



Available at :

<http://ojs.unik-kediri.ac.id/index.php/ekonika>

EkoNika
Jurnal Ekonomi Universitas Kediri

Optimization of Organizational Design as A Strategy to Improve Organizational Performance: Systematic Literature Review

Bambang Gunawan¹, Nurdiana Hera Nurul Fitri²

¹ Mahasiswa Program Doktor Universitas Teknologi Yogyakarta

² MAN 3 Yogyakarta

Email : bambanggunawan2023@gmail.com

ABSTRACT

Article History :

Received : 01 - 06 - 2023

Revised : 05 - 08 - 2023

Accepted : 28 - 08 - 2023

Keywords:

Organizational Design;

Organizational Performance;

Systematic Literature Review

This research is a literature study that reviews strategies for improving organizational performance through optimizing organizational design. The articles reviewed are articles that discuss organizational design and organizational performance. The review method used is a systematic literature review. The search for articles begins in 2016 – 2022. All articles sought are in English. Based on the search results obtained 988 articles. After the data inclusion and exclusion process was carried out, 18 potential articles were obtained for in-depth analysis. Based on the results of the synthesis carried out, it can be concluded that the role of organizational design is very visible in improving organizational performance. In addition, organizational design encourages the emergence of organizational innovation which ultimately encourages increased organizational performance.

INTRODUCTION

Organizational performance is an important aspect of the organization; this was revealed by (Suhag et al., 2017). In addition, good organizational performance can encourage the emergence of a good image in society or among customers. An essential impact of an organization with good performance is that it will provide customer satisfaction, employee satisfaction, and financial performance. Of course, it can become a competitive advantage for the organization (Capelle, 2014). The literature has widely explained that organizational performance can be influenced by many factors, namely employee satisfaction, employee compensation, and the attractiveness of an organizational design (Imran et al., 2021). Organizational performance includes actual productivity or business results that have been obtained. Good performance is the target of every organization. Organizational performance is the organization's achievement while carrying out its business activities. The size of an organization that has good performance is increasing profits, lots of customers, and its products are in demand (Suhag et al., 2017)

Organizational performance is an essential issue for every profit and non-profit organization. Managers need to know which factors influence organizational performance. So they take the proper steps to get started. Researchers define organizational performance differently. According to Imran et al., (2021), organizational performance is an organization's ability to achieve its goals using resources effectively and efficiently. Meanwhile, Nguyen et al., (2021) define organizational performance as an organization's ability to achieve its goals and objectives. According to Alam (2022), organizational performance is related to organizational survival. Many previous studies have focused on the relationship between organizational design and organizational performance (Baporikar & Randa, 2020; Yan et al., 2020). Previous studies have supported the effect of organizational design on organizational performance (Rovelli & Buttice, 2020).

Kornberger (2016) describes organizational design as the process of creating an efficient and effective organization in line with strategic objectives. The organizational design ensures that the organization works well using available resources to deliver the expected results. Poorly designed organizations indicate that such organizations require much time, spend more money and lose more staff (Kretschmer & Khashabi, 2020). In addition, according to Baumstark (2020), symptoms of ineffective organizational design include a lack of coordination between offices, excessive friction and conflict between internal groups, unclear roles, misuse of resources, poor workflow, and reduced response to change. Organizational design is positioned between organizational theory and management as a discipline that aims to create efficient organizations (Chang et al., 2017). Therefore, it is essential to conduct a more in-depth study of the role of organizational design in improving organizational performance.

Research interest in organizational performance improvement strategies has continued to increase in recent years (Chang et al., 2017). This study is essential because good organizational performance is a measure of the success of an organization. The better the performance of an organization, encourages more cooperation from various parties. Collaboration can include cooperation in terms of product development, cooperation in terms of production of goods, and others.

This research is based on the literature that has been collected. The data that has been collected is then analyzed to obtain the desired information. The information

contained in the article will be used to answer research questions. Furthermore, this research contributes to the existing literature on organizational performance improvement strategies. In addition, this study provides new information that can be used as a consideration for managers or leaders in formulating strategies to improve organizational performance essential important. The aspect of the results of this study is the existence of guidelines that serve as the basis for decision-makers within the organization. This study aims to determine the strategy for increasing organizational performance through optimizing the designed organization owned.

