
Olatunji Fadeyi, Abimbola Adegbuyi, Adunola Oluremi Oke
Department of Business Management,
Covenant University,
KM 10 Canaan Land,
Ota, Nigeria

Musibau Akintunde Ajagbe
Centre for Entrepreneurship Studies,
Department of Business Management,
Covenant University,
KM 10 Canaan Land,
Ota, Nigeria
akintunde.ajagbe@cu.edu.ng,
ajagbetun@yahoo.com

Abstract - Improving on performance is of greater interest to all organization leaders in today’s business environment. Researches relating to large, small and medium sized firms constantly stress a positive link between business strategies, management activities and organizational performance. Because it is often detailed that best business strategies produce outstanding organizational performance. This study used secondary method of data collection to review various empirical literatures on business strategies and their effects on organizational performance. The study was able to ascertain from various literature reviewed that business strategies such as (customer orientation, employee autonomy, communication, training and development job satisfaction, corporate social responsibility, motivational factors) have major role to play in organizational performance. Recognizing the causes of organizational performance is important especially in the perspective of the current global crises because it helps an organization to identify those factors that should be given priority attention in order to improve the organizational performance. Hence, this study recommends that business organizations should adopt appropriate strategies that would enhance adequate organizational performance.

Key words: Organizational Strategy, Business Entrepreneurs Organizational Structure, Organizational performance.

I. INTRODUCTION

Much research had been done to understand the relationship between organizational strategy and organizational structure as it influences the performance of business organizations. Notable among these earliest research is the work of Chandler [1] who found that new organizational strategy require new or at least an amended organizational structure if the enlarged organization is to be run effectively. Kavale [2] supported Chandler’s position with his study on the connection between organizational strategy and organizational structure. The author concluded that proper match between organization strategy and organization structure leads to high performance for the organization and that organization strategy is followed by organization structure. He further reported that a discrepancy between organization strategy and organization structure will result to an unwanted performance for the organization. Management experts talk about strategic alignment between the firm and the environment or strategic consistency. Nag et al. [3] argued that there is a strategic consistency when the actions of organizations are consistent with management expectations. Furthermore, Chandler [4] in his notable work “Strategy and Structure” stressed that the need for long-term coordinated strategy is important to give organization structure focus and needed direction, as he stated in explicit term that structure follows strategy. Previous research had also revealed that organizations that implement its strategies effectively well will perform better than those that does not implement strategic management well [5, 6]. However, organizations have varying degree of formalized structure which can enhance or impede the successful implementation of strategies. Since the main aim of this study is to ascertain the relationship between structure and strategy. Also, it intends to find out between organization structure and organization strategy which should come first and which decides the other. The study will be arranged in the following manner. The first section shall define what strategy entails, followed by the functions of strategy, strategy statements, basic elements of strategic management, definition of structure, components of organization structure, organizational performance, impact of structure on organizational performance and finally the conclusion is presented. Figure 1 below shows the study conceptual framework.

![Conceptual Research Framework](image)

Fig. 1. Conceptual Research Framework
II. LITERATURE REVIEW

A. Strategy Defined

Strategy can be defined as the direction and scope of an organization over the long-term and which attains benefit for the organization. This is done through its configuration of resources within a challenging environment, to meet the needs of markets and to fulfill stakeholder expectations [7]. Authors also described strategy as large scale action plans for relating with the environment in order to accomplish long-term goals [8]. In addition, Bateman & Zeithaml [9] posit that strategy is a form of actions and resource apportionments designed to accomplish the goals of the organization. Kavale [2] view strategy as the long-term goals and determination of objectives, the adoption of courses of action and associated allocation of resources required to achieve goals. Strategy is the path and scope of an organization over the long-term which achieves benefit in a changing environment through its configuration of resources and competences with the aim of fulfilling stakeholder's anticipations.

B. Functions of Strategy

Cole [10] mentioned that strategy is an indispensable tool for an organization success, as it help a company to be more proactive than reactive in molding its own future. It makes an organization to initiate and effect activities so that it can exert control over its own destiny. Strategy generate greater commitment to achieve objectives, to implement strategies, to work hard, strategy well implemented aid improvement in sales, profitability and productivity. In addition, it can improve understanding of competitors strategies. Johnson et al. [7] opine that a good SWOT can help us to understand the difference with our competitors, including the awareness of threats, it helps to reduce resistance to change, and it helps to objectively define management problems. Ajagbe [11] argued that strategy provides a framework for an organization to coordinate and control its activities and it enhances communication among the employees and managers.

