Bigger, Better, or Burdened? Evidence from Firm Size–Performance

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Abstract
Firm performance is an important indicator of a firm's ability to create economic value and sustain its business, while firm size remains a widely studied determinant with inconsistent empirical findings. This study aims to synthesize empirical evidence on the relationship between firm size and firm performance through a Systematic Literature Review (SLR) based on the Preferred Reporting Items for Systematic Reviews and Meta-Analyses (PRISMA 2020). Searches of Scopus, Web of Science, Google Scholar, and Garuda/SINTA identified 214 initial records. Following screening and eligibility assessment, 30 articles published between 2021 and 2026 met the inclusion criteria. The synthesis shows an inconsistent relationship between firm size and firm performance, with 11 articles (37%) reporting a positive relationship, 9 articles (30%) reporting a negative relationship, and 10 articles (33%) reporting no significant relationship. These variations can be interpreted through the perspectives of Resource-Based Theory, Economies of Scale Theory, Agency Theory, and Dynamic Capability Theory. The synthesis indicates that firm size represents potential capacity rather than an automatic guarantee of improved firm performance, as its benefits depend on effective resource management, corporate governance, operational efficiency, and adaptive capabilities. Practically, increasing firm size should be accompanied by stronger governance and operational efficiency to support consistent performance improvement.

***Keywords**:*
Firm size; firm performance; systematic literature review; PRISMA 2020; resource-based theory.

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Introduction

Firm performance is one of the important indicators for evaluating a company's success in creating economic value, maintaining competitive advantage, and ensuring business sustainability. In a dynamic business environment, firm performance reflects not only profit achievement but also the effectiveness of resource management, the utilization of market opportunities, and the ability to respond to economic changes and global competition. Therefore, firm performance has become a concern for investors, creditors, regulators, and management because it reflects a company's ability to generate long-term value and serves as a basis for economic decision-making[1], [2].

Financial performance is also related to the effectiveness of resource management and operational efficiency in supporting profitability achievement[3]. Return on Assets (ROA) is one of the performance indicators that reflects a company's ability to generate profit through the utilization of its assets, and Sari et al. (2025) showed that risk factors and corporate governance can affect performance as measured by ROA[4]. Global economic uncertainty, digital transformation, changes in consumer behavior, and increasing demands for governance and sustainability further emphasize the importance of firm performance. Stable firm performance is also associated with business continuity, access to financing, and increased firm value[5], [6], [7].

One of the firm characteristics that has been widely examined as a factor associated with firm performance is firm size. Firm size represents a company's capacity to manage resources and conduct its operational activities. Larger firms generally have greater access to financing, investment capacity, business networks, and innovation capabilities, thereby potentially achieving better performance[8], [9]. Empirical evidence from companies listed on the Indonesia Stock Exchange also indicates that firm size is significantly associated with profitability, although the direction of the relationship may differ from theoretical expectations[10].

However, larger size may also be accompanied by organizational complexity, coordination requirements, and potential inefficiencies, while smaller firms may have greater flexibility in responding to changes in the business environment. In the context of financial reporting processes, research has also found that firm size does not have a significant effect on audit delay among mining companies listed on the Indonesia Stock Exchange. This finding indicates that the magnitude of a company's assets does not automatically result in differences in the reporting process, as firms of different sizes still face the requirement to complete financial reports in accordance with applicable regulations[11].

Empirical evidence regarding the relationship between firm size and firm performance has produced diverse findings. Several studies have found a positive relationship, particularly among firms with greater resource capacity and access to financing[1], [5], [9], [12]. In contrast, studies in sectors that are more dependent on flexibility and intangible assets have found a negative relationship, such as advertising and marketing companies in Western Europe[2] and automotive and component companies in Indonesia[13]. [14] also found a negative and significant relationship between firm size and 12-month return among companies conducting an Initial Public Offering (IPO). Other studies have found an insignificant relationship, such as among infrastructure companies[7]. Meanwhile, [15] showed that the significance of firm size may differ depending on the growth proxy used, being significant for Earnings per Share (EPS) growth but insignificant for market capitalization growth. These differences indicate that the relationship between firm size and firm performance is not uniform and may be influenced by firm characteristics, industry sector, business environment conditions, and measurement approaches. Previous studies have also employed various proxies for firm size, such as total assets, sales, and market capitalization, while firm performance has been measured using Return on Assets (ROA), Return on Equity (ROE), Net Profit Margin (NPM), Tobin's Q, and other indicators.

