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Influence of Organizational Structure on the Competitive Advantage of the Top 100 Medium-Sized Enterprises in Kenya

[1]Dr. Anne Kiboi, [2]Prof. Allan Kihara

[1,2]Faculty of Business and Management Sciences

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ABSTRACT

Purpose: The objective of this study was to establish the influence of organizational structure on the competitive advantage of the top 100 medium-sized enterprises in Kenya.

Methodology: Utilizing a descriptive cross-sectional design, the study analyzes all 100 winners of the 2019 Kenya Top 100 Mid-Sized Companies Survey, ultimately engaging 407 senior management respondents. Employing online questionnaires allowed the researcher to reach a geographically diverse group of participants during COVID-19 restrictions, achieving a substantial 76% response rate. Of the 407 questionnaires sent out, 311 were completed and returned, providing a strong data foundation for analysis. Descriptive statistics (mean and standard deviation) were utilized to gain insights into the central tendencies and variability of the data, while inferential statistics (correlation, regression, and moderated linear regression) were employed to explore the relationships between different variables and test research hypotheses. **Findings:** The findings revealed that organizational structure has a significant influence on the competitive advantage of the top 100 medium-sized enterprises in Kenya ($\beta = 0.424$, $t = 8.820$, $p < 0.05$). The study concluded, after a thorough analysis, organizational structure have a significant influence on the competitive advantage of the top 100 medium-sized enterprises in Kenya.

Unique Contribution to Theory, Practice and Policy: The study recommends that selecting the most suitable organizational structure, such as simple, functional, or matrix, should be based on a careful consideration of their specific needs and objectives, ultimately leading to competitive advantage.

Key Words: *Organizational Structure, Competitive Advantage, Medium-Sized Enterprises*

Background of the Study

Competitive advantage has a long history and tradition in strategic literature (Lieberman, 2021). Ansoff (1965) was the first scholar to attempt to define competitive advantage as a firm set of unique characteristics or properties that give it an edge over its competitors. These characteristics or properties can be anything from a superior product or service to a more efficient production process. Nevertheless, the watershed event that introduced the concept of competitive advantage in business strategy was Porter's (1985) book on competitive advantage (Sigalas, 2015).While Porter (1985) provides no explicit definition of competitive advantage, he states that competitive advantage grows fundamentally out of the value a firm is able to create for its buyers that exceeds the firm's cost of creating it. Buyers will pay what they are prepared to pay for value, and more value comes from pricing less than competitors for comparable benefits or providing unique benefits that more than offset a higher price.Considering the aforementioned, Ansoff's (1965) definition of competitive advantage appears to align the sources of competitive advantage with the idea of competitive advantage itself. Porter's (1985) definition, however, appears to correlate value—particularly benefits net of the price paid—with the idea of competitive advantage (Sigalas, 2015).

Na et al. (2019), for example, defined competitive advantage as the creation of more value than competitors. It is a unique competitive status the firm has over competitors through decision-making on the distribution and combination of resources and capabilities for the activity areas and goal achievement of the firm. Evans and Lindsay (2017) also defined competitive advantage as the ability of a company to achieve market superiority. Sigalas (2015) defines competitive advantage as a firm's capacity to achieve superior performance by utilizing the organization's resources and capabilities. In order to build and retain a competitive advantage in a continually changing business environment, the deployment of organizational structure becomes an essential component. A number of scholars have described organizational structure in different ways. Waterman et al. (1980) state that structure divides duties and subsequently enables coordination. They contend that a good structure separates jobs into manageable chunks and then provides mechanisms for coordinating those tasks. According to Pearce and Robinson (2015), organizational structure is the ordered arrangement of people and resources to achieve common goals. The current study defines organizational structure as a formalized framework in which organizational tasks are divided, organized, and coordinated to achieve a common objective (Ahmady et al., 2016).