LITERATURE REVIEW

Organizational Performance

Organizational performance is an important aspect often widely studied in corporate literature. Organizational performance is related to many parts of organizational survival. Researchers say many factors can affect overall organizational performance, such as employee commitment, job satisfaction, innovation, and corporate design (Imran et al., 2021). In this research, organizational design and innovation have a positive impact on the formation of organizational performance. The more innovative an organization is, the better the performance of the organization because, through innovation, many products or services can be produced. Organizational design is also an essential aspect of supporting better organizational performance.

Organizational Design

An organization consists of several divisions or departments that have their respective tasks but still have the same goal of achieving organizational goals. Each department has its duties and ways of completing tasks. Within the organization, there is organizational design; the role of organizational design is to divide the organization's overall goals into smaller components that each department can complete (Grimpe et al., 2018). Put, organizational design is about defining goals and tasks within the organization. Organizational design is needed so that there is a balance and achieving the desired organizational goals and winning the competition (Malets, 2017).

Innovations

The term innovation refers to a statement that is doing something different (Greenan & Napolitano, 2021). Innovation includes something risky, expensive, and time-consuming. Innovation can encourage the creation of new processes, goods, services,

and technologies. In addition, innovation can bring organizations new ideas and economic and commercial benefits (Domínguez Escrig et al., 2020). Innovation is needed in organizational life; the more significant the lean organization's innovation leveler, the resulting performance. Innovation can consist of product, managerial, and radical, revolutionary innovation (Rovelli & Butticcè, 2020). Innovation is a topic that many researchers have studied because innovation can provide changes in organizations. Innovation is related to implementing ideas that arise from many employees in the organization. Innovation is deliberately encouraged so organizations can continue producing products that can solve societal problems. In addition, innovation can be an advantage for organizations to compete in business competition. For this reason, organizations are required to adopt new technologies (Imran et al., 2021).

Digital transformation

Digital transformation has penetrated all sectors of activity, so this digital transformation cannot be avoided (Kretschmer & Khashabi, 2020). Digital transformation is a fundamental change made to adapt to the business environment and, of course, to win the competition. Digital transformation is one of the main transformation directions in the modern economy. Digital transformation goes beyond digitizing resources and generating the value and revenue that digital assets create (Anshin & Bobyleva, 2021). Digital transformation is needed because of its vital role in the organization. What happens in the digital transformation process is a change in the logic of business activities. In addition, digital transformation has changed organizational behavior to be more dynamic. All business activities have become more effective and efficient because of the support of technology.

Conceptual Models

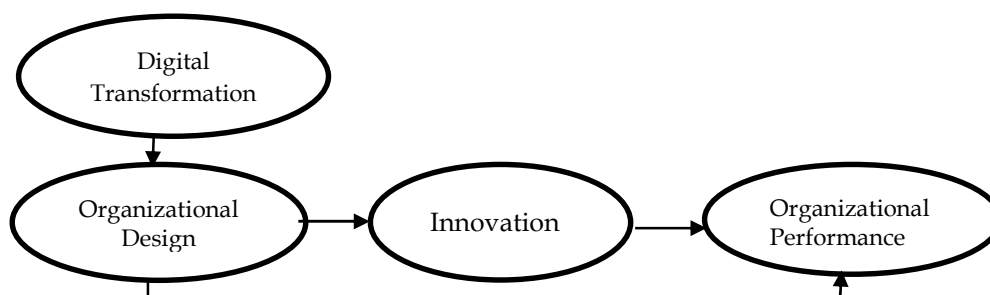


Figure 1. Conceptual Model

METHODS

This study uses a systematic literature review approach. A systematic literature review aims to identify, track, and comprehensively assess all literature on a topic (Petticrew & Roberts, 2008). In addition, this method is used to summarize the primary studies' results, check for consistency among them, and reduce biased results from previous studies.