The diversity of these findings indicates the existence of empirical, contextual, and methodological gaps. Empirically, previous studies have not reached consistent conclusions regarding the direction of the relationship between the two variables. Contextually, some studies have focused on particular sectors or countries, resulting in limited generalizability. Methodologically, many studies remain individual empirical investigations, and therefore a synthesis that comprehensively integrates various findings is still limited. In addition, variations in measurement proxies and theoretical perspectives make the findings difficult to compare directly. These conditions indicate the need for an approach that can integrate evidence from various sectors and countries while explaining the factors underlying variations in the relationship between firm size and firm performance.

To address these gaps, this study employs a Systematic Literature Review (SLR) approach guided by the Preferred Reporting Items for Systematic Reviews and Meta-Analyses (PRISMA 2020). This approach enables the identification, selection, evaluation, and synthesis of the literature to be conducted systematically, transparently, and reproducibly. This study contributes by providing a multi-theoretical synthesis to explain inconsistencies in previous findings, implementing a systematic and reproducible PRISMA 2020 approach, and providing an understanding of the contextual conditions and organizational mechanisms associated with the relationship between firm size and firm performance.

Based on these gaps, this study aims to synthesize empirical evidence regarding the relationship between firm size and firm performance based on studies published during the 2021–2026 period. Specifically, this study addresses two research questions: (1) What is the tendency of the relationship between firm size and firm performance based on studies published during the 2021–2026 period? and (2) How do Resource-Based Theory, Economies of Scale Theory, Agency Theory, and Dynamic Capability Theory explain variations in this relationship across different industries and countries?

Literature Review

2.1 Firm Performance

Firm performance is an indicator of a company's ability to achieve economic objectives through effective and efficient resource management. It reflects profitability, shareholder value creation, competitiveness, and business sustainability, making it an important basis for evaluation by various stakeholders [16], [17].

Firm performance is generally measured using accounting-based indicators, such as Return on Assets (ROA) and Return on Equity (ROE), as well as market-based indicators, such as Tobin's Q. Based on a synthesis of 30 articles published between 2021 and 2026, ROA is the most widely used proxy, followed by ROE, Profit Margin, Earnings per Share Growth, market capitalization growth, and Return 12 Month. These variations indicate that performance measurement should consider industry characteristics and research objectives.

2.2 Firm Size

Firm size represents a company's operational scale and economic capacity, which can be measured by total assets, sales, number of employees, and market capitalization. Larger firms generally have broader access to financing, greater investment capacity, and wider business networks, which may support improved performance.

Based on the synthesis of studies published between 2021 and 2026, total assets, particularly the natural logarithm of total assets (Ln Total Assets), is the most widely used proxy because it represents a firm's economic capacity and helps reduce data variability. This proxy is used in studies by [1], [5], [6], [7], [8], [12]. Other proxies include the number of employees, sales, and market capitalization, depending on the characteristics and focus of each study [2]. These differences indicate that firm size encompasses multiple dimensions that should be considered when interpreting its relationship with firm performance.

2.3 Resource-Based Theory

Resource-Based Theory (RBT) explains that competitive advantage is determined by the ownership and utilization of strategic resources that are valuable, rare, inimitable, and non-substitutable (VRIN). Barney (1991) emphasizes that internal resources differentiate firm performance. However, owning substantial assets does not automatically improve performance without effective management [18], [19], [20].

