

THE INTERNATIONAL JOURNAL OF BUSINESS & MANAGEMENT

Industry Structure as an Antecedent of Organizational Performance: A Review of Literature

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Abstract:

Since an organization's responsiveness to changes in the competitive environment is highly dependent on how well they scan the business environment, organizations are constantly looking for ways to harness their characteristics to improve their performance and gain a competitive advantage in a hypercompetitive and dynamic marketplace. Organizations around the world have been forced to re-examine themselves internally to improve their performance as the growth and diversity of international business has brought new challenges and heightened their competitiveness. To stay relevant, organizations have been forced to re-examine themselves internally to improve their performance. Understanding the underlying structure of a company's industry today and in the future is a basic discipline in strategy creation, as evidenced by a large body of empirical literature indicating that industry structure has consistently been proven to impact organizational success. Given that empirical research have provided conflicting results demonstrating both positive and negative links, the argument over the impact of industry structure on performance is inconclusive. It could be argued that the lack of conclusive studies is due to previous studies' failure to include moderating and mediating variables. As a result, this study has systematically reviewed extant literature in the field of industry structure to develop a comprehensive definition of the construct, identify its perspectives and dimensions, and, ultimately, the review of literature has led to the development of a theoretical model that can be used in future empirical studies. As a result of industrial structure in organizations, the research also highlighted critical markers of organizational success. Finally, a set of linkages was modeled for the viewpoints of industry structure and organizational performance as a reference for future strategic management study. The goal of this study was to examine the current conceptual, theoretical, and empirical literature on industrial structure and organizational performance in order to identify knowledge gaps that may be used to guide future research.

Keywords: Industry structure, competitive environment and organizational performance

1. Introduction

In today's hypercompetitive and dynamic industry, businesses are always looking for ways to improve their performance and obtain a competitive advantage by using their unique features (Rudd et al., 2008). This is because an organization's ability to respond to changes in the competitive environment is largely determined by how effectively its features are aligned with its strategy (Claver-Cortés et al., 2012; Wilden et al., 2013). Scholars have linked firm performance to a variety of broad dimensions, including financial, non-financial, social, ecological, operational, and customer-related domains (Kathama, 2012; Karanja, Muathe, & Thuo, 2014), implying that performance describes how well a firm realizes the various domains in relation to set objectives (Kathama, 2012; Karanja, Muathe & Thuo, 2014), (Kaplan & Norton, 1992; Kirima & Murigi, 2019). Market share, pricing levels, promotional activities, and operational expenses are all influenced by a company's performance (Ong, Ismail & Goh, 2011; Arasa & Gathinji, 2014). As a result, superior business performance has become a popular topic in strategic management research and practice (Ongeti, 2014; Njoroge, Ongeti, Kinuu & Kasomi, 2016; Kimiti & Kilika, 2018; Echwa&Murigi, 2019). Performance is also a key aspect in determining a company's place in the industry; hence, the greater a company's performance, the better it is in comparison to its competitors (Kimiti, Muathe & Murigi, 2020).

The basic, underlying qualities that define the competitive strategy for a set of enterprises manufacturing items that are near replacements for each other are referred to as industry structure (Porter, 1980). The function of industry structure is of special relevance, since it has been continuously demonstrated that industry structure has an impact on business performance (McDougall, Robinson, & DiNisi, 1992; Sandberg & Hofer, 1987). Understanding the underlying structure of a company's industry, both today and in the future, is a basic discipline in strategy formulation, according to Michael Porter (2007). Organizational performance is critical in the administration of businesses, which are often driven by rivalry and risks to their existence. Firms monitor their performance on a regular basis to secure their survival in a competitive business climate (Bhatti, Awan & Razaq, 2014). Firms' long-term success is directed by a set of managerial choices and activities, therefore strategic management emphasizes the need of monitoring and evaluating threats and

opportunities against the firm's weaknesses and strengths in order to produce and implement new strategic direction (Hunger & Wheelen, 2011).

Organizational superior performance may be achieved using the resources that the organization owns or controls, according to the resource-based view. As a result, according to the concept, the organization's performance is influenced by how it uses its resources (Wernerfelt, 1984). Organizations should have both the resources and aptitude to restructure their available asset bases as well as their procedures in order to grab opportunities in the ever-changing business environment (Teece & Pisano, 1994). Organizations can use precious, unique, inimitable, and non-substitutable resources to develop and preserve competitive advantage and to use these resources and competitive advantage for superior performance (Barney, 1991), (Collins & Montgomery, 1995; Grant, 1991). As a result, strategic Resources may be used as a major superior competitive advantage of a company to deal with the ever-changing business environment by making internal elements more readily exploited to generate long-term competitive advantage.

2. Statement of the Problem

Understanding the variables that contribute to some companies outperforming their competitors is a topic that both academics and managers are interested in. Organizations operate in a variety of industries, and the structure in which they function has an impact on their success (Ogolla, Bolo & Ogutu, 2011). Research has focused on industrial organization theory to explain organizational performance, which attempts to evaluate performance across industries and determine whether there are substantial differences in performance linked with their structure (Njeru, 2013). The industry structure has an impact on the firm's behavior, which, in turn, has an impact on performance. It is crucial to emphasize, however, that enterprises in a given industry have the same goal and hence adjust passively to the conditions of the industrial structure (Arend, 2009).

