

# Impact of Organizational Structure on Employee Motivation in “SME” Business

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**Abstract—** The main intention of this study was to identify how the structural factors would influence Employee Motivational level of the SME Businesses Sri Lanka. This study has been taken place on SME (small and medium) business in Sri Lanka to identify range of various structural, hierarchical and motivational variables. Target group of SME entrepreneurs and employees were used in the study to identify the business structure of the company and the respective motivational levels of the employees. Questionnaires were used to collect data on deferent dimensions identified in the literature review. Those variables were tested through a correlation analysis to prove derived hypothesizes. Research data supported most of the hypotheses, however unity of command was not perceived as the main determinant factor on motivation by individual. Research findings further suggest that there is a significant relationship between the SME business structure and the motivation level of the employees. However SME businesses are largely influenced by high labor turnover rates. Further data suggest that MBO can be used as a goal congruence method in this type of business. This paper would shade light on policy makers to promote the SME business. Further these results will be use full to SME entrepreneurs in making their structural related decisions.

**Keywords-** *Motivation; Mechanistic structure; Hierarchy; Employee employer relationship; Freedom and autonomy*

## I. INTRODUCTION

Small and Medium Enterprises (SMEs) are considered to be one of the main components of economic development of all economies because they generate new job opportunities, bring in new business strategies and products, decrease the absolute poverty [1],[2]. Therefore, SMEs are recognized as the backbone of economic development of a country [3] .[4] Mounir ,Ali & Moncef [5] explains that the information flow and decision making capacity will be a critical factor in improving the efficiency in an organization. According to Paul [6] structure of the company, would have a direct impact on the motivational level and the performance level of the company. Despite the modern trends towards decentralization, many organizations in today's context have the utmost faith in their line of bureaucracy rather than the systematic divine of authority they tend to rest their interest on the key figures. Particularly this is noticeable through analysis of many privet limited companies in Sri Lanka. This research would rely on

the fact notion that the motivation and the authority should take a different form and collaboration. And the outlay of the scientific analysis is depicted on here. This research is supported out to assess “The impact of organizational structure on employee motivation of the SME Sector In competitive world, new ventures and large mature organisations face fundamentally different structural challengers [7], [8]. These differences are particularly clear in emergent economic sectors that are typically characterized by instability and ambiguity [9]. As a result of surrounded formalized roles and routines, functional silos, and administration by managers insulted by multiple bureaucratic layers from the changing realities of the marketplace, large mature often have difficulty responding to environmental turmoil.

### A. Significance of the study

Organizations are considered as social entities that are goal directed, designed as purposely structured and coordinated activity systems and organized activity systems and connected and link to the external atmosphere. The key element of an organization is not a building or a set of policies and practices; organizations are made up of employees and their relationships with each other. An organization exists when people connects with one another to perform essential functions that help attain goals. An organization exists when people connects with one another to carry out important functions that help out to accomplish goals [10]. Organizational structure refers to how an organization is put together. As soon as an origination hires staff, an organizational structure is implemented. The real design of this organizational structure is a combination of intentional choices and unconscious, emerging developments [11]. Structure reflects some of the key methods that employees communicate with each other within and across jobs or departments [12]. According to Thrash, & Elliot, [13] motivation is a highly related dependent factor of autonomy at work and ability to innovate, both of which have heavy reliance on structural components of the organization like hierarchy, chain of command. Another research done on business emotions has found out that the employees goal orientation increases with their level of motivation on the job. Further the study has found out that motivation increases with

level of autonomy and hierarchical structure of the company [14]. Although ample research results support the connection between hierarchical and structural configuration of the organization and the motivation level of the individuals, there is poor literature suggesting organizational structure and motivational level of the SME business in Sri Lanka.

#### *B. Objectives*

1. To analyze the characteristics of various models of organization structures and identify the effectiveness of the organization structure of SME industry and how it affects the motivation of employees.