In the context of firm size, larger firms potentially possess greater financial, technological, and human resources to support investment, innovation, and efficiency. [21] demonstrate that larger firms in the MENA region derive greater ROA benefits from ESG implementation, while Alabdulkarim et al. (2024) show that resource capacity and access to financing can mitigate the negative impact of leverage on firm performance. Conversely, [22] find a negative effect of firm size on ROA at PT XL Axiata Tbk. These findings indicate that the effectiveness of resource utilization determines the contribution of firm size to performance.

2.4 Economies of Scale Theory

Economies of Scale Theory explains that an increase in operational scale can potentially reduce average costs through the distribution of fixed costs, labor specialization, resource efficiency, and technology utilization [23], [24]. However, excessive growth in scale may increase organizational complexity, coordination costs, and managerial inefficiency [25], [26].

Empirically, [12], [27] find a positive effect of firm size on ROA in healthcare and banking companies in Indonesia. Conversely, [2] find that various firm size proxies have negative effects on ROA and Profit Margin in advertising and marketing companies across 16 Western European countries. These differences indicate that the benefits of scale depend on a firm's ability to maintain efficiency and manage operational complexity.

2.4 Agency Theory

Agency Theory explains conflicts of interest between principals and agents arising from the separation of ownership and control, which may generate agency costs [28], [29]. Larger firms may have more developed monitoring systems and corporate governance mechanisms, but they also face greater organizational complexity, information asymmetry, and potential agency conflicts [30].

[1], [5], [9] demonstrate a positive relationship between firm size and performance through access to financing, corporate governance, and monitoring. Meanwhile, [31] find that firm size has a positive but statistically insignificant relationship with ROA among manufacturing companies in the food and beverage sector. These findings indicate that the effectiveness of monitoring and corporate governance plays a role in determining the relationship between firm size and performance.

2.5 Dynamic Capability Theory

Dynamic Capability Theory (DCT) explains a firm's ability to integrate, build, and reconfigure resources in response to environmental changes through the processes of sensing, seizing, and transforming [32], [33]. Unlike RBT, which emphasizes resource ownership, DCT focuses on an organization's ability to renew and transform its resources.

Larger firms possess broader resources, but their advantages depend on their ability to adapt and innovate, whereas smaller firms may benefit from flexibility and faster decision-making [34], [35]. [2] find a negative relationship between firm size and financial performance among advertising and marketing companies in Western Europe. Conversely, [21] demonstrate that larger firms can benefit from ESG implementation through resource integration and innovation. Thus, dynamic capabilities serve as an important mechanism for transforming resources into competitive advantage and improved firm performance.

Research Methodology

This study employed a Systematic Literature Review (SLR) approach to identify, evaluate, and synthesize empirical evidence regarding the relationship between firm size and firm performance during the 2021–2026 period. The research process followed the Preferred

Reporting Items for Systematic Reviews and Meta-Analyses (PRISMA 2020) guidelines[36], [37]. The literature search began on May 6, 2026, using four databases: Scopus, Web of Science, Google Scholar, and Garuda/SINTA. The search strategy employed a combination of keywords and Boolean operators: ("firm size" OR "ukuran perusahaan") AND ("firm performance" OR "kinerja perusahaan").

The inclusion criteria consisted of: (1) empirical research articles; (2) studies discussing firm size or company size as a research variable; (3) studies examining the relationship between firm size and firm performance; (4) articles published during the 2021–2026 period; and (5) articles providing adequate methodological reporting for assessment and data extraction. Articles were excluded if they were not relevant to the research focus, did not explicitly use firm size as a variable, were conceptual or non-empirical studies, were published outside the 2021–2026 period, or provided inadequate methodological reporting. The selection process followed the PRISMA 2020 flow. From the initial 214 records, 41 duplicate records were removed, leaving 173 records. A total of 96 articles were excluded based on title and abstract screening, resulting in 77 articles proceeding to the full-text assessment stage. Five articles were not available in full-text form, while 42 articles were excluded based on the eligibility criteria. Thus, 30 articles met the criteria for analysis.