Statement of the Problem

Across the globe, SMEs are powerful engines driving employment, economic growth, and innovation. Representing over 90% of businesses and contributing 60–70% of employment and 55% of GDP in developed economies , their impact extends significantly to developing nations (Bayraktar & Algan, 2019). In Africa, SMEs account for more than 90% of all registered businesses (Adjabeng & Osei, 2022), with countries like Ghana highlighting their immense

contribution: composing 90% of registered companies, generating 70% of GDP, and providing 85% of employment (Pulka & Gawuna, 2022). Similarly, Rwandan SMEs hold a dominant position, representing 98% of all enterprises and generating 84% of private employment, while also contributing around 55% of the GDP (Gamba, 2019; Vedaste & Ruranga, 2018). Ugandan MSMEs further emphasize the crucial role of SMEs, contributing over 20% of GDP and 94% of formal employment (Ajer et al., 2023). In Kenya, the impact is equally significant, with SMEs accounting for over 80% of jobs and 30% of GDP (Mutuku et al., 2022). These statistics, highlighting the economic and employment contributions of SMEs across diverse countries, underscore their undeniable importance in driving prosperity and opportunity.

While SMEs represent a vital economic force in developing nations, their sustainability and competitiveness are often hampered by resource limitations, poor management practices, and inefficient allocation of resources. These challenges, alone or in conjunction, can hinder long-term growth and leave SMEs vulnerable to failure against larger competitors. This necessitates the development of targeted strategies and support systems to equip SMEs with the tools and knowledge they need to overcome these obstacles and secure a competitive advantage in the market (Ramdan et al., 2022). Despite their crucial economic role, SMEs around the world face significant challenges to survival. In the United States, roughly 50% fail within the first five years (Dubihlela & Nqala, 2017). South Africa experiences even higher failure rates, with 75% of SMEs failing within 42 months (Madzimure & Tau, 2021). Developing nations are not spared, with Uganda seeing one-third of new SMEs fail within their first year (Chakabva et al., 2021) and Kenya facing a staggering 70% failure rate for SMEs within their first three years (Douglas et al., 2017). These alarming statistics highlight the need for effective strategies to identify and leverage crucial organizational structures that can provide SMEs with the competitive advantage necessary to survive in today's dynamic and demanding business environment (Xin et al., 2023). This study examines the contributions of organizational structure within the top 100 Kenyan medium-sized enterprises.

Although research on organizational structure and SME competitive advantage exists globally, with contributions from scholars like Alam and Islam (2021), Farida and Setiawan (2022), Gümüş and Sezgin (2020), and Li and Liu (2021), these studies primarily focus on Asian and European contexts, leaving a significant knowledge gap regarding African SMEs (Acheampong, 2020; Mogaka et al., 2022; Odhiambo & Owuor, 2020). This research aims to address this critical gap by shifting its focus to the top 100 medium-sized enterprises in Kenya, allowing for a comprehensive analysis of the specific structures driving their competitive advantage within the unique Kenyan business landscape. By identifying these key drivers, the study seeks to provide valuable insights and practical recommendations for policymakers and business leaders, empowering them to develop effective support programs and strategies that foster the growth and competitive advantage of SMEs across Kenya. While prior research on organizational structure and competitive advantage often focused on specific industries, limiting insights across diverse contexts (Farida and Setiawan, 2022; Hamama and Tayeb, 2020; Haque et al., 2021; Nalucha

and Mwanza, 2022), this study analyzed a broader range of industries represented among the top-performing medium-sized enterprises in Kenya. This comprehensive approach identified common organizational structures contributing to competitive advantage across diverse industries, providing valuable insights for SMEs seeking to thrive in the dynamic Kenyan business environment.

The majority of previous studies examining the influence of organizational structure on competitive advantage utilized convenience sampling (Alam and Ahmed, 2022; Alam and Bhattacharjee, 2022; Alam, Yusop, and Ismail, 2022) or two-stage sampling (Mogaka, Odari, and Arani's, 2022), raising concerns over potential biases and a lack of generalizability. This research employs a census technique, overcoming the limitations of previous sampling methods by analyzing data from the entire population of the top 100 medium-sized enterprises in Kenya. This approach ensures a more robust and generalizable understanding of the relationship between organizational structure and competitive advantage (Persada & Nabella, 2023). Studying the 2019 Kenya Top 100 Medium-Sized Enterprises Survey winners presents a unique opportunity to analyze resilient and successful organizations within the challenging Kenyan business landscape. By examining their organizational structure, this research can uncover the key factors driving their competitive advantage. These insights hold valuable potential not only for shedding light on best practices but also for providing guidance to other SMEs seeking to improve their own competitive advantage and navigate the complexities of the Kenyan market (Simiyu et al., 2023).