Previous research has looked into the business domain impact, Goldszmidt et al., (2011), who looked into the Houthoofd et al., (2010) nation effect, and Karniouchina et al., (2013), who looked into the industry life cycle stage effect. According to the findings, industrial structure has a major impact on performance. The study of the impact of industry structure on organizational performance began with Schmalensee (1985), who discovered that the industry effect explains 19.6% of the variance in business unit Return on Assets (ROA). By examining the link between industry structure, business characteristics, competitive tactics, and performance, Oyewobi, Windapo, and Rotimi (2016) tried to understand the reasons of performance variations. The findings demonstrated that industry structure has a direct association with organizational performance, but competitive tactics mitigate the relationship between industry structure and organizational performance. According to Galbreath (2008), business resources are more essential than industry structure. According to Germain et al. (2014), industrial structure has a beneficial impact on performance. According to Zheng et al. (2010), industry structure has a detrimental impact on organizational performance.

The aforementioned studies have a methodological gap: Germain et al. (2014) used exploratory factor analysis with principal content analysis, Oyewobi, Windapo, & Rotimi (2016) used structural modeling to analyze the data, Houthoofd (2010) used logistic regression, and Kaguri (2012) looked at all performance measuring variables. The dispute over the impact of industry features on performance is ambiguous from a conceptual standpoint, since empirical research have produced mixed results ranging from favorable (Germain et al, 2014; Lefort et al, 2015) to negative (Njeru, 2015). (2013). The obvious methodological gap in the way numerous empirical studies on industrial structure were conducted, according to Muthaura & Kinyua (2021), indicates that more study on this construct in the field of strategic management is required.

3. Conceptual Literature

3.1. Concept of Industry Structure

The industry structure is a set of elements that have a direct impact on a company's competitive actions and responses (Porter, 1980). Overall, the combination of these components defines the potential of a sector. In most cases, sectors have a diverse set of competitive tactics that businesses employ to achieve above-average profits (Ortega, 2010). The industry has a direct impact on a company's strategic competitiveness and capacity to generate above-average profits (Grant & Jordan, 2012). Porter (2007) asserted that the strength of five competing factors, including the threat of new entrants, the danger of alternative goods, the bargaining power of suppliers and customers, and competition among current rivals, determines industry structure. These influences govern the allocation of value among industry players, whether profit is restricted by substitutes or new entrants, negotiated away by consumers or suppliers, or competed away by rivals, and hence determine an industry's long-run profit potential. A corporation can find a position in an industry where it can influence the forces in its favor or buffer itself from the forces' power by analyzing these forces (Hitt, Ireland & Hoskisson, 2011). The industry in which a corporation and its competitors compete for business is the arena in which competition takes place. Each industry has its own structure, which influences the type of competitive engagement that takes place. A major component in strategy formulation is understanding the underlying structure of a company's industry, both today and in the future (Ortega, 2010).

Because of the many meanings, the recommended term, that will guide this work, is based on Porter (1980) and Ortega (1980), (2010). Since the arena in which competition takes place in the industry has specific structures that affect the form of interaction that unfolds there, industry structure is a collection of elements that directly influences a business and its competitive behavior.

3.1.1. Perspectives of Industry Structure

The danger of new entrants, the threat of alternative goods, the negotiating power of suppliers and consumers, and competition among current rivals all contribute to the strength of five viewpoints, sometimes known as five competitive forces (Porter, 1980). The first viewpoint is that of risks from new entrants, which refers to the dangers that new rivals offer to existing industry incumbents. It is one of the forces that shape an industry's competitive landscape and helps define an industry's desirability (Porter, 1979). The threat of new entrants has a substantial impact on present firms' capacity to make profits. A company's competitive position is jeopardized when new rivals enter an industry offering the same products or services. The entrance barriers determine the threat of new entrants. Established vendors in an industry have an advantage over potential entrant sellers, according to Joe S. Bain (2013), which is demonstrated in the extent to which established sellers may consistently raise their prices above competitive levels without attracting new entrants. A barrier to entry, according to George J. Stigler (1987), is a cost of production that must be incurred by a business seeking to enter an industry but is not borne by existing enterprises. Brand loyalty, cost advantages, government regulations, capital requirements, access to suppliers and distribution channels, and retribution are some of the hurdles to entrance (Grossman, & Horn, 1988).

The second point of view is competitive rivalry, which is a measure of how fiercely current businesses compete (Sirmon, Gove, & Hitt, 2008). Price cuts, increased advertising expenditures, or investing on service/product enhancements and innovation are all examples of competitive movements that might restrict profitability and lead to competitive moves (Porter, 1979). Industry rivalry frequently takes the form of jockeying for position utilizing different strategies, such as pricing competition, advertising wars, and product debuts, according to Aktas, de Bodt, and Roll (2013). When organizations are under competitive pressure or sense a chance to strengthen their position, this competition tends to intensify (Mascia, Pallotti, & Angeli, 2017). In most sectors, one company's aggressive moves will be noticed by the competitors, which will reply in like. Since businesses are interdependent, a pattern of action and reaction might hurt all businesses and the industry as a whole (Porter, 1997). High exit barriers, high strategic stakes, various contests, high fixed costs, slow industry development, lack of distinctiveness or switching costs, and many or equally balanced competitors can all effect industry rivalry, according to Grabowski and Baxter (1973).

The third point to consider is buyer bargaining power; the presence of powerful buyers reduces the profit potential of an industry, so buyers increase competition within it by forcing down prices, bargaining for better quality or more services, better customer service, and pitting competitors against one another (Porter, 1979). The premise is that the bargaining power of purchasers in an industry determines the seller's competitive environment and capacity to attain profitability (Crook, & Combs, 2007). Strong customers may compel sellers to cut prices, enhance product quality, and provide more and better services by exerting pressure on them. All of these items are expenses for the vendor. A powerful buyer can make an industry more competitive while reducing the seller's profit potential. A weak buyer, on the other hand, who is at the mercy of the seller in terms of quality and price, makes an industry less competitive and improves the seller's profit potential (Dowlatshahi, 1999). Cho and Chu (1994) identified determinants of buyer bargaining power, including the quantity of buyers compared to suppliers, switching costs, backward integration, and a buyer's purchasing dependency on a certain provider.

