STRATEGY, STRUCTURE, AND FAMILY FIRM PERFORMANCE: THE RELATIONSHIPS OF THE RESOURCE-BASED VIEW AND THE CONTINGENCY APPROACH

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ABSTRACT

Researches have focused the relationship between strategy and structure for a long time based on contingency theory. This paper provides an alternative analysis for organizational design theory, based on the RBV, which makes it possible to reframe the relationships between strategy, and structure by analyzing the organizational structure and family influence as a valuable resource and a source of competitive advantage. The organization design and the competitive strategy of a family firm are very important in order to gain competitive advantage and to improve the family firm performance. The relationship between organizational structures, family, competitive strategy, and family firm performance have usually been analyzed using the contingency and Resource Based View approaches. The objective of this paper is to extend the relevant empirical literature of the strategy-structure-performance paradigm by comparing the resource-based view (RBV) with contingency theory. To that end, the paper seeks to examine how organizational structure affects firm performance, taking into account the relationship with competitive strategy.

Keywords: Competitive strategy; Resource based view theory, Contingency theory; Organizational structures; Organizational performance; Family influence.

INTRODUCTION

Miller (2002) has shown more than 70 percent of firms failed to implement their innovative strategic initiative. In this logic, in order to designate serious organizational failures, one could ask the question is the problem in the strategy, or in the implementation?, where the subject of strategic management has continued to change over the dynamic change in firms and in its environment, markets, technology, and consumer priorities (Volberda, 1996; Galan & Sanchez-Bueno, 2009). The scholars used to develop hypotheses and the type of modeling; they are mainly depending of contingency and RBV theories to illuminate firm performance, which were validated in different studies i.e. (Pertusa-Ortega, Molina-Azorín, & Claver-Cortés, 2010). While all theories supply insights into family business characteristics.

The organization and the competitive strategy design of a firm are very important in order to gain competitive advantage and to improve firm performance. Studies has been conducted the relationship between strategy, and structure, for a long time, based on contingency theory (Chandler, 1962). This approach suggests that the optimal organizational design is contingent on strategy, among other factors. However, there are still some theory gaps in the strategy-structure-performance relationships, which need to be addressed (Pertusa-Ortega, Molina-Azorín, & Claver-Cortés,2010).

However, most of the theoretical knowledge in this area is not enhanced over the change in environmental conditions since Chandler (1962) conclusion that structure follows strategy. Present enterprises activate in quickly varying environments that are hypercompetitive and unsettled (Volberda, 1996), everywhere customer preferences are unpredictable, and technology is changing circumstances (Galan and Sanchez-Bueno, 2009). In
this background, the resource-based view (RBV) could describe the sources of sustainable competitive advantage better than an externally focused orientation. The definition of a business in expressions of internal resources and what it is capable of doing may propose additional strong basis for strategy than a definition grounded on the needs that the business want to satisfy (Grant, 1991).

Beginning the contingency approach perspectives, some revisions have confirmed that the external environment and strategic decisions influence the characteristics of organizational structure, in order to implement strategies successfully (Burns and Stalker, 1961; Chandler, 1962; Okumus, 2003). Nevertheless, the RBV emphasizes the internal qualities and allows researchers to reframe the associations between strategy and structure by considering the organizational structure as a valuable resource of competitive advantage. Separately from being an element in the implementation of organization's strategy, organizational structure may also be an important source of competitive advantage.

Additional, prior studies focus on corporate strategy, and not on competitive strategy (Chandler, 1962; Galan and Sanchez-Bueno, 2009; Harris and Ruefli, 2000). The argument is that, the contingency approach might be appropriate for the study of corporate strategy, where the firm desires to develop the diversification strategy, it may be necessary to modify the organizational structure from a functional method to a divisional one. But, in terms of competitive strategy, the firm can use its internal coordination mechanisms as a valuable resource to achieve competitive advantage. As a result, the RBV may be more suitable to analyze the relationship between organizational structure and competitive strategy.

The objective of this paper is to explain the relevant empirical literature of the strategy-structure-performance paradigm, by comparing the RBV with contingency theory. Through analyzes the direct and indirect effects that organizational structure and family influence have on performance. The previous studies have generally linked the characteristics of organizational structure and competitive strategy by focusing on the first-order dimensions of each (for instance, differentiation, cost leadership and focus strategies, and formalization, centralization, integration, etc.) (Jansen et al., 2006; Miller, 1988; Miller et al., 1988; Pelham and Wilson, 1996).