Research Hypotheses

H_{01}: Organizational structure has no significant influence on the competitive advantage of the top 100 medium-sized enterprises in Kenya

Literature Review

Organizational Structure

An effective organizational structure plays a crucial role in enhancing efficiency and productivity, ultimately contributing to an organization's success in achieving its goals. As Waterman et al. (1980) explain, structure facilitates coordination by dividing tasks into manageable units and establishing mechanisms for collaboration. This aligns with Pearce and Robinson's (2015) definition of organizational structure as the ordered arrangement of people and resources directed towards achieving common objectives. However, Eketu et al. (2020) emphasize that organizational structures are not static but require continual review and adaptation to maintain alignment with changing needs and goals, ensuring optimal performance. Consequently, the current study concurs with and endorses the definition of organizational structure proposed by Ahmady et al. (2016) as a formalized framework in which organizational tasks are divided, organized, and coordinated to achieve a common objective. Determining the most effective organizational structure for a specific organization requires careful consideration, as there is no universal solution. Different authors have proposed various organizational

dimensions to guide this decision. Mintzberg (2009) suggests simple structure, adhocracy, divisionalized form, machine bureaucracy, and professional bureaucracy, while Barnhill et al. (2021) propose simple, hierarchical, matrix, self-managed, and hybrid structures. Additionally, Pearce and Robinson (2015) outline simple, functional, divisional, and matrix structures. By analyzing the organization's specific needs and goals in conjunction with these frameworks, leaders can identify the optimal structure for achieving desired outcomes (Osterrieder, 2021).

This research delves into the intricate link between organizational structure and competitive advantage. Utilizing three widely adopted structures—simple, functional, and matrix—as indicators of organizational structure, the study analyzes how these structures influence an organization's ability to achieve competitive advantage. By examining the patterns and relationships between structural characteristics and competitive outcomes, the research aims to equip managers and organizational leaders with valuable insights for optimizing their structure and achieving competitive advantage. In addition, the findings offer valuable insights for leaders and decision-makers, guiding them towards optimal structural alignment with their specific context and strategic goals. As highlighted by Zhang et al. (2023), a small organization with a simple structure can leverage its agility and responsiveness to market changes, gaining a competitive advantage over larger, more complex structures. Functional structures, as discussed by Karabulut & Toker (2021), enable specialization and focus on core competencies, leading to increased efficiency and productivity, potentially translating to cost and quality advantages. Additionally, Li & Liu (2021) highlight the innovation and creativity fostered by matrix structures through cross-departmental collaboration, granting organizations a competitive advantage in developing new offerings. Each structure presents unique strengths and weaknesses, and understanding how these align with an organization's specific needs and goals is crucial for making informed decisions that ultimately contribute to achieving competitive advantage.

The above-mentioned parameters are elaborated below. The simple organizational structure, often found in small businesses and startups, is characterized by its limited hierarchy and informal communication channels. In addition, tasks and responsibilities are often assigned informally, with minimal reliance on written procedures and rules. This informality allows for flexibility and quick decision-making but can also lead to inconsistencies and a lack of clarity regarding roles and expectations. Furthermore, tasks are often accomplished through direct supervision, meaning that employees receive close guidance and direction from their managers (Zhang et al., 2023). Furthemore, decisions are made directly by the owner or CEO, and the tasks are performed under close supervision. This structure offers agility and adaptability, allowing for quick responses to market shifts and changes and specific customer demands without facing substantial coordination hurdles (Hopej et al., 2017). However, it can also lead to owner overload, as the owner often interacts directly with clients and bears the responsibility for approving most business actions (Pearce & Robinson, 2015). While effective for small and

nimble companies, the simple structure may not scale effectively as the organization grows and requires more complex decision-making and coordination.

