship between higher

PMC and lower performance is lesser for enterprises owned by SOEs than for non-SOEs.

(Elsayed & Elbardan, 2018) In their paper investigated whether executives salary has a greater influence on firm performance or firm performance has a greater influence on compensation of executive salary. The authors employed data from a five-year period (2010-2014) for Financial Times and Stock Exchange 350 companies to jointly investigate, after accounting for endogeneity, the mutual connection of executive compensation and firm performance by employing four control variables (board size, non-executive directors, leverage and boardroom ownership). The findings revealed substantial evidence that CEO remuneration has a stronger effect on business firm performance than the pay-performance framework.

(Lee et al., 2017) In their paper intended to examine the association between technological diversity and firm performance by considering the contextual impacts of company size and financial slack. The research sample comprises manufacturing firms listed in S&P 500 index in 2008. Compustat and the US Patent and Trademark Office provided data on the sample businesses' characteristics and patent information. The final sample size includes 168 firms from five major industries: chemicals (11.24%), computers/telecommunications (24.85%), biotechnology/pharmaceuticals (16.57%), electronics (22.49%), machinery (7.10%), and other industries (17.75 per cent). The hypotheses were investigated using hierarchical regression models, which revealed that firm size can positively influence the link between technological diversity and firm performance, and so the positive performance benefit of technological diversification is higher in larger firms. The study discovers that technology variety improves firm's performance. Firm size, financial slack, and business design are also found to positively modify the association between technological diversification and firm performance.

### 3.0 METHODOLOGY

An organized literature study was conducted to ascertain the relationship between an organization on structure and its effect on firm performance. Systematic literature review employs a methodical process to discover relevant works that should be chosen and examined (Fiegen, 2010, 385–397). Systematic literature review provides a framework for evaluating literary works in order to give comments and promote enhanced research. It is more focused towards defining research questions, finding pertinent articles and evaluating their quality using a clear approach (Khan et al., 2003, 118–121). This strategy is usually considered suitable since it aids in identifying gaps in the existing literature and provide guidance for further study. A thorough literature review supports quantitative, qualitative and mixed technique research methodologies while ensuring impartiality and openness in the study process (Senivongse et al., 2017, 250-264).

### 3.1 Selection of Articles

Academic journals and databases were searched for literature relevant to the topic of this study. To begin, extensive research was undertaken, with a focus on scholarly journals known for offering information on "strategy" and "management." The use of these publications in research was considered appropriate because the focus of this work is to explore the impact of organizational structure on performance, which is frequently measured by some financial indicator. These journals were selected based on their Journal Citation Reports to assure the caliber of the study. With Q1 being the highest-rated journals and Q4 indicating the lowest-rated journals in a given category, the Journal Impact Factor provides a quartile rating (Shehatta et al., 2022). There was no time constraints on the search for comparable publications and journals, and items from as far back as the 1970s were included. A comprehensive list of all 57 journals consulted throughout the research on this topic is provided in Table 1.

The search for comparable books and periodicals did not have a chronological limit, and materials from as far back as the 1970s were included. Table

1 contains a complete list of all 57 journals that were consulted while conducting this study.

Academy of Management Journal	Journal of Knowledge Management
Academy of Management Perspectives	Journal of Management
Academy of Management Review	Journal of Management Inquiry
California Management Review	Journal of Management Studies
Asia Pacific Journal of Management	Journal of Operations Management
British Journal of Management	Journal of Organization Design
Business Strategy and the Environment	Journal of Product Innovation Management
Corporate Governance: An International Review	Journal of Service Management
Decision Sciences	Journal of Small Business Management
European Management Journal	Leadership
European Research on Management and Business Economics	Long Range Planning
Global Journal of Flexible Systems Management is	Management and Organization Review
Global Strategy Journal	Management Communication Quarterly
Harvard Business Review	Management International Review
Human Relations	Management Learning
Human Resource Management	Management Science
ILR Review	Manufacturing and Service Operations Management
Industrial Management and Data Systems	Omega
Innovation Policy and the Economy	Organization
International Journal of Human Resource Management	Organization Science
International Journal of Management Reviews	Organization Studies

