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## Organizational Structures for Sustainable Entrepreneurship: Insights from Family Businesses in Pakistan

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### Abstract

**Purpose:** This study sheds a light to explore the formal organisational structure for the sustainability of entrepreneurial family businesses. Basically, family businesses belong to old generations in developing nations did not often employ formal structures, but as their businesses expanded, they began to do so. This study discovers what type of organizational structure family business used to achieve the goal of sustainability.

**Design:** A qualitative method is used in this study to identify the formal organisational structure for the sustainability of the entrepreneurial family business. 12 Successful entrepreneurs have been selected to know the best implementation of organisational structure for the sustainability of the family business. After that AHP method has been used to test which organizational structure is better for the family business sustainability.

**Findings:** The findings of this study showed that successful entrepreneurs are not using complex structure but they are using mainly three types of organisational structures. These are functional structure, horizontal structure, and a vertical structure supporting entrepreneurial family business sustainability of Pakistan.

**Originality/Value:** Several studies are conducted to explain the organisational structure in different context. However, previous studies overlooked the role of organisational structure in the entrepreneurial family business. While, family business are entirely different from other type of business based on governance. Therefore, there is need to know what organizational structure are needed for the sustainability of the family business.

**Keywords:** Organisational Structure, Sustainability, Entrepreneurship, and Family business

## **1. Introduction**

Globally, family business is being related with the component of economic growth (Gulzar and Wang, 2010), such as increased Gross Domestic Product (GDP), poverty, poor education, innovation, and job creation (Schillaci et al., 2013). The contribution of the family business to the business industry is higher and huge contributing towards the economy (Maas and Van der Merve, 2005). For example, in Australia, 70% of businesses are family businesses (Australia, 2009). Similarly, Indonesia consists of 60% family business with the high impact in economy of Indonesia (Wahjono et al., 2014). Undoubtedly family business is widespread and enables a country to win economic wars and build prosperity (Muñoz-Bullón and Sanchez-Bueno, 2011). Although family firms in numerous countries make a considerable contribution to the business sector, but their sustainability is seen as a key concern (Maas and Van der Merve, 2005). According to research, only 50% of small firms or entrepreneurial family businesses are able to sustain themselves for longer (Barnes, 2019).

Currently, Pakistan is also facing the sustainability issue in entrepreneurial family business despite the fact that it has a significant share of the country's economic growth and development (Oumansour, 2018). The failure rate escalates when the next generation is taking over in the family business of Pakistan. In other words, the family business's life is short; around 95% of the family business fails to survive when they reach the third generation. Hence, a percentage of business failure shows an apparent decay with the new generation (Ahmad Firdause Md Fadzil, 2020). A change in the control of new generation is one of the causes for family business failure. Simply stated, when a new generation enters the firm, they bring their management style, ideas, views, and organisational structure. Family business failure begins at the level of generation's transformation; earlier study has indicated that the generation's transition is a major obstacle to the sustainability of the family business (Kirsipuu, 2012). Sometimes, the younger generation did not uphold the principles of the elders, which caused difficulties in the family business's operations.

The organisational structure is one of the elements through which objectives of the business can be achieved (Erven, 2010). Plethora research has been conducted on sustainability, but the factors of the sustainability which are suitable for practical implementation related to organisational structure are few. The practical importance is also equally essential with the theoretical approach for the contribution of the study because it showed the significance of the study (Nawaz and Koç, 2019). At the organisational level, there are functional structure, divisional structure, vertical structure, and horizontal structure. The vertical structure is more effective when the management possesses lack of ability, but the horizontal structure is more effective when the management possesses considerable ability (Ikeda et al., 2010). However, these structure needs to be empirically verified to maintain the sustainability in the context of family business. Based on above literature gap, it is argued that there is need to explore either successful family business is based any of the formal and well-managed organizational structure. Since the governance of the family business and other business is different due to involvement of the families (Jamil, Md Fadzil, Waqar, & Yacob, 2022). This study thrives to address the following question based on the above problem.

RQ 1: What type of organizational structure employ in family business for sustainability?

RQ 2: How does family business employ formal structure for sustainability?

Therefore, there is a need to address these issues that which organisational structure is suitable to sustain the family business in Pakistan. Moreover, it would be interesting to develop the research, to examine the role of organisational structure towards sustainability in the entrepreneurial family businesses (Refika Bakoğlua, 2016). Thus, empirical research is required to understand the phenomenon of sustainability based on organisational structure. Since the subject of family business sustainability is vast and needs further scholarly attention for deep exploration of this phenomenon (Ali et al., 2015; Jamil et al, 2023).