This study also examined the functional organizational structure, where tasks, personnel, and technologies are segregated into specialized groups like marketing, operations, and finance. This necessitates increasingly structured procedures, or rather formal procedures, for coordinating and integrating these functions to achieve the company's goals. In addition, functional structures allow organizations to cater to specific customer needs through the division of key personnel into specialized, or functional, groups. This arrangement promotes well-defined skills and expertise within each group, enabling the organization to deliver products and services efficiently and effectively (Karabulut & Toker, 2021). While fostering specialized expertise and efficient task execution, functional structures can also create silos in data and communication, hindering collaboration and innovation. Additionally, their rigid hierarchical structure and strict regulations can stifle creativity and employee engagement (Kovaçi et al., 2021). Organizations can mitigate these challenges by prioritizing talent development, effective organizational skills, and specialized expertise to enhance success and deliver high-quality products and services (Pearce & Robinson, 2015). Finding the right balance between specialization and collaboration remains crucial for organizations employing a functional structure.

The matrix structure features dual reporting lines, with employees accountable to both a functional manager responsible for their professional development and a project manager overseeing their work on specific projects, therefore maintaining a clear line of authority. In addition, this structure allows for focused collaboration on complex projects requiring expertise from different departments. Moreover, in a matrix structure, organizations leverage the latest technical skills to achieve a high level of efficiency (Li & Liu, 2021). Matrix structures feature permanent project teams, handpicked for their diverse specialties and expertise, who collaborate on a specific project with defined objectives until its completion (Pearce & Robinson, 2015). This ensures continuity of knowledge and fosters a deep understanding of the project's goals, allowing the team to leverage its collective talent and diverse perspectives to achieve optimal results. (Pearce & Robinson, 2015). Furthermore, project team members are empowered to make crucial decisions about their products and are held accountable for the project's performance and deliverables. However, the matrix structure can be complex and confusing for employees due to the dual reporting lines and potentially lead to conflicts between functional and project managers with differing priorities (Egelhoff, 2020).

Empirical Review of Literature

Influence of Organizational Structure on Competitive Advantage

A well-designed organizational structure serves as a critical factor in a business's success, impacting its ability to achieve goals, enhance productivity, and gain a competitive advantage. Despite extensive empirical research exploring the relationship between various organizational structures (simple, functional, and matrix) and competitive advantage, the findings remain mixed

and inconclusive. This underscores the need for further investigation to refine the understanding of how specific structural elements contribute to competitive advantage, taking into account the unique context and dynamics of different organizations. Karabulut and Toker (2021) examined the influence of functional organizational structure on competitive advantage and performance in Turkish SMEs. Through questionnaires administered to 200 managers and analyzed via regression analysis, their research revealed that implementing a functional structure positively influences competitive advantage and business performance. This approach, by grouping employees based on expertise and establishing clear communication and responsibility lines, facilitates efficient operations and enhances competitive advantage for Turkish SMEs. The current study's focus on three distinct organizational structures (simple, functional, and matrix) offers a valuable strength. Exploring these diverse approaches provides a more comprehensive understanding of how organizational design impacts competitive advantage, particularly for SMEs grappling with identifying the optimal structure for their specific needs and objectives.

Li and Liu (2021) investigated the influence of matrix structure on performance and competitive advantage in Chinese SMEs. Utilizing a survey administered to top managers of 250 SMEs across various industries and analyzed with structural equation modeling (SEM), their study revealed a positive influence of matrix structure on firm performance and competitive advantage. The current study differs by employing correlation and regression analysis instead of SEM and by exploring three organizational structures—simple, functional, and matrix—offering a wider perspective on the relationship between organizational structure and competitive advantage. This allows for a more in-depth understanding of how different structural arrangements influence competitive advantage, potentially benefiting SMEs in making informed decisions about their organizational design. Chen et al. (2022) employed a quantitative study to investigate the relationship between simple structure and competitive advantage in Taiwanese SMEs, considering the mediating roles of agility and innovation. The convenience sampling technique was employed to select study respondents. In addition, using questionnaires administered to 264 SMEs and analyzed through structural equation modeling (SEM), their research revealed a positive influence of simple structure on competitive advantage, mediated by both agility and innovation.