International Journal of Operations and Production Management	Organizational Research Methods
International Journal of Production Research	R and D Management
Journal of Destination Marketing and Management	Research Policy
Journal of Economics and Management Strategy	School Leadership and Management
Journal of Financial Economics	Strategic Entrepreneurship Journal
Journal of International Business Studies	Strategic Management Journal
Journal of International Management	Strategic Organization
Tourism Management	Strategy Science

**(Table 1) List of Academic Journals Researched**

**(Table 2) Finalized Journals with number of articles selected from each (N=35)**

Journal	Articles Found
Management Decision	3
The International Journal of Logistics Management	4
Management Research Review	1
Journal of Manufacturing Technology Management	1
Business Process Management Journal	3
Organization Studies	1
Review of Managerial Science	1
Journal of Business Research	1
European Journal of Marketing	1
Career Development International	1
Journal of Entrepreneurship in Emerging Economies	1

Journal of Business & Industrial Marketing	3
Journal of product & Brand management	1
International Journal of Contemporary Hospitality Management	2
Journal of Economic Studies	1
Management Accounting Research	1
Small Business Economics	1
Academy of Management Perspectives	1
The Journal of Risk and Insurance	1
MIR: Management International Review	1
The Bell Journal of Economics	1
Strategic Management Journal	1
International Journal of Production Economics	1
International Journal of Entrepreneurial Behavior & Research	1
Organization Science	1

#### 4.0 RESEARCH FINDINGS

The articles required for this research project were all downloaded. Each item was carefully scrutinized in order to gather crucial information, and then it was added to the list displayed in Table 2. This list aims to reduce errors while outlining the steps for reproducibility and openness. The coded data was entered into an Excel spreadsheet and divided into categories based on crucial components like conceptual, empirical, or review. The research nation, number of observations, corporate sector or industry, and performance dimension were only a few of the criteria used to categorize each

downloaded article. The articles necessary for this research assignment were all downloaded. Each item was carefully examined in order to obtain vital information before being included to the list shown in Table 2. This list is intended to eliminate mistakes while explaining the processes towards repeatability and transparency. The coded data was loaded into an Excel spreadsheet and organized into groups depending on critical components such as conceptual, empirical, or review. The study country, number of observations, business sector or industry, and performance dimension were only a few of the parameters utilized to characterize each downloaded article.

4.1 Positive Effect:

<b>(Severgnini et al., 2018)</b>	227 small & medium sized firms	Performance Measure systems	financial & non-financial	Ambidexterity - Exploitation and exploration	Firm Performance more strongly influenced by exploitation orientation through increasing market share	Positive
<b>(Godart &amp; Barkey, 2013)</b>	293 firms	organizational creativity - novelty & usefulness of designs	Non-financial	empire, kingdom, and federated arrangement	Federated Arrangement generates the most creativity	Positive
<b>(Iranmanesh et al., 2020)</b>	212 medium & large sized firms	Innovation - process innovation, product innovation, organizational innovation, and marketing innovation	Non-financial	Specialization, decentralization, Formalization, informal social & link mechanism	Positive influence of four organizational structures on firm's innovative capabilities	positive
<b>(Kohlbacher &amp; Reijers, 2013)</b>	132 firms with 50+ employees	profitability, customer satisfaction, product quality	financial & non-financial	Process-orientation	Process-oriented organizational structures significantly improve firm performance	positive



#### 4.2 Positive Effect: Performance is positively influenced by the firm structure

This research study included ten articles that indicated that firms structure had a favorable impact on firm performance. The first study in this domain was conducted by (Stank et al., 1994), and the findings reveal that centralization is closely related to reducing logistical costs, hence enhancing firm performance when assessed by this variable. Centralization is also helpful for the integration of logistical systems. The research findings validated three of the four hypotheses tested in this study. First, the findings show that a centralized organizational structure facilitates the adoption of integrated logistics systems. It is being proposed that centralization fosters greater efficiency within a firm. This is due to the result of integration, enabling for more interaction and adaptability across the many functional areas.