In contrast with this, it also considers the dimensions of organizational structure and competitive strategy as taking a formative rather than a reflective nature (Podsakoff et al., 2006). This creates it possible to examine the connection between them directly, taking into account several dimensions of strategy, structure, and family at the same time. In this way, organizational structure, family, and competitive strategy can be analyzed as single constructs. The paper is organized as follows. First, reviewing the theoretical framework, then the study methods are described. The final section presents the main conclusions.

THEORETICAL FRAMEWORK DEVELOPMENT

The primary writings on design examined the associations between organizational design and performance empirically (Burns and Stalker, 1961; Lawrence and Lorsch, 1967; Reimann, 1974). These workings offered the idea of contingency theory, according to which the effectiveness of organizational design arises from an alignment or fit between the context or contingent factors and the organizational structure. Next Mintzberg (1979) argued that contingency aspects will determine the characteristics of organizational design. This knowledge of the contingency approach gets ahead among the studies on organizational design throughout the 1960s and 1970s (Negandhi and Reimann, 1972; Pennings, 1975; Tushman, 1979).

On the subject of the relationship between structure and strategy and their influence on performance, the more well-known hypothesis proposed by Chandler (1962), confirmed by other researches (Hamilton and Shergill, 1992; Rumelt, 1974; Suzuki, 1980), titles that variations in firm strategy will cause changes within the organizational structure so that strategy can be suitably developed and a higher performance achieved. Therefore, organizational structure comes to be a crucial element for strategic execution, an idea, which has spread from numerous studies on strategic management (e.g. Okumus, 2003). Following this approach, it appears that the effect of strategy on firm performance is channeled through organizational structure.
However, Chandler's intention, according to which structure follows strategy, together with the consideration of the structure exclusively as a portion of strategic implementation, has received a number of criticism. On the one hand, some scholars have suggested that these investigations focused their consideration on corporate level strategy, basically on the diversification strategy, and on the major level of the structure, leaving the extents of competitive strategy besides operational structure practically untouched (Miller, 1987a; Robbins, 1990).

On the other hand, it is reported that firms fails to implement more than 70 percent of their innovative strategic initiatives (Miller, 2002). In this sense, in order to designate serious organizational failures, one could ask the question is the problem in the strategy, or in the implementation? This might be due to the fact that the modification from one organizational structure to another is not an immediate process but one which often takes many years, because organizational variation is slower than strategic variation, especially in large family and non-family firms. These organizational failures lead suggest that organization's competitive strategy requests to be supported by the resources and capabilities available to the organization. Some studies asserted that successful strategies must be grounded on the organization's main distinct capabilities and skills in order to achieve sustainable competitive advantage (Prahalad and Hamel, 1990; Snow and Hrebiniaik, 1980). For that reason, organizational structure cannot be viewed exclusively as a constituent of strategic putting into practice (Helfat et al., 2009). As a substitute, managers should consider it as an element of strategy creation, as a resource, which can favor the accomplishment of competitive advantage, and that will help to improve performance.

Accordingly, the RBV delivers a changed approach to the study of strategy-structure-performance relationships (Barney, 1991; Wernerfelt, 1984). It concerns organizational structure as a resource and an organizational capability (Barney, Ketchen, & Wright, 2011). The arrangements of firm resources repeatedly contain a classification called “organizational capital resources” (Barney, 1991) or “organizational resources” (Grant, 1991), which are related to components of organizational structure. For example, Barney (1991) points out that those organizational capital resources include a firm's reporting structure, its formal and informal planning, controlling, and coordinating systems, as well as informal relations among groups within a firm and between a firm and those in its environment. Grant (1991) has indicated that organizational-resources of quality control systems, short-term cash management systems, and a corporate financial model is one of the main groups of firm resources. From the point of view of organizational capabilities, to support productive activities, firms’ capabilities have to be recognized mainly in terms of the organizational structures and managerial processes (Teece et al., 1997).

In agreement with these classifications, it is seen that the organizational structure as a meta-resource, or a meta-capability (Collis, 1994; Petts, 1997). That is, as a higher-order resource or capability, whose relevance, originates from the fact that, the other resources, and capabilities, owned by the firm, must be organized, and combined properly (Ljungquist, 2007), so that they can obtain competitive value, and help the firm to achieve high performance levels (Newbert, 2008).