Article quality assessment was conducted using a checklist instrument developed in Microsoft Excel to assess the relevance of each article to the research focus and the adequacy of its methodological reporting. Data from the articles that met the criteria were then extracted into an Excel worksheet, including the country and sector of the study, firm size proxy, firm performance proxy, and the direction of the relationship between the two variables. Subsequently, the empirical findings were categorized through thematic coding based on the mechanisms described in four theoretical perspectives. Resource-Based Theory was used to identify aspects of the ownership and utilization of strategic resources, Economies of Scale Theory was used to identify efficiency benefits arising from firm scale, Agency Theory was used to identify aspects of agency costs, monitoring, and governance, while Dynamic Capability Theory was used to identify the ability to adapt and transform resources. The coding results were then used to explain the conditions associated with positive, negative, or insignificant relationships between firm size and firm performance.

The analysis employed qualitative evidence synthesis through thematic analysis to identify patterns in the relationship between firm size and firm performance and to explain variations in the findings based on Resource-Based Theory, Economies of Scale Theory, Agency Theory, and Dynamic Capability Theory. This study did not conduct a meta-analysis.

Results

4.1 Study Selection Results Based on PRISMA 2020

The literature search and selection process followed the Preferred Reporting Items for Systematic Reviews and Meta-Analyses (PRISMA) 2020 framework. Searches conducted in Scopus, Web of Science, Google Scholar, and Garuda/SINTA yielded 214 records based on the search strategy using the keywords firm size, ukuran perusahaan, firm performance, and kinerja perusahaan. After 41 duplicate records were removed, 173 records remained for title and abstract screening. A total of 96 articles were excluded because they were not relevant, leaving 77 articles for the full-text assessment stage. Five articles could not be obtained in full-text form, while 42 articles were subsequently excluded during the eligibility assessment because they did not explicitly position firm size as a variable (15), were conceptual or non-empirical studies (10), were published outside the 2021–2026 period (8), or did not adequately report their methodological procedures (9). Thus, 30 articles met all inclusion criteria and were included in the analysis.

