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## THE EFFECT OF BUSINESS STRATEGIES ON ORGANIZATIONAL STRUCTURE - CASE STUDY: BANK PASARGAD

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### ABSTRACT

*The main objective of this study was to investigate the relationship between business strategy and organizational structure of the Bank Pasargad and submit proposals for compliance with business strategy is more structured. The organizational structure has three main components, complexity, formalization and centralization is. In the classification of Porter's business strategy is desired. Porter classified into three categories according to the strategies of the business strategy of cost leadership, differentiation strategy and focus strategy is divided. The aim of the present study is an applied research, and the research project (data collection) and a case study is a descriptive study. Data from the questionnaire is intended. Sample consists of 105 people. To test the hypothesis of Spearman correlation, regression analysis, and Friedman test was used to rank the independent variables. The result of the analysis of the data shows that between each of the three business strategies and organizational structure of the three components of the connection is established.*

**Keywords:** Strategy, Cost Leadership, Differentiation, Organizational Structure, Complexity, Formalization, Centralization

### INTRODUCTION

One very important component in the success of organizations, their organizational structure design, but not the traditional sense, but the structure of an organization's strategy is based on a process approach. The organizational structure of the organization, powers and responsibilities of each unit in order to fulfill the mission and strategic goals and specific tasks is organized into different shapes (Atabaki and salads, 2009). To properly in the implementation of its strategy, the functional areas of the organization should act to implement the strategy. One of the important components of the strategy should be consistent with the organizational structure and its components. So there is a need to review the structure to act in line with the strategy of the business. Many internal and external factors affect the organizational structure. External factors can be environmental factors, level of competition, government regulations and internal factors can be named and the organizational technology, human resources, organizational culture, organizational strategy and named. In this study, the internal factors affecting the organizational structure of the enterprise strategy will be discussed. Porter suggests four strategies to achieve sustainable competitive advantage, differentiation, cost leadership, focus on differentiation, and focus on cost leadership (Faulkner & Bowman, 1992). The study use the classification of Porter to identify strategies used. It is noteworthy to state and private banks active in the financial services market in order to increase market share, it is necessary to protect the market share, also search for new markets

and their potential to maintain your position, plan to raise its share of the market. Achieving this goal requires an overall improvement of the performance of the bank and it in turn requires a level of business strategies; organizational structure, strategy and marketing programs compiled for each of the potential markets and actual bank and are based on the lifecycle of their services (Gholipur et al., 2011). The main objective of aligning the business strategy, organizational structure and design of an organizational structure that best supports the decision to implement the strategy is and a preliminary schedule for the planned transition from the current state to the desired state (Atabaki and Sifi, 2009). Pasargad Bank, a private bank, which by the International Institute of Banker, in the years 2010, 2012 and 2013 as Premier Bank of the Islamic Republic of Iran introduced. The study examined the issue that arises is whether the coordination between organizational structure and business strategy of the bank in the country has resulted in a few years or not? Therefore, in this study, the researchers wanted to answer the question: is the relationship between business strategy and organizational structure of the Bank Pasargad there?

### *Research hypotheses*

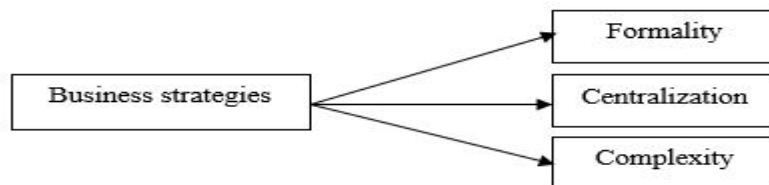
1. Cost leadership strategy and complexity of the bank there is a significant Pasargadrabth.
2. Cost leadership strategy and there is a significant recognition of the bank Pasargadrabth.
3. Cost leadership strategy and keep the focus there is a significant Pasargadrabth.
4. The distinction between strategy and keep Pasargadrabth there are significant complexity.
5. The distinction between strategy and keep Pasargadrabth there is a significant recognition.
6. There is a distinction between strategy and focus Pasargad Bank.
7. There is a strategy to focus and complexity of the Bank Pasargad.
8. There is a strategy to focus and recognize the Bank Pasargad.
9. There is a strategy to concentrate and focus Pasargad Bank.