## **2. Literature Review**

The importance of the family business cannot be ignored because of its higher contribution towards the economy of the country across the words (Gulzar and Wang, 2010). The contribution of the family business is higher as compared to other family businesses. Despite this fact, the sustainability of these family businesses is not satisfactory across the world (Akhmadaliyeva, 2022). There is a need to examine the reasons for the low sustainability of these family businesses. However, it is observed that family business sustainability has been decreasing when new generations take-over of the business. International Family Enterprise Research Academy (2003) also confirmed that family business sustainability often declines with future generations. This indicates that when generations are changes, they sometimes change the style of the governance of the business, which may not be suitable for the entrepreneurial family business. At the same time, organisational structure is also changing over time because it is the primary factor of any organisation and needs up-gradation to compete in the market. The processes and decisions have been made through the organisational structure (Wang and Ahmed, 2003).

Therefore, there is need to know the organisational structure of the entrepreneurial family business, which covers all the dynamics of the modern era and new generation. Likewise, such organisational structure is needed for the sustainability of the entrepreneurial family business, which is in line with the new generations and their ideas because the importance of family business sustainability cannot be overlooked. It consistently provides financial and economic benefits to the country (Olson *et al.*, 2003). Consequently, sustainability of entrepreneurial family business contributes to society and develops its connections with the government and other institutions to benefit their families and employees (Karra et al., 2006). Therefore, there is a need to discover sustainability dynamics and an important factor used in a firm's long-term survival (Ahmad and Yaseen, 2018).

## **3. Theoretical Background**

Previously, prominent literature was found explaining organisational theories. Organisational theory refers to an in-depth analysis of an organisation to see the firm's pattern, rules, and regulation (Richard et al., 2007). The organisation theories are being processes from an evolutionary phase beginning from classical organisational theories, scientific management theories, bureaucratic organisational theories and humanistic theories. These theories explained

several management concepts, including division of labour, a chain of command, work specialisation, and others (Richard L Daft, 2012). These theories widely contributed to the organisational studies and boosted the concepts from the management perspective in explaining the organisational structure. However, these theories are broader and explaining the early concepts in the generic context. Therefore, there is a need to explore more these concepts in a specific context, especially in family business.

Additionally, the organisational structure is considered a significant part of these organisation theories. Such as Max Weber's Theory of Bureaucracy (1947) presented essential characteristics of the contemporary bureaucratic system of administration. According to Weber, a bureaucracy was the ultimate form of a rationally formed administrative organisation. He claimed that administrative logic resulted from dividing work into specialised administrative duties organised into a hierarchy of offices with clearly defined responsibilities (Roosa, 2020). Later on, this converts into the functional structure because departmentalization is the essential element of the functional structure. Likewise, many other theories emphasize the importance of the formal structure of an organisation towards business performance and success (Merton, 1940; Mintzberg, 1989; Crozier, 1964). These theorists believe that the organisation's structure directs the tasks and utilises these tasks after converting them into specialization. However, the discussions of these studies related to the organisational structure are at surface because it was the pioneer studies at that time.

The organisational structure can be defined as it is the formal mutuality between authorities based on multiple responsibilities in an organisation (Rishipal, 2014). It also refers to the division of the activities or the work among employees and is known as an organisational chart because it shows the organisation's complete hierarchy (Ali Ahmady et al., 2016). The organisational structure is also referred to as the business's governance; for the family firms' sustainability, it is necessary for the firm that family members must be responsive and supportive (Le Breton-Miller and Miller, 2016). Good corporate governance always helps increase a firm's performance, which causes sustainable economic development.

Organisation's structure is the form through which work has been done, controlled, and coordinated (Sarbah and Xiao, 2015). Various authors explained the organisational structure in another distinct context. For instance, Bruns and Stalker (1961) introduce two types of structure: an organic structure and the second is a mechanical structure. The organic structure has decentralization, flexible management, and open communication, while the mechanical structure is quite a different and rigid structure. However, Bruns and Stalker (1961) ignored the phenomenon of sustainability while explaining the organisational structure. Previously, few studies explored the organisational structure in the sustainability of the family business.

The organisational structure is required for any organisation to operate because the organisation would be unable to perform without a proper structure (Dalton et al., 1980). The channel of executing all the decisions and policies is based on the organisation's structure. It also helps the organisation implement the strategies for taking or preventing the firm's opportunities. All the administrative and operational tasks have been performed through the organisational structure because it helps the entrepreneur assign work, individuals, and processes (Analoui and Karami, 2003; Waqar Amber, 2020; Waqar et al., 2021). Thus, it is essential to select the right structure

for the family business because if the structure is not appropriate, then business goals cannot be achieved, which eventually leads to the failure of the entrepreneurial family business.