The fourth point to consider is supplier negotiating strength, which refers to the pressure that suppliers may exert on businesses by raising prices, diminishing product quality, or restricting product availability. Supplier negotiating power is one of the variables that shapes an industry's competitive environment and helps to determine its desirability (Porter, 1998). The premise is that a supplier's negotiating power in an industry influences the buyer's competitive environment and affects the buyer's capacity to attain profitability. Strong suppliers can exert pressure on customers by rising prices, diminishing product quality, and restricting product availability. All of these items are expenses for the buyer. Furthermore, a powerful supplier can make a sector more competitive while lowering the buyer's profit potential. A poor supplier, on the other hand, who is at the mercy of the buyer in terms of quality and price, makes an industry less competitive and improves the buyer's profit potential (Porter, 1980). Suppliers do not bind buyers when there is a low supplier power situation, and profitability rises. However, when there is a high level of supplier power, buyers feel the pressure from suppliers, and profitability suffers as a result. As a result, investment in such industries becomes less enticing. Powerful suppliers can dictate product distribution and availability in markets. Powerful suppliers can dictate product distribution and availability in markets. Suppliers with influence can make their products vital to a sector. Furthermore, suppliers' power can be utilized to negotiate contracts and transactions where the suppliers have complete negotiating advantage (Fabbri, & Klapper, 2016). Supplier negotiating strength is defined by the quantity of suppliers compared to buyers, switching costs, supplier availability for immediate purchase, and supplier sale dependency on a certain customer (Homburg, & Kuester, 2001).

The danger of replacement products is the fifth perspective; when substitute products are available that offer a relatively near benefits match at a competitive price, the competitive structure of an industry is challenged (Porter, 1979). The danger of replacements refers to the availability of other items that a consumer may acquire from outside industry. When there is a substantial danger of replacements, industry participants must focus more on running as efficiently as possible; otherwise, their high-cost structures would stifle profitability and force some businesses out of business (Pringle, & Huisman, 2011). When the danger of replacements is lessened, industry actors are less concerned about cost constraints, resulting in higher prices offered to customers. Since there is less rivalry from outside the business, earnings are more likely to be made within the industry. As a result, businesses tend to make more money at the cost of their consumers (Afuah, & Utterback, 1997). The high quality of replacements products, the fact that substitute's products have superior features, the fact that substitute's products are widely available to consumers, and the fact that customers may quickly switch between products are all factors that contribute to a high danger of substitutes (Porter, 1989).

3.1.2. Dimensions of Industry Structure

An industry's structure may be examined from many perspectives: first, existing and projected industry size, growth, and structure; second, cost structure, distribution systems, industry trends and changes; and third, industry key success determinants (Salamon & Siegfried, 1977). Knowing the scale of an industry may aid in evaluating investment decisions as well as defining the market share of various rivals (Das, 1995). A growth industry is a segment of the economy that grows at a faster rate than the rest of the economy. Growth industries are often new or pioneering sectors that did not exist previously. The demand for new goods and services supplied by enterprises in the area is fueling their expansion. The technology sector, for example, is a boom industry whose products have become runaway blockbusters with customers, resulting in multibillion-dollar stock market values for IT businesses (Wohlner, 2020).

The many sorts of expenses a firm incurs are referred to as its cost structure, which is often made up of fixed and variable costs. Fixed costs are those that do not fluctuate regardless of how much output a firm creates, whereas variable costs change depending on how much output is produced. Whether you are a retailer or a service provider, you will have to spend money to run your firm (Hayes, 1987). Retailers and service providers have different cost structures, therefore the expenditure accounts that show on a financial statement are determined by the cost objects, such as a product, service, project, client, or business activity. Because of the many sorts of operations that product lines, divisions, and business units do, their cost structures may differ (Morrison, 2001).

Material is delivered from manufacturers to distributors to the final customer through a distribution system. It includes all of the processes, procedures, and equipment needed to move items from a firm to the end users of a product. A company's distribution system is critical to its success. If a company's distribution system is sound, it will almost certainly create more sales than its competitors. A distribution system also includes components such as distributors, transportation, and distribution costs. Each has a vital role to play in the company's success (Bhasin, 2020). Patterns or trends that emerge within a certain sector are referred to as industry trends. Pricing, cost, consumer purchasing, marketing, production, sales tactics, and a variety of other topics may be addressed by these trends. Trends can be seen in any industry and may offer businesses with valuable information to help them stay competitive. While industry trends can change swiftly and frequently, the phrase is more commonly used to represent long-term industrial activity rather than unexpected, transient deviations from the norm (Worth, 2022).

Industry success factors, on the other hand, are a set of key facts that must be combined in order to achieve one or more acceptable company objectives (De Felice, & Petrillo, 2013). An asset or talent required to 'play the game' is a critical success component (Ketelhöhn, 1998). A company's capacity to compete will be hampered if it has a strategic deficiency in a critical success component that is not mitigated by a well-designed plan (Grunert & Ellegaard, 1992). Low-cost production efficiency, quality product manufacture, high utilization of fixed assets, appropriate skilled personnel, low-cost plant sites, and high labor productivity are examples of industry critical variables.