### *Conceptual model*

This study was the relationship between business strategy and organizational structure is declared in the bank, so variables can be named as follows:

- Business strategy and organizational structure.

The organizational structure of the components of the complexity, formalization and centralization divided. Independent variables and the dependent variable is the strategy of the business structure, strategy is going to affect each of the components in the desired structure (complexity, formalization and centralization) measure. Agree pattern has been demonstrated in Figure 1:



**Figure 1: Conceptual Model Research**

### *Theoretical expression*

- ***Strategy***

One way to achieve the objectives of the organization's strategy with regard to the threats and opportunities that defines the resources and capabilities (Nanda Kumar et al., 2010). Overall, the strategy can be defined as an attempt to achieve a competitive position within the industry. Organization and coordination of internal and external pressures, industry, distinguish themselves from their competitors and their survival builds (Helmig et al, 2014).

- ***Hierarchy of strategies***

Generally, there are three levels of strategy, companies are:

**A. strategy across the enterprise**

The nature of the company's strategy, and the mixture is a combination of business units. The company's strategy, philosophy and ideology based business spending. The strategy of the company with the choice (s) of product / market related firms (Nandakumar et al., 2010).

**B. Strategic business unit level**

The business strategy defines how organizational resources in the given area (product / market) to expand its competitors (Nandakumar et al., 2010).

**C. The functional strategy**

The functional strategy is related to proceedings and activities in the areas of functional tasks (such areas as finance, manufacturing, etc.) to implement strategies for higher levels are associated (Subhan et al., 2012).

- ***General strategies (generic) Michael Porter***

Competitive advantage for the first time was developed by Porter. Porter believes that a company's competitive advantage accruing to the valued customers. With this aim, he offered three strategies (cost leadership strategy, differentiation strategy, and focus strategy) to describe the competitive advantage (Aarabi and Moghaddam, 2007). The three generic strategies are integrated into the strategy of cost leadership and distinction, which means that the supplement is to focus on the general strategy and in both cost leadership strategy and has achieved distinction (Brenes et al., 2014). According to Porter, organizations can choose a cost leadership or distinguishing a strategy. The method can be applied to the entire market or can emphasize a distinct sections (eg, concentration) merge (Kusuqlu et al., 2013).



**Table 1. Summary characteristics of Michael Porter's strategies**

A variety of strategies	FEATURES
Cost leadership strategy	Cheap resources - manpower better - cost control - the manufacturer or service provider with the lowest cost - cost less value chain activities - economies of scale - the volume of sales - reducing overhead costs, administration, maintenance, distribution and sales, and research and development - standard products and services - employee participation in cost savings - no concern for the environment
Differentiation strategy	Offering unique products and services - distinctiveness of advertising, distribution channels, packaging, service after the sale - price higher than the average - a substantial investment in research and development, marketing and product innovation - much attention to the environment - according to various needs customers - flexibility in the supply of goods and services - variety of products and Services

- **Structures**

Formal organizational structure and the roles that people play, including qualifications and responsibilities that have been studied in the literature is too high. Select your company's organizational structure to work within. It is necessary to identify the feature. Such factors as: the degree of flexibility, specialization and standardization of the number of layers in the hierarchy, horizontal composition and professionalism shows (Earnhart & Leonard, 2013).