Additionally, the family structure is also playing an essential role in performance and governance of the entrepreneurial family business. The size of the family is positively influenced by family control and the ownership of family-owned businesses. The second generation plays a vital role in the business when the previous owner, like father or founder, dies (Bertrand et al., 2008). Thus, organisational structure and governance of family business are different from the non-family business due to the family members' participation (Klein et al., 2005). The family firms' structure always needs documentation to formalize excellent performance activities (Sarbah and Xiao, 2015). A study showed that financial structure is also helpful to the firm's financial sustainability (Bayai and Ikhida, 2018), and organisational structure is proved as one of the essential factors in the sustainability of entrepreneurial family business (Jamil et al., 2021; Jamil et al., 2020).

Furthermore, organisational structure plays an essential role in the entrepreneurial family business because who reports to whom is also the question in the family business as exits in non-family business, e.g., if a husband and wife are doing business, they also need to be clear that who is the owner and who is the second authority (Erven, 2010). Even in banks, it has also been proved that the bank's multilayer structure is affected to prevent economic shocks (Bunkanwanicha et al., 2014). In this modern era, it is mandatory to implement a suitable organisational structure for competing for the market. There are many structures of the organisation's functional structure, divisional structure, vertical structure, and horizontal structure. The vertical structure is much effective in an organisation when the management's ability is small, but if the management's ability is considerable, then the horizontal structure will be more efficient (Ikeda et al., 2010). Moreover, the territorial structures of business are adequate for the sustainable growth of the business. This structure supports to increase in sales and production of the firm. Even a territorial organisation structure is used as a competitive advantage of the firm at the global level (Stverkova and Pohludka, 2018).

Based on the above literature, previous studies explained the several organisational structures to accomplish the tasks of the business and to enhance the business performance. For example, Nwachukwu and Chladkova (2019) describe organisational structure has a positive impact on the organisation's resources and its strategies, which lead to an excellent performance of the firm. Similarly, many other studies shed light on the importance of formal structuring an organisation, but these studies are insufficient to explain the organisational structure required for the sustainability in the context of family business. Therefore, the current study overwhelms the limitations of the previous studies by exploring the type of organisational structure for the sustainability of the family business.

#### **4. Methodology**

This study used a qualitative approach to explore the formal organisation structure following to the AHP method for the sustainability of the family business. The qualitative study design has been used because researcher considered subjective meaning to experiences, unlike postpositivism, as family business sustainability is a broader concept and cannot be explained by

a single reality (Creswell, 2003: 8). Therefore, a theoretical lens is used in a qualitative study to examine human beings' social problems and move the research paradigms to research philosophies (Creswell, 2009).

Moreover, the current study has used a case study based on multiple holistic designs as it is a robust and more in-depth study design. A multiple case study is preferable to a single case study because of analytic benefits, even if the researcher has only two case studies (Yin and Campbell, 2018). The purpose of the case study is not only to analyse the cases, but it also helps to a better and more in-depth understanding of the specific setting (Cousin, 2005).

The unit of analysis for data collection are successful family businesses in Pakistan. In other words, this study focuses on the entity of a successful and sustained family business. The data has been collected from six main cities of Pakistan: Lahore, Faisalabad, Sheikhpura, Gujranwala, Multan and Sialkot. By using a cross-sectional study, the collection of data was done on a specific time frame (snapshot) on the sustainability of the family business through interview techniques. The data collection process took seven months, from January 2020 to July 2020.

As far as data collection method is concerned, an interview method is used for data collection because it is an imperative technique, there is a need for the interview when the researcher cannot observe the data, and it is necessary to ask someone for specific information (Merriam & Tisdell, 2017). Moreover, the current study used the semi-structured interview method because the purpose of this study is to explore the successful family entrepreneur's experience in Pakistan. In this study, twelve entrepreneurs were interviewed followed by 08 second interviews to explore family business sustainability in Pakistan. The purpose of second interview was to explore more if any information was left or overlooked at first time. Finally, at this level, the collection of data has been ended because the point of saturation was reached, and the same answers were received. The saturation point of data collection was reached when informants repeated their answers (Merriam, 2009).

Purposive sampling and snowball sampling was used in this study to get detailed information from the participants (Bryman, 2012). Purposive sampling aims to obtain information from successful entrepreneurs in order to determine the sustainability of family businesses. In addition, snowball sampling is also used in this study to get the data from the study participants. In snowball sampling, the study informants refer to other informants to collect the data (Creswell and Plano Clark, 2011). From the twelve, only seven informants were approached through a snowball sampling strategy.