C. Strategy Statements

Collis & Rukstad [12] suggested that all entrepreneurs and managers should be able to enumerate their organization's strategy with a 'strategy statement'. They both stated that Strategic statements should possess three main themes: the essential goals that the organization seeks to realize, which typically draw on the organization's stated mission, vision and objectives; the scope of the organization's activities; and the particular advantages or capabilities it has to deliver all of these. The various contributing components of a strategy statement are explained as follows:

- **Mission.** This has to do with goals, and refers to the overriding purpose of the organization. It is sometimes described in terms of apparently simple but challenging question: 'What business are we in?' The mission statement helps keep managers in the organization focused on what is central to their strategy.

  - **Vision:** This too has to do with goals, and refers to the desired future state of the organization. It is an aspiration, which can help mobilize the energy and passion of organizational members. The vision statement, therefore, should answer the question: 'What do we want to achieve?'

  - **Objectives:** These are more precise and, ideally, quantifiable statements of the organization's goals over some period of time. Objectives might refer to profitability or increased market share for a private company. Objectives introduce discipline to strategy. The question here is: 'What do we have to accomplish in the coming year?'

  - **Scope:** Scope can be described in three perspectives: clientele; geographical location; and the degree of internal activities ('vertical integration'). For a university, scope questions are twofold: first, which academic departments to have (a business school, an engineering department and so on); second, which activities to do internally themselves (vertically integrate) and which to externalize to subcontractors [13] (for example, whether to manage campus restaurants in-house or to subcontract them).

  - **Advantage:** This part of a strategy statement describes how the organization will achieve the objectives it has set for itself in its chosen domain. In competitive environments, this is referred to as the competitive advantage: for example, how a particular organization intend to achieve its goals in the face of competition from other organizations. In order to achieve a particular goal, the organization needs to be better than others seeking the same goal.

III. BASIC ELEMENTS OF STRATEGIC MANAGEMENT

Reimann [14] enumerated the components of strategic management as environmental scanning (external and internal), strategy formulation (strategic or long-range planning), strategy implementation and evaluation and control.

Environmental Scanning: Scanning of the environment consist of observing, assessing, and communicating appropriate information from the external and internal environments of the firm to major people within the organization. The purpose entails identification of strategic elements which consist of the external and internal factors that will define the future of the firm or SWOT analysis.

Strategy Formulation: This has to do with coming up with long-range plans for the proper management of the
opportunities and threats in the environment while assessing the organizational strengths and weaknesses.

**Strategy Implementation:** This otherwise refers to as putting the plan into action. It entails procedures, financial plans and programmes that aid the strategies and policies to become an action properly executed [15].

**Evaluation and Control:** The focus here is to see that the firm accomplishes what it intend to achieve by comparing the actual and expected performance. It involve examining the underlying bases of a firm's strategy, comparing expected results with actual results, taking corrective actions to ensure that performance conforms to plans. Control may include altering firm’s long-term direction, redefining the business, raising or lowering performance objectives, modifying the strategy and improving strategy execution.

A. **Characteristic of Effective Strategy**

Cole [10] posit that a good and effective strategy must provide support to the mission of the organization, it must exploit opportunities and threats in the environment, it neutralises threats to the organization and helps to avoid or overcome weaknesses in the organization.

**Aid to Structure:** - **Strategy Implementation**

Olson et al. [16] suggested that to properly ascertain the connection between strategy and structure, a manager must first define what the firm's strategy is, thus, once the strategy is known, focus shift to its implementation.

Li Chen [5] put forward that strategy implementation is an activity of putting strategy and policies into concrete actions in the short-term. This was re-emphasized by Aladwani [17], who argued that strategy implementation means putting the result of planning into a real activity. This shows that strategy implementation means running the plans that have been formulated. Bonoma & Crittenden [18] suggest that strategy implementation is comprised of two main variables: ‘structure and managerial skills. Organization structures provide us with the framework or configuration in which organizations operate effectively. This study considered one critical implementation dimension of strategy which is organizational structure.