- **Structural Dimensions**

Various aspects of the structure of such variables are:

- 1) **Complexity:** Complexity refers to the degree in which different functions depending on the purpose, direction and degree of authority is specified (Liao et al., 2011). Complexity through three dimensions: horizontal, vertical and spatial or geographical measured (Shoghi and Aghajani, 2012).
  - A. Horizontal resolution: Horizontal working proficiency when operations are assigned to those units (Wilhelm et al., 2007).
  - B. Vertical Separation: A vertical business expertise exists when different people have different levels of authority and decision-making units (Wilhelm et al., 2007).
  - C. Geographic Separation: geographic complexity refers to the degree to which the organization's offices, equipment and personnel are geographically dispersed, the geographical complexity increases, complexity increases an organization that makes the communication, coordination, and control is difficult.
- 2) **Formalization:** formalization refers to the amount of documentation is written. Recognition includes written instructions and decision rules, job descriptions, rules, policies, laws and regulations (Armstrong and Rasheed, 2013).
- 3) **Centralization:** centralizing describes the degree by which decisions and activities are focused on evaluating (Liao et al., 2011). Centralizing refers to the extent in which power is concentrated in the high-level management decisions. The work focused on centralizing decisions in several cases there (Wilhelm et al., 2007). Further centralizing (such formalization) an integration of policy and action taken, reduces the risk of errors by personnel with the skills or knowledge on the bottom, utilized the skills of professionals and also provides greater control of the operation (Katsykya et al., 2011). Three basic dimensions of organizational structure with the definitions and properties show in Table 2.

**Table 2. Definitions and characteristics of the organizational structure**

The main dimensions of the organizational structure	Definition	Components
Complexity	To the extent that there is a separate organization, pointing	Vertical complexity: number of hierarchical levels of management Horizontal complexity: The job titles (dispersion of jobs within the organization), level of education, number of professional expertise, Geographical complexity: the number of separate units of distance
Formality	Is the extent to	Documents that the organization is

	which jobs are standardized organizational	Standard setting for tasks Compiling and publishing the rules, regulations, guidelines, regulations, job descriptions and duties of staff Extent that laws, regulations, policies and procedures implemented in the organization
Centralization	Is the power density at a point	Power density: Evaluate programs, allocation of resources, resources, reward, hiring and firing, performance evaluation, promotion, planning and funding, access to information and control processes

### Research

The aim of the present study is an applied research, and the research project (data collection) and a case study is a descriptive study. Independent variables and the dependent variable level business strategy, organizational structure of the components of the complexity, formalization and centralization divided. The research population consisted of supervisors, assistants, experts and heads of Pasargad Bank branches in the city of Tehran. The population is 222 people total. Because of the limited and specific research population is needed to determine the minimum sample size, Cochran formula was used. The minimum sample size of 105 is required in the investigation of stratified sampling is used to create a homogeneous sample. Data collection methods used library studies and field studies. For validation study, the number of experts in the field of strategic management and organizational structure is used in the formulation of the final questionnaire regarding their use and modification times. To assess the reliability of the research of internal consistency (Cronbach's alpha) is used according to the table (3) since Cronbach's alpha coefficient of 0.7 is larger, it is clear that the questionnaire is reliable. The data for the analysis of correlation and regression analysis using Friedman test with software spss will be used.



**Table 3. The Cronbach's alpha for each variable and the questionnaire**

Cronbach alpha	Variable
0.771	Organizational Structure
0.761	The business strategy
0.796	Total

### RESEARCH FINDINGS

- *Test the hypotheses*

According to Table 4, we note that the assumptions underlying the first, fourth, fifth, seventh and eighth are not denied confirmation of the (cost leadership strategy with complexity), (differentiation strategy formalization), (Strategy Focus the formalization) there is no significant relationship between the assumptions of the second, third, sixth and ninth confirmed that the (cost leadership strategy focused on recognition), (focused differentiation strategy), and (with a focus on strategy) positive relationship significant donor.

Table 4. Test the hypotheses

	Cost leadership strategy			Differentiation strategy			Focus strategy		
	Complexity	Formality	Centralization	Complexity	Formality	Centralization	Complexity	Formality	Centralization
Solidarity Pearson	0.120	0.280	0.203	-0.003	0.090	0.196	-0.005	-0.052	0.191
Significance level (two-tailed)	0.222	0.004	0.038	0.978	0.361	0.045	0.960	0.597	0.041
Count	105	105	105	105	105	105	105	105	105

- *Evaluating the effectiveness of the strategies of the business model of Organizational Structure*

According to Table (5) The following types of business strategies to influence the organizational structure approved components are:

Cost leadership strategy recognizes the impact of the proposed model are as follows:

For. = 2.862+ 0.359 C.L.