A contrast-and-comparison method is used to analyse data. As its name indicates, it involves constant comparing an event taken from one interview with the event from another interview (Merriam & Tisdell, 2017). In qualitative data analysis, the first step involves data coding (Merriam, 2009). Firstly, the process of data coding, which is known as open coding, proceeds without any bounding (Merriam, 2009). Open coding then turns into axial coding, as the relevant codes are grouped. After axial coding, the researcher forms a group by combining the data from open coding. The process is also known as analytical coding and is based on the analysis and interpretation of open coding. When the open coding of the second, third, or subsequent

transcripts is similar, it eventually represents a common category or theme. Categories are themes that are derived from various transcripts. After forming categories, the essential or main categories are selected, which is called selective coding. Following that, constructs are developed through selective coding. Nvivo 12 plus software was used for data management and to analyse systematically. After a qualitative in depth analysis, the AHP method has been used to test the organizational structure for the sustainability of the family business in Pakistan. This method is used to make decision form given option in a certain situation.

## **Findings**

According to the findings of the study, there are three types of organizational structures are identified in supporting sustainability of entrepreneurial family business in Pakistan. These are functional structure, horizontal structure, and a vertical structure, which has a direct influence on the sustainability of the entrepreneurial family business. The organisational structure refers to the organisation's hierarchy, and it involves the manager's span of control. An organisation's structure is the company's governance for operating and achieving the goals and objectives of the firm.

### **1. Functional Structure**

The first theme of the organisational structure is the functional structure. The functional structure is the most common form of organisational structure, including operating different departments in the organisation. The functional structure can be explained as the organisation's various functions and departments, e.g., marketing, sales, human capital, accounts, etc., working under the same roof. Functional structure is the symbol of the famous and large organisations that are sustained and working for a long time. The functional structure is also suitable for manufacturing businesses, and it also gives a direction to an employee to be grouped as the skilled person for excellent performance. Based on the study's findings, departmentalization and work specialization are the main element of the functional structure. P3, P4, P5, P6, P7, P8, and P10 deeply discussed functional structure in the interview.

Departmentalization is one of the essential elements which come from the functional structure of the organisation because when there are different departments in the organisation, the performance can be evaluated differently by developing key performance indicators. It also helps the family business in which the department is contributing to business success and sustainability. P3 also has the same opinion;

*"In our organisation, each function is a separate department such as marketing, research and development. The reason for making different departments in my business is to make clear. Because if each department is working, then it is easy for me to analyse which department is working well and have a contribution to the sustainability of my business." P3*

The functional structure enables the entrepreneur to make accountable the departments for the family business's overall performance. It also helps the family business evaluate the different departments' performance to achieve the firm's objectives. P5 also agree with the P3;

*"Of course! Of course! Until tasks are not divided, and the right man for the right job is not selected, all in the blender. Every person can't do every task. The departments' division is very*

*affected because you can see your business's clear picture through all departments. Through departments, you can see the performance of teams.” P5*

Work specialization is another crucial element of the functional structure because its specialization and skills are increased when working in a single department for many years. The repetition of the work gives employees more specialization in specific work. It is also beneficial for the family business. An excerpt from P8;

*“Yes, it is functional, and it has an impact on your business. If your span of control is accurate, your hierarchy is good; then, you can perform all tasks effectively and efficiently. Due to the good structure, your performance of the business will increase and will run for many years. Another important benefit of the functional structure is that through this structure, the skilled employees are produced because the experience of the people increases under one department.” P8*

Expert and skilled employees always are beneficial for the business and are the main requirement of a successful family business. The functional structure produced trained employees because it enhances the understanding of the employees towards their tasks. P10 agree with this;

*“Obviously, first-line employees also play a very important role in business success. Every line of employees has a role in the sustainability of the firm. The top-level take risk, the middle level advised them, and the bottom level has to do labour work. Due to working on different levels, the skills of the employees are also enhanced. Good skilled employees lead to a successful business.” P10*

Based on the study's conclusion, it revealed that functional structure is also a component towards business success and sustainability through two elements; departmentalization and work specialization. The family business's success directly can be measured through the clear status of departments in an organization. Moreover, functional structure also minimizes employee duplication of work, as each department of the organisation has its specified duty based on skilled employees which leads to the clear departmental performance of an organization. Based on functional structure, it is easy for the organisation to highlight the weakness of departments which needs improvement and may cause of any huge loss of the firm. Thus, to overcome these issues, functional structure is the way to enhance the sustainability of the family business.