In the next study in this category, by (Chatzoglou et al., 2018) 130 Greek firms with more than 20 workers were examined and found that organizational structure has an indirect and accumulated impact on the firm's performance. This is accomplished via enabling the company to carry out its plan and develop its potential in order to achieve various long-term goals. The CEOs were asked to compare firm's performance to competitors in terms of financial measures, including return on assets-ROA, sales growth, profitability, liquidity, market share, number of new products/services introduced in the market. The result indicate that organizational structures had a positive influence on firm performance as measured through the aforementioned dimension.

(Limpaphayom & Lai, 2003) examined the effects of different organizational structures on firm performance in the context of Japanese Keiretsu organizations operating in the non-life insurance market. It was discovered that Keiretsu and firm's profitability have a favorable and substantial link. The reduced agency conflicts found in such groups is one proposed

explanation for this higher performance. Additionally, there is strong shareholder scrutiny of management, which encourages less information asymmetry. As a result, these businesses perform better overall thanks to increased efficiency and free cash flow levels.

Severgnini et al. (2018), asserted that ambidexterity exhibited a direct impact on firm performance in software development firms. More precisely, this study demonstrates that exploitation has a higher impact on firm performance. (Raisch et al., 2009), ambidexterity is the capacity of an organization to be effective and in line with contemporary business expectations. Additionally, the present research took advantage of the "Performance Measure Systems," according to which performance is assessed using both financial and nonfinancial metrics.

(Iranmanesh et al., 2020) demonstrated four types of organizational structures—specialization, formalization, informal social connections, and link mechanisms which have a direct and positive impact on firm's capacity for innovation, while decentralization and centralization were found to have no bearing on performance indicators. Firm's ability to innovate in the fields of product, process, marketing, as well as organizational changes has significantly improved by specialization. By setting up norms and processes that enhance firm capacities, formalization also enhances a company's capacity for innovation by directing employee behavior in the proper directions. By enhancing collaboration between various departments and facilitating idea and knowledge sharing, this research also demonstrates that both link mechanisms and informal social relations also improve firm innovation.

(Nitzl et al., 2022) investigated how organizational structures like formalization, centralization, and horizontal integration impact the performance of big European companies. Performance was evaluated using a value-based management sophistication (VBM) metric that

was non-financial in nature. The research showed three types of organizational structures including centralization, which was unexpected and had a beneficial effect on VBM ability. This was due to management's improved ability to govern the strategic direction of the company through centralization and steer personnel toward accomplishing these objectives.

(Pant et al., 2021) studied Indian manufacturing companies and evaluated their performance in terms of supply chain complexity. The locational properties of the supply chain, in this example the separation between the headquarters and key cities, were used to gauge its complexity. It was considered to incorporate this component into account since geographic distances contribute to the intangible supply chain complexity that is indicated by communication difficulties. The findings indicated that manufacturing firms' organizational structures, as determined by their internal resources, considerably and favorably impact performance.

(Junni et al., 2013) shown that in general, the exploration and exploitation aspects of organizational ambidexterity are positively correlated with business success. However, the research also recognized the significance of moderators with regard to organizational structures and its performance. It was surprisingly found that high degrees of exploitation and exploration, as opposed to balanced measures, were proved to produce the maximum level of performance. Additionally, it was shown that organizational ambidexterity performs better in the service and technology industries than in manufacturing.

(Limpaphayom& Lai, 2003) examined the effects of different organizational forms on business performance in the context of Japanese Kiertsu companies in the non-life insurance industry. The profitability and performance were positively and significantly correlated. The reduction of agency conflicts in these organizations has been suggested as a potential explanation for this higher performance. Furthermore, there is

strong shareholder supervision of management, which encourages less information asymmetry. As a result, these businesses perform better overall thanks to increased efficiency and free cash flow levels.

