МЕНЕДЖМЕНТ

UDC 331.52:631
JEL M1, M19, M29

Efficacy of firm size and structure on organizational performance

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OPEN ACCESS

Сабіту Олалекан Овотуту, Ково Соломон Акповіроро, Гбемі Мозес Содейнде. Розмір та структура - основні компоненти для ефективної діяльності фірми. Економіка та управління АПК. 2024. № 1. С. 132–141.

Sabitu Olalekan Owotutu, Kowo Solomon Akpoviroro, Gbemi Moses Sodeinde. Efficacy of firm size and structure on organizational performance. AIC Economics and Management. 2024. № 1. PP. 132–141.

Рукопис отримано: 14.03.2024 р.
Прийнято: 28.03.2024 р.
Затверджено до друку: 24.05.2024 р.

doi: 10.33245/2310-9262-2024-189-1-132-141

Firm size plays an important role in determining firm's performance even though it's not clear whether firm size affect organizational performance. Therefore; an investigation is required to assess the effect firm size and structure will have on firm's performance. The specific objectives were to investigate the relationship between firm size and firm performance and to analyze the relationship between organizational structure and firm performance. For the purpose of this study primary data was used. The ex-post facto method was employed. The population consists of the members of staff of Guinness International PLC Plant, Lagos Nigeria. Yamane formula was adopted to determine the sample size. The data was analyzed using manual and electronic based methods through the data preparation grid and statistical package for the social sciences, (SPSS). Linear regression analysis method which also makes use of ANOVA was employed to test the hypothesis. The findings of this study have shown a positive relationship between firm size and competitive advantage such that competitive advantage is affected by firm size. A finding from the study also shows that there is significant relationship between organizational structure and firm performance. It was concluded that strategic factors cannot be overemphasized in determine the size, structure and performance of firm. This study has made us understand the effect of strategic factor on firm performance and also revealed immense benefit to both local and international firms as well as useful to students for further research. This study will make organizations to understand the effect of strategic factor on firm performance and it will also be of immense benefit to both local and international firms as well as useful to students for further research. It will help management and manager to identify the effect of strategic factors on firm performance. The study will give more insight into the relationship between strategic factors and firm performance for academician.

Key words: firm size, structure, organizational performance, strategic factors.

Problem statement and analysis of recent research. Strategic Factor are also concerns with any issues which regards gaining competitive advantage in the market place, strategic factors are usually determined or identified by top management because they are differ from operational issues which are directed by middle level or first line mangers because they focus on the daily function of the business or firm at shop floor (Luttmer, 2010; Akinlo, 2010) however, the concept of strategic factors is stretched to encompass several themes. In today's Nigeria, firms and industry operate under various conditions and constraints, which stand on their way to the achievement of organizational performance; these are, high cost and shortage of raw materials, shortage of funds, inability to recruit competent staff. Others include firm size, location, organizational structure, speed of growth, irregular power supply, and the gender of owner. also, a section of the organized private sector contends that the various policies, incentives and strategies, so far put in place for the firm and industrial sector, have either not been implemented or have been inconsistent or are inappropriate, to stimulate growth and address the problems of firm performance.(Ojo et al, 2006; Okoye, 2013; Kowo, Sabitu & Adegbite, 2018).

The world is becoming very competitive and firms are faced with environment which has increased complexity, globalization, and dynamism (Fererrero et al, 2014). Daft (2013) posit that it is generally confirmed that a value is achieved by improving firm performance persistently leads to dynamism in the organization field, for decades, researchers argue that performance is discovery and exportation at the same time. Hence strategic factors are those things that an organization or business unit needs to get right in order to succeed with firm key stakeholders that is, firm consumers, supplier's employees, owners and any organization, business unit or individual that you depend on for success (Abdullah et al, 2013). Daft (2013) showed that in order to achieve a desired level of organizational firm performance and improve it, we must reinforce different strategic capabilities. They stated that abilities and capacities must be created, integrated, and configured. This requires integration of some strategic factors and capabilities including individual dominance, transformational leadership, common ideals, reactiveness, and environment.