3.1.3. Adoption of Industry Structure in Strategic Management and Outcomes

The function of industry structure is of special relevance, since it has been continuously demonstrated that industry structure has an impact on business performance (e.g., McDougall, Robinson, & DiNisi, 1992; Sandberg & Hofer, 1987). Understanding the underlying structure of a company's industry, both today and in the future, is a basic discipline in strategy formulation, according to Michael Porter (2007). According to industrial economics, the structure of an industry determines both the laws of competition and the methods that a business might use to improve a weak competitive position or capitalize on a good one (Tavitiyaman, Zhang & Qu, 2012). The structural features of industries are crucial for a firm to understand because they define the strength of the competitive pressures operating on the company and, as a result, the profitability of the industry as a whole (Porter, 1980).

Goldszmidt et al. (2011) investigated how business domain effects affect performance and discovered that businesses in the assessed industry operate in two separate business domains, with business domain effects accounting for 6.8% to 9.7% of the variation in the performance variables. The study indicated that country effects had a higher favorable influence on company performance in developing economies than in more established nations. Houthoofd et al., (2010) investigated the country effect and how it influences performance. Karniouchina et al., (2013) investigated the industry life cycle stage impact and how it influences performance. They discovered that as industries go through the life cycle, corporate parent and industry effects rise, whereas business-unit effects decrease between maturity and decline. Schmalensee (1985) discovered that the industry impact accounts for 19.6% of the variance in business unit Return on Assets (ROA). By examining the link between industry structure, business characteristics, competitive tactics, and performance, Oyewobi Windapo & Rotimi (2016) tried to understand the reasons of performance variations. The findings demonstrated that industry structure has a direct association with organizational performance, but competitive tactics mitigate the relationship between industry structure and organizational performance.

3.2. The Concept of Organizational Performance

Performance may be described as the process of completing a task or performing a function, and it should be measured in terms of how well it was done. Thus, organizational performance refers to how well an organization completes duties or functions in accordance with its aims and objectives (Jenatabadi, 2015). Though various academics define organizational performance differently (Kirima & Murigi, 2019), there is a common thread among scholars who believe that high performance is the ultimate goal for businesses. According to Kiiru (2015), high-performing enterprises are beneficial to both people and the national economy. They produce money for the owners and offer employment, either directly or through support services (Wambugu, Kirimi & Opiyo, 2011; Ongeti, 2014). Market share, pricing levels, promotional activities, and operational expenses are all influenced by a company's performance (Ong, Ismail & Goh, 2011;

Arasa & Gathinji, 2014). Performance is also a key aspect in determining a company's place in the industry; hence, the greater a company's performance, the better it is in comparison to its competitors (Kimiti, Muathe&Murigi, 2020).

Thus, organizational performance describes a company's accomplishments in terms of achieving defined goals effectively and efficiently (Lebans&Euske, 4 2006; Rasula, Vuksic & Stemberger, 2012; Muchemi, 2014, Talaja, Miocevic, Pavicic&Alfirevic, 2017). Surprisingly, despite the numerous research on organizational performance, there are still disagreements over how performance should be measured (Ongeti, 2014; Njoroge et al., 2016). The majority of academics use financial dimensions to operationalize business performance, such as total assets, market share, Return on Assets (ROA), share price, profit before tax, and sales revenue (Muchemi, 2014)

Kimiti and Kilika (2018) argued that performance should be measured in terms of a broader concept: entire firm performance. The Balance Scorecard (BSC) by Kaplan and Norton (1992) and the Tripple Bottom Line (Elkington, 1997) are two recommended measuring techniques that aim to overcome the constraints of standard financial indicators. In comparison to the Tripple Bottom Line, the BSC has been more generally embraced by businesses. It has four dimensions: financial, customer, internal business, and learning/growth.

3.2.1. Measuring Organizational Performance

Kimiti and Kilika (2018) argued that performance should be measured in terms of a broader concept: entire firm performance. The Balance Scorecard (BSC) by Kaplan and Norton (1992) and the Tripple Bottom Line (Elkington, 1997) are two recommended measurement techniques that aim to overcome the constraints of standard financial indicators. In comparison to the Tripple Bottom Line, the BSC has been more generally adopted by businesses. It has four dimensions: financial, customer, internal business, and learning/growth.

BSC provides an overview of an organization's success by combining financial metrics with other important performance indicators such as internal business practices, customer viewpoints, firm growth, innovation, and learning (Biazzo&Garengo, 2012). The BSC, according to Kaplan and Norton (1992), measures performance using four principles: financial, customer, learning, and growth, as well as internal business procedures. The balanced scorecard's financial and customer perspectives offer a company with techniques for addressing the demands of its owners and customers. The financial element, according to Kaplan, Norton, and Rugelsjoen (2010), provides financial statistics and cash flow metrics, whereas the customer perspective considers achieving customer needs, which are divided into four categories: performance and service, time, quality, and cost. Managers should transform the firm's missions into measurable customer service statements that represent factors that matter to their customers, according to the BSC (Kaplan & Norton, 1992). Customer satisfaction surveys should be conducted and the results implemented by businesses (Tayler, 2010). According to Kaplan and Norton (1992), focusing on customer assessments allows a company to define its performance from the customer's perspective. Internally, the goal is to satisfy shareholders, business owners, and customers by selecting proper business strategies and procedures that will provide customers with distinctive goods (Niven, 2011).