#### **4.2.2. Partial Effect: Performance is partially influenced by the firm structure**

This category contained eighteen studies where the organizational structure had a small but significant impact on the performance of the organization. The variation in levels of internationalization, the impact of organizational structures only at certain stages, the mixed impact of the various types of organizational structures studied, or a combination of organizational structures within the same firm that produced favorable results could all be responsible for this partial influence.

(Dedahanov et al., 2017) argued that centralization is linked to employees' less innovative behavior, which resulted in poor performance. Here, the significance of creative employee behavior is underlined since it is described as essential to retaining a competitive edge in the market. The decrease of employee independence and excessive dependence on management for decision-making has been cited as one explanation for the decline in creativity under a centrally organized system. It has been proposed that organizational structure indirectly affects managerial behavior.

(Dekoulou&Trivellas, 2017), firms with a centralized organizational structure appear to have higher levels of managerial engagement, resulting in lower levels of innovation and poor performance compared to rivals in the sector with decentralized organizational structures. Similar to the previous study, the subsequent study by (Sabri, 2019) demonstrates that organizational structure also indirectly effects company performance by aiding in the enhancement of firm performance as determined by supply chain fit. (Wang & Fang, 2012) entrepreneurial firms were studied in

Taiwan to understand if network structures positively impact the performance of a firm measures through number of new patents registered. Network structures were shown to have positive influence on the performance of a firm but not in all cases. Environmental uncertainty also plays a critical role in determining firm success. (Meijaard et al., 2005) suggested that some organizational structures might be better suited to specific organization. Even tiny businesses were shown to have structural variety across sizes and industries. M- shaped structures, for example, have been proven to function effectively in the financial services and industrial industries. Surprisingly, the study discovered that in order for bigger sized organizations to be successful, decentralization, at least to some extent, is critical, while centralized structures limit company growth in this environment.

(Beamish et al. 1999) intended to ascertain if internal organizational structures of Australian export enterprises had any effect on the export performance. It was discovered that firms who target the export market by developing specialized export units do significantly better than those that do not. The degree of globalization that export businesses were at also affected their ability to succeed internationally. It was discovered that having a specific management structure that catered to export expansion assured development and improved a firm's capacity for international competitiveness.

(Chiang & Huang, 2021) described organizational structure by using the phrases "tightly coupled" and "loosely coupled." Findings of suggested that, given a tightly coupled organizational structure, improving business performance requires integrating customers. An organization that is tightly coupled has a hierarchical structure, lower degrees of individuality, and thus, lower levels of innovation. Thus, it is suggested to leverage customer integration in order to enhance business performance through improved customer service. A loosely coupled company, on

the other hand, has a shorter power distance and greater levels of creativity and innovation. In this case, it is suggested to leverage supplier integration to enhance business performance.

(CSASZAR, 2012) examined how organizational structure and firm performance are interrelated in the setting of financial markets, particularly in the context of mutual fund trading companies. Surprisingly non-financial performance metrics were utilized, including the rate of new project acceptance, omission mistakes, and commission errors. The latter two were chosen since greater rates for either can lower the degree of profit maximization. Through a decrease in the total rate of both omission and commission mistakes as well as an increase in project acceptance rates, it was discovered that decentralized enterprises outperformed centralized ones in the dimensions metrics.

(Ching-YickTse, 1991) examined American restaurant industry organizational structure. Centralization, formalization, and specialization were three types of organizational systems that were examined. The study's findings revealed that, on average, formalization or specialization worked better for businesses than centralization. The financial success of these businesses was assessed using metrics such as the average return on sales, average increase in unit sales, and average return on assets. Additionally, comparable findings were made when firm performance was assessed using the average % return on sales, indicating that in most instances, lower degrees of centralization combined with either a higher level of formalization or specialization produced the higher percentage return on sales.

