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Implications Of Organization Size And Age On Organizational Culture, Communication, Ownership Structure And Performance. Literature Review

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Literature Review

1. Introduction

The review of the literature has presented how the scholars have addressed the organization size and age. However, there were multiple views to improve and understanding of the concept. Age is the length of time duration of which and how long the company was existed. Shumway, (2001) mentioned that the age of the company is the number of years of establishment of the company. Likewise, holding companies that have a long period in the market have a high success rate of investment returns, unlike companies that have a short period in the market. (Waluyo, 2017) Age of a company is an indicator of a company's ability to compete. Long-established companies have more experience. Consequently, long-established companies have greater experience in dealing with corporate social responsibility and market changes (Michelon, Pilonato, and Ricceri, 2015).

It is important to investigate what seems relevant between the organization's size, age, and the factors affecting the company's performance. At a fundamental level, it is also essential to know how organization size and age affected the resources of the organization (Ofuan and Izien, 2016).

1.1 Organizational size, age and organizational culture

Further to the effect of organizational size and age, Zeng and Luo (2013) noted organizations are different types of ownership and to focus on organizational culture could be various levels (Tan 2002), so there a link could be found between organizational culture and company size. Since the size of the company is important to investigate (Prajogo and McDermott 2011; Zeng and Luo, 2013), a strong regulatory culture might be the benefit of large companies, rather than small companies. A small company needs to develop its resources to solve sudden operational issues. Thus, it may not have any additional human resources, or a strong financial situation to develop its organizational culture strongly. The comparison of large and small companies provides a broader understanding of business. There is also a great deal of attention on organizational culture concept. Accordingly, many researchers advocate exploring models in non-Western statements of organizational culture (Denison et al. 2004; Zeng and Luo, 2013).

The age of the company is influenced by the organizational culture at any time in proportion to the current situation of the company. Longevity in a company means sustainability in the market. Unlike short-lived companies, they may be at risk of leaving the market at any time unless they have effective management. In larger organizations is possible to keep functionally specialist departments, in consideration of company size could be acquired by keeping and increasing departments and operation groups. A small organization could not be unaffordable to many specializations (Amah, Weje and Dosunmu, 2013). Add to that, the size of the company, if it is a small size companies it may not have a permanent culture unlike large companies, where the culture is well established and followed by everyone in the company. Small size companies suffer from some difficulties that they face, e.g. poor productivity, as well as profitability is very low; Which makes it difficult to maintain their share in the market and their ability to increase their share and competition strength (Amah, Weje and Dosunmu, 2013). Organization size is reflected as an important variable that influences structural design. Therefore, Molyneux and Wilson (2004) found that there was no strong evidence for the connection between profitability and size of the organization and in European banks. The findings by (Ofuan and Izien, 2016) shows that big company size leads to higher level of profitability.

1.2 Organizational size, age and communication

Integrative communication is a factor cannot be neglected for the importance in the success of any task in the company. Lack of communication reduces the perception and good knowledge of individuals in the organization. These problems result in inadequate regulation of the processes by which resources are converted into benefits, affecting the performance of the company. Communication and general knowledge are essential factors of the organization (Fuch, 2020). Effective communication is essential in large and small size as well as old and new companies. Communication is more significant in large companies, especially holding companies that include more than one company and have different departments in different places. Similarly, old companies have more adoption to the principles of organizational culture than the new company. In addition, the importance of communication strategy and the role of different communications within the organization in a small company have limited significance compare to a big company. Big companies could provide training to improve communication, and ways to measure results.

Dunfeldt et al. (2014) also indicated that generally, high-growth companies were younger than other companies, regardless of the comparison in employment use, labor productivity, sales, or services provided as a growth indicator for those companies. Haltiwanger et al. (2013) noted that there is connection between the company size and growth of the company may disappear when controlling the age of the company, which explains that the causation does not extend, not from size to growth, but from age to growth. The results of (Coad, 2014) indicate that most young companies are characterized by a positive aspect in terms of interest in growth rates, which indicates that growth in a certain period has a positive correlation with growth in the following period. However, in the cases of older companies, the automatic correlation of increased sales may turn into an increasingly negative picture.

According to Coad study, there is no support for the hypothesis that older companies should get a high degree of continued growth due to the learning effects they encountered (Haltiwanger et al., 2013). However, some researches supported the results of theories that say that old companies may struggle to adapt their strategies to changing market conditions, while new companies need to grow in order to achieve the required efficiency (Coad, 2014). Small and new companies quickly adapt to the market, unlike the old companies that have well-established foundations and rules. The size of the company receives great attention due to its importance in promoting the competitive company in the market. Companies that have subsidiary companies have a better financial position than companies with fewer subsidiaries.

Sari (2012) found corporate social responsibility affected by size of the company. Lawer (2011) emphasized corporate social responsibility is positively affected by company size. So, larger companies prepare their reports with better information systems.

1.3 Organizational size, age and Ownership structure

Ownership structure in large companies has different nature and value as they are fixed on a specific basis capable of making more accurate decisions and ability to determine the risks that may face ownership of large companies is generally focused; that control which mostly used through pyramidal groups with a holding company at the top controlling one or more subsidiaries (Mohammed, 2015). In the same context also, applies to large companies with the present experience owners who coordinate with the directors of the company's departments and specialists to reach the goals of the company in an optimal manner, which may be more difficult in modern and small companies as the risk ratio is greater. Small family businesses, costs may lead to their disability to recruit skilled employees (Saleem, 2016). Tests are often too expensive for a small family-owned company because they are professionally trained employees. In addition, modern and small companies have a lack of sufficient experience owners to face market fluctuations and owners willing to intervene in all decisions and all matters in every department in the company.

Also, investigate the impact of the type of ownership and the size of the company on the effectiveness of the culture in the organizations. The interesting conclusion about the moderate impact of company size and type of ownership on the correlation of organizational effectiveness of culture, one interesting finding relates to the moderate impact of the type of ownership.

Empirical enquiries, Pervan, Pervan, and akurak (2017) have confirmed that the size and age of organization and performance of always there is a strong link between organization and the environment. Therefore, it depends on the factors of the organizations, and hence, it evaluated within the scope work. The analysis outcomes indicated that more profitability and less productivity were found in larger companies, and furthermore, more productivity and less profitability were found in older companies (Pervan, Pervan, and akurak, 2017).

In addition, the size of the company plays an important role in innovation, technological and service capacity in a competitive manner. Very small businesses are often lacking the funds to make this happen. Tang et al. (2020) mentioned that some researchers agreed that company size is significant factor for the performance of the company because of the availability of the necessary resources in large companies to help them in the development and thus improve the performance. Company size could be an indicator for the performance of the company (Tang et al., 2020). literature studies indicate that firm size and age are important factors in innovation, competition and growth of the companies.

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