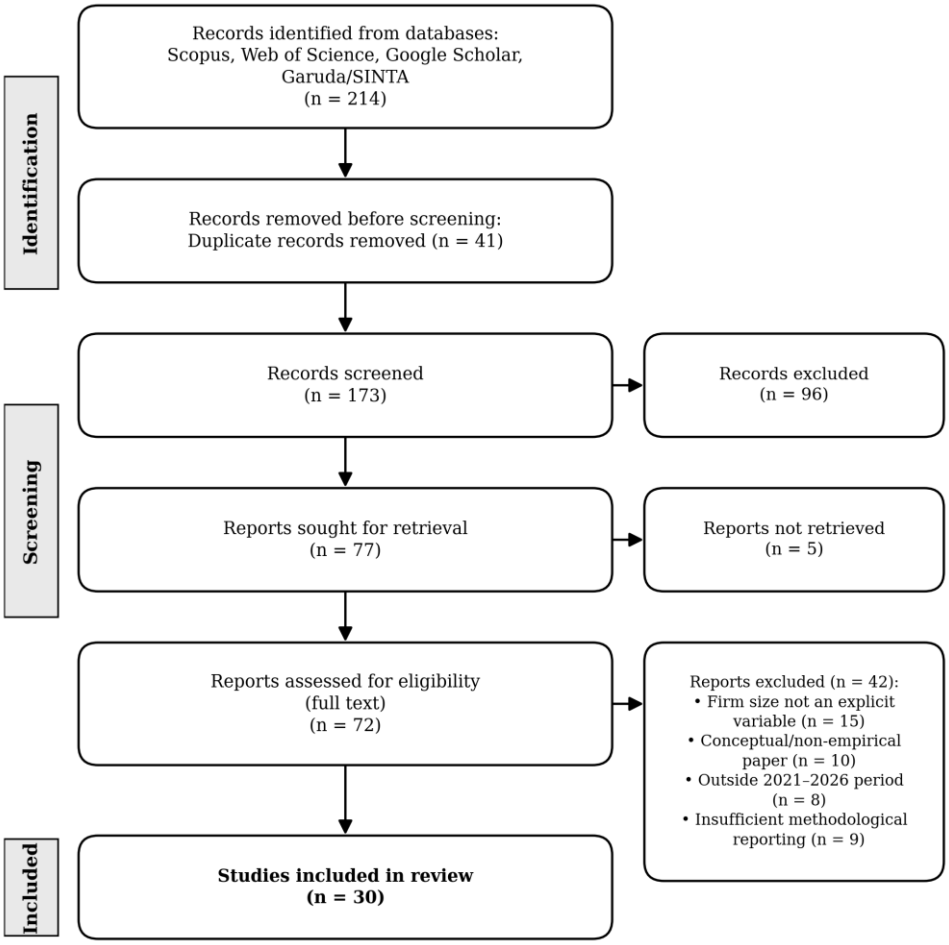


Figure 1. PRISMA 2020 Flow Diagram of the Study Selection Process

Source: Data processed by the authors (2026), based on the PRISMA 2020 flow (Page, McKenzie, et al., 2021a; Page, Moher, et al., 2021b).

The selection process indicates that approximately 14% of the initial records ultimately met the inclusion criteria. This demonstrates the application of a rigorous and transparent selection process in accordance with the principles of PRISMA 2020, ensuring that the analyzed articles had thematic relevance and methodological eligibility.

4.2 General Characteristics of the Reviewed Studies

A total of 30 articles analyzed in this study were published between 2021 and 2026, with the number of publications tending to increase during 2024–2026. Approximately 80% of the studies were conducted on companies listed on the Indonesia Stock Exchange (IDX), while the remaining studies were conducted in Saudi Arabia, the Middle East and North Africa (MENA) region, 16 countries in Western Europe, and Kenya. The dominance of the Indonesian context indicates that the available empirical evidence is still largely derived from the capital markets of developing countries; therefore, applying these findings to other national contexts should be done with caution.

Table 1. Distribution of Reviewed Studies by Industry Sector and Country Context

Sector Category	N	Representative Studies
Banking & Financial Services	3	Anjani & Tjahya (2025)[3], Lisna et al. (2025)[7], Sinaga et al. (2024)[8]
Manufacturing, Consumer Goods, Food & Beverage, Textile	8	Candra & Kusumawardani (2025) [4], Fazria et al. (2025)[14],Hanun & Pradina (2025)[15], Irawati et al. (2023)[16], Jessica & Triyani (2022)[17], Prasetyandari (2023)[18], Ramadhani & Nurullah (2025)[19], Sari & Wi (2022)[20]
Infrastructure, Property, Mining & Automotive	4	Aprianto et al. (2024)[5], Pradnyani et al. (2025)[9], Risna & Putra (2021)[21], Trisnawati (2025)[22]

Sector Category	N	Representative Studies
Healthcare & Pharmaceuticals	2	Ngantung & Handoyo (2023)[23], Oktavia et al. (2026)[24]
Advertising, Telecommunications & Cross-Country Context (Saudi Arabia; MENA; Western Europe)	4	Alabdulkarim et al. (2024)[1], Alvionita et al. (2025)[2], Shawat et al. (2024)[25], Zavalii et al. (2025)[26]
Shariah-Compliant Firms (Jakarta Islamic Index)	1	Fauzi & Puspitasari, 2021[47]
Sector Not Explicitly Specified	8	Anam et al. (2024)[6], Dewi & Elmin (2023)[10], Febrianto et al. (2021)[11], Meiliana & Jonnardi (2021)[28], Pirliana et al. (2025)[29], Revata & Sudirgo (2023)[30], Shikumo et al.(2023)[31], Sitanggang et al. (2021)[32]

Source: Data processed by the authors (2026), synthesized from the 30 articles reviewed in this study.