(Kim, 2007) examined 623 Korean and Japanese supply chain and logistics firms that were dispersed over a wide range of sectors to determine the link between organizational structures and company performance. Here, mean sales and mean assets were used as financial performance measurements. The

research came with a conclusion that enterprises were organized differently depending on their supply chain integration degree was intriguing. Additionally, it was shown that overly high degrees of formalization and centralization impeded supply chain integration between suppliers and consumers. Higher levels of centralization additionally result in more effective management of internal supply chain integration, which can frequently have a positive effect on the performance of the company by enhancing both interdepartmental coordination and harmony among the various supply chain functions carried out by the company.

(Chaston, 1997) focused on investigating organizational structures that affect company performance in the context of small businesses. Organizational structure and a marketing plan with an entrepreneurial flair are essential for small businesses. The study discovered that small businesses with conservative or mechanistic organizational structures performed the worst among the examined organizations, and that performance for these businesses might be improved by using an organic organizational structure. Last but not least, it was shown that an entrepreneurial approach, when combined with the appropriate organizational structure, has the biggest influence on a small business's performance. If this occurs, the firm can enter a steady development phase.

(Scheepers et al., 2014) comprehend entrepreneurial configurations of small firms operating in New Zealand. The impact of organizational structures was examined in this context. Data revealed that formalization structures had a greater favorable effect on early-stage businesses when they were combined with higher degrees of entrepreneurial orientation and generative strategy-making. Furthermore, formalization promotes the growth of management's competencies and skills, which in turn promotes improved performance. Last but not least, formalization

also enables businesses to recognize and seize possibilities, particularly for companies in the manufacturing and services sectors, which have been similarly noted by other research. (Nandakumar et al., 2010) examined 569 UK-based companies in the electrical and mechanical engineering sectors to see whether mechanistic or organic organizational structures affected performance, which was assessed by financial dimension. Mechanistic organizational structures were found to be more beneficial for strong financial performance, particularly if the business used either cost leadership or differentiation tactics. Mechanistic structures in this study were more centralized in character, where conformity to rules was valued, whereas organic structures were characterized as having higher degrees of decentralized decision making.

(Oltra et al., 2018) investigated 244 Spanish technology-related businesses with at least fifty workers and found that the relationship between OI(Open Innovation) practices and firm performance is positively influenced by a high degree of decentralization in the organizational structure and negatively influenced by a high degree of formalization in the organizational structure.

(Green Jr et al., 2005) evaluated 173 American manufacturing companies and assessed financial performance in both financial and non-financial categories. In general, they discovered that centralization acts as an obstacle to a market orientation while connection encourages it. It was discovered that formalization and departmentalization had no discernible effect on market orientation. Additionally, they discovered that while a market orientation encourages better corporate performance, it is unable to forecast market share.

4.3 Partial Effect:

Article	Research Sample	Performance Measure	Organizational Structure measure	Main Finding	Structure-Performance relationship
<b>(Dedahanov et al., 2017)</b>	140 firms	Innovation - New product development	centralization, formalization, integration	centralization was associated with less innovative behavior among employees	Partial
<b>(Dekoulou &amp; Trivellas, 2017)</b>	163 Firms	Innovation performance (Product innovation + Process Innovation) & Financial Performance (profitability, sales volume, profit margin and return on investment)	Formalization, decentralization, specialization	Direct involvement and supervision of management leads to lower levels of innovation	Partial
<b>(Sabri, 2019)</b>	2 firms with 10 subsidiaries	Supply chain Fit	Centralization & formalization	Organizational structure can play a facilitative role in improving firm performance	Partial
<b>(Wang &amp; Fang, 2012)</b>	1510 firms	Innovation (measured by new patents)	Network Structure	Network structures were shown to have positive influence on the performance of a firm but not in all cases	Partial
<b>(Meijaard et al., 2005)</b>	1411 firms	Sales growth, profit-to-sales, innovation	centralization, formalization, matrix, M-form, U-form, entrepreneurial, and decentralization	Different types of organizational structures may be useful in different contexts	Partial