Notably, this positive effect was stronger in dynamic and competitive environments, suggesting the potential advantages of simple structures for SMEs requiring swift adaptation to changes. The choice between employing mediating roles or not depends on research objectives. While simpler methods like regression or correlation analysis suffice for exploring direct relationships, investigating underlying mechanisms and mediating factors necessitates more sophisticated approaches like SEM. Both methodologies offer valuable tools for understanding the link between organizational structure and competitive advantage, with the choice dictated by the specific research questions and relationship complexity. Regarding sampling methods, census techniques offer greater representativeness in the current study compared to convenience sampling. Overall, rigorous research relies on appropriate sampling and statistical analysis

methods carefully considered to ensure valid and generalizable findings. Azeem and Rehman (2022) explored the influence of organizational structure on competitive advantage in Pakistani SMEs. Their study utilized questionnaires administered to managers from diverse industries and employed descriptive statistics, Pearson correlation analysis, and multiple regression analysis. Their findings revealed a positive influence of organizational structure on competitive advantage. The current study's reliance on regression analysis differs from the previous research's use of multiple regression analysis. This choice aligns with the study's focus on the direct relationship between organizational structure and competitive advantage, involving a single independent and dependent variable. However, for exploring the influence of various organizational structure dimensions simultaneously, multiple regression analysis would have been a more suitable choice due to its ability to handle multiple independent variables.

Alam and Bhattacharjee (2022) investigated the influence of organizational structure on competitive advantage in Bangladeshi SMEs. Their research employed convenience sampling to select the top managers and utilized a survey questionnaire for data collection. Subsequent analysis involved multiple regressions and descriptive statistics, revealing a significant positive influence of organizational structure on competitive advantage for SMEs in Bangladesh. The current study's strength resides in its utilization of a census approach, ensuring all members of the target population are included, leading to a highly representative sample and enhanced generalizability of findings. In contrast, convenience sampling, while time-efficient and cost-effective, often results in non-representative samples, potentially biasing research findings. Acheampong (2020) examined the relationship between organizational structure and competitive advantage in Ghanaian SMEs. Utilizing a survey administered to the top managers of 100 SMEs and analyzed through correlation analysis, their research revealed a positive relationship between these two variables. However, the generalizability of the findings is limited due to the study's focus on Ghanaian SMEs. In addition to the use of correlation analysis, the current study also adopted regression analysis, allowing for the identification of specific organizational structure dimensions that have the greatest impact on competitive advantage. This approach offers deeper insights into the intricacies of the relationship between structure and competitive advantage compared to the solely correlational approach employed by Acheampong (2020).

Mogaka et al. (2022) investigated the relationship between functional integration and competitive advantage in Kenyan food and beverage manufacturing firms. Employing a cross-sectional survey design, they targeted a population of 270 firms. The researchers utilized two-stage sampling, first employing cluster random sampling to select 73 firms, followed by convenience sampling to choose two participants from each participating company, resulting in 146 respondents. The study further utilized a mixed-methods approach, combining primary data collected through questionnaires with secondary data from document analysis. This multi-faceted approach allowed for comprehensive data collection and analysis, employing both quantitative methods like correlation and regression analysis to assess relationships between variables and qualitative methods like content analysis to delve deeper into the data and gain insights into the

nuances of the topic. Their findings revealed a significant positive relationship between functional integration and competitive advantage, highlighting the potential benefits of effective internal collaboration for Kenyan food and beverage companies. Compared to the two-stage sampling strategy employed by Mogaka et al. (2022), the current study utilizes a census approach, encompassing the entire target population, thereby ensuring greater accuracy and minimizing sampling errors.