Table 1 shows that the studies are distributed across various sectors, with the largest concentration in manufacturing, consumer goods, food and beverage, and textile industries. Meanwhile, research in knowledge-intensive sectors and sectors characterized by intangible assets, such as advertising and marketing, remains relatively limited. These differences in sectoral contexts are important because asset characteristics, operations, and flexibility requirements may influence the relationship between firm size and firm performance.

4.3 Firm Size and Firm Performance Measurement Proxies

The synthesis results show that Ln Total Assets is the most dominant proxy for firm size, while total sales, number of employees, and market capitalization are used to a more limited extent. For firm performance, ROA is the most widely used indicator, followed by ROE, NPM, and Tobin's Q. Stable financial performance is also associated with business continuity, access to financing, and increased firm value.

Table 2. Summary of Firm Size and Firm Performance Proxies Used in the Reviewed Studies

Variable	Proxy	Level of Use	Representative Studies
Firm Size	Ln Total Assets	Dominant	Alabdulkarim et al. (2024); Ramadhani & Nurullah (2025); Lisna et al. (2025); Anjani & Tjahya (2025); Trisnawati (2025)
	Firm Size (million KES)	Limited	Shikumo et al. (2023)
	Total Sales / Log Sales	Limited	Zavalii et al. (2025)
	Log Number of Employees	Limited	Zavalii et al. (2025)
	Market Capitalization	Limited	Studies with a market-based orientation
Firm Performance	Return on Assets (ROA)	Dominant	Alabdulkarim et al. (2024); Zavalii et al. (2025); Ramadhani & Nurullah (2025); Lisna et al. (2025)
	Return on Equity (ROE)	Moderate	Alabdulkarim et al. (2024)
	Net Profit Margin / Profit Margin	Moderate	Zavalii et al. (2025); Pirliana et al. (2025)
	Tobin's Q	Limited	Market-based performance studies
	EPS Growth / Market Capitalization Growth / 12-Month Return	Limited	Shikumo et al. (2023); Studies with a market-growth orientation

Source: Data processed by the authors (2026), synthesized from the 30 articles reviewed in this study.

The dominant use of Ln Total Assets and ROA indicates a degree of consistency in measurement that facilitates comparisons of findings across studies. However, the dominance

of accounting-based indicators also indicates that market-based dimensions of performance remain underrepresented in the reviewed literature.

4.4 Tendency of the Relationship between Firm Size and Firm Performance (Research Question 1)

The synthesis of the 30 articles identified three patterns of relationship: positive, negative, and non-significant. A total of 11 articles (37%) reported a positive and significant relationship, 9 articles (30%) reported a negative and significant relationship, and 10 articles (33%) reported a non-significant relationship. This relatively balanced pattern indicates that firm size does not have a uniform effect on firm performance.