## **2. Horizontal Structure**

The second sub-theme of the organisation structure is the horizontal structure, which refers to the flat or decentralized structure. The benefit of the horizontal structure is that employees have the freedom to achieve any task for their organisation. The employees have complete authority to execute the plans made by them under the approval of business owner of the family business. It is because of this authorization; sometimes the managers can make changes without approval. Based on the study, decentralization is the component of the horizontal structure towards the overall performance in the family business. Five entrepreneurs, P2, P4, P6, P11, and P12, discussed about their family business's horizontal structure.

The management layers are few but higher-paid management positions in the business, which indirectly affects the cost-saving of the family business. This management position leads to the staffs which increase the productivity of the firm. Therefore, the second generation mostly likes



decentralization as compare to the centralization because of the higher accountability of the management position. P2 agree with this fact;

*“Actually, in Pakistan, most people depend upon centralized management, but when they turn into second generation, the centralized management flop. In the firstgeneration, the father is doing everything with his hand, like my father, but I will prefer decentralization which is the horizontal structure in my business. This is a key to sustain a business.” P2*

P6 also shares the same findings that his father used vertical structure, but after entering the new generation business now they used a horizontal structure in their family business;

*“Yeah, I am telling you, initially, when my dad was handling it was a bit vertical. But when we came, there was obviously little growth and development started. So, structure turned to the horizontal structure, there is always room for improvement, I would say, and obviously.” P6*

The new generation promotes decentralization and strongly believes in giving freedom to its employees. Decentralization helps make the decision more quickly because the top management does not need approval for every small thing; the employees' efficiency also increases due to quick family business decisions. P4 agree with this fact;

*“Yesterday! I met with my friend; exactly, we discuss the same thing that the key to success is getting your company as decentralized and giving power to people. So, Horizontal structure is much better for sustaining your business.” P4*

This sub-theme conclusion revealed that the second generation focuses on decentralization because they believe in the employees' autonomy. However, the firstgeneration did not like the horizontal structure. A horizontal structure supports sustaining the business more because decision making authorities are so many instead of one, and decision-making also becomes fast. Employees also feel innovative as they have less pressure and have independencies in their work.

### 3. Vertical Structure

Vertical structure refers to the one chain of command in the business. The benefit of the vertical structure is the strict responsibilities of the employees. All employees have to do their work according to their job descriptions. The owner of the family business knows all issues, either small or major. Based on the study's findings, direct hierarchy is the element of the vertical structure. Six entrepreneurs mention their structure as a vertical structure; these are P1, P3, P6, P7, P9, and P10.

Direct hierarchy is used in the vertical structure, and most of the business has a vertical structure with one chain of command. Top management is the authority for all the employees in vertical structure. As P1 says that;

*“Ahhhhhhh! The main structure is vertical, and we also have board of directors, the chairman, the whole staff, we have a pyramid-like every company has we are also doing the same.” P1*

Some businesses prefer the vertical structure because they can sustain their competitive advantage through this structure. P7 also has a vertical structure and have an understanding over his employees. He believes that he can run his business better if he has a vertical structure;

*“We have a vertical structure. The order comes from the upper side. For me, vertical is better because if the order goes from upper to lower, it is better. If you have any idea of the supply*

*chain process, it starts from the upper and goes to the end. Mean to say. Our company has a strong vertical defined structure.” P7*

Due to a clear reporting structure and responsibilities, the vertical structure is more beneficial for the family business. P9 believes that vertical structure is much better for small businesses because it is easy to manage;

*“My organisation structure is vertical, and in a small organisation, vertical is always good for business success...” P9*

The conclusion of this subtheme showed that vertical structure is essential for small businesses because it showed a direct control of the owner on the business. In a small business, the owner keeps an eye on its employees easily and even enhanced the productivity of the employees according to the business objectives. The vertical structure has a different culture in which employees work in the same direction and follow top management orders. The objectives of all the employees are to fulfil the orders of the management.

Table 1: Themes of Organisational Structure

| Organisational Structure | P1 | P2 | P3 | P4 | P5 | P6 | P7 | P8 | P9 | P10 | P11 | P12 |
|--------------------------|----|----|----|----|----|----|----|----|----|-----|-----|-----|
| Functional Structure     |    |    | ✓  | ✓  | ✓  | ✓  | ✓  | ✓  |    | ✓   |     |     |
| Horizontal Structure     |    | ✓  |    | ✓  |    | ✓  |    |    |    |     | ✓   | ✓   |
| Vertical Structure       | ✓  |    | ✓  |    |    | ✓  | ✓  |    | ✓  | ✓   |     |     |

## 6. Discussion

The study finding shows that three sub-themes are identified in the organisational structure for sustaining the family business in Pakistan. The organisational structure refers to the organisation's hierarchy, and it involves the manager's span of control. An organisation's structure is the company's governance for operating and achieving the organisation's goals. The family business structure is not more complex because the family members always have superiority over others. In family business, family members are devoted to enhance the business growth as compare to the other businesses. Generally, the family business's chain of command is the owner or son in the family business.