Research Methodology

The study adopted a positivist research philosophy together with a descriptive cross-sectional research design. This study's target population comprised all 100 winners of the 2019 Kenya Top 100 Mid-Sized Companies Survey, conducted by KPMG and the Nation Media Group. This study deviated from the conventional sampling approach by collecting data from all 407 senior managers within the 100 target enterprises. This study employed a structured questionnaire, a type of survey with predetermined questions and fixed response options to collect data. The study utilized both descriptive and inferential statistics to analyze the collected data. The model for the study was:

$$\boldsymbol{Y = \beta_0 + \beta_1 X_1 + + \varepsilon}$$

Where: Y = competitive advantage, X_1 = Organizational structure, β_0= intercept, β_1 = beta coefficients and ε = error term.

Results

The study achieved a remarkable response rate of 76%, with 311 out of 407 distributed questionnaires successfully completed and returned. This response rate surpasses the generally accepted threshold of 60% for survey research, as suggested by Fincham (2008). Securing a high response rate was paramount to ensuring the representativeness and generalizability of the study's findings.

Competitive Advantage of the Top 100 Medium-Sized Enterprises in Kenya

Descriptive Summary for Competitive Advantage

Participants in the study indicated their level of agreement with various competitive advantage statements using a 1–5 Likert scale, with 1 representing strongly disagreeing and 5 representing strong agreement. In addition, the study employed descriptive statistics, such as mean and standard deviation, to analyze the data. Mean scores were interpreted according to the following scale: 5.00 = strongly agree, 4.00 = agree, 3.00 = neutral, 2.00 = disagree, and 1.00 = strongly disagree, while lower standard deviations were considered more favorable.

Table 1 shows that economic sustainability has the highest mean score of 3.9657 out of a possible 5, indicating that most respondents agreed with the statements regarding economic sustainability. Additionally, both constructs had a standard deviation below 1, suggesting that the

data is centered around the mean and that most respondents shared similar perspectives on the two competitive advantage constructs (economic sustainability and social sustainability).

Table 1: Descriptive Summary for Competitive Advantage

Competitive advantage constructs	N	Mean	Standard Deviation
Economic sustainability	311	3.9657	0.32085
Social sustainability	311	3.9357	0.41577

Descriptive Summary for Organizational Structure

Participants in the study indicated their level of agreement with various organizational structure statements using a 1–5 Likert scale, with 1 representing strongly disagreeing and 5 representing strong agreement. In addition, the study employed descriptive statistics, such as mean and standard deviation, to analyze the data. Mean scores were interpreted according to the following scale: 5.00 = strongly agree, 4.00 = agree, 3.00 = neutral, 2.00 = disagree, and 1.00 = strongly disagree, while lower standard deviations were considered more favorable. Table 2 indicates that functional structure received the highest mean score of 3.9228 out of a possible 5, implying that most respondents endorsed the statements related to functional structure. Additionally, all three constructs exhibited a standard deviation below 1, suggesting that the data centers on the mean and that most respondents held similar views on the three organizational structure constructs (simple structure, functional structure, and matrix structure).

Table 2: Descriptive Summary for **Organizational Structure**

Organizational structure constructs	N	Mean	Std. Deviation
Simple structure	311	2.9622	0.65561
Functional structure	311	3.9228	0.35650
Matrix structure	311	3.8992	0.36982

Correlation between organizational structure and competitive advantage

This study investigated the relationship between organizational structure and competitive advantage among the top 100 medium-sized enterprises in Kenya. This study found a statistically significant positive correlation between organizational structure and competitive advantage at the 5% level of significance ($r = 0.448$, $p < 0.05$). However, the moderate effect size suggests that while organizational structure plays a significant role, it is not the sole determinant of competitive advantage. Other factors likely contribute to a firm's competitive advantage beyond its structural configuration. This study found statistically significant positive correlations between two major organizational structure constructs and competitive advantage at the 5% level of significance in the top 100 medium-sized Kenyan enterprises: functional structure ($r = 0.372$,