The stages in a systematic literature review are formulating research questions, collecting and selecting data, extracting data, assessing the relevance, and synthesizing and discussing results (Priola, 2016). The data collection process in this study used the keywords "organizational performance" and "organizational design". Then these keywords are entered in the search application, namely, publish or perish. Article searches were carried out on the Google Scholar database. Furthermore, the articles retrieved were published in 2016 - 2022. Based on the search results, 988 articles were obtained. The articles that have been collected are subject to an inclusion and exclusion process, namely, selecting articles that meet the requirements submitted. The selected articles are in English, included in peer-reviewed articles, included in qualitative and quantitative articles, and Scopus indexed. After the article selection process, 18 articles were obtained for the research objectives. Each article is then extracted and analyzed to retrieve the required information. The next step is synthesis to summarize the data, and a discussion is carried out so that the information needed to answer the research questions is obtained.

The systematic literature review process can be explained as shown in Figure 1. Based on the Google Scholar database, 988 articles were obtained. The initial step in the systematic literature process is eliminating the title. Titles that do not contain organizational design and organizational performance are eliminated. Then read the abstract to find information on organizational design and performance. The next step is to read the entire contents of the selected articles. The results obtained from reading the entire paper are used as material for discussion in the discussion process.

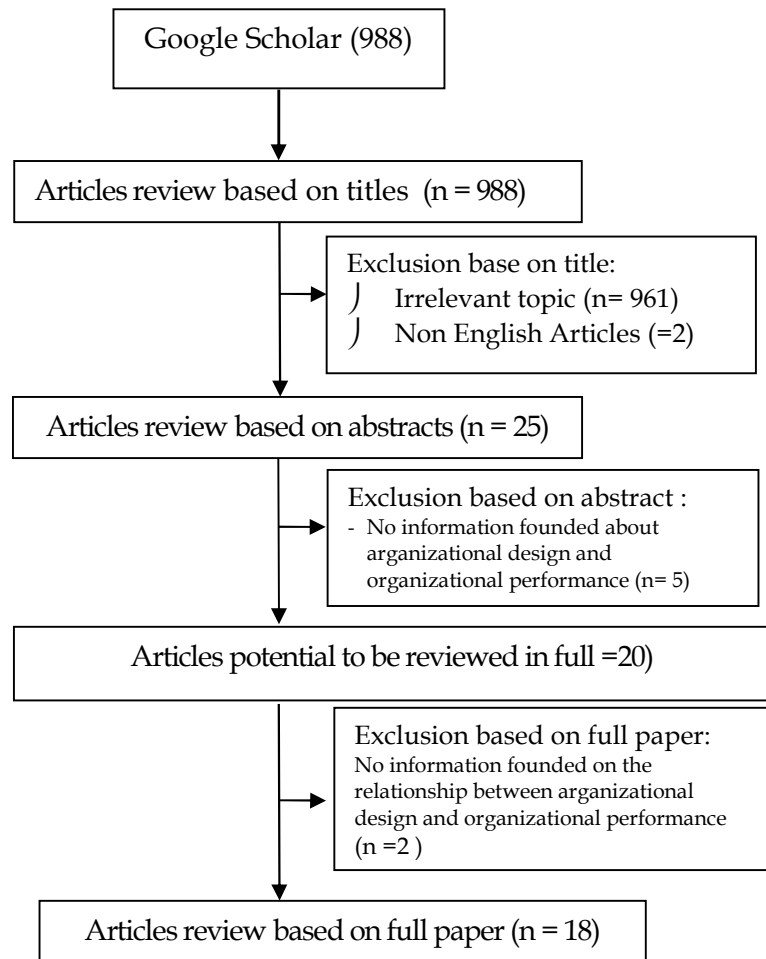


Figure 1. Systematic literature review process

RESULTS

In the results of this study, research data is presented based on the author's name, year of publication, journal name and quartile.

Table 1. Characteristics of Research Data

No	Author	Journal name	Quartile
1	Oubrich et al., (2021)	Journal of Business Research	Q1
2	Yan et al., (2020)	International Journal of Production Economics	Q1
3	Domínguez et al., (2020)	Review of Managerial Science	Q1
4	Kretschmer & Khashabi (2020)	California Management Review	Q1
5	Rovelli & Buttice (2020)	Journal of Industrial and Business Economics	Q1
6	Baumstark (2020)	Industrial and Corporate Change	Q1
7	Bodolica & Spraggon (2020)	Journal of Management and Organization	Q2
8	Baporikar & Randa (2020)	International Journal of Service Science, Management, Engineering, and Technology	Q3
9	Englmaier et al., (2018)	Advances in Strategic Management	Q1
10	Clement & Puranam (2018)	Management Science	Q1
11	Adler & Heckscher (2018)	Research in the Sociology of Organizations	Q3