For: Official

C.L.: Cost Leadership Strategy

Cost leadership strategy recognizes the impact of the proposed model are as follows:

Cent. = 2.427+0.227 C.L.

Cent = Concentration

C.L. = Cost leadership strategy

Differentiation strategy to focus on the effectiveness of the proposed model is as follows:

Cent. = 2.639 + 0.174.Diff.

Cent = Concentration

Diff. = Differentiation strategy

The proposed model focuses on the effectiveness of the strategy are as follows:

Cent. = 3.048+0.191 Foc.

Cent = Focus on the

Foc. = Concentration strategy

Table 5. Impact of business strategy on the component of organizational Structure model

Dependent variable	Model	Standard rates are not		Standardized coefficients		Significance level
		B	Standard error	Beta		
Complexity	Constant	2.655	0.610		4.376	0.000
	Cost leadership	0.180	0.146	0.120	1.230	0.222

	strategy					
Formality	(Constant)	2.862	0.503		5.685	0.000
	Cost leadership strategy	0.359	0.121	0.280	2.960	0.004
Centralization	(Constant)	2.427	0.447		5.431	0.000
	Cost leadership strategy	0.227	0.108	0.203	2.105	0.038
Complexity	(Constant)	3.413	0.491		6.950	0.000
	Differentiation strategy	-0.003	0.117	-0.003	-0.028	0.978
Formality	(Constant)	3.966	0.420		9.449	0.000
	Differentiation strategy	0.092	0.100	0.090	0.917	0.361
Centralization	(Constant)	2.639	0.360		7.338	0.000
	Differentiation strategy	0.174	0.086	0.196	2.025	0.045
Complexity	(Constant)	0.3411	0.221		15.402	0.000
	Focus strategy	-0.003	0.063	-0.005	-0.051	0.960
Formality	(Constant)	4.449	0.190		23.447	0.000
	Focus strategy	-0.029	0.054	-0.052	-0.530	0.597
Centralization	(constant)	3.048	0.162		18.779	0.000
	Focus strategy	0.091	0.046	0.191	1.978	0.041

- **Friedman test**

According to Friedman's analysis of the organizational structure for the classification, prioritization of cases in Table 6 that the end result is that the recognition of the complexity of the organization more focused and also according to the Friedman analysis to rank the business strategy of the Bank Go for it, the prioritization of the table (7) which end result is that most of the bank's strategy uses a strategy of cost leadership, differentiation strategy and focus strategy.



**Table 6: Ranking of organizational structure based on the analysis of Friedman**

Ranking Factors	Factors
1.5	Complexity
3	Formality
1.5	Centralization

**Table 7: Ranking of the business strategy based on the analysis of Friedman Pasargad Bank**

Ranking Factors	A variety of strategies
2.36	Cost leadership strategy
2.45	Differentiation strategy
1.19	Focus strategy

## RESULTS

According to previous literature for the successful implementation of the strategy in each level, you need to have a good communication strategy with organization internal and external factors. In this study, the correlation of the components of the strategy has been assessed and the results show that the strategy of cost leadership and recognition, and focus on cost leadership strategy, the differentiation strategy and focus, focus, and focus on the structure of

the relationship between the strategies is. Suggestions for further communication and relations between different types of business strategy and structure components are briefly described below:

1. Cost leadership and differentiation strategies Pasargad Bank seeks to be executed simultaneously, the amount of each of these strategies in large banks. As first proposed, according to Porter, the company should focus on a general strategy to prevent the passage of stuck in the middle. The bank should adopt a strategy with regard to internal and external analysis. The results show that the greater the differentiation strategy, the strategy led to a very low priority for the differentiation strategy, the strategy of cost leadership and differentiation of both high levels can be used. Go If the bank wants to act as a distinct need to know if a distinct success, if your cost base to keep the industry average, should any reduction in the cost difference is not sacrificed. So this is not true at all costs to keep their lowest.
2. The first hypothesis was concluded that the complexity of Pasargad Bank has no relationship to the cost leadership strategy. However, according to previous literature when an organization chooses the cost leadership strategy, structure that it must be of low complexity. Because of the high costs associated with high complexity. To reduce the complexity required to reduce the number of hierarchy and job titles. Geographical complexity of the bank is low, so no need to change it.
3. The second hypothesis was concluded that the cost leadership strategy is to recognize the relationship, the relationship in a positive direction and intensity is low. According to previous literature on cost leadership strategy to choose the organization, its structure must be of high recognition. In this respect there Pasargad Bank and the recognition results are high. This indicates that if banks adopt cost leadership strategy, which is proportional to the force, but should try to increase the relationship between two variables. It will do this through the formalization and control with the aim of increasing the cost.
4. The third hypothesis was concluded that the cost leadership strategy focusing on the relationship, the relationship in a positive direction and intensity is low. According to previous literature on cost leadership strategy to choose the organization, its structure must be of high concentration. Pasargad Bank and the results of this there is moderate. This indicates that if banks adopt cost leadership strategy, the focus is rather appropriate, but should try to increase the relationship between two variables. It can do this through the center of centralized decision-making and decision-making authority to the heads of the lower branches
5. The fourth hypothesis was concluded that the complexity of Pasargad Bank has no relationship with the differentiation strategy. However, according to previous literature when an organization chooses differentiation strategy, structure that it must be of high complexity. Because of the complexity associated with high distinction. To increase the complexity needed to staff education, job titles, hierarchy, the number of unit's increases.
6. The fifth hypothesis was concluded that recognition of Pasargad Bank has no relationship with the differentiation strategy. However, according to previous literature when an organization chooses differentiation strategy, force structure, tailored to the



needs of the poor. Because the low recognition, control, lower staff and employees are free to put up more creativity that makes the difference and uniqueness of the organization. To reduce the force required to make the rules, procedures and controls employee career low.

7. The sixth hypothesis was concluded that focused differentiation strategy with regard to the relationship in a positive direction and the intensity is very low. According to previous literature differentiation strategy to choose the organization, its structure must be of lower concentration. Pasargad Bank and the results of the focus in this respect there is moderate. This indicates that if banks choose differentiation strategy, the focus is appropriate, but should try to increase the relationship between two variables. It can do this through the heads of branches is empowered to make decisions on various issues and held meetings to inform employees and senior executives of the company making them.
8. The seventh hypothesis was concluded that the strategy focuses on Pasargad Bank has no relationship with complexity. According to previous literature focused strategy alone can be related to the complexity of this relationship is the means by which the organization will focus on cost leadership approach has chosen, or the approach to the differentiation. Therefore, the first approach towards cost leadership and differentiation choose to specify a focus on cost leadership or differentiation and then modify it to suit their structure. Therefore, adopt an approach focused strategy alone is no need to change the complexity.
9. The eighth hypothesis was concluded that the strategy focuses on recognition of Pasargad Bank has no relationship. According to previous literature focused strategy alone can be formalized relationship and this is the means through which the organization has chosen to focus on cost leadership approach or a differentiated approach. Therefore, the first approach towards cost leadership and differentiation choose to specify a focus on cost leadership or differentiation and then modify it to suit their structure. Therefore adopt an approach focused strategy alone does not recognize the change.
10. The ninth hypothesis was concluded that the strategy of focusing on the structure of the Bank Pasargad relationship, this relationship in a positive direction and the intensity is very low. Therefore, recommended that if the bank has chosen to focus on strategy, its focus on the relatively small increase. This should be done by placing the center of decision-making at the top organization lower branches and heads of authorities.



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