p < 0.05) and matrix structure (r = 0.325, p < 0.05). However, the weak effect sizes (0.325–0.372) suggest that relying solely on one structure may not be sufficient to achieve a substantial competitive advantage. While both structures contribute positively, their individual impacts appear limited, highlighting the potential need to explore hybrid structures or adapt structures to specific contexts for optimal success. While both functional (r = 0.372, p <.05) and matrix (r = 0.325, p <.05) structures displayed statistically significant positive correlations with competitive advantage, simple structures exhibited a weak and non-significant positive correlation (r = 0.080, p >.05). These findings suggest that while functional and matrix structures may be more strongly linked to competitive advantage, a simple structure might not offer the same level of association. This emphasizes the need for further research to investigate factors moderating the relationship between simple structure and competitive advantage in specific contexts.

Table 3: Correlation between organizational structure and Competitive advantage

		Matrix structure	Functional structure	Simple structure	Organizational structure	Competitive Advantage
Matrix structure	Pearson Correlation	1	0.000	0.000	.577**	.325**
	Sig. (2-tailed)		1.000	1.000	0.000	0.000
Functional structure	Pearson Correlation	0.000	1	0.000	.577**	.372**
	Sig. (2-tailed)	1.000		1.000	0.000	0.000
Simple structure	Pearson Correlation	0.000	0.000	1	.577**	0.080
	Sig. (2-tailed)	1.000	1.000		0.000	0.160
Organizational Stucture	Pearson Correlation	.577**	.577**	.577**	1	.448**
	Sig. (2-tailed)	0.000	0.000	0.000		0.000
Competitive Advantage	Pearson Correlation	.325**	.372**	0.080	.448**	1
	Sig. (2-tailed)	0.000	0.000	0.160	0.000	
	N	311	311	311	311	311

** Correlation is significant at the 0.01 level (2-tailed).

Linear Regression Analysis Results of Organizational Structure on Competitive Advantage

Regression Model Summary of Organizational Structure on Competitive advantage

Table 4 shows the model summary results. The output indicates that the organizational structure coefficient of determination (R square) was 0.201, indicating that organizational structure

explained 20.1% of the variation in competitive advantage, with the remaining 79.9% explained by factors not considered in the model and the error term.

Table 4: Model Summary of Organizational Structure on Competitive advantage

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.448[a]	0.201	0.199	9.28853

a. Predictors: (Constant), Organizational structure

Regression ANOVA of Organizational Structure on competitive advantage

Despite explaining only 20.1% of the variance (R square = 0.201), organizational structure exhibits a statistically significant relationship with competitive advantage ($F(1,309) = 77.794$, $p < 0.05$), highlighting its importance for achieving competitive advantage. The results are summarized in Table 5.

Table 5: Regression ANOVA of Organizational Structure on competitive advantage

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	6711.831	1	6711.831	77.794	.000[b]
	Residual	26659.523	309	86.277		
	Total	33371.355	310			

a. Dependent Variable: Competitive Advantage(Y)
b. Predictors: (Constant), Organizational Structure

Regression Coefficients of Organizational Structure Constructs on Competitive Advantage

The results presented in Table 6 revealed that two major organizational structure constructs—functional structure ($\beta = 0.372$, $t = 7.523$, $p < 0.05$) and matrix structure ($\beta = 0.325$, $t = 6.578$, $p < 0.05$)—displayed a statistically significant positive effect on the competitive advantage of the top 100 medium-sized enterprises in Kenya. This highlights the importance of these structures for achieving a competitive advantage in this context. Conversely, simple structure ($\beta = 0.080$, $t = 1.617$, $p > 0.05$) has no statistically significant effect on competitive advantage, suggesting that simple structure, despite having a positive beta coefficient, does not have a meaningful impact on a firm's competitive advantage within this specific sample. This lack of significance suggests that focusing solely on maintaining a simple structure may not be sufficient to achieve a substantial competitive advantage in the Kenyan market, and other organizational factors likely play a more significant role in shaping a firm's competitive advantage.