Elkington(1997) coined the Triple Bottom Line (TBL) construct, which has been described as 'a remarkable and far-reaching metaphor' (Henriques, 2007, p. 26).The word was not well-known prior to the late 1990s. TBL is, in essence, a construct that expresses the extension of the environmental agenda in a way that merges economic and social lines (Elkington, 1997). TBL provides a framework for measuring corporate performance and organizational achievement along economic, social, and environmental lines (Goel, 2010). The word has also been referred to as the sustainability framework in practice (Rogers & Hudson, 2011). The TBL agenda, which is aimed at businesses, places a constant and balanced emphasis on the organizations' economic, social, and environmental worth.

The TBL framework's economic line refers to the influence of the organization's business operations on the economy (Elkington, 1997). It refers to the economy's ability to survive and evolve into the future in order to support future generations as one of the subsystems of sustainability (Spangenberg, 2005). The economic line connects the organization's growth to the economy's growth and how well it contributes to its support. In other words, it emphasizes the organization's economic value to the surrounding system in a way that benefits it and enhances its ability to support future generations.

TBL's social line refers to doing business in a way that is good to labor, human capital, and the community (Elkington, 1997). These actions, according to the theory, add value to society and 'give back' to the community. Fair salaries and giving health care coverage are two examples of these behaviors. Apart from the moral issue of being 'good' to society, ignoring social responsibility can have an impact on a company's performance and long-term viability. Recent examples in the industry have proven that disregarding social responsibility has financial consequences. The social performance focuses on the organization's engagement with the community and handles topics such as community involvement, employee relations, and fair compensation (Goel, 2010).

TBL's environmental line refers to activities that do not jeopardize future generations' access to natural resources. It is concerned with the efficient use of energy resources, the reduction of greenhouse gas emissions, and the reduction of one's ecological footprint, among other things (Goel, 2010). Environmental measures, like the social side of TBL, have an impact on the organizations' long-term viability. Kearney (2009) conducted an analysis of 99 sustainability-focused firms across 18 industries to determine the influence of environmental initiatives on the organization's performance. Technology, automotive, and chemical industries were among the industries studied, as were food, media, retail, and tourism. The research approach aims to determine whether firms with sustainable practices are more likely to weather the economic downturn during the six-month analysis period. Sustainability-focused organizations, that were part of the Dow Jones Index, were included in the study's sample. There were two phases to the analysis: a three-month phase and a six-month phase. During the present economic slump, firms with strategies aimed toward environmental protection and promoting the social well-being of stakeholders while generating value to shareholders beat their industry rivals

financially, according to the report. Reduced operational expenses (energy and water usage, for example) and improved profits from the development of innovative green products have resulted in a financial advantage (Kearney, 2009).

Organizational performance can also be measured in the following broad dimensions: financial, non-financial, social, ecological, operational, and customer-related domains (Kathama, 2012; Karanja, Muathe, & Thuo, 2014), implying that performance refers to how well a firm achieves the various domains in relation to set objectives (Kathama, 2012; Karanja, Muathe & Thuo, 2014), (Kaplan & Norton, 1992; Kirima&Murigi, 2019).

4. Literature Review

The core construct in this conceptual study drove an intensive review of the enormous amount of relevant theoretical and empirical literature. As a result, the theories, that underpin the notion of Industry structure and organizational performance, as well as relevant empirical material, are presented in this section.

4.1. Theoretical Review

Two theories, namely, Contestable Market Theory and industrial organization theory, were reviewed as presented in the preceding section.

4.1.1. Industrial Organization Theory

Industrial organization is an economics topic concerned with corporate strategy, regulatory policy, anti-trust policy, and market competitiveness (Chen, 2000). The economic theory of price is applied to industries through industrial organization. Economists and other academics, who study industrial organizations, aim to better understanding of the techniques by which industries work, as well as the industry' contributions to economic welfare and government policy (Ferguson and Ferguson, 1994).

The structure-conduct-performance paradigm was established by J.S. Bain in the 1950s as a tool for industrial analysis (Weiss, 1979; Barthwal 2010), and the study concentrated on the barriers to entry into a market, i.e. the threat of competition (Corley, 1990). Bain believed there was a direct and linear 'one-way relationship' between structure, conduct, and performance, but subsequent research has revealed that market structure is influenced by a firm's behaviour (Chang, Yu & Chen, 2010; Fu, 2003).

The most important keywords in Industrial Organization Theory are market structure and circumstances. Since it contains various variables that influence a firm's actions and behavior, 'Behavior is reliant on the context in which it occurs,' according to the assumption (Brown, 2002). The SCP paradigm's logical assumption is that structure and performance have a causal linear relationship. As a result, a company's behavior and performance have no bearing on market structure. The causal relationship between structure and performance vanishes as soon as there are feedback effects in the SCP model of industry, because firms may influence. The neo-classical paradigm is the model's foundation assumption (Ramsey, 2001).

The industrial organization's concept of strategy assumes that the external environment determines a firm's actions. The strategic behavior and performance of a company are likely to be influenced by industry and market structures. The Industrial Organization Model implies that enterprises should identify and aspire to operate in environments that provide the best prospects for competitiveness and profitability for strategic management. According to the model, a firm's choice of industries and geographic markets has a greater impact on performance than strategic decisions about internal resources, capabilities, and core competencies (Heather, 2002).

The four industry structures of perfect competition, monopoly, monopolistic competition, and oligopoly are the emphasis of the industry organization model. The number and size of enterprises, concentration measures, product differentiation, and entry barriers are all components of a market structure. The industrial organization model examines the extent to which established enterprises have price control, entrance and exit obstacles, and information flow between buyers and sellers. The degrees to which enterprises are vertically integrated and diverse are two other dimensions of market structure (Lipczynski, Wilson, and Goddard, 2005).