2. To identify the relationship between organizational structure and motivational level of individuals in SME business Sri Lanka

## II. LITERATURE REVIEW

#### *A. Lack of Internal Communication, organizational structure and motivation)*

Many researchers have identified the criticality of the communication on the structure of the organization. According to some experts the communication can be defined as communication can be viewed as a transmission process through a channel (mode) that includes messages (content), the channel (mode), feedback (bidirectional communication), and communication effects [15]. According to Porter [16] there can be many forms of communication among the groups and the individuals inside the organization. Namely Formal non formal and intentional and unintentional. He also argues that many organizations give the priority to intentional official / formal communication while most of the motivational issues can be identified through non formal communication where the individuals are free to communicate their clear thoughts directly. And he also argued that the unintentional communication would give the real snapshot about the inner selves of the people. Hence the organizations should design there structure promoting the informal communication also in there companies. Egan, Yang & Bartlett [17] argued that communication flow is critical in learning organizations and the study also argues that if the organizational structure do not support a proper communication system role ambiguity will increase following high turnover and demotivation of work force. According to Michelle [18] one parameter to measure the internal communication effectiveness is through the analysis of number of repetitive mails. Further the study claims that this can be used to check the hierarchical model of the company. In another research it was found out that number of errors caused due to miss communication and ambiguousness can be a direct indicator for the ineffectiveness of the communication system of the company that would led to role ambiguity and demotivation.

Research Gap : Although many studies has identified the criticality of the communication system on motivation , There is no significant literature supporting the argument that

effective communication system can improve the motivation level of the employees is SME sector Sri Lanka”.

#### *B. Failure of unity of command and impact of that on motivation.*

Unity of command is one of the key features of the organizational structure which is bound to be violated due to the complications and the complexity of the duties and responsibilities in modern day business environment. According to Flynn et al. [19] the organizational turnover is directly related to the degree of unity of command that is practiced by the organizations. When the job design itself is ambiguous people tend to tense on the job and flea as soon as possible. Another researcher Wong et al. [20] also have researched on this matter and found out that the individuals stress levels will increase if they have to report to two bosses at the same time. Even though the job is less complicated. He said that the fact an individual have to report to two bosses itself generate a huge tension. Hence the use of chain of command should be precisely noted down and the unity of command should be maintained at all costs. Spam of control is considered as relevant tool to measure the unity of command. When the spam of control is wider, then the unity of command would be breached as there would be informal role active due to lessor control of the manager. The study further explains that accurate fit on spam of control can be calculated by calculating a ratio were  $\text{spam fit} = (\text{spam of control of the manager}) / (\text{Mid yeat work force}) \times 100$ . Further according to the study the percentage should be less than 20% [21]. Another study has identifies that the unity of command can be measured by the number of people who give direct orders to a job role. Further according to the study when the number increases the unity of command reduces [22]. According locke & lathum [23] there are evidence that unity of command can influence the productivity and employee motivation of the organizations.

Research Gap: According to the literature there is a clear gap in understanding on the research report of the organizations.

#### *C. Delegation of power*

Jamanie, Sangkala &, Rahwarin [24], has identified that delegation of power based on the district is more effective that maintaining national centric system of decision-making. [25] has identified that the sales personnel performance would be enhanced when the pricing decision is delegated to individuals. Further the study highlighted that per person profit is maximized through this. Lee, Deok Cho & Gatton [26] identified that the delegation of power takes place mainly in two forms were some authority delegations were focused on expanding the scope of the job while the other approach is focused on expanding the job role. In the job scope expansion job enlargement philosophy is used while the role expansion involves with job enrichment.

#### D. Impact of organizational structure on Motivation

Past researches demonstrate that there is a bigger connection between the organizational structure and its motivation. Organizational background leads to rules and regulations and freedom of work and composition to name a few [27]. Although performance is generally determined by financial figures, it can also be measured through the combination of expected behavior and task-related aspects [28]. Organizational performance Research on start-ups [29] demonstrates that emerging and applying an acceptable structure is one of the most important problems entrepreneurs come across". Recent experimental studies show that the "organizational design process is apparently a very vital basis of the performance of firms [11]. In the recent four decades, a range of studies have scrutinized Burns and Stalker's ideas and have in general proved that "organizations in dynamic environments perform well if their structures are more organic [30],[31]. The majority of the empirical studies of this assumption. Further, it helps the organization to achieve its objective and thus leading to stability of workplace [32] Organizations with a centralized structure have numerous layers of management that control the company by retaining a high level of authority.