			on		
<b>(Beamish et al., 1999)</b>	185 medium + large sized firms	export revenue	Specialization	organizational structures that support specific departments dedicated to export activities outperform those that treat exports as a domestic activity	Partial
<b>(Chiang &amp; Huang, 2021)</b>	818 mixed size firms	customer service capabilities	Tight coupling & Loose Coupling	Customer integration impacts tightly coupled organization while supplier integration impacts loosely coupled organization	Partial
<b>(Walheiser et al., 2021)</b>	137 Firms	Product Innovation	Centralization & Formalization	Low centralization promotes higher innovation	Partial
<b>(Pan et al., 2019)</b>	330 firms	Return on assets	centralization, formalization, and complexity	Firm structure influences performance by impacting supply chain complexity	Partial
<b>(Mahrous &amp;Genedy, 2018)</b>	120 large sized firms	planning horizon and planning flexibility	Centralization	Centralization influences firm performance in some instances negatively	Partial
<b>(CSASZAR, 2012)</b>	609 firms	project acceptance rates, omission errors & commission errors	Centralization & decentralization	Decentralized mutual funds yeild better performance whilst centralized firms show no impact on firm performance	Partial

<b>(Ching-YickTse, 1991)</b>	149 firms	Return on assets, average growth in unit sales & average return on sales	centralization , formalization & specialization	Higher performing firms were more formalized and specialized as compared to centralized firms	Partial
<b>(Kim, 2007)</b>	623 firms (Korea: 244, Japan: 379)	Mean Sales & Mean Assets	Formalization , Centralization & heirarchial	Organizational structure was found to be different at different levels of supply chain integration	Partial
<b>(Chaston, 1997)</b>	92 small sized firms	Sales Performance	Non-entrepreneurial/mechanistic, Non-entrepreneurial/organic, Entrepreneurial/mechanistic & Entrepreneurial/organic	Different types of organizational structures influence small firm performance differently	Partial
<b>(Scheepers et al., 2014)</b>	320 Small sized firms	sales level and growth, gross and net profit, return of equity and investment & growth prospects	Formalization	Formalization enables higher performance levels due to increased efficiencies	Partial
<b>(Nandakumar et al., 2010)</b>	569 firms	sales, profit, market share, return on assets, return on equity, return on sales, current ratio	Mechanistic & organistic	Organizational structure acts as a moderator; mechanistic structure can positively influence financial performance	Partial

<b>(Oltra et al., 2018)</b>	244 firms with 50+ employees	profitability, growth, market share, OI performance & innovation	Formalisation, decentralization	Decentralization has a positive influence on firm performance whereas formalization influences performance negatively	Partial
<b>(Green Jr et al., 2005)</b>	173 firms	profitability, growth, market share & market orientation	Integration, formalization, centralization, decentralization	Decentralization can predict better market performance whereas centralization is a barrier to better performance.	partial

**4.3.3 No Effect: Performance is not influenced by the firm structure.**

This category comprises 8 articles. There was no conclusive connection between a firm's organizational structure and performance based to the publications that were examined.

(Pertusa-Ortega et al., 2010) examined how a firm's organizational structure is affected directly and indirectly on its performance. Since the firms chosen for this article operate in a variety of industries, performance was judged subjectively. Using six items, subjective measurements are contrasted with financial measurements. On a given seven-point scale, the respondent was asked to assess how well the company performed in comparison to its rivals. According to the study's findings, a firm's competitive tactics, which are made clear through its product and service offerings, are more important in determining how well it performs than its organizational structure.

(Hankinson, 1999) sought to determine whether a firm's organizational structure assisted in

establishing a healthy competition. There is no statistically significant correlation between an organization's structure and its performance, that is assessed by brand success, according to a research of the top 100 global brands. It was discovered that organizations with horizontal or flatter structures are more prevalent in the consumer products industry, whereas those with hierarchically organized organizations are more prevalent in the consumer service industry.