According to Powell (2014) strategic factor lead to deal with rapidly changing environment, increase competitive advantages, and improve firm performance. The stakeholders use these criteria to evaluate you. Strategic factors provide not only a pathway to success but also a common currency that links the way in which strategic planning and performance measurement are undertaken. The key word is link, and strategic factors form that link. Strategic factors across sectors, strategic factors also provide the tools to be able to address the needs not just of private sector profit-seeking organizations, but also of nonprofit organizations from both the public and private sectors. Here again strategic factors act as integrators because all organizations have them at their core. Firms' idiosyncrasies intangible assets, offer superior explanatory value for performance differentials irrespective of sectors (Busienei, 2013; Fan & Scott, 2003; Machuki & Aosa, 2011).

Strategic factors are critical to firm and organizational performance. However, this can only be possible in a situation whereby those selected strategic factors are well implemented. Strategic factors are often considered as a possibility for large enterprises especially multinational organizations than small businesses because of variations in size and ability to overcome challenges in the business environment. Well implemented strategic factors are an essential part of firm performance.

The aim of the study. The contending strategic factors such as structure suggest that some things are amiss or some issues that are critical to the development and performance of firms have not been factored into the various strategies and management of firms for performance (Ojo, 2006). Are the real issues of structure affecting the performance of firms been appreciated and addressed by Government, industries and organized private sector? These posers would therefore require the reexamination and analysis of the various issues and factors relating to the location and localization of industries responsible for the relatively low performance of firms sub-sector in Nigeria (Ojo, 2006; Ongeti, 2014, Kowo, Akinbola & Akinriola, 2019).

Ling, Zhao and Baron (2007) urged that organizational structure assessment has helped companies in the alignment between their strategy and performance. Freeman and Mcvea (2014) extended that organizational structure is a key element in establishing and managing the link between strategy analysis and firm performance. Link between strategy analysis and firm performance using organizational structure has actually led to strategic success or added firm's value. Even though it is not clear weather organizational structure affect firm performance indicated by increased profit, revenue and growth, this research will examine the problem). This research seeks to answer the following questions (i) what extent does firm size affect firm performance? (ii) What influence does organizational structure have on firm performance?

Material and research methods. Conceptual, Theoretical and Emperical Review. The firm size plays an important role in determining the kind of relationship the firm enjoys within and outside its operating environment. The larger a firm is, the greater the influence it has on its stakeholders (Dogan, 2013). Again, the growing influences of conglomerates and multinational corporations in today's global economy (and in local economies where they operate) are indicative of what role size plays within the corporate environment. Refocusing the importance of size in corporate discourse, Bhayani, (2010) argue that an interesting aspect of economic growth is that much of it takes place through the growth in the size of existing organizations. It has always been the objectives of the firms to multiply in size in order to have an edge over their competitors (Esteban, Yancy & Christian, 2010; Akhtar et al, 2012; Mufudza et al, 2013).

The positive relation between size and performance is theoretically explained by economies of scale. However, many firms while increasing in size are having poor performance on yearly basis (Hall, 2013; Kinnu, 2014; Ramadan, 2011; Nameda et al, 2014). Generally the firm's size, performance, and survival differ from firm to firm in the market economy (Luttmer, 2010). The firm size means that the ability of a firm possesses and the variety and number of production capability or the quantity and multiplicity of services a firm can be offered concomitantly to its customers.

The firm's performance has vital role in running businesses and, measuring performance helps to identify firms' position in a given time. Firm can optimize its capability through understanding the determinant factors of its performance. In this way finding the relationship between Firm's size and profitability is valuable to the industry (Luthans et al, 2008; Yip et al, 2009; Combs, Crook & Shook, 2003).

Organizational Structure and Firm Performance: The traditional view of organizational structure describe structure as the way an organization is configured into work groups relationship that link them seamlessly, together (Bhayani, 2010; Ilian & Yasuo, 2005). Organizational structure and processes should fit/match its environment in order to achieve to achieve its desired performance. There is empirical evidence that firms with good structural organization fit perform better than those without good fit (Powell, 2014; Accaoucaou, Merce & Castan, 2009).

Many empirical studies have advanced the findings that higher degree of formalization leads to lower performance and that centralized decision making may only work better in stable public sector conditions (Donaldson, 2001; Kala & Guanghua, 2010).

However there are various assumptions to these conceptualizations. First, enormity in size leads to formalization, bureaucracy and more mechanistic mode, and also that this style is suited to a stable environment (Burns & Stalker, 1961).