### III. RESEARCH METHODOLOGY

Research is defined as a scientific and methodical search for significant information on a specific topic and is also described as the search for knowledge [33]. The main purpose of the research is to find out the impacts of organizational structure on employee motivation. In this approach many the research success depends on the level of participation and the depth of it among the members of the participants. The motivation should be there from the participants' point of view. And the participants should have fear understanding about the products or the subject matter

#### A. Sampling

Sings the study has already identified the scope area as the SME Businesses, the samples will be collected from this Place. And the population of this report would be the Total pool of employees including existing and previous employees (served more than six months) who are influenced by the structural decisions made by SME industry manager's management. And therefore the sample will represent 100 employees who are both currently working in SME industry managers, employees and who was working for a significant time. And the sampling method utilized is random sampling as for quantitative research the randomization of sample is considered to be the best methods [15].

#### B. Conceptual Framework

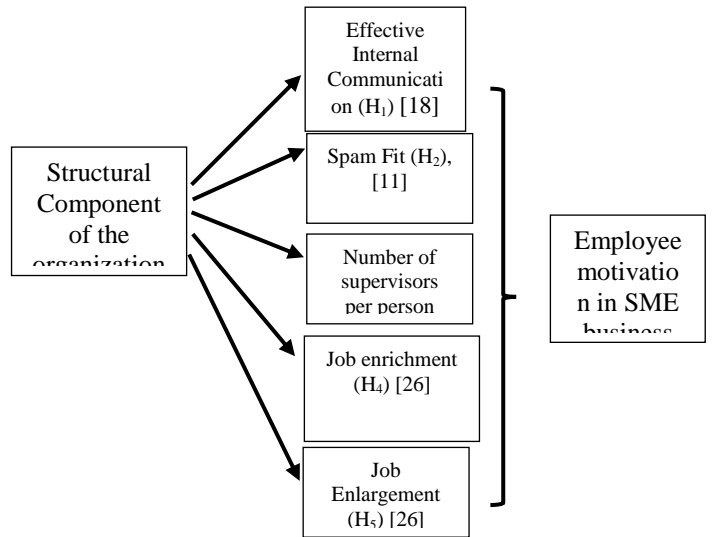


Figure 01. Conceptual Framework

#### C. Hypotheses.

- H1: There is a positive relationship between Effective Internal Communication and employee motivation.
- H2: There is a positive relationship between Spam Fit and employee motivation
- H3: There is a negative relationship between Number of supervisors per person and employee motivation.
- H4: There is a positive relationship between job enrichment and employee motivation.
- H5: There is a positive relationship between Job enlargement and employee motivation.

TABLE I. VARIABLE CLARIFICATION

Hypothesis	Dimension	Measurement
Effective Internal Communication (H <sub>1</sub> );[18]	Bottom Up Communication	Inputs of lower level workers were used to prepare objectives targets
	MBO	Employee's expectations were included in the objectives.
	Lack of Communication Overlaps	Number of times a message is delivered to same individual.
Spam Fit (H <sub>2</sub> ), (Shoraj & Llaci) [21].	Ideal Fit	5%-15%
	Smaller spam	<5%
	Larger spam	20<
Average people giving direct orders (H <sub>4</sub> )		Number of people advise on a given decision.
Job enrichment (H <sub>5</sub> ) [26]	New job roles	Number of duties passed on by the supervisor
	Ability to make decisions on that advance role	Autonomy on making decisions on advanced duties
Job Enlargement (H <sub>6</sub> ) [26]	Increase in the number of same	Increase in the number of same level duties

#### IV. FINDINGS

According to the table 01 the factors identified as effective communication namely, Bottom Up communication, lack of communication overlap and MBO are strongly connected with employee motivation with a significance level less than 0.01. Therefore it can be concluded that there is a positive relationship between the effective internal communication and the employee motivation. **Hence the H1 is proven with high statistical evidence.**

TABLE II. CORRELATION OF EFFECTIVE INTERNAL COMMUNICATION AND EMPLOYEE MOTIVATION

		Employee motivation	Bottom Up Communication	MBO	Lack Communication Overlaps
Employee motivation	Pearson Correlation	1	.919**	.935**	.955**
	Sig. (2-tailed)		.007	.002	.004
	N	100	100	100	100
Bottom Up Communication	Pearson Correlation	.919**	1	.946**	.985**
	Sig. (2-tailed)	.007		.000	.000
	N	100	100	100	100
MBO	Pearson Correlation	.935**	.946**	1	.963**
	Sig. (2-tailed)	.002	.000		.000
	N	100	100	100	100
Lack of Communication Overlaps	Pearson Correlation	.955**	.985**	.963**	1
	Sig. (2-tailed)	.004	.000	.000	
	N	100	100	100	100