B. **Grand or Business Strategies**

YouSigma [19] elaborated that grand strategies or rather master strategies, offer basic route or path for strategic actions. They serve as the foundation of organized and sustained efforts focused toward attaining long-term business goals. Grand strategies specify the time period over which long-range goals are to be accomplished. Thus, a grand strategy can be described as an all-inclusive general approach that regulate a firm's major activities. As shown in Figure 1 and Figure 2, organization managers can utilize techniques such as Grand Strategy Selection Matrix or Grand Strategy Cluster to design means that will be used to accomplish the organization long-term goals.

The principal Grand Strategies are:

**Concentrated growth strategy:** This involves focusing on increasing market share in existing markets. This strategy is also sometimes referred to as concentration or market dominance strategy.

**Market development strategy:** This entails selling present products or services in new markets. Managers take actions like targeting promotions, opening sales offices and creating alliances to operationalize a market development strategy.

**Product development strategy:** It is concerned with changing the current product and coming up with new product for the markets that is currently being severed.

**Vertical integration:** This strategy has to do with taking over companies’ that supply the organization input materials or are client for its manufactured products.

**Concentric diversification:** This strategy involves the creation of a portfolio of related businesses. The portfolio is usually established by acquisition rather than by internal new business creation.
**Conglomerate diversification:** This entails using the financial performance standard as a base for the acquisition of a portfolio of businesses.

**Horizontal integration strategies:** This strategy has to do with buying over competitors firm that are in the same market with the firm or in a new market.

**Divestiture:** This strategy involves the sale of part or total component of a firm’s business usually as an ongoing business concern.

**Liquidation:** This strategy involves the sale of part or total component of a firm’s business usually at an auction to an individual or corporate buyers of its physical asset value.

**Turnaround strategy:** A financially struggling company adopt this strategy. It entails cost savings as well as reduction of asset.

**Innovation strategy:** This is an outcome of research and experiment that leads to formation of a new device or new business process.

**Joint Ventures:** This strategy involves two or more firms coming together to create competitive advantage in the industry they are operating in.

### IV. STRATEGY FORMULATION

Ibrahim et al. [20] posit that organization structure refers to the way jobs are divided, where decisions are made and how work roles are coordinated. Structure defines how job tasks are formally divided, grouped and coordinated. It specifies the firm’s formal reporting relationships, procedures, controls, and authority and decision-making processes. Structure indicates area of responsibility, authority and accountability. Ajagbe [11] opine that it specifies the work to be done and how to do it and it influences how managers work and the decisions resulting from that work. The author added further that structure is concerned with the official arrangement of jobs and the reporting relationships that controls, coordinates and inspires workers to work as a team in order to achieve the firm’s objectives. The function of organization structure is to facilitate the performance of firms through the implementation of strategy. David [21] stated that for an organization to manage its strategies well in practice a good structure is necessary. Lewis et al. [22] viewed the structure of an organization as an authority and responsibility for result achievement. The structure of an organization takes the shape of a pyramid and represented in a chart at time known as organizational chart.

### A. Importance of Organization Structure

Organization structure benefit the firm in that it contribute to the firm’s performance in the following ways. It contribute to the clarity of authority relationship, thus helping the members of the organization to know what is expected of them and their relationship with the roles of others [23]. Organization structure also helps to make clear the communication and coordination pattern within the organization. Furthermore, decision making centers in the organization is made clear with the aid of structure [24]. Structure promote growth in the organization, as it helps in boosting the capacity in handling increased level of activities. Creativity is activated and enhanced among organizations through a clear cut pattern of authority.

### B. Components of Organization Structure

Structural component is an important aspect of organization structure that impact on task division, coordinating and grouping of tasks and tasks accomplishment. The structure of an organization require that all factors that can impact on the designing of the structure should be well analyzed. Robbins [25] suggested that task allocation, reporting channels and the official coordination and interaction patterns that will be followed are all spelt out by organization structure. Designing organization structure entails four dimensions which are: breaking down of task into smaller jobs otherwise referred to as division of labor, dispersal of authority among tasks, grouping of job together or departmentalization and span of control.

### C. Dimensions of Organizational Structure

Olson et al. [16] mentioned three structural dimensions that influence organization communication, coordination, and decision-making which are vital to strategy implementation. These dimensions are: formalization, centralization, and specialization. Ibrahim et al. [20] however viewed these dimensions as four characteristics of organization structure which are: formalization, hierarchical, centralization and specialization.