Table 3. Evidence Matrix of the Reviewed Studies

No.	Author & Year	Firm Size Proxy	Performance Proxy	Relationship
1	Alabdulkarim et al. (2024)	Total Assets	ROA, ROE	**Positive**
2	Zavalii et al. (2025)	Total Assets	ROA, Profit Margin	**Negative**
3	Oktavia et al. (2026)	Ln Total Assets	ROA	**Positive**
4	Shikumo et al. (2023)	Total Assets	EPS Growth	**Non-significant**
5	Shawat et al. (2024)	Ln Total Assets	ROA	**Positive**
6	Fazria et al. (2025)	Ln Total Assets	ROA	**Positive**
7	Jessica & Triyani (2022)	Ln Total Assets	ROA	**Negative**
8	Hanun & Pradina (2025)	Ln Total Assets	ROA	**Positive**
9	Pradnyani et al. (2025)	Ln Total Assets	ROA	**Positive**
10	Irawati et al. (2023)	Ln Total Assets	ROA	**Negative**
11	Ngantung & Handoyo (2023)	Ln Total Assets	ROA	**Non-significant**
12	Sitanggang et al. (2021)	Log Total Assets	ROA	**Non-significant**
13	Sari & Wi (2022)	Ln Total Assets	ROA	**Non-significant**
14	Candra & Kusumawardani (2025)	Ln Total Assets	ROA	**Positive**
15	Fauzi & Puspitasari (2021)	Ln Total Assets	ROA	**Negative**
16	Revata & Sudirgo (2023)	Ln Total Assets	ROA	**Non-significant**
17	Dewi & Elmin (2023)	Ln Total Assets	12-Month Return	**Negative**
18	Pirliana et al. (2025)	Ln Total Assets	ROA	**Non-significant**
19	Prasetyandari (2023)	Total Assets	ROA	**Non-significant**
20	Aprianto et al. (2024)	Ln Total Assets	ROA	**Non-significant**
21	Anam et al. (2024)	Ln Total Assets	ROA	**Non-significant**
22	Febrianto et al. (2021)	Ln Total Assets	ROA	**Negative**
23	Alvionita et al. (2025)	Ln Total Assets	ROA	**Negative**
24	Ramadhani & Nurullah (2025)	Ln Total Assets	ROA	**Positive**
25	Lisna, Hasbuddin, & Nur Asni (2025)	Ln Total Assets	ROA	**Positive**
26	Trisnawati (2025)	Ln Total Assets	ROA dan ROE	**Non-significant**
27	Anjani & Tjahya (2025)	Ln Total Assets	ROA	**Positive**

No.	Author & Year	Firm Size Proxy	Performance Proxy	Relationship
28	Meiliana & Jonnardi (2021)	Ln Total Assets	ROA	**Negative**
29	Risna & Putra (2021)	Ln Total Assets	ROA	**Negative**
30	Sinaga, Hidayat & Ningrum (2024)	Ln Total Assets	ROA	**Positive**

Source: Data processed by the authors (2026), based on the 30 articles reviewed.

Differences in empirical findings are evident across various sectoral contexts and performance measurements. Positive relationships were found in several studies in the banking and healthcare sectors, while negative relationships were found in studies in the advertising and marketing sectors as well as several other sectors. Non-significant relationships were also found in several studies with different object characteristics and research periods. These variations indicate that empirical findings regarding the relationship between firm size and firm performance differ across studies.

4.6 Theoretical Explanations for the Variation in Findings (Research Question 2)

The four theoretical perspectives Resource-Based Theory, Economies of Scale Theory, Agency Theory, and Dynamic Capability Theory provide complementary explanations for the variation in the relationship between firm size and firm performance. The conditions supporting these relationships are presented in Table 4.

Table 4. Synthesis of Theoretical Perspectives Explaining the Firm Size–Firm Performance Relationship

Theory	Core Argument	Condition Supporting a Positive Effect	Condition Supporting a Negative/Insignificant Effect
Resource-Based Theory	Firm size reflects the possession of strategic resources that are valuable, rare, inimitable, and non-substitutable (VRIN).	Resources are effectively managed and combined to create value (Shawat et al., 2024; Alabdulkarim et al., 2024).	Large resources are not utilized optimally (Alvionita et al., 2025).
Economies of Scale Theory	Larger operational scale reduces average cost per unit through resource efficiency.	Firms are able to maintain operational efficiency as their scale grows (Oktavia et al., 2026; Anjani & Tjahya, 2025).	Organizational complexity and coordination costs increase beyond the benefits of scale (Zavalii et al., 2025).
Agency Theory	Firm size affects the magnitude of agency costs and the need for monitoring mechanisms.	Governance and monitoring develop alongside firm growth (Lisna et al., 2025; Sinaga et al., 2024).	Firm size increases without improvements in monitoring mechanisms, resulting in information asymmetry (Jessica & Triyani, 2022).
Dynamic Capability Theory	Performance is determined by the capabilities of sensing, seizing, and transforming, rather than by firm size alone.	Large firms possess adaptive capabilities to transform resources (Shawat et al., 2024).	Large firms are more rigid and slower to adapt than smaller and more agile competitors (Zavalii et al., 2025).