In order to produce a sustainable competitive advantage, a resource must not only produce economic value, but also be scarce, imperfectly imitable, and imperfectly tradable (Barney, 1986; Dierickx and Cool, 1989; Peteraf, 1993). Powell (1992) explains how a firm's organizational structure can manifest such properties. Studies suggest that family firms can benefit from emphasizing the positive aspects of relationship and from developing innovative capacities. As such, we demonstrate that not only do firm specific resources contribute to family firm performance, but also that family relationships can be a source of competitive advantage for a family firm. And it is found a heightened importance of mutual self-sacrifice in environments rich in technological opportunities, and that strategic planning is more important for those family firms (Eddleston, Kellermanns, & Sarathy, 2008). And it is found that family influence affects resource management actions taken in response to real threats (Sirmon, Arregle, Hitt, & Webb, 2008). And so a family firm's culture of commitment to the business is positively associated with its strategic flexibility—the ability to pursue new opportunities and respond to threats in the competitive environment, while organizational culture positively moderated the family commitment-strategic flexibility relationship (Zahra, Hayton, Neubaum, Dibrell, & Craig, 2008). Thereafter, scarcity is recommended by the complexity and tacit nature of the intra organizational relationships that are recognized by
the design of an organization, which the skills unambiguous to each individual are shared and, at the same time, the firm creates its own capabilities, which will be unique for each organization.

On the subject of imperfect imitability, according to Miller and Shamsie (1996), there seem to be two essentially different roots of non-imitability: some resources cannot be copied because they are thriving by property rights, such as contracts or exclusive rights; other resources are protected by knowledge barriers, that is, by the fact that competitors do not know how to imitate a firm's processes or skills. In other words, imperfect imitability may result from causal uncertainty (Lippman and Rumelt, 1982), that is, the incapability of competitors to determine the true source of competitive advantage. Uncertainty may be resulting from the complexity of skills and/or resource exchanges within competencies and from interaction between competencies. Again, the complexity of the intra organizational relationships, and coordination mechanisms, which are established, by the design of an organization, cannot be easily imitated by competitors, because they are indirect, and hard to understand outside the organization, and their connection with performance is difficult to recognize (Miller and Shamsie, 1996).

Lastly, organizational structure is imperfectly tradable for several reasons. Organizational structure is firm specific and thus cannot easily be transferred. This means that, on the one hand, the organizational structure of a firm can be more valuable to that firm than to its competitors (Dierickx and Cool, 1989; Miller and Shamsie, 1996), and on the other hand, it cannot easily be transferred (Peteraf, 1993) because there is not a “competitive market of organizational structures”. If a competitor wants the same organizational structure as another firm, it would require the transfer of the whole organization, with the costs and difficulties that this entails. Moreover, the organization has the ability to absorb employees’ skills into its specific organizational capabilities (Grant, 1991), thereby reducing managers' and employees' bargaining power when claiming rents for these skills. Given the foregoing, the organizational design may be important when efforts are made to achieve a sustained competitive advantage.

The main idea of the preceding arguments is that firm resources and capabilities, such as organizational structure, contribute to the development of competitive strategies that seek to satisfy customers' needs better than competitors, and hence improve firm performance. However, resources and capabilities are not valuable in themselves (Newbert, 2008). Resources and capabilities are essentially unproductive in isolation. The key to attaining a competitive advantage is the exploitation of a valuable resource-capability combination (Newbert, 2008). Resources and capabilities are “sources” of competitive advantage, but they do not necessarily contribute to competitive advantage (Bitar and Hafsi, 2007). In order to contribute to competitive advantage, resources and capabilities must contribute to delivering products and services for which customers are willing to pay a profitable price (Ambrosini et al., 2009). Resources and products are two sides of the same coin (Wernerfelt, 1984). The main expression of the business level strategy is competitive advantage, which, according to Fahey's (1989) proposal, refers to the attribute or characteristic that distinguishes a firm from its competitors in the eyes of its customers. Hence, competitive advantage and the competitive attributes of products differ from firm resources and capabilities, since those advantages and attributes are observed and assessed by customers, whereas resources and capabilities are part of the firm's internal aspect which customers do not perceive or value. Therefore, products' competitive advantages and competitive characteristics are based on firm resources; in other words, firm resources are the sources of these competitive attributes.

Thus, organizational structure can influence competitive strategy, but it will not directly influence firm performance. What ultimately influences the performance of firms is their strategy, because strategy directly influences costs and revenues (Eriksen, 2006). This is confirmed by the studies of Beard and Dess (1981), Ebben and Johnson (2005), Edelman et al. (2005), Spanos and Lioukas (2001), and White (1986), among others. The relationship between resources/capabilities and performance may be incomplete (Newbert, 2008) if we do not consider the mediating role of competitive strategy. In this respect, although some works have demonstrated the existence of a positive relationship between the firm's resources and performance (e.g. Miller and Shamsie, 1996), these studies have not considered in their analysis whether the relationship is direct or mediated by competitive strategy.
Contingency theory suggests that firm performance comes from fitting organizations’ characteristics to contingencies that reflect the situation of the organization (Van de Ven & Drazin, 1984). Moreover, related to the kind of modeling, studies were tested based on whether models tested direct, moderated, or mediated associations between family influence and firm performance supports the need for more contingency-theoretic reasoning.