### D. Types of Organization Structure

Olson & Slater [26] highlighted that it is conventional to establish and describe various management structures. Broadly speaking there are six following ‘alternative’ structures. Successful organizations due to growth align themselves with a pattern of structure. These structures includes: Simple or Entrepreneurial Structure, Functional Structure, The Product Structure, The Divisional Structure, The Matrix Structure [27, 28]. For the purpose of this study, the researchers shall only explain details on three among the types of structures that have been mentioned in empirical literature.

**Simple or Entrepreneurial Structure:** As the name indicate, it is the simplest of all the structures. Here everything rest on owner of the business. He makes the decisions and bear all the risk associated with the decision. He knows much about the business. There is little or no formal structure in place as decision is centred on the owner. Organizations with this structure are highly flexible e.g. trading companies. However, growth and geographical dispersion, and the need for outside
investment, can create pressures to change from this structure.

**Functional Structure:** Growth often lead to the development of a functional structure. Division of labor according to main organizational functions or activities. Departments or employees who perform similar functions or work processes are grouped together. Similar activities are grouped into departments; personnel, marketing, finance, operations and so on. Coordination is from the top and it can lead to specialization, which aid the maximum use of employees’ skills. This structure may be inadequate for further growth and expansion in the organization. Advantages of this structure includes economies of scale and in-depth skill development. The disadvantages: Adaptability to environmental changes, slow and less innovation, poor horizontal coordination among departments, restricted view of organizational goals and hierarchy overload.

**Divisional Structure:** Divisionalization involves breaking the organisation down into relatively autonomous units, called divisions. Each division might serve a particular product or a particular market. Each will have its own divisional executive. Each may have its own structure and may be organised based on other forms of structure. Each division can respond to the demands of its own markets and are responsible for matters of cost and profits. Each division runs like a separate business. Divisions might be responsible for set of products & services, clients or geographical markets. Decision-making is highly decentralized with the attended benefits such as fast response and adaption to environment and high coordination across divisions. The associated disadvantages: Loss of in-depth understanding, coordination among divisions might be hard, goals and perspectives of divisions might be conflicting and autonomy level of each division.

**E. Relationship between Strategy and Structure**

According to Rajapakse [15], previous research on the association between strategy and structure have come up with the following major findings:

- Connelly et al. [29] suggested that different kinds of strategies permit for specific structural forecasts [30].
- Michael Porter debates that organizations can put forward one of four strategies: cost leadership, differentiation, focus and stuck-in-middle and that precise structural forecasts could be made for the first two strategies [30].
- Robbins [30] talked on the position of Miner's strategy framework which is made up of four dimensions-innovation, marketing differentiation, breadth and cost control. And that structure are influenced by these strategies [30].
- A more embracing and expanded proposition that strategy serves as a mediator to select organizational structure appropriate with the current environment [31].
- The information-processing proposition considers that a structure with a sound information process can be helped to implement organizational strategy more accurately [32].
- Organizational structure imposes limitations on selecting a strategy [33].
- An organization's current operational and administrative mechanism (technology and structure) will have major effect on the selection of future strategy [34, 35, 36].

It is evident that the first structure of most organizations is informal and has an effect on organizational goals as well as the strategies for the goal attainment. From research, it has been made clear that most times it is strategy that causes change to the structure, though some scholar still dispute this and view it the other way round [15].

Strategy is administered through the designed organizational structure and alterations in an organization's strategy mostly has it associated challenges which a new structure can only address [2]. This was still the position of Chandler as he affirmed that strategy is given and that, before the emergence of structure, strategy existed at the back of the mind [1, 37]. This justify why functional structures are followed by the strategy that is already given and existing in the organization. Kavale [2] argued that structure has been confirmed to be distinct from strategy and addressing structural issues are perceived as means to advance organization competence, enhance teamwork and formation of synergy. Johnson et al. [7] further posited that structure—strategy dependency issue needs to be seriously addressed as it is possible to have the best of structure and still end up in the same or worse situation in the organization with inappropriate strategy.