12	Roh et al. (2017)	International Journal of Logistics Management	Q1
13	Obloj & Zenger (2017)	Organization Science	Q1
14	Leyer et al. (2017)	International Journal of Production Research	Q1
15	Mallets (2017)	Global Policy	Q1
16	Eriksson & Kadefors (2017)	International Journal of Project Management	Q1
17	Graham (2016)	European Journal of International Relations	Q1
18	Kornberger (2016)	Strategic Organization	Q1

Based on Table 1 above, it can be shown that 18 articles meet the requirements. These articles met the inclusion and exclusion criteria. Articles that have been obtained are indexed by Scopus. The articles obtained are included in reputable journals. Furthermore, the articles were analyzed to obtain information to answer research questions. Based on Table 1 above, the characteristics of the research data can be shown in the figure below.

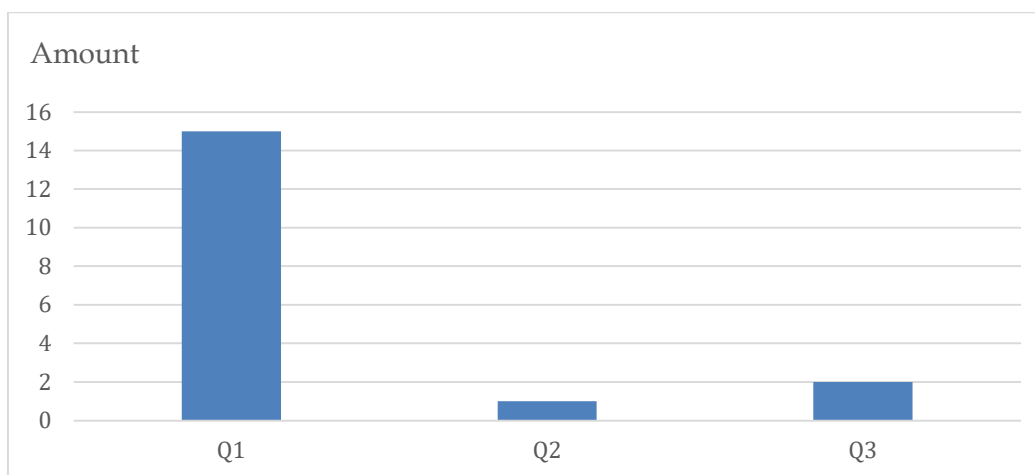


Figure 2. Number of Journals Based on Quartile

Based on Figure 2, it can be shown that the majority of selected journals are included in reputable journals, namely Scopus-indexed Q1, Q2 and Q3. Fifteen journals in Q1 category, one journal in the Q2 category, and two journals in the Q3 category.

Discussion

At this stage, a discussion of the articles that have been selected is carried out. This discussion intends to obtain important information about the relationship between organizational design and performance and the relationship between organizational design and other variables.

Organizational Design and organizational performance

Organizational design has a strategic role in improving organizational performance. The company changes its organizational design to get changes in the organization. This result is supported by the study of (Yan et al., 2020), which explains that companies are changing orientation, namely initially product-oriented, now service-oriented. What has been done, of course, is to change the design of the organization they have. This change continues with the success of the company's service transformation. Meanwhile, Baporikar & Randa, (2020) explained in their study that companies are improving governance through changes in organizational design to improve company performance. In the study by Roh et al., (2017), Rovelli & Butticè, (2020), it was explained the management and distribution within the company are increasingly complex, so there is encouragement for managers to balance these various sources. The effort that can be made is to make changes to the design of the organization.

In their study, Englmaier et al., (2018) explained that organizational design plays a vital role in explaining differential performance and outlining a set of ideas to achieve better performance. This framework allows for more precise identification of how organizational design can contribute to persistent differences in performance. Clement & Puranam, (2018) explain that top-down and bottom-up forms of organizational design can be an alternative in preparing organizational designs. Based on the description above, the propositions that can be submitted are:

Proposition 1. Changes in organizational design will improve organizational performance.