Source: Authors' synthesis (2026) based on the theoretical review and empirical evidence from the 30 articles reviewed in this study.

Substantively, firm size can be viewed as a potential capacity rather than an automatic guarantee of improved performance. Resource-Based Theory and Economies of Scale Theory explain the potential benefits of firm size through resource ownership and cost efficiency. Conversely, Agency Theory and Dynamic Capability Theory explain that these benefits may not be realized when firm growth is accompanied by increased complexity, agency costs, weak monitoring, or limited adaptive capabilities. Consistent with the Agency Theory perspective,[53]. emphasizes the importance of monitoring mechanisms by independent parties to reduce conflicts of interest between agents and principals. Thus, the quality of

resource management and organizational capabilities becomes an important condition in determining whether firm scale can be translated into better performance.

4.6 Comparison with Previous Systematic Reviews

The findings of this study are consistent with several previous systematic reviews, while focusing more specifically on the relationship between firm size and firm performance. [20] highlights the importance of decision-making capabilities in utilizing resources, while [35] positions dynamic capabilities as a mechanism linking resources and performance. [17] also shows that the relationship between firm characteristics and performance is influenced by industry and country contexts. These similarities reinforce the synthesis findings that firm size cannot be separated from resource management, adaptive capabilities, and organizational context.

4.7 Theoretical and Practical Implications

Theoretically, this study provides an integrative framework that combines four theoretical perspectives to explain variations in the relationship between firm size and firm performance. These four perspectives complement one another in explaining the benefits of resources and scale, as well as their limitations related to governance, agency costs, and adaptive capabilities.

Practically, the findings indicate that growth in firm size needs to be accompanied by strengthened organizational capabilities, operational efficiency, and governance. For investors and analysts, firm size cannot be used as the sole indicator for understanding a firm's profitability. For regulators, the findings regarding agency costs and organizational complexity highlight the importance of governance mechanisms that are appropriate to the scale of the business.

4.8 Limitations of the Study

This study has limitations because it employed qualitative evidence synthesis rather than meta-analysis, and therefore did not produce a pooled effect size. In addition, the majority of the articles were based on the Indonesian context, and the search was limited to articles published in Indonesian and English and indexed in the databases used. Therefore, the findings should be generalized with caution, and future research may employ meta-analysis with broader database coverage and wider geographical contexts.

Conclusion

This study shows that the relationship between firm size and firm performance is contextual and cannot be explained by firm size alone. Based on a synthesis of 30 articles published during the 2021–2026 period, variations in findings are evident across industry sectors, country contexts, and the measurement proxies used. Thus, this study addresses the first objective by demonstrating that firm size is not a single determinant that universally improves or reduces firm performance.

Theoretically, this study shows that Resource-Based Theory and Economies of Scale Theory explain the potential benefits of firm size through the possession of strategic resources and cost efficiency, whereas Agency Theory and Dynamic Capability Theory explain conditions under which these benefits may not be realized due to organizational complexity, agency costs, and the demands for adaptive capabilities. The integration of these four perspectives provides a more comprehensive framework for explaining variations in the relationship between firm size and firm performance, while also addressing the second objective of the study.

The contribution of this study lies in the integration of multiple theoretical perspectives and the systematic and reproducible application of PRISMA 2020 in synthesizing diverse empirical evidence. Practically, the findings indicate that increases in firm size need to be accompanied by strengthened governance, operational efficiency, and adaptive capabilities so that a firm's capacity can be translated into improved performance. This approach can serve as

a consideration for management, investors, and regulators in understanding the relationship between firm scale and performance.

This study is limited by the use of qualitative evidence synthesis, which does not produce a statistical effect size, as well as by the dominance of articles from the Indonesian context. Future research can extend these findings through quantitative meta-analysis with broader data coverage, consideration of moderating variables such as governance quality and digitalization, and expansion to wider geographical contexts to obtain a more comprehensive understanding of the conditions that determine the effectiveness of firm size in influencing firm performance.

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