Secondly, in a more dynamic environment, centralized and mechanistic structure may be unable to change and make timely and relevant decisions. It is imperative to note that even large organizations today need to be dynamic and centralized. Strategic decision making is almost impossible in an organization with hundreds or thousands of people in different cultures, time zones and business units. Therefore even in a relatively stable and standardized environment, it is essential to decentralize decision making for quality in order to inspire customer loyalty and spur business success and hedge the firm against any contingencies (Porter, et al.1980; World Bank, 2014).

Contingency Theory: Contingency theory is based on the original works of (Burns and Stalker, 1961) and was later amplified by (Lawrence and Lorsch, 1967), who emphasized the need to examine the role of contingencies or situations on organizations and their behavior. The theory argues that organizations have to be integrated and differentiated to an extent of optimality, contingent upon the level of environmental uncertainty (Okeyo, 2013; Miller & Cardina, 1994; Al- Dubai et al, 2014). The contingency theory underscores the role of strategic alignment which enhances the fit between an organization strategic priorities and its environment, which in turn leads to support organizational performance (Morton & Hu, 2008; Okeyo, 2013).

The underlying construct of strategic fit is fundamental as it leads to a higher level of organizational consensus associated with improved coordination and cooperation in the strategy and ultimately with organizational performance (Walter et al., 2013; Ling et al (2007). It is imperative to note that effectiveness in contingency theory has a wide range of meaning that includes, but is not limited to, efficiency, profitability worker satisfaction and ultimately culminating better firm. Hence, good structural co-alignment matched with prudent strategic choice and successful implementation usually leads to superior performance. In the current study, the use of contingency theory is an endeavor to explain how a strategy factor enhances better firm performance.

The stakeholder theory was originally proposed by (Friedman, 1970) and it states that the sole responsibility of business is to increase profits. According to (Freeman & Vcvea, 2014), stakeholders are groups or individuals who benefit from or who are harmed by, and whose rights are violated or respected by organizational actions. They are therefore groups of people or individuals who are crucial for the success of organizations and they can affect or are affected by the actions of organizations. The theory is based on the premise that management is hired as the agent of the shareholders to run the organization for shareholders" benefit (Freeman, et al. 2014). According to this theory, among the various players associated with a business, shareholders have unrivalled primacy, and hence, organizations should be managed so as to maximize their value alone (Ferrero et al., 2014). Critics of the shareholder theory point out that Friedman (1970) economic writings assume an economy in which businesses operate under the protection of limited liability, which allows corporations to privatize their gains while externalizing their losses (Ferrero et al., 2014; Abbasi & Malik, 2015).The stake-holder theory is today seen as the historic way of doing business with companies realizing that there are disadvantages to concentrating solely on the interests of shareholders.

Empirical Review: Not too many studies have been conducted on the effect of strategic factors on firm performance both in Nigeria and other economy of the world. However, in most researches carried out, it has been established that strategic factors has had some significant effect on firm's performance. Some of their findings will be discussed below. (Ojo et al, 2006) in their study of the impact of strategic factors on the performance of small and medium scale enterprises in Nigeria concluded that Profitability, growth and continuity of small-scale businesses are militated by strategic factors such as capital, business environment, infrastructural facilities, raw materials, equipment, and government policies. However, small and medium Scale enterprises have the potentials for expansion and growth if well managed.

Akinlo (2010) investigated the long-run relationship and causality issues between firm size and profitability in 66 firms in Nigeria by using the panel co-integration method between 1999 and 2007. The empirical result showed that there was a long-run steady state relationship between firm size and profitability. The short-run causal relationship showed that there was a bidirectional relationship between size and profitability. This implied that firm size Granger causes profitability and profitability Granger determines firm size Another study by Ongeti (2014) found that structure plays a crucial determinant role in the expansion of firms and industries.

Based on the above argument, it is evidenced that structure factor plays important role in the entrepreneurship development. Thus, this study commences to examine the effect of structure as the moderator to the relationship between individual determinant, external factor and firm characteristics with firm performance. It is visualized that the structural factor strengthens the relationship between individual determinant, external factor and firm characteristics with firm performance.

Very few studies have been conducted on the effect of strategic factors on firm performance, most researches focus on the effect of selected strategy variables on firm yet it is still of great disappointment that these problems still continue to occur in everyday business function. This may be as a result of the fact that, something essential is not paid attention to. Several literature reviews reveal that various seminars and conferences has been held in order to stimulate and enhance strategic factors and their performance on firms, by performing some roles such as; the persuasion of top management to enforce some strategies that would stimulate performance in their organization, encouraging the use of strategic factors for firms benefit, and educating the top management on the benefit of adopting some useful strategic instrument for firms performance.