While both functional structure ($\beta = 0.372$, $p < 0.05$) and matrix structure ($\beta = 0.325$, $p < 0.05$) demonstrably contribute to a firm's competitive advantage in the context of the top 100 Kenyan medium-sized enterprises, beta values indicate a 0.372-unit and 0.325-unit increase in competitive advantage for every unit increase in functional and matrix structures, respectively.

Conversely, a simple structure's effect appears negligible. A beta coefficient of 0.080, coupled with the lack of statistical significance ($p > 0.05$), suggests that a one-unit increase in simple structure translates to a mere 0.080-unit increase in competitive advantage, highlighting the limited impact of simple structure in this specific context. This finding emphasizes the potential dominance of other organizational factors, particularly functional and matrix structures, in shaping a firm's competitive advantage.

This translates to the functional structure having the strongest effect with a beta coefficient of 0.372, followed by the matrix structure with a beta coefficient of 0.325. While simple structure exhibits a positive beta coefficient of 0.080, indicating a potential association with competitive advantage, this relationship is undermined by its weak effect size and lack of statistical significance ($t = 1.617$, $p > 0.05$). This suggests that simple structure alone has a limited and unreliable impact on competitive advantage within this specific context of Kenya's top 100 medium-sized enterprises. It is more likely that other organizational factors, such as functional structure ($\beta = 0.372$) and matrix structure ($\beta = 0.325$), play a more significant role in shaping a firm's competitive advantage.

Table 6: Regression Coefficients of Organizational Structure on Competitive Advantage

Model		Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
		B	Std. Error	Beta	t	Sig.	Tolerance	VIF
1	(Constant)	67.443	0.512		131.749	0.000		
	Matrix structure	3.373	0.513	0.325	6.578	0.000	1.000	1.000
	Functional structure	3.857	0.513	0.372	7.523	0.000	1.000	1.000
	Simple structure	0.829	0.513	0.080	1.617	0.107	1.000	1.000

a. Dependent Variable: Competitive Advantage

Regression Coefficient of Organizational Structure on Competitive Advantage

From the output in Table 7, the study found statistically significant evidence that organizational structure has a significant influence on the competitive advantage of the top 100 medium-sized enterprises in Kenya ($\beta = 0.424$, $t = 8.820$, $p < 0.05$). This finding rejects the null hypothesis, confirming a relationship between organizational structure and competitive advantage. Therefore, organizational structure is crucial for achieving competitive advantage in the context of the top 100 medium-sized enterprises in Kenya.

Table 7: Regression Coefficient of Organizational Structure on Competitive Advantage

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
		B	Std. Error	Beta	t	Sig.	Tolerance	VIF
1	(Constant)	44.752	2.626		17.042	0.000		
	Organizational structure	0.424	0.048	0.448	8.820	0.000	1.000	1.000

a. Dependent Variable: Competitive Advantage(Y)

In addition, to model the relationship between organizational structure and competitive advantage, the following regression equation was developed:

$Y=\beta_0+\beta_1X_1+ \varepsilon$

Where; Y = competitive advantage, β_0 = constant, β_1 = beta coefficient, X_1 = organizational structure and ε = error term

The following equation demonstrates the relationship between the two variables:

Competitive advantage = 44.752+ 0.424(organizational structure)

The above demonstrates that, for every unit improvement in organizational structure, there is an expected increase of 0.424 units in competitive advantage.

Conclusions

The study concluded that organizational structure has a significant influence on the competitive advantage of the top 100 medium-sized enterprises in Kenya. The study's findings further concluded that among the three organizational structure subvariables analyzed—simple structure, functional structure, and matrix structure—functional structure had the most significant effect on competitive advantage. Matrix structure followed closely, while simple structure had no statistically significant effect on competitive advantage in this context.

Recommendations

To achieve competitive advantage, SMEs should choose an optimal organizational structure. Each structure offers distinct advantages: the simple structure promotes swift decision-making, the functional structure ensures clarity and accountability, and the matrix structure encourages collaboration and innovation. SMEs must assess which structure best aligns with their needs and fosters growth, being mindful that flexibility and adaptability will be crucial for long-term success as the company evolves.

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