The organisational structure determines the flow of information in the entrepreneurial family business. The entrepreneurial family businesses that have defined organisational structures are efficient and focused on achieving the goals—the structure of the organisation has a substantial impact on the future of the family business. The style of the department's coordination and

communication does matter in the success of the family business. Therefore, sustainability of family business is relying on the organisational structure of the family business.

### **Functional Structure**

The first theme of the organisational structure is the functional structure. The functional structure is the most common form of organisational structure, including operating different departments in the organisation. The functional structure can be explained as the organisation's various departments, e.g., marketing, sales, human capital, accounts, etc., working under the same roof. Functional structure is the symbol of the famous and large organisations that are sustained and working for a long time. The functional structure is also suitable for manufacturing businesses, and it also gives a direction to an employee to be grouped as the skilled person for excellent performance. Based on the study's findings, departmentalization and work specialization are the main element of the functional structure. P3, P4, P5, P6, P7, P8, and P10 deeply discussed functional structure in the interview.

Departmentalization is one of the essential elements which come from the functional structure of the organisation because when there are different departments in the organisation, the performance can be evaluated differently by developing key performance indicators. It also helps the family business in which the department is contributing to business success and sustainability. The functional structure enables the entrepreneur to make accountable the departments for the family business's overall performance. It also helps the family business evaluate the different departments' performance to achieve the firm's objectives. Besides that, work specialization is another crucial element of the functional structure because its specialization and skills are increased when working in a single department for many years. The repetition of the work gives employees more specialization in specific work. It is also beneficial for the family business. Expert and skilled employees always are beneficial for the business and are the main requirement of a successful family business. The functional structure produced trained employees because it enhances the understanding of the employees towards their tasks.

Based on the study's conclusion, it revealed that functional structure is also a component towards business success and sustainability through two elements; departmentalization and work specialization. The family business's success directly can be measured through the clear status of departments in an organisation. Moreover, functional structure also minimizes employee duplication of work, as each department of the organisation has its specified duty based on skilled employees, which leads to the clear departmental performance of an organisation. Based on functional structure, it is easy for the organisation to highlight the weakness of departments which needs improvement and may cause of any huge loss of the firm. Thus, to overcome these issues, functional structure is the way to enhance the sustainability of the family business.

### **Horizontal Structure**

The second sub-theme of the organisation structure is the horizontal structure, which refers to the flat or decentralized structure. The benefit of the horizontal structure is that employees have the freedom to achieve any task for their organisation. The employees have complete authority to execute the plans made by them under the approval of business owner of the family business. It

is because of this authorization; sometimes the managers can make changes without approval. Based on the study, decentralization is the component of the horizontal structure towards the overall performance in the family business. Five entrepreneurs, P2, P4, P6, P11, and P12, discussed about their family business's horizontal structure.

The management layers are few but higher-paid management positions in the business, which indirectly affects the cost-saving of the family business. This management position leads to the staffs which increase the productivity of the firm. Therefore, the second generation mostly adores decentralization as compare to the centralization because of the higher accountability of the management position. The new generation promotes decentralization and strongly believes in giving freedom to its employees. Decentralization helps make the decision more quickly because the top management does not need approval for every small thing; the employees' efficiency also increases due to quick family business decisions.

This sub-theme conclusion revealed that the second generation focuses on decentralization because they believe in the employees' autonomy and freedom. However, the foundergeneration did not prefer the horizontal structure. A horizontal structure supports sustaining the business more because decision making authorities are so many instead of one, and decision-making also becomes fast. Employees also feel innovative as they have less pressure and have independencies in their work.

### **Vertical Structure**

Vertical structure refers to the one chain of command in the business. The benefit of the vertical structure is the strict responsibilities of the employees and reporting to the top management. All employees have to do their work according to their job descriptions. The owner of the family business knows all issues, either small or major. Based on the study's findings, direct hierarchy is the element of the vertical structure. Six entrepreneurs mention their structure as a vertical structure; these are P1, P3, P6, P7, P9, and P10.