Organizational Design and Innovation

The results of the review that has been conducted found that changes made to the organizational design have encouraged the emergence of creativity and innovation in the organization. The study of Domínguez Escrig et al., (2020) has tried to describe organizational structures that can influence organizations to innovate. The structure can be seen from the effort made, namely making changes to the organizational design to get an organizational structure that fits the organization's needs – added by Leyer et al., (2017) that improvements to the organizational structure have driven changes in

operational performance and innovation. These findings can serve as a guide for managers and organizations as to which organizational design components should be implemented to improve operations. The same thing is explained by Baumstark (2020) that organizational design affects the success of company innovation. The market competition requires organizations to excel in operational performance and innovation. Bodolica & Spraggon (2020) investigated the knowledge-focused organizational design of small high-tech innovators. Bodolica & Spraggon (2020) explore the factors that explain variation in knowledge-focused designs across sample firms. In their research, Adler & Heckscher (2018) explained that innovative businesses depend on purely formal and informal organizational designs. Based on the description above, the propositions that can be submitted are:

Proposition 2. Changes in organizational design will encourage innovation

Organizational Design and Digital Transformation

Digital transformation is often interpreted as using information and communication technology in business activities, public government, and people's lives. Digital Transformation is the radical use of technology to improve a company's performance or reach (Anshin & Bobyleva, 2021). The use of these new technologies can be seen such as social media, mobile use, the use of technology for analysis, and the use of technology in order to support business performance, such as using applications to build customer experiences, create new business models, streamline the process of production and distribution of goods (Reis et al., 2018). Thus, digital transformation is carried out to help government organizations or profit organizations achieve their performance to satisfy the customers or communities they serve.

Based on the review results, it was found that the organizational design formed was affected by changes in the business environment. Kretschmer & Khashabi (2020) conducted a study that found that digital transformation can affect organizational design by classifying and analyzing its effect on creating outputs in companies. In his study, it was explained that organizations are forced to make changes in order to compete with competitors. Digital transformation must continue in future-oriented organizational life. For this reason, this digital transformation certainly requires changes in organizational design so that later the organization can achieve its goals. Based on the description above, the propositions that can be submitted are:

Proposition 3. Digital transformation will drive organizational design changes.

Innovation and Organizational Performance

Innovation has proven critical to organizational success, and individual innovation is vital to organizational-level innovation. Literature has defined innovation a lot. Innovation is about making changes, but it must be considered more than just making changes to be perceived differently (Shanker et al., 2017). Employees with innovative and creative potential will practice innovation when they feel solid organizational support (Suhag et al., 2017). More and more innovations that emerge from various employees encourage organizations to be more flexible in adapting to an increasingly competitive business environment. The positive relationship between innovation and performance has been widely documented in the literature, so the role of innovation in shaping organizational performance is highly expected.

Innovation has become a necessity in the organization. Organizations that innovate will be able to survive in competition. As explained by (Imran et al., 2021), innovation is pouring ideas that produce superior and competitive products. Many ideas that were never predicted will emerge through innovation activities, so innovation is born from ideas that can produce various commercial goods that benefit the company. Through innovation, organizations can improve their performance efficiency. Innovative organizations, in contrast to non-innovative organizations. Innovative organizations are willing to present new technologies and services to meet consumer demands (Alam, 2022). Many researchers have found that innovation benefits organizational performance (Imran et al., 2021; Kornberger, 2016). In several studies, it was found that these innovations resulted in superior organizational performance. Based on the description above, the propositions that can be submitted are:

Proposition 4. Innovation will improve organizational performance

CONCLUSION AND SUGGESTION

Based on the results of the review and discussion that has been done, organizational design has a strategic role in improving organizational performance. When optimization of organizational design is carried out, it directly impacts improving organizational performance. Organizational performance can increase if there is a willingness to change mindsets through optimization or changes in

organizational design. Changes in organizational design can lead to innovations. This innovation is needed by every organization in order to continue to grow. For this reason, changes in organizational design are fundamental changes that can have an impact on various aspects of organizational life. In addition, changes in organizational design indicate that the organization is adaptive to changes in the business environment. The existence of uncertain changes in the business environment requires every organization to be ready to face these changes.