For the purpose of this study primary data was used. Primary data was gather using questionnaire structured on the basis of the research hypothesis, which will be present to respondents to express their views and opinions. The ex-post facto method which involved the use of secondary data from the internet, journals, articles, and so on was also used (Cooper & Schindler, 2001). For this research project, the quantitative research design was used.

A cross-sectional design was adopt as well. The aim and objective of the study is to know the effect of firm size and structure on organizational performance. The population consists of the members of staff of Guiness PLC Plant, Lagos Nigeria. For this study, it is determined using Yarmane formula. This formula is concerned with applying a normal approximation with a confidence level of 95% and a limit of tolerance level (error level) of 5%. (Cooper, 2006)

To this extent the sample size is determined by

$$[n = \frac{N}{1+N_e^{\ 2}}]$$

Where: n = the sample size
N = population
= the limit of tolerance

$$\text{Therefore, } n = \frac{280}{1+280(0.05)^2} = \frac{280}{1+280(0.0025)} =$$

$$= \frac{280}{1.7} = \frac{280}{1+0.7} = 165 \text{ respondents}$$

A sample size of one hundred and sixty-five (165) employees out of the two hundred and eighty (280) employee population of Guiness PLC Plant, Lagos Nigeria. All members of the population had equal chances to be chosen as part of the sample because one hundred and sixty-five (165) questionnaires were administered randomly to the entire employee population. The questionnaires employed for this study comprises two (2) sections. A and B. Section A has to do with the demographic analysis of respondents and it contains 7 questions, while section B, has to do with questions relating to the research topic and this contain (32) questions.

The likert-scale was used to measure opinions, where for positive questions (Strongly Agree = 5, Agree = 4, Undecided = 3, Disagree = 2, Strongly Disagree = 1), and for negative questions (Strongly Agree = 1, Agree = 2, Undecided = 3, Disagree = 4, Strongly Disagree = 5). The instrument used for this research work is questionnaire and it valid because it is designed in such a way to deduce information in the variables of the research problems.

Research results and discussion. The instrument also passes the following test of validity. These are: content test, criterion related test, construct test and discriminate validity by reducing bias, errors that might result from personal characteristics of respondents and from variability in their skill. The data was analyzed using manual and electronic based methods through the data preparation grid and statistical package for the social sciences, (SPSS). The utilization of structured grids allows specific responses to be located with relative ease and facilitate the identification of emerging patterns (Hair et al, 2006). In this research work, linear regression analysis method which also makes use of ANOVA was employed to test the hypothesis. Other methods of data analysis which was also used in this study include parametric and non-parametric measurement such as trend analysis.

Test of Hypotheses and Discussion of Results

Regression analysis was used to measure the effect of the independent variable to the dependent variable of hypothesis 1 and 2 and proper interpretation analysis techniques were used to explain the hypotheses testing.

Hypothesis 1

H_{01}: There is no significant effect of firm size on organizational performance.

H_{a1}: There is significant effect of firm size on organizational performance.

Interpretation of Results: The results from the model summary table above revealed that the extent to which the variance in Firm Size can be explained by salary is 1.1% i.e (R square = 0.011). The ANOVA table shows the Fcal 1.547 at 0.0001 significance level. There is significant effect of Organizational Performance on Firm Size.

The coefficient table above shows the simple model that expresses how Organizational Performance affects Firm Size. The model is shown mathematically as follows; Y = a+bx where y is Firm Size and x is Organizational Performance, a is a constant factor and b is the value of coefficient. From this table therefore, Firm Size (Firm Size) = 2.323 +0.096Organizational Performance. This means that for every 100% change in Firm Size, Organizational Performance is 9.6%

Decision: The significance level below 0.01 implies a statistical confidence of above 99%. This implies that Firm Size have effect on Organizational Performance. Thus, the decision would be to reject the null hypothesis (H_0), and accept the alternative hypothesis (H_1).

Hypothesis 2

H_{02}: There is no significant effect of structure on organizational Performance.

H_{a2}: There is significant effect of structure on organizational Performance.