Preventive and reactive techniques are used to alleviate the effects of industrial structure. In the wake of new competitive positions that may be developed, new opportunities are utilized in the middle of the procedure Policies (such as profit maximization or optimization, growth, sales, and marginal utility), pricing objectives (e.g., cost-plus, marginal cost, entry-detering price, collusive pricing, price leadership, and price discrimination), marketing strategies and advertising, and the extent of innovation and technical change all influence the organization's strategic conduct (McGahan and Porter, 1997).

Strategists to assess an industry's attractiveness, determine its profit potential, and determine the firm's competitive standing use of the five forces model. The type of suppliers, buyers, replacement products, and new entrants to the market determine the industry components of competitive competition. Other strategic models are employed to examine the industry's opportunities and threats (OT) components. SWOT analysis (internal strengths and weaknesses, exterior opportunities and threats) and PESTEL analysis (political, economic, social, technical, and legal components) are two examples of similar analyses (McGahan, 1999).

Profitability, efficiency, product quality, and technical progress are all factors that strategists and economists consider while evaluating performance. A variety of industry characteristics influences performance, including the concentration of rivals in the sector, entry hurdles, economies of scale, product differentiation, and diversification. High profits, according to standard analysis, are the outcome of established enterprises engaging in anti-competitive behavior. Evidence reveals, however, that big profits might sometimes be the result of efficiency or innovative activity. Since perfect

competition is unlikely to exist in most industries, the industrial organization recognizes that the justification for competition policy and regulation must be addressed (Heather, 2002).

Various pieces of legislation have been enacted to encourage competition in industries dominated by privately held businesses. The regulation of natural monopolies and how control of natural monopolies can be achieved through public ownership, privatization with deregulation and reregulation, franchising, and competitive tendering are all related to this issue.

4.1.2. Contestable Market Theory

In their book 'Contestable Markets and the Theory of Industry Structure,' Baumol, Panzar, and Willig (1982) suggested that the threat of entrance could convince businesses in an industry to control their pricing behavior. This situation occurs regardless of the number of enterprises in the industry. The cornerstones of the contestable market idea are free admission and exit (from industry without cost). As a result, as long as the market is open to enter and quit at no cost, market monopolists will be unable to control their greed and forgo any possible high rewards. Baumol (1982) writes: 'A contestable market is one in which entry is free and exit is free, in which the entrant suffers no disadvantage in terms of production technique or perceived quality relative to the incumbent, and in which potential entrants find it appropriate to evaluate the profitability of entry in terms of the incumbent firms' pre-entry prices.'

The vulnerability of a contestable market to hit-and-run entry is a critical aspect. In this way, contestability theory provides an alternate view of natural monopoly and how the company best serves the interests of consumers (Baumol, 1982). The idea, contrary to popular belief, does not advocate for the natural monopoly to be regulated. 'The contestability theory defies conventional wisdom by arguing against monopolist presumption regulation. The threat of competitors entering the market would discipline the incumbent firm's pricing behavior if the market were contestable. In other words, the threat will compel the current monopolist to offer something resembling competitive pricing' (2004, Bratland), (Martin, 2000). Martin (2000) suggests that potential competition is a crucial feature of a perfectly contestable market that exists only in the presence of potential competitors who constantly seek to enter (exit) the market to take advantage of available profit opportunities (avoid economic loss).

Perfect contestability also presupposes competitive conduct among incumbents, not just among potential entrants. As a result, contestability theory deviates from the SCP perspective on industrial organization theory. True contestability, according to Amavilah (2012), exists if: the profit for all firms in the industry remains zero. As a result, a profit margin, greater than zero, (or even a positive profit margin) encourages competition; efficiency of any type is not permitted. The method removes inefficiency since it is linked to a positive short-run profit; output prices should always be set equal to the marginal cost of production, and predatory pricing is not permitted. New entrants are attracted by a price that is higher than the marginal cost. Market structure, as suggested by SCP theorists, will not be a concern if these conditions are met. To put it another way, high concentration will not put a strain on performance and is a minor reason for regulatory involvement (Spulber, 1989). To ensure the above-mentioned conditions: efficiency, pricing, and others, regulatory action is required (Amavilah, 2012).

4.2. Empirical Literature Review

The existing body of empirical literature was reviewed to expose a couple of research gaps that served as a basis for buttressing the case for propositions made in this study.

4.2.1. Supplier Power and Firm Performance

Fabbri and Klapper (2016) investigated the impact of suppliers' bargaining strength on trade credit supply. The study focused on the quantity, terms, and payment history of trade credit granted to customers, as well as comprehensive product market structure and client-supplier interactions. The data was gathered from 2500 Chinese businesses as part of the World Bank Enterprise Surveys, which the World Bank conducts with partners in 76 industrialized and developing countries. A large, randomly selected sample of enterprises from 12 two-digit manufacturing and service sectors were included in the dataset. Suppliers are more inclined to extend trade credit and better credit terms to influential and important clients, who are also more likely to compel payment periods longer than those granted and create delinquent payments, according to the findings. Due to bank credit constraints, weaker suppliers are unable to issue trade credit, limiting their capacity to compete in the product market.

In their study titled 'Understanding Universities in Ontario, Canada: An Industry Analysis Using Porter's Five Forces Framework,' Pringle & Huisman (2011) concluded that if there are a limited number of suppliers for a larger number of customers with few substitutes available, then supplier power is high, and the supplier can both capture the value and charge premium prices.

Feng, Sun, and Zhang (2010) investigated the impact of suppliers' involvement on the firm's competitive advantage. Hypotheses about customer involvement, supplier involvement, and competitive advantage are produced using the resource-based and knowledge-based views of the firm. The regression analysis revealed that including suppliers resulted in lower costs.