Direct hierarchy is used in the vertical structure, and most of the business has a vertical structure with one chain of command. Top management is the authority for all the employees in vertical structure. Some businesses prefer the vertical structure because they can sustain their competitive advantage through this structure. Due to a clear reporting structure and responsibilities, the vertical structure is more beneficial for the family business. P9 believes that vertical structure is much better for small businesses because it is easy to manage.

The conclusion of this subtheme showed that vertical structure is essential for small businesses because it have a direct control of the owner on the business. In a small business, the owner keeps an eye on its employees easily and even enhanced the productivity of the employees according to the business objectives. The vertical structure has a different culture in which employees work in the same direction and follow top management orders. The objective of all the employees is to fulfil the orders of the management to enhance its production.

Below the figure 1 illustrates the new model of the organisational structure for the sustainability of the family business.

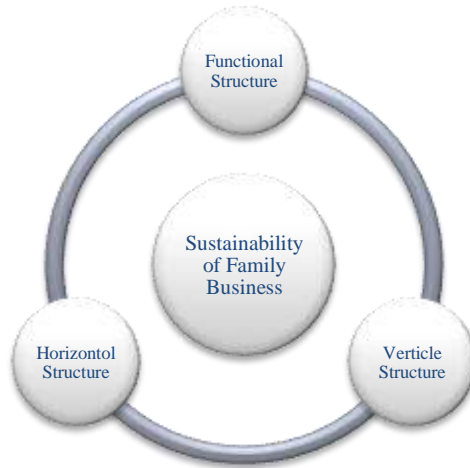


Figure 1: New Model of Sustainability of Family Business  
 based on organisational structures

## 6. Proposed method

The first type of finding techniques arises whenever one additional DM were given to the same task. The next is due to the material flow between different tasks having precedence constraints; information flow occurs whenever these tasks are assigned to different DMs (this communication is 0 when the tasks are assigned to the same DM). Therefore, we can formally define the finding proposed techniques requirements as follows.

This is assume that DMs assigned to the same task  $T$  must continuously communicate during its execution (that is, from time to time) with a rate of  $r$  units/sec. This type of communication is bi-directional. During a time, interval, the number of units of information communicated between  $DM$  and due to simultaneous task processing is given by

After computation of the eigenvalue  $\lambda_{\max}$ ,  $CI = \frac{\lambda_{\max} + n}{n + 1}$

$$CR = \frac{CI}{RI}$$

$$I = \frac{\sqrt{\sum_{j=1}^i CR + 1}}{n + 1}$$

$$SU = \frac{H_{\beta} - K_{\beta}}{1 - H_{\beta}K_{\beta}}$$

### 6.1. Hierarchical Structure

**Table 1: DM Performance Metrics**

| DM1    | DM2    | DM3    | DM4    | DM5    |
|--------|--------|--------|--------|--------|
| 0.2345 | 0.5643 | 0.6745 | 0.2092 | 0.4521 |
| 0.2567 | 0.1207 | 0.2398 | 0.7634 | 0.5632 |
| 0.5634 | 0.3412 | 0.1098 | 0.8432 | 0.4563 |

The table 1 shows some performance metrics or effectiveness ratings for five DMs across three different dimensions or criteria.

**Table 2: Functional Structure Metrics (Horizontal and Vertical)**

| Function | value | Functional Structure | Horizontal | Vertical | Final | Better |
|----------|-------|----------------------|------------|----------|-------|--------|
| $E_i$    | 343%  | 505%                 | 2.35%      | 2.01%    | Good  | F      |
| $d_i$    | 3%    | 2.05%                | 1%         | 0.5      | Low   | F      |
| $w_i$    | 204%  | 30%                  | 45%        | 35%      | Good  | H      |

This table 2 shows some metrics for different functional structures, with values indicating the effectiveness or performance of these structures under various criteria. The "Better" column likely suggests an assessment of which structure is preferred.

**Table 3: Further Functional Structure Metrics**

| Function | value | Functional Structure | Horizontal | Vertical | Final | Better |
|----------|-------|----------------------|------------|----------|-------|--------|
| $E_i$    | 454%  | 51%                  | 4.66%      | 4.01%    | Good  | H      |
| $d_i$    | 5%    | 16%                  | 48%        | 0.45%    | Low   | H      |
| $w_i$    | 32%   | 67%                  | 89%        | 67%      | Good  | H      |

Similar to Table 2, this table provides additional metrics for different functional structures.