The research contribution that can be given is that there are research results that provide an overview of the factors that influence organizational performance. The resulting conceptual models and propositions about the relationship between organizational design and performance can contribute to future researchers' thoughts. Based on the results of the review that has been carried out, several variables can improve organizational performance, including digital transformation, organizational design and innovation. The organization needs these three variables if it wants to change. For this reason, how much the contribution can be tested empirically in the following study?

The weakness of this literature review lies in the articles or research data. The data source is only from one database, namely Google Scholar, so many possible studies in other databases still discuss organizational design and employee performance. In addition, the articles reviewed are limited to references in English. So the following research can increase the number of databases. Increasing the number of databases provides an opportunity to increase the number of articles reviewed so that discussions can be broader on various aspects within the organization.

BIBLIOGRAPHY

- Adler, P. S., & Heckscher, C. (2018). Collaboration as an organization design for shared purpose. *Research in the Sociology of Organizations*, 57, 81-111. <https://doi.org/10.1108/S0733-558X20180000057004>
- Alam, M. (2022). Supply Chain Management Practices and Organizational Performance in Manufacturing Industry. *South Asian Journal of Social Review*, 1(1), 42-52. <https://doi.org/10.57044/sajsr.2022.1.1.2204>
- Anshin, V., & Bobyleva, A. (2021). The Digital Transformation Program Management

- in Medium-sized Businesses: A Network Approach. *Serbian Journal of Management*, 16(1), 147–159. <https://doi.org/10.5937/sjm16-30088>
- Baporikar, N., & Randa, I. O. (2020). Organizational design for performance management in state-owned enterprises. *International Journal of Service Science, Management, Engineering, and Technology*, 11(4), 1–25. <https://doi.org/10.4018/IJSSMET.2020100101>
- Baumstark, B. A. (2020). Barriers in profiting from external knowledge: The role of organizational design. *Industrial and Corporate Change*, 29(4), 1–17. <https://doi.org/10.1093/ICC/DTAA010>
- Bodolica, V., & Spraggon, M. (2020). Pure structures or ambidextrous configurations? A grounded theory of knowledge-focused organizational design in innovative ventures. *Journal of Management and Organization*, May. <https://doi.org/10.1017/jmo.2020.34>
- Capelle, R. G. (2014). Improving Organization Performance By Optimizing Organization Design. *Global Organization Design Society*, 6, 1–15.
- Chang, D. I., Kim, J. H., & Park, M. J. (2017). A study on organizational design and operational planning of big data teams. *International Journal of Applied Engineering Research*, 12(20), 9835–9845.
- Clement, J., & Puranam, P. (2018). Searching for structure: Formal organization design as a guide to network evolution. *Management Science*, 64(8), 3879–3895. <https://doi.org/10.1287/mnsc.2017.2807>
- Domínguez Escrig, E., Mallén Broch, F. F., Lapiedra Alcamí, R., & Chiva Gómez, R. (2020). How to enhance radical innovation? The importance of organizational design and generative learning. *Review of Managerial Science*, 14(5), 1–29. <https://doi.org/10.1007/s11846-019-00326-7>
- Englmaier, F., Foss, N. J., Knudsen, T., & Kretschmer, T. (2018). Organization design and firm heterogeneity: Towards an integrated research agenda for strategy. *Advances in Strategic Management*, 40, 229–252. <https://doi.org/10.1108/S0742-332220180000040008>

- Eriksson, T., & Kadefors, A. (2017). Organisational design and development in a large rail tunnel project – Influence of heuristics and mantras. *International Journal of Project Management*, 35(3), 492–503.
<https://doi.org/10.1016/j.ijproman.2016.12.006>
- Graham, E. R. (2016). The institutional design of funding rules at international organizations: Explaining the transformation in financing the United Nations. *European Journal of International Relations*, 23(2), 1–26.
<https://doi.org/10.1177/1354066116648755>
- Greenan, N., & Napolitano, S. (2021). Why Do Employees Participate in Innovation? Skills and Organisation Design Issues and the Ongoing Technological Transformation. *Document de Travail Du Centre d'études de l'emploi et Du Travail*, 1–28.
- Grimpe, C., Murmann, M., & Sofka, W. (2018). The Organizational Design of High-Tech Startups and Product Innovation. *IAB-Discussion Paper*, 1(1), 1–38.
- Imran, M., Ismail, F., Arshad, I., Zeb, F., & Zahid, H. (2021). The mediating role of innovation in the relationship between organizational culture and organizational performance in Pakistan's banking sector. *Journal of Public Affairs*, 2, 1–15.
<https://doi.org/10.1002/pa.2717>
- Kornberger, M. (2016). The visible hand and the crowd: Analyzing organization design in distributed innovation systems. *Strategic Organization*, 15(2), 1–20.
<https://doi.org/10.1177/1476127016648499>
- Kretschmer, T., & Khashabi, P. (2020). Digital Transformation and Organization Design: An Integrated Approach. *California Management Review*, 62(4), 1–19.
<https://doi.org/10.1177/0008125620940296>
- Leyer, M., Stumpf-Wollersheim, J., & Pisani, F. (2017). The influence of process-oriented organisational design on operational performance and innovation: a quantitative analysis in the financial services industry. *International Journal of Production Research*, 55(18), 5259–5270.
<https://doi.org/10.1080/00207543.2017.1304667>