4.2.2. Buyer power and Organizational Performance

In their study 'Understanding Universities in Ontario, Canada: An Industry Analysis Using Porter's Five Forces Framework,' Pringle and Huisman (2011) came to the conclusion that powerful customers are the inverse of powerful suppliers, and can capture more value by forcing down prices and demanding better quality or more service, thereby

forcing industry suppliers to compete more aggressively against one another, usually at the expense of industry profitability.

On their study of factors, affecting the competitiveness of the food industry using Porter's five forces model, an interview was conducted with managers and an expert in the food industry from supportive government policies was named as the first step to enter the industry to establish the firm's success. They concluded that the higher the number of buyers, the lower the bargaining power of buyers because if they do not bargain, the firm will fail. Buyers' bargaining power increases as their purchase volume increases, whereas their bargaining power decreases as their purchase volume decreases.

Feng, Sun, and Zhang (2010) investigated the impact of consumer interaction on the firm's competitive advantage. Hypotheses about customer involvement, supplier involvement, and competitive advantage are produced using the resource-based and knowledge-based views of the firm. Customer involvement has a beneficial impact on product quality, delivery dependability, process flexibility, and customer service, according to the regression analysis results.

4.2.3. Competitive Rivalry and Organizational Performance

Aktas, Debodt, and Roll (2013) used a sample of 5,416 M&A transactions from the SDC Database from 1984 to 2011 to investigate the link between rival anomalous returns and the measure of inter-firm relatedness. They looked at completed and uncompleted deals between publicly traded US companies that were worth at least \$50 million. They utilized this as a criterion for focusing on important information occurrences. They identified all firms in acquirers' industries in their sample to determine the correlation coefficient between the value effects of new firm-specific information (Rho). The findings of their research demonstrated that an industry deal has a detrimental impact on both business partners and direct competitors, and that this effect is becoming more pronounced as the degree of company interactions increases. These findings backed up the theory that M&As raise competitive pressure on rival industry firms on average, and that these competitive pressures have a negative or positive impact on firm performance.

'Understanding Universities in Ontario, Canada: An Industry Analysis Using Porter's Five Forces Framework,' according to Pringle and Huisman (2011), existing competitor rivalry can take numerous forms, including price cuts, new product introductions, ad campaigns, and service enhancements. An industry's profitability is hampered by fierce competition. Increased competition has a detrimental impact on a company's profitability potential.

In the US airline business, Gimeno (1999) conducted research on reciprocal threats in multi-market rivalry: 'Staking out spheres of influence.' The results of multi-market competition among US scheduled airlines when the carriers' interests and positioning differ in mutually disputed marketplaces were explored in this research. The findings imply that airlines employ footholds in their competitors' significant areas to diminish their competitors' competitive intensity in those markets and maintain their dominating positions in those markets.

4.2.4. The Threat of Substitutes and Organizational Performance

In their study 'Understanding Universities in Ontario, Canada: An Industry Analysis Using Porter's Five Forces Framework,' Pringle & Huisman (2011) stated that a substitute product provides the same or similar purpose as an industry's product but in a different way. According to the findings of their study, when the fear of replacement is significant, industry profitability suffers since such a threat might put a price ceiling on products. An industry's profitability and growth potential will suffer if it does not differentiate itself from substitutes through product performance, marketing, or other means.

Threats of substitutes had a positive significant influence on performance, according to Hussein, Simiyu Salima, and Anne Muchemi's (2019) study of Michael Porter's five forces on performance on savings and credit cooperative societies in Nairobi City County. Since consumers can choose to buy the alternative instead of the Sacco's product, the emergence of a substitution threat has an impact on an organization's profitability.

Stroe (2014) concluded that there is a lack of unanimity in their study, 'Is professional engineering services threatened by substitutes?' Some argue that there is no threat of substitutes for engineering consulting and design services per se, but admit that services provided by one engineering firm can be replaced by services provided by a competitor firm as long as the result has the same utility for the client, which contradicts the definition. Some say, on the other hand, that the degree, to which industrial engineering consulting and design services can be substituted, varies greatly, and so there is a threat of substitutes in this industry. Contractors' encroachment on the engineering services market may be viewed as a replacement issue, as engineering services are being replaced by contracting services that include services that were formerly provided by independent IECDSFs. The substitutes in this example are from a different industry, fulfill more than the same function, and are more useful to the client than the services being replaced. Engineering consulting and design services, they believe, can rarely be substituted as long as they are extremely knowledge-intensive, specialized, and tailored.

4.2.5 The Threat of New Entrants and Organizational Performance

In their study titled 'Understanding Universities in Ontario, Canada: An Industry Analysis Using Porter's Five Forces Framework,' Pringle and Huisman (2011) came to the conclusion that new entrants to an industry bring new capacity and a desire to gain market share, putting pressure on prices, costs, and the rate of investment required to compete. The threat of new entrants is low if entry barriers remain strong.

In their study on factors affecting the competitiveness of the food industry using Porter's five forces model, Eskandari, Mari, Gholami, and Sajadi (2015) conducted an interview with managers, and a food industry expert from supportive government policies was named as the first step to enter the industry to establish the firm's success. They

concluded that the threat of entry in an industry depends on the height of entry barriers and new entrants' reaction. When entry barriers are low, newcomers can soon become competitors. The risk of entry will be quite high, and the industry's profitability would suffer as a result, affecting business performance.