In summary, the arguments put forward section suggests that contingency theory has been ignored so far in family firm performance research. Yet, it should be employed by future research to explain the performance differences of family firms (Royer, Simons, Boyd, & Rafferty, 2008). It is source of improvement in management (Dean & Bowen, 1994), a clear firm performance orientation and has dominated management research (Lindow, 2013), a theoretical approach to the study of organizations (Thomson, 2007).

Moreover, in EIASM, Franz Kellermanns (2010) highlighted the contingency view on Family Business Performance is important¹. Essentially, contingency theory has been used successfully in other areas of family firm research before. For example, Sharma has outlined contingency constellations for family firm types and governance techniques (Sharma, 2002). (G. Corbetta & C. Salvato, 2004) has applied the concept of contingency to family firm boards. (Salvato, 2004) has considered the idea while examining family firm entrepreneurship behavior, and in studies of succession and internationalization of family firms (G. Corbetta & C. A. Salvato, 2004). This ignorance of the contingency point of view in past family firm research is part of the inconclusive and confusion in family firm performance studies (Lindow, 2013). In the same manner, the failure in some organizations in the last financial crisis, because they fail to anticipate and manage risks within their organizations, and to reveal the challenges of enterprise risk toward contingency theory (Salvioni & Astori, 2014).

Family network and relationship enable the firm generate values (Chrisman, Chua, & Kellermanns, 2009), behavior, culture, law and business practice, institutional and social environments over time at all levels of individuals, and groups related to resources, capabilities, behavior and performance. (Colli, Perez, & Rose, 2003). The family impacts resources significantly as a source of competitive advantages (Klein et al., 2005).

(Randsy, Dibrell, & Craig, 2009) have focused on analyzing whether family leadership and firm performance of Swedish firms were contingent on the competitive nature of an industry. They found firms in high margin industries to benefit significantly from family leadership in terms of firm profitability and market valuation. Thus, industry was shown to be a valid moderator of the family influence-performance relationship.

Resource-based views of the firm suggest the family, widely defined to include that extended kinship group of cousins in-laws and relationships in local business community or religious groupings, the represent internal resources, capabilities and knowledge, which can leveraged to create, identify and exploit a business opportunity (Howorth, Rose, Hamilton, & Westhead, 2010).

The arguments presented previously lead us to suggest that the influence of organizational structure on firm performance will be exerted indirectly, through competitive strategy (Edelman et al., 2005), according to the RBV. As stated previously, this paper seeks to compare of the RBV in relation to the relationships between strategy, structure, family influence, and performance, with that of the more traditional paradigm proposed by the contingency approach, according to which strategy – among other possible contingent factors – is likely to influence organizational structure, and family influence. For that purpose, we developed two models.

In the two models for firm performance, the article apply the subjective and objective approaches to measuring performance (Akan et al., 2006; Spanos and Lioukas, 2001; White et al., 2003). Objective measures may reveal differences in firm performance that are due solely to the industry and not to real differences among firms.

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In model A, the organizational structure appears as a meta-resource or meta-capability that may have an impact on strategy Organizational structure. For the organizational structure dimensions (centralization, formalization, and complexity), the study takes as its reference the contributions of Aiken et al. (1980), Cruz and Camps (2003), Palmer and Dunford (2002).

And so Family influence: The family interests can formulate goals, strategy and implementation, and business organizational performance (Andrews, 1971). Strategically, studies show differences between family and non-family firms based on family engagement, size, ownership, structure, and business environment e.g. (Holland & Boulton, 1984). Accordingly, families relationship with internal and external challenges relate to the firm performance is what makes family firms unique entities (Aronoff & Ward, 1995; Chua, Chrisman, & Sharma, 1999).

In model B, Competitive strategy, following Miller (1987b, 1988), the study considers three strategic dimensions: low cost, innovation differentiation, and marketing differentiation. It is presented as a contingent factor that exerts an influence on the organizational structure, and family influence. Figure 1 presents a comparison between the two models.