- Malets, O. (2017). Recursivity by Organizational Design: The Case of the Forest Stewardship Council. *Global Policy*, 8(3), 343–352. <https://doi.org/10.1111/1758-5899.12413>
- Nguyen, N. T., Yadav, M., Pande, S., Bhanot, A., & Hasan, M. F. (2021). Impact of diversity management on organizational performance in hotel organizations: a conceptual framework. *International Journal of System Assurance Engineering and Management*, 13(10), 1–11. <https://doi.org/10.1007/s13198-021-01358-7>
- Obloj, T., & Zenger, T. (2017). Organization design, proximity, and productivity responses to upward social comparison. *Organization Science*, 28(1), 1–18. <https://doi.org/10.1287/orsc.2016.1103>
- Oubrich, M., Hakmaoui, A., Benhayoun, L., Solberg Söilen, K., & Abdulkader, B. (2021). Impacts of leadership style, organizational design and HRM practices on knowledge hiding: The indirect roles of organizational justice and competitive work environment. *Journal of Business Research*, 137(8), 488–499. <https://doi.org/10.1016/j.jbusres.2021.08.045>
- Petticrew, M., & Roberts, H. (2008). Systematic Reviews in the Social Sciences. In *Blackwell Publishing* (Vol. 42, Issue 5). <https://doi.org/10.1002/9780470754887>
- Priola, E. J. (2016). *Managerial Communication Competencies That Enhance Employee Performance: A Systematic Review*. ProQuest Dissertations Publishing. University of Maryland University College, ProQuest Dissertations Publishing
- Reis, J., Amorim, M., Melão, N., & Matos, P. (2018). Digital transformation: A literature review and guidelines for future research. *Advances in Intelligent Systems and Computing*, 745, 411–421. https://doi.org/10.1007/978-3-319-77703-0_41
- Roh, J., Turkulainen, V., Whipple, J. M., & Swink, M. (2017). Organizational design change in multinational supply chain organizations. *International Journal of Logistics Management*, 28(4), 1078–1098. <https://doi.org/10.1108/IJLM-06-2016-0146>
- Rovelli, P., & Buttice, V. (2020). On the organizational design of entrepreneurial ventures: the configurations of the entrepreneurial team. *Journal of Industrial and Business Economics*, 47(2), 1–27. <https://doi.org/10.1007/s40812-020-00147-w>

- Shanker, R., Bhanugopan, R., van der Heijden, B. I. J. M., & Farrell, M. (2017). Organizational climate for innovation and organizational performance: The mediating effect of innovative work behavior. *Journal of Vocational Behavior*, 100, 67–77. <https://doi.org/10.1016/j.jvb.2017.02.004>
- Suhag, A. karim, Solangi, S. R., Larik, R. S. A., Lakho, M. K., & Tagar, A. H. (2017). the Relationship of Innovation With Organizational Performance. *International Journal of Research -Granthaalayah*, 5(2), 292–306. <https://doi.org/10.29121/granthaalayah.v5.i2.2017.1741>
- Yan, K., Li, G., & Cheng, T. C. E. (2020). The impact of service-oriented organizational design factors on firm performance: The moderating role of service-oriented corporate culture. In *International Journal of Production Economics* (Vol. 22). <https://doi.org/10.1016/j.ijpe.2020.107745>