Interpretation of Results : The results from the model summary table above revealed that the extent to which Structure has an effect on organizational Performance is 14.4% i.e (R square = 0.144). The ANOVA table shows the Fcal to be 23.142 at 0.0001 significance level. The implication is that structure significantly affects organizational Performance.

The coefficient table above shows the simple model that expresses the effect of allowance on job satisfaction. The model is shown mathematically as follows; Y = a+bx where y is Structure and x is Organizational Performance, 'a' is a constant factor and b is the value of coefficient. From this table therefore, Structure = 1.411 +0.331 Organizational Performance. This means that for every 100% change in Organizational Performance, structure is responsible for 33.1% of the change

Decision: The significance level below 0.01 implies a statistical confidence of above 99%. This implies that structure affect organizational Performance. Thus, the decision would be to reject the null hypothesis (H_0), and accept the alternative hypothesis (H_1).

Empirical Findings: The findings of this study have shown a positive relationship between Firm Size and Competitive Advantage such that Competitive Advantage is affected by Firm Size. Firm Size is the annual budget of an activity stated in terms of budget classification code, functional categories and cost accounts. It contains estimates of the total value of resources required for the performance of operations (Myers, 2004). In conclusion, the findings have shown that operation budget affected the degree at which learning outcome is being achieved and the effectiveness of learning programs adopted by the organization. In other words, this research finding is tangential and aligns with past findings of scholars that have discovered that Firm Size has the tendencies to affect Competitive Advantage (Dogan, 2013; Hall, 2013; Powell, 2014; Busienei, 2013; Akinlo, 2010).

Table 1 **- Distribution of respondents and response rate**

Respondents Occupation	**Questionnaire administered (sampled)**	**Percentage of total response (%)**
Top Level	31	22.1
Middle Level	80	57.1
Level Lower	29	20.8
Total	140	100.0
Gender/Category	Questionnaire administered (sampled)	Percentage of total response (%)
Male	67	47.9
Female	73	52.1
No of Returned	140	84.8.
No of Not Returned	25	15.2
Total no of Questionnaires	165	100

Source: Field Survey 2024

Table 2 - **The Descriptive Statistics of Firm Size and Structure on Organizational Performance**

Responses	**Total (N)**	**Mean**
Firm Size and Organizational Performance		
Firm size determine organizational performance	140	3.86
The larger a firm is, the greater the influence it has on its stakeholders	140	3.89
The firm's performance has vital role in running businesses and, measuring performance helps to identify firms' position in a given time	40	3.99
The firm size means that the ability of a firm possesses and the variety and number of production capability	140	3.79
Relationship between firm's size and profitability is valuable to the industry	140	3.97
Structure and Organizational Performance	**Total**	**Mean**
Firms with good structural organization fit perform better than those without good fit.	140	3.89
In a more dynamic environment, centralized and mechanistic structure may be unable to change and make timely and relevant decisions.	140	3.99
Emergence of the concept of sustainable development reflects a seminal change in global thinking, in terms of performance measurement.	140	3.98
Employee feel encouraged to come up with new and better ways of doing things in an organized structural organization	140	3.84
large organizations today need to be dynamic and centralized	140	3.82
There is relationship between Organization Structure and competitive advantage	140	3.85

Source: calculated by the authors.

Table 3 - **Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.105[a]	.011	.004	.64385

Source: calculated by the authors.

a. Predictors: (Constant), OP

Table 4 - **ANOVA** (b)

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	.641	1	.641	1.547	.216[a]
	Residual	57.207	138	.415		
	Total	57.848	139			

Source: calculated by the authors.

a. Predictors: (Constant), OP
b. Dependent Variable: FIRM SIZE

Table 5 - **Coefficients** (a)

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.323	.193		12.031	.000
	ORGANIZATIONAL PERFORMANCE	.096	.077	.105	1.244	.216

Source: calculated by the authors.

a. Dependent Variable: FIRM SIZE

Table 6 - **Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.379[a]	.144	.137	.59087

Source: calculated by the authors.

a. Predictors: (Constant), ORGANIZATIONAL PERFORMANCE

Table 7 - **ANOVA** (b)

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	8.080	1	8.080	23.142	.000[a]
	Residual	48.179	138	.349		
	Total	56.258	139			

Source: calculated by the authors.