![Figure 1: Theoretical models](image)

**DISCUSSION**

The empirical results support both the traditional contingency approach and the RBV. The former treats strategy as a contingent factor that exerts an influence on organizational structure. The latter views organizational structure as a resource or capability that influences the development of competitive strategy for the achievement of competitive advantage. However, although both theories receive empirical support, the RBV receives more support with respect to the strategy-structure relationship. Therefore, the role played by structural variables within the organization goes beyond their traditional formulation as an essential element for the implementation of the strategy (Chandler, 1962; Franko, 1974; Okumus, 2003; Rumelt, 1974). Structure may assume an important role in the achievement of competitive advantage through its influence on competitive strategy. It is validated also by the thesis developed by Fredrickson (1986) and Hall and Sais (1980), among others, which is consistent with the RBV. Fredrickson (1986) and Hall and Sais (1980) point out that the organizational
structure can influence the type and amount of information obtained and distributed by the firm, the knowledge created, and the adoption of strategic decisions, and these characteristics can influence the configuration of the strategy with which the firm competes in the market.

It is opposite the findings of Galan and Sanchez-Bueno (2009) that find that the effect of strategy on structure is stronger than the effect of structure on strategy. Harris and Ruefli (2000) find that firms that held their strategy constant and made only structural changes outperformed firms that changed neither strategy nor structure, and the latter outperformed firms that changed their strategy but held their structure constant. However, it is worth emphasizing that the studies of Galan and Sanchez-Bueno (2009) and Harris and Ruefli (2000) are focused on corporate strategy and multidivisional structure, and not on competitive strategy. Competitive strategy is probably easier to change than corporate strategy, because competitive strategy usually involves fewer resources. In large organizations, with many elaborate systems, tiers and routines, competitive strategy might be also more easily changed than structure. The analysis suggested that the RBV might complement the contingency approach as a theoretical explanation for organizational performance.

According to the contingency approach, if a firm changes its competitive strategy, for example from low-cost to differentiation, this may require some changes in the characteristics of the organizational structure to become more flexible and adaptive, in order to implement a differentiation strategy. On the other hand, the organization design, which a firm has been developing over time, may become a valuable resource that can reinforce the competitive advantage of the firm because it can be scarce, imperfectly imitable and imperfectly tradable. Related to this point, Miller and Shamsie (1996) propose a contingent application of the RBV of the firm. These authors point out that whether or not a resource can be valuable will depend as much on the context enveloping an organization as on the properties of the resource itself. In this sense, if a firm operates within a highly dynamic context, which requires constant changes in the product, its competitive strategy will be enhanced by a flexible structure that makes these changes easier. With the passing of time, that organizational design may be improved through a “learning-by-doing” process (Nonaka and Takeuchi, 1995), thanks to which it will be possible to maintain the firm's competitive advantage over time. It may be possible for competitors to develop a similar organizational design, but this normally takes time, and by then, a firm may have gone on to develop its skills further and to learn to use them in different ways (Miller and Shamsie, 1996).

In any case, the organizational structure does not seem to have a direct influence on firm performance, as it is something which remains hidden from the eyes of customers and which they cannot assess. What customers can actually see, perceive and assess to a greater or lesser extent is the products and/or services that the firm offers them with one competitive strategy or another.

The findings of this study are in line with other studies, which defend the appropriateness of the RBV to the study organizational and management decisions (Chmielewski and Paladino, 2007; Sheehan and Foss, 2007). Our findings are also consistent with a recent meta-analysis of the relationship between strategic resources and performance (Crook et al., 2008), which concludes that the RBV has strong support and that it is managerially relevant and worthy of researchers' attention. Therefore, studies grounded in the RBV (such as ours) may guide managers' investments in strategic resources.

CONCLUSIONS
This study provides an alternative formulation for organizational design theory, based on the RBV, according to which the design of an organization indirectly influences firm performance. This alternative approach does not replace the contingency theory, but complements it, as discussed in the preceding section. Second, this paper focuses on competitive strategy rather than corporate strategy.

The objective of this paper was to compare the RBV with the Contingency approach by examining the effect of organizational structure, competitive strategy, and on firm performance, taking the relationship with competitive strategy into account.

The relationship analysis shows that organizational structure and family influence are not exert a direct influence on performance, but has an indirect influence through competitive strategy. This reinforces the conception of organizational structure and family influence as a strategic resource that contributes to the achievement of competitive advantage. Organizational structure and family influence are part of the firm's
internal aspect which customers do not perceive or value. Therefore, organizational structure, and family influence may be a “source” of competitive advantage.

The contingency model is also supported. However, the vision of structure, and family as a resource that influences the development of strategy receives more support than the consideration of strategy as a contingent factor that affects organizational structure. One can infer from this that the challenge for managers to implement competitive strategy lies, to a large-extent, in an appropriate organizational design. However, to avoid most problems with organizational structure in the implementation of strategy it could be advisable to take into account the organizational design strengths in the formulation of competitive strategy.

REFERENCES