Benjamin, Katuse, and Namada (2016) conducted research on the impact of new entrant threats on the performance of the oil industry in Southern Sudan. They discovered that factors related to new entrant threats had an impact on oil performance in South Sudan. These factors are: economies of scale determine profit, operation technology required can prevent a firm from operating, cost of entry determines profit, economies of scale determine market share, and duration of operation affects firm performance. As a result, threats of new entrants have a positive significant influence on the performance of the oil industry in Southern Sudan, and the Government of Southern Sudan is advised to develop or update existing policing.

In their study 'Why Incumbents Struggle to Extract Value from New Strategic Options: A Case of the European Airline Industry,' Vlaar, De Vries, and Willenborg (2005) found that incumbents struggle to extract value from new strategic options. Cannibalization, conventional knowledge, internal and external inflexibility, and incompetence or overconfidence are all the problems that incumbents encounter, according to a review of the literature. Business models with numerous complementing features, insufficient autonomy offered to new enterprises, a lack of strong leadership or entrepreneurial alertness, and a low sense of urgency, among other things amplify the negative effects of these characteristics.

4.3. Proposed Theoretical Model

In order to reveal the relationship between independent variables, moderating variables, mediating variables, and dependent variables, a theoretical model is required. A theoretical model was created in this independent study to highlight the relationship between industry structure and organizational performance. A graphic labeled Figure 1 illustrates this link.

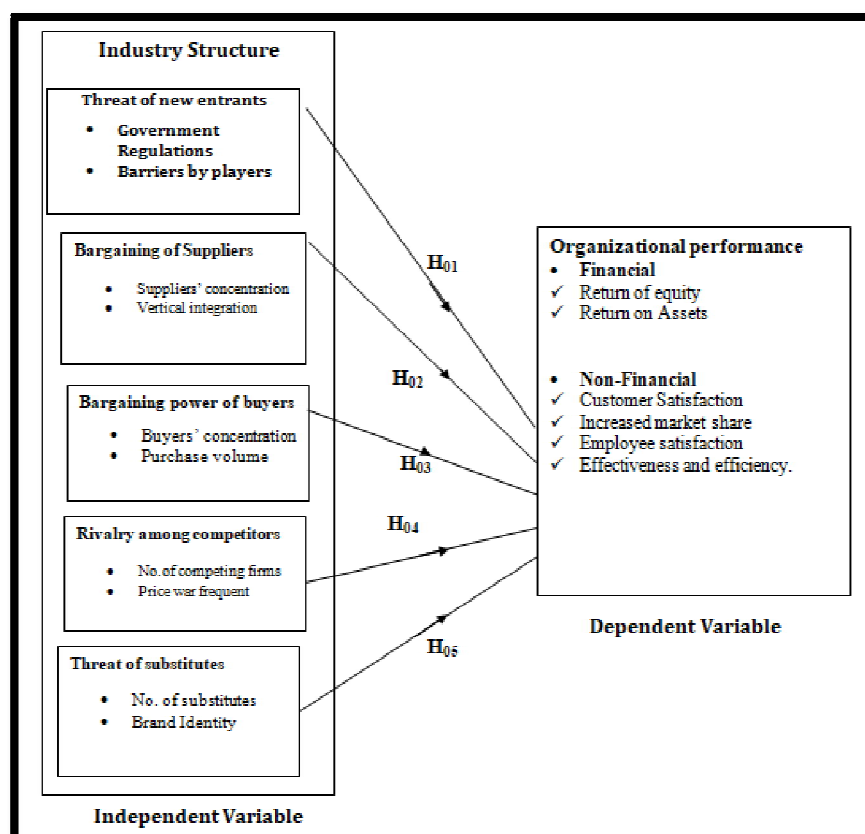


Figure 1: Proposed Theoretical Model

Source: Author (2022)

Strategic alignment is the independent variable in the proposed model, whereas customer happiness is the dependent variable. Information technology, employee involvement, organizational operations, and customer involvement are all used to gauge strategic alignment in this study. Under strategic alignment, information technology is a vital component. This strategic asset aids in the development of a company's reputation and the acquisition of social support. Information technology can help a company coordinate its strategies in order to achieve better results.

Organizational operations, as a component of strategic alignment, improve the performance of the organization. This improves an organization's internal capacities, allowing it to function better. Employee participation in the development and implementation of an organization's strategy improves the organization's performance because the perspectives and perceptions of the employees, who execute the strategies, are considered. Consumer involvement is also critical since the organization learns exactly what the customer needs in order to succeed. Customer happiness is

determined by repeat purchases, customer retention, brand loyalty, and customer referrals as the dependent variable. Customers refer their friends and other people to the products of an organization that has effectively aligned its strategies, resulting in more repeat purchases and loyal customers. Customers also refer their friends and other people to the organization's products, resulting in the organization retaining more customers. Unexpected market volatility compels businesses to strategically coordinate their operations in order to achieve customer satisfaction and outperform their competition.

5. Conclusion

This independent study examines the link between industry structure and organizational performance. The study's major purpose was to provide the best theoretical model for illustrating the relationship between industry structure and organizational effectiveness. This independent study evaluated the elements of Industry structure and how they influence organizational performance by examining theoretical and empirical literature. Two ideas, namely, contestable market theory and industrial organization theory, served as the study's guiding principles and hypotheses.

An appropriate theoretical model is proposed in the study, and it aids in illustrating the relationship between an independent variable (industry structure) and its parameters (bargaining power of suppliers, bargaining power of buyers, threats of substitutes, threats of new entrants, and competitive Rivalry) and a dependent variable (organizational performance), which is measured both financially and non-financially. The study's findings have contributed to the empirical and theoretical literature on industry structure and performance. This will aid current and future scholars in directing their research in the field of strategic management, particularly in relation to the relationship between industry structure and organizational performance.

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