a. Predictors: (Constant), ORGANIZATIONAL PERFORMANCE
b. Dependent Variable: STRUCTURE

Table 8 - **Coefficients** (a)

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.411	.170		8.277	.000
	ORGANIZATIONAL PERFORMANCE	.331	.069	.379	4.811	.000

Source: calculated by the authors.

a. Dependent Variable: STRUCTURE

The outcome of this study resonates with the views of Owens (2006) which emphasizes the fact whether organizations cut down training budget or maintains an organization structure, they still sponsor programs that are essential to recession and prepare for economic recovery which in turns does not affect their competitive advantage. Moreover, Based on this finding, there is a relationship between organization structure and competitive advantage that is whether the organizations increase the amount spent on learning and development or whether they maintain the same training budget as in the previous year will affects the organizations competitive advantage.

This research finding is in line with previous researches of experts that have discovered that there is relationship between Organization Structure and competitive advantage (Fan & Scott, 2003; Daft, 2013; Abbasi & Malik, 2015; Walter, Jiang & Klein, 2013)**.** A finding from the study shows that there is significant relationship between firm size and firm performance and there is significant relationship between firm structure and firm performance.

Conclusions. Strategic factors that explain firm performance in an emerging economy can consist of both firm level and external factors. It is plausible therefore to argue that a misfit between the external moderating factors and the firm level factors could affect the degree of firm performance. In this study, in addition to the firm level factors (firm size and workforce productivity), type of industry and where a firm is located were significant.

With regard to firm experience, the results imply that new and younger firms, in recognition of the challenges posed by their newness, could still position themselves with extra aggression from the start of trading, in order to compete side-by-side with their more established counter-parts. This is accounted for by the fact that in today's globalized world, because of easy access to national and international business information following the advancements in communication and transportation technologies, difference in firm age cannot disadvantage new and younger firms to a larger extent.

Strategic factors cannot be overemphasized in determine the size, structure and performance of firm. This study has made us understand the effect of strategic factor on firm performance and also revealed immense benefit to both local and international firms as well as useful to students for further research.

This study is also significant from both application perspective of management as well as from an academic point of view. Strategic factors are something most people recognize when they see it in action, but find it difficult to define. This study will help management and manager to identify the effect of strategic factors on firm performance. For academician, the study will give more insight into the relationship between strategic factors and firm performance.

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Розмір та структура - основні компоненти для ефективної діяльності фірми

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Результати досліджень переконують, що розмір фірми відіграє важливу роль у визначенні результатів її діяльності, однак на сьогодні не встановлено як цей показник впливає на результати діяльності організації. Обгрунтовано необхідність проведення дослідження щодо оцінювання впливу розміру та структури фірми на результати її діяльності. Основними цілями дослідження було вивчення взаємозв'язку між розміром фірми та результатами її діяльності, а також вивчення взаємозв'язку між організаційною структурою та результатами діяльності фірми за використання первинних даних.

У дослідженні використано метод ex-post facto. Вибіркова сукупність складається з працівників заводу "Гіннес Інтернешнл ПЛС", Лагос, Нігерія. Визначено розміру вибірки на основі формули Ямане. Зібрані дані проаналізовано за допомогою підготовленої сітки даних та статистичного пакета для соціальних наук (SPSS). Для перевірки гіпотези застосовано метод лінійного регресійного аналізу на основі використання дисперсійного аналізу ANOVA. Результати дослідження довели позитивний зв'язок між розміром компанії та конкурентними перевагами, тобто, конкурентні переваги залежать від розміру компанії.

Результати дослідження також показують, що існує значний зв'язок між організаційною структурою та ефективністю фірми. Зроблено висновок, що стратегічні фактори неможливо переоцінити у визначенні розміру, структури та результатів діяльності фірми. Одержані результати дослідження дозволяють зрозуміти вплив стратегічного фактору на результати діяльності фірми, що становить інтерес як для місцевих, так і для міжнародних фірм, а для науковців для подальших досліджень. Обгрунтовано важливість одержаних результатів дослідження для керівництва та менеджерів щодо визначення впливу стратегічних факторів на результати діяльності фірми. Доведено цінність одержаних результатів для академічної спільності в аспекті більш глибокого розуміння взаємозв'язку між стратегічними факторами та результатами діяльності фірми.

Ключові слова: розмір фірми, організаційна структура, ефективність організації, стратегічні фактори.

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