TABLE II: CORRELATION WITH JOB ENRICHMENT AND EMPLOYEE MOTIVATION

		Employee motivation	New job roles	Ability to make decisions on that advance roles
Employee motivation	Pearson Correlation	1	.949**	.965**
	Sig. (2-tailed)		.000	.000
	N	100	100	100
New job roles	Pearson Correlation	.949**	1	.985**
	Sig. (2-tailed)	.000		.000
	N	100	100	100
Ability to make decisions on that advance roles	Pearson Correlation	.965**	.985**	1
	Sig. (2-tailed)	.000	.000	
	N	100	100	100

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

According to the table two the two sub factors of job enrichment namely new job roles and ability to make decisions on that advanced roles are strongly correlated with the employee motivation of SME sector. Therefore it can be concluded that the job enrichment has a positive correlation with the employee motivation of SME sector Sri Lanka. **Therefore H4 is proved according to the research findings.**

TABLE III: CORRELATION OF SPAM FIT AND EMPLOYEE MOTIVATION.

		Employee motivation	Ideal Fit	Smaller spam	Larger spam
Employee motivation	Pearson Correlation	1	.985**	-.432**	-.484**
	Sig. (2-tailed)		.002	.064	.067
	N	100	100	100	100
Ideal Fit	Pearson Correlation	.985**	1	-.432**	-.484**
	Sig. (2-tailed)	.002		.002	.000
	N	100	100	100	100
Smaller spam	Pearson Correlation	-.432**	-.432**	1	.110
	Sig. (2-tailed)	.064	.002		.448
	N	100	100	100	100
Larger spam	Pearson Correlation	-.484**	-.484**	.110	1
	Sig. (2-tailed)	.067	.000	.448	
	N	100	100	100	100

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

According to the table III all the spam fit factors do not tally with the suggested correlation as the smaller spam and the larger spam factors are negatively correlated and the significance level do not suggest a reliable relationship. Therefore two factors identified as small spam and large spam is not directly correlated to employee motivation for SME industry. However the Ideal Fit factor is directly connected to employee motivation as the Pearson value is 0.985 with significance rate of 0.002. Hence it can be concluded that the spam fit has a positive direct correlation with employee motivation. **Therefore the H2 is proved with significance evidence.**

TABLE IV: CORRELATION WITH UNITY OF COMMAND AND EMPLOYEE MOTIVATION

		Employee motivation	Number of people advise on a given decision.
Employee motivation	Pearson Correlation	1	-.949**
	Sig. (2-tailed)		.000
	N	100	100
Number of people advise on a given decision.	Pearson Correlation	-.949**	1
	Sig. (2-tailed)	.000	
	N	100	100

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

As indicated in the table IV employee motivation reduces when number of people, giving direct orders increases and vice versa. In the sense motivation of employees increases when unity of command increases. Therefore there is a positive relationship between unity of command and the employee motivation.

↑ Increase in number of people advise on a given decision=reduction in unity of command ↓

↓ Decrease in number of people advise on a given decision=Increase in unity of command ↑

Therefore the negative Pearson value of the measurement identifies the positive relationship between unity of command and motivation of the employees. Therefore unity of command has a direct impact on the motivation of SME sector employees.

**Hence the H3 is proved with sufficient statistical evidence.**

TABLE V: CORRELATION BETWEEN JOB ENLARGEMENT AND EMPLOYEE MOTIVATION

		Employee motivation	Increase in the number of same level duties
Employee motivation	Pearson Correlation	1	.373**
	Sig. (2-tailed)		.068
	N	100	100
Increase in the number of same level duties	Pearson Correlation	.373**	1
	Sig. (2-tailed)	.068	
	N	100	100

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

According to table V the relationship between employee motivation and job enrichment measured by the increase in the number of same level duties has a weak positive relationship however the reliability is identified as 0.68. Therefore the positive relationship is not strong enough and the probability is not significant to conclude this relationship as strong correlation. Therefore the Null hypothesis of the study is proven in this finding **Hence it can be concluded that H5 is disproved therefore the null H05 is proved in this findings.**