**F. Alignment between Strategy and Structure**

Kavale [2] affirmed that a firm's strategy and its operating environment should align. Since the forces in the environment are highly volatile and dynamic, it is almost impossible for any single firm to influence these forces, hence the need to adapt to the environment dynamism and volatility. Long et al. [24] suggested that the forces in the environment propel changes in the firm and appropriate structure must be in place to match with the firm’s strategy in the face of these forces. This situation is referred to as the strategic alignment. This is immediately followed by “matching” which involves the matching of organizational capability, strategy and structure together. Matching and alignment are very key processes that firms must consider when embracing the management of strategy. According to Johnson et al. [7], the appropriate configuration of strategy, structure, the environment and the organization’s capability is known as strategic fit.
G. Linking Strategy and Structure

Chandler [1] revealed that amendment in strategy should be followed by a new structure. This was supported by Bateman & Zeitzhamal [9] who mentioned that for successful execution of strategies, a suitable structure is needed. This became the accepted position of many scholars universally that “Structure follows Strategy” [15].

This generally accepted position suggest that every activities the firm gets involved in is targeted towards optimum performance based on the firm’s strategic choice. Thus strategy is a contributing factor to how organizational structure develop. The core structure of a firm is one of the main means that strategists use to position the firm so as to implement the strategy in a way that balances the firm’s efficiency and effectiveness [38].

Ever since it is generally agreed that structure follows strategy, the selection of an organization structure rest mainly on the strategy of the organization [2]. The way the structure is designed tie together principal activities and resources of the firm and it must be in agreement with the firm’s strategic requirement. The justification for this is due to the fact that firms change their progress strategy in reaction to changes in the environment. However, new structure usually creates administrative challenges that end up in a deteriorating performance, hence, the appropriate strategy [39, 40, 41, 42].

H. Impact of Strategy and Structure on Performance

Pullan [41] opine that for an organization to achieve its goals or talk about any performance, appropriate strategy must be in place, hence performance management strategy is discussed. Armstrong & Barron [42] defined performance management as a strategic and integrated approach to delivering sustained success to organizations. This can be done by improving the performance of the people who work in them and by developing the capabilities of teams and individual contributors. Performance management strategy is concerned with managing the organization, everyone in the business, performance improvement, employee development, stakeholders’ satisfaction and finally communication and involvement [43]. Performance management focus is on future performance planning and improvement rather than on retrospective performance appraisal. Lewis [44] posit that performance management strategy links organizational vision, missions, values and strategic goals to divisional, departmental and individual goals, objectives and tasks/ targets [45, 46]. Measuring organizational performance strongly affects the behaviour of people from within and outside of an organization [47, 48, 49]. The measurement system employed by the organization needs to be holistic, that is one that is derived from its strategy and capabilities [50].

V. PROBLEMS OF PUTTING STRATEGY BEFORE STRUCTURE

Many scholars including Chandler [1] are of the belief that strategy should come before structure, but if this happens it goes along with some associated problems [51]. Strategy-then-structure may be too rigid to cope with some fast-changing environments in the new millennium. However, the type of structure may be just as important as the business/ market area in the strategy development process, some value chain configurations demand some organisational structures. That is one does not follow the other, complex strategic change needs to be managed as it proceeds, rather than imposing an organisational structure at the end, and top-down strategy decision-making may be inappropriate for the development of innovative strategies: middle managers may need the flexibility to experiment and the freedom from imposed organisational structures.

VI. CONCLUSION AND RECOMMENDATIONS

This study reviewed previous articles on organizational strategy, organizational structure, organizational performance and the association between strategy, structure and how it result to organizational performance. On this basis, the study finds that proper implementation of strategies, appropriate structure should be in place or existing structure amended to aid the strategy implementation process. This study also finds that strategy and structure are interrelated and each depend on the other for proper functioning. This means that once strategy and structure are not properly aligned it negatively affect performance of an organization. However, if they are properly aligned, it will affect the organization performance positively. Hence, strategic business managers should pay more attention to this and to properly ascertain the association between strategy and structure. In addition, entrepreneurial business managers should ascertain first what the firm’s strategy is, and once the strategy is known, focus should shift to strategy implementation. In this wise, structure is key to this implementation, though this may not always be the case.

ACKNOWLEDGMENT

The researchers wish to thank the Covenant University, Canaan Land, Nigeria for providing some of the facilities that enhanced the compilation of this article.

REFERENCES