(Qu et al., 2012) was carried out the study on US hotel's and found that organizational structure had no effect on brand image or performance in other areas such as HR or IT strategy. Similarly, (Ingham, 1992) investigated the influence of unitary form and multidivisional form organizational structures on company performance in the United Kingdom and concluded that organizational structures exhibit very little impact on firm performance.

The next article included in this category is by (Armour & Teece, 1978). This study reviewed the performance of petroleum firms in a 19 year time period, starting 1955 until 1973. 5 organizational



structures were studied, including M-Form, F-Form (including FS-form), C-Form, H-Form, CH combination form and T-form structures. The results show that any difference in performance of petroleum firms organized according to different structures does not persist over time. However,

most large firms studied in this analysis show that they were organized with an M-form structure and most small firms had an f-form structure.

Lastly, the article by (Siggelkow & Levinthal, 2003) show that while in the short run, decentralization yielded greater benefits, in the long-run there were no significant performance differences between firms that used centralization or decentralization as there was performance convergence. Decentralization may be more beneficial in the short run as it allows for more flexibility but in the long-run, performances were similar to firms that were not decentralized. This study is unique from the others as it used a simulation software to determine firm performance rather than using actual data from real firms

**4.4 No Effect**

Article	Research Sample	Performance Measure	Organizational Structure measure	Main Finding	Structure- Performance relationship
(Pertusa- Ortega et al., 2010)	164 - Large firms with 250+ workers	Total Costs, market differentiation, innovation, sales growth, market share growth, cash flow, profits before taxes & return on investments	centralization, formalization, and decentralization	Organizational structure has no direct impact on a firm's performance	No Effect

<b>(Hankinson, 1999)</b>	100 Firms	Brand Success	hierarchically organised, horizontal, matrix	Overall, organizational structure has no significant impact on the success of a Brand	No Effect
<b>(Qu et al., 2012)</b>	317 Firms	Brand Image, Human resource and Information Technology	Mechanistic & organic	International Journal of Contemporary Hospitality Management	No Effect
<b>(Ingham, 1992)</b>		Firm Profitability	U-Form & M-Form	Organizational structures were not shown to have an impact on firm	No Effect
<b>(Weir, 1995)</b>	68 large & Medium Sized firms	Return on Capital Employed	U-Form, M-Form, H-Form, X-Form	Organizational structures don't directly result in the improvement of firm	No Effect
<b>(Armour &amp; Teece, 1978)</b>	28 firms	After tax profits	M-form, H-form, CH-form, T-form, F-form & C-form	Impact of organizational structure is not permanent	No Effect
<b>(Siggelkow &amp; Levinthal, 2003)</b>		profitability	Centralization & decentralization	Decentralization yields temporary benefits, centralization works in the long-run	No Effect

## THEORETICAL IMPLICATIONS

The primary goal of the article aimed to conduct a systematic literature review in order to examine the influence of a firm's organizational structure on its performance. A study on 37 research papers was conducted for this aim in order to gain an overview of the present level of knowledge on this issue. Organizational structures were established in many ways, and performance was measured in a variety of ways. However, present research in this topic is restricted since there are few studies that aim to discover a relationship between how a corporation organizes, communicates, and manages itself internally and the influence of this internal process on performance, as evaluated by financial or non-financial measures.

This research contained a review of research studies that investigated firms in a wide range of sectors and industries ranging across many nations and continents. Ten of the 35 articles reviewed indicated that organizational structures influence firm performance directly and significantly, eighteen indicated that organizational structures influence firm performance partially, and seven indicated that there is no direct link between an organization's structure and its performance.

(Stank et al., 1994) observed that centralization, as characterized by rigorous management control over the decision-making process, might assist a firm in reducing its costs and thereby contributing to improved performance. Centralization is another way to improve organizational efficiency. Furthermore, businesses that are in sync with the needs of the contemporary business environment, such as ambidextrous enterprises, are more likely to demonstrate outstanding performance. It has been discovered in some industries, such as the fashion industry, that a combination of organizational structures delivers superior performance since it enables both control and flexibility to coexist.