**Table 4: Additional Functional Structure Metrics**

| Function | value | Functional Structure | Horizontal | Vertical | Final | Better |
|----------|-------|----------------------|------------|----------|-------|--------|
| $E_i$    | 25%   | 11%                  | 2.1%       | 5.23%    | Low   | V      |
| $d_i$    | 15%   | 13%                  | 3.4%       | 4.56%    | Low   | V      |
| $w_i$    | 12%   | 19%                  | 5.1%       | 67%      | Good  | V      |

The table 4 shows to focus on vertical structures, with metrics similar to previous tables.

Effective task assignment requires continuous communication between DMs if they are assigned to the same task. This communication is essential for maintaining efficiency and effectiveness in task execution. The tables suggest an evaluation of DM performance and functional structures, comparing horizontal and vertical structures. The "Better" column in Tables 2, 3, and 4 indicates whether a horizontal (H) or vertical (V) functional structure is preferred based on the given metrics. Overall, it seems to be evaluating the effectiveness of different organizational structures and the communication requirements for DMs working on tasks, using various performance metrics and criteria to determine the most efficient configurations.

Moreover, to determine which organizational structure is better according to the tables provided, we need to analyze the "Better" column in each table. This column indicates the preferred structure, either horizontal (H) or vertical (V). According to the table 2, there is the ambiguous result of which structure is better is appropriate for the organization. As far as table 3 is concerned, horizontal structure is better for the organization. On the other hand, table 4 shows that vertical structure is appropriate for the organizations.

According to the analysis, for the family businesses vertical and horizontal structure are better rather than functional structures. In which the communications of the business are decentralized for those business horizontal is better. However, those family business who have direct control and direct communication to the managers then vertical structure is better. It shows that the structure id depending on the need of the organization.

## **7. Recommendations**

Family businesses in developing nations did not often employ formal structures, but as their businesses expanded, they began to do so. However, due to a lack of emphasis on corporate governance in the family businesses, a conventional organisational structure is being adopted. As a result, this study investigated what sort of formal organizational structure is employed in successful family enterprises in Pakistan. This is a compelling argument that a horizontal organization is advantageous for company since it fosters strong interpersonal relationships. On the other side, this also resulted in a heavy burden for the firm to make autonomous judgments, which may be the reason for its collapse (Lee, 2022). Consequently, this is a rational decision which organizational structure can be adopted for the family business. Sometimes, this decision based on the potentials of the human resources working in an organization (Santalova et al., 2021).

In addition to that, another crucial fact is that family businesses inaugurate at the micro level with little resources and gradually expand over time. Family businesses were often started by older generations; however this is no longer the case. The younger generations are currently working to create competitive advantages in company governance as well. The choice of the organisational structure in this situation is equally challenging. As a result, these family businesses use a simple organisational structure in their operations. This study advocated that organisational structure be based on functions, people resources, and the type of business. Undoubtedly, the organisational structure has an important role towards the performance and success of the business (Azizi Moghaddam et al., 2022). This study comprehensively analyzed the suitable organisational structure for the sustainability of the family business. Nevertheless,

this study contributes to the development of the theory of organisational structure in the context of family business because this literature was ignored by the previous studies. Family business is a unique type of business and has greater influence towards the economic development of any country. The corporate governance of a family firm differs from a non-family business (Fabel et al., 2022). This study also suggested that proposed organisational structures needs to be tested with a large sample to determine which is better for achieving family business sustainability.

## **8. Conclusion**

The organisational structure has an essential role in achieving the tasks and objectives of the family business. Previously, many theories have been presented organisational studies including organisational structure but these theories were at initial stage. For example, Max Weber explained bureaucratic system leading to specialization; some of the authors explained the demands and control following the accomplishment of tasks by the employees under managerial position. Likewise, some studies have been explained the organisational structure to ensure business performance and success in different context. However, these studies overlooked the context of family business because the structure of the family business is completely different form the other business. The family business structures have the influence of the family culture, size, support and environment as it involves the family members as top management in the family business. The mechanism of the entrepreneurial family business structure is different from other businesses.

Therefore, the current study comprehensively determines the type of organisational structure for the entrepreneurial family business required for the sustainability. Moreover, this study also addressed that what type of organisational structure is adored by the new generation in family business and how this structure helps in the sustainability of entrepreneurial family business. The current study also enlightens that how a structural change impacts the family business when a new generation enters in the family business. The contribution of this study is based on two things, first is literature and second is findings. Based on literature, this study added literature to the sustainability because previous studies lacking the organisational structure especially in the context of family business. Therefore, this stance of this study is at initial stages and needs more development in future. Secondly, the findings of the studies are original towards the context of family businesses. The findings of the study are different because it contained on sustainability phenomenon which are less emphasised by the previous study and even crucial for the family business. This shows the novelty of the study towards literature and the findings of the study.



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