## V. DISCUSSION

According to the findings effective communication act as a factor for motivation of the employees which is also suggested by Porter [16]: Egan, Yang & Bartlett [17]: Michelle [18]. However MBO (Management By objective) can be used as a management strategy to reduce the communication gap in the business system. However this approach can be facilitated by stimulating the bottom up communication, where managers are getting information from the lower level workers in setting goals and objectives. Further as findings indicated the communication overlap would mitigate the communication effectivity of the organization and lead to role ambiguity that will cause demotivation of individuals. Further as indicated in Table 02 the spam fit improves the employee motivation were

ideal spam fit identified by Shoraj & Llaci [21] is proved to have direct impact on the motivational levels of SME businesses in Sri Lanka. However findings of the study explain that spam of control cannot be lower or higher but ideally fitting to the workforce of the organization. In the open ended question number 06

*“Why are you dissatisfied with the management style of your supervisors?”*

Employees have mentioned that the wider spam of control is not effective as the manager would make unrealistic decisions without understanding on the ground level activities. Further in the same question employees who work under narrow spam of control explained that high level of interference and monitoring has made huge stress at their workplace and it is a direct factor for demotivation. There the qualitative result is tallying with the statistical results shown in then table 02. Further in the table 04 findings related to job enrichment is shows that employees are motivated with empowerment. Further the results indicates that the employee opportunity to involve in supervisor level job roles will motivate them. However the fact is highly correlated with the ability of the individuals to make decision in those supervisor level job roles which is evidential in the findings as the covariance of these two factors are identified as Partial ETA Squire 0.87. So it can be further concluded, according to analysis in table 04 the job enrichment has a higher impact on the motivation of SME employees. However employees need to be empowered with decision making ability on the delegated higher-level responsibilities to get the maximum impact from that strategy. However the relationship of job enlargement and the motivation is not clearly concluded in the data despite the positive low Pearson value. One manager explained that

*“Some employees like more work but some do not like to work more. Even the employees who like to work more would be stressed and feel monotonous after some point”*

This feedback indicates the unpredicted relationship between job enlargement and motivation of the employees.

## VI. CONCLUSION

Further according to the study the Hypothesis H5 is disproved and the null is proved. Therefore it can be concluded that the SME business can improve the motivation level of the work force by improving structural configurations of the organizations. Further company can use MBO practices and use bottom up communication methods to stimulate openness of the communication among different level of the organizations. Further SME organizations should identify the ideal spam fit for their organization and respective department. Moreover the study reveals that more the supervisors per individual higher the dissatisfaction in the job. Hence the SME businesses should have to maintain the unity of command across the organizations. Study result further highlights that job enrichment can be used as a motivating factor for

employees in SME sector. However the increase in number of duties has not proved to be a method to achieve motivation.

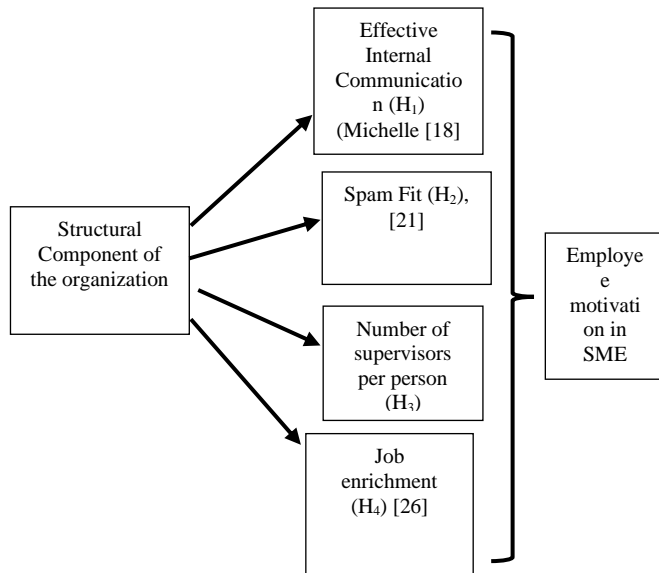


Figure 02. Proven conceptual framework of the study

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