(Dedahanov et al., 2017) found that high degrees of centralization had a detrimental impact on firm performance as assessed by innovation and new product development because of a loss in decision-making autonomy offered to employees at various levels of the hierarchy. It was also stated that, as opposed to any direct influence, an organizational structure influences managerial conduct, which in turn influences business performance.

(Wang & Fang, 2012) proposed that enterprises that arrange themselves in a network structure operate better, as indicated by the number of new patents registered; however, it may be impacted by environmental unpredictability. It additionally claimed that there is no "one size fits all" strategy, and that alternative organizational structures may be better suited to certain sectors (Meijaard et al., 2005). M-form structures may have a good impact on the performance of a financial services organization, and larger firms may allow for some decentralization in order to demonstrate strong economic performance. Decentralized enterprises may also encourage improved financial sector performance (Csaszar, 2012) by improving cost efficiency and reducing mistakes produced throughout the business process.

(Chaston, 1997) argued that organizational structures must change depending on the size of the firm and that a complementary marketing strategy is essential to affect firm performance; organizational structures may increase firm performance but not in isolation.

(Pertusa-Ortega et al., 2010) proposed that, rather than organizational structure, a business's competitive tactics have a role in determining corporate performance. The author showed that organizational structures exhibit no influence on firm performance, when measured through either financial or non-financial terms.

In contrast to the previous study, (Weir, 1995) found that organizational structures varied according on business size. (Armour & Teece, 1978) discovered that organizational structure fails to clarify variations in

long-term financial performance of organizations, and that any short-term differences are just transient and do not persist over time.

There is clearly a lack of agreement on the real influence of an organization's structure on performance. The findings are inconsistent, with some research establishing a positive association while others finding no evidence of organizational structure having any impact, positive or negative, on company performance. As a result, the character of this review is inconclusive, making it impossible to determine a theoretical consequence. According to the conclusions of this study, given the present level of research, it is impossible to say whether organizational structure impacts company performance or not. Due to the mixed character of research, which includes numerous contradictory findings, arriving at generalizations becomes a difficult endeavor.

## 5.0 LIMITATIONS AND FUTURE RESEARCH DIRECTIONS

The findings of this study indicate further investigation in this area is needed to figure out the real degree to which an organization's structure influences its performance. There are certain limitations to this paper that should be noted. To begin, the relatively modest review size (n=35) of this work may offer an issue, since a greater number of review papers may aid in establishing a relationship or reaching a conclusive conclusion. Another disadvantage of this study is the lack of homogeneity in the performance parameters examined.

Another drawback of this review is that in addition to articles that built a positive relationship between organizational structure and its performance, there may be several factors that influences firm performance as well. For example, the study by (Stank et al., 1994) showed a positive relationship between centralized firms and financial performance in the case of American logistic firms; yet, it is worth considering whether the same result would be obtained if the firm was decentralized. Furthermore, this study

incorporates articles that are not biased towards geographic borders. Firms constitute a product of their economies because the regulatory environment may have a significant impact on how a business arranges itself inside (Adomako & Danso, 2014). As a result, studies examining enterprises in drastically different economies may be incomparable. A few ideas for future study directions can be made. For instance, a greater number of articles analyzed may improve the overall quality of study. This may extend the scope of the investigation and aid in reaching a definite decision. Furthermore, including a greater number of articles in future study may aid in determining whether or not a statistically significant link exists between the firm's structure and performance. To preserve consistency, another approach is to examine articles using either financial or non-financial performance indicators.

## 6.0 CONCLUSION

This paper conducted a literature review to examine the effect of a firm's organizational structure on its performance. Multiple measurements were used to determine organizational structure, and business success was assessed utilizing both objective items such as financial performance and subjective things such as perceptions and inventive capacities. A thorough literature analysis of 35 studies was conducted, including articles that investigated businesses from diverse nations and industries. This study found no convincing link between a firm's structure and its success. Theoretical implications were drawn, and a plan of action was put forward for the future.

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