



INNOVATIVE ORGANIZATIONAL STRUCTURES AND BUSINESS PERFORMANCE OF SMALL AND MEDIUM ENTERPRISES IN SRI LANKA

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Abstract: A major feature of the development of Small and Medium Enterprises is the innovative organizational structure of a business which has been dealt with greater concern. It indicates the nature in which the work, resources and authority have been distributed in a well-organized and consistent manner, to achieve the comprehensive objectives of the business. This study intends to scrutinize the connection between innovative organizational structure and the performance of Small and Medium Enterprises in relation to Sri Lanka. It is clear that this subject has attracted extensive attention during the last few years as shown by the literature review on innovative organizational structures. It is common view that business environment needs organizations to implement innovative approaches to organize their activities to get advantage in the increasingly turbulent market place, as academics and practitioners appear to agree. Nevertheless, the connections between innovative structures and performance continue to be an area which is less studied. Likewise, the activities of major international companies in few business sectors have been considered for many studies of innovative structures. A sample of 383 Small and Medium Enterprise holders were used in this study for the data collection conducted using a structured survey questionnaire. The analysis contained descriptive and inferential statistics. The results indicated that hypotheses of the study tested with the significant, weak positive relationship between the innovative organizational structure and the performance of small and medium enterprises in Sri Lanka. Since, all dimensions were tested and results presented the same outcome, a qualitative component was applied in addition. The best relationship was found to be between Specialization and the Performance of SMEs. The conclusion of the study indicated that the innovation is the most powerful concept in the field of small business to win the competition and survive the future direction but it is still in the initial stage of practical application of Small and Medium Enterprises in Sri Lanka.

Index Terms - Key Words: Innovation, Structure, Innovative Structure, Business Performance, SMEs

I. INTRODUCTION

Creating a suitable organizational structure to handle the requirements of contemporary businesses is one of the most challenging issues organizations and their managers come across (Miles et al., 1997; Black and Edwards, 2000). In this perspective, organizational structural change has been one of the most prominent issues in management and organizational studies over the last two decades as it is controversial (Stebbins et al., 1998; Volberda, 1998; Hinkin and Tracey, 1999; Pettigrew et al., 2000; Black and Edwards, 2000).

It is observed that small to medium-sized ventures functioning in non-technological sectors having innovative structural practices, as well as organizations within single national geographical boundaries have been somewhat overlooked. The foundation for this study is laid on two inter-related concerns. Firstly, this study intends to fill the dearth of empirical research conducted in the management of structural adjustment in small businesses in traditional sectors. Particularly, innovative structural procedures in smaller organizations in a non-technologically-driven sector would be explored and described in the study. Secondly, this study aims to provide a response to the current demands for better knowledge and examination of seemingly innovative managerial practices, to fill the existing vast gap between theory and practice on the execution and dispersal of inventive methods of structuring and managing establishments (Romme, 1997; Lillrank and Holopainen, 1998; Pettigrew et al., 2000; Black and Edwards, 2000).

Therefore, the foremost intention of this study is to scrutinize the connection between innovative organizational structure and the performance of SMEs in Sri Lankan context. There are seven elements of organizational structure, identified for discussion in relation to the performance of SMEs. In order to have proper application of those elements, definitions and effects of each element and common mechanisms are used. Further, OS and firm size display a suitable arrangement for yielding better results as literature suggests. Hence, the objective of this article is to examine the relationship between innovative organizational structure and the performance of SMEs in Sri Lanka. Consequently, the following questions are formulated, bearing in mind the prominence of the above relationship:

- (1) How is the association between the innovative organizational structure and the performance of SMEs in Sri Lanka?
- (2) Which dimension of Innovative Organizational Structure shows the better relationship among others?

Problems and challenges confronted by the SMEs in running their businesses could become grave issues for the organizational structures of the establishments unless due attention is given. The SMEs need to attempt to gain suitable knowledge and achieve talents that become beneficial to their businesses. In order to reach that standard, it is required to have the strategic entrepreneurial actions and positive thinking patterns appropriate for SMEs' to create a unique innovative structure and superior impression, displaying the SME style of operation.

Prevailing literature has a shortage of studies conducted on innovative structure at diverse levels but mainly emphasize on internal operation of the entire business of the SME sector. Since innovative structure at the SME level is related to the individual decisions which affects the Performance of SMEs, it is vital to evaluate this aspect. It is of prominent concern to find a small number of studies carried out on innovative structure at dimension (Lumpkin and Dess, 1996) level and the scarcity of examinations based on innovative structure is detected (Weerakkody, 2015). The Sri Lankan government cannot be regarded as reluctant in the development of SMEs in the country, since much effort was taken to elevate the growth of the industry in an attempt to enhance the awareness. This encouraged several different authorities to facilitate the creation of SME businesses in support of small undertakings, as a solution to bridge the gap between the national income and the employment generation of the country with concern to global changes.

Nowadays young generation has the mindset to start their own ventures without getting employed in other organizations and it is appropriate that relevant entrepreneurial culture is promoted. Besides, the business holder's lack of interest to operate a successful SMEs and the inadequate awareness of non-business disciplines (Weerakkody, 2015) are the issues many countries continue to cope up with. Sri Lanka has failed to reach a satisfactory level in relation to the number of SMEs in the country despite the practices embarked so far, to stimulate SMEs based on entrepreneurship culture. Within the present circumstances, the country does not offer a suitable advanced structure system that would lead the businesses to success (Weerakoon, 2012) and based on this background, the two questions for this study was initiated. Hence, it is important to examine how the SMEs survive within the existing innovative environments and progress the businesses, performing best practices in the SME sector (Wijesekara et.al., 2014; Wijesinghe, 2015). Accordingly, the question comes up with regard to, how the relationship exists between innovative organizational structure and the SME performance in Sri Lanka.

Literature Review

The primary task of the literature survey is to create a comprehensive theoretical basis based on the current research in this field. Contemporary and important information in the past, relevant to the link between innovative organizational structure and the performance of SMEs within the context of Sri Lanka, were examined. Initially, essentials of SMEs with regard to this study area will be explained using valuable theories, approaches and models. Next, the theoretical interpretations of SMEs and the performance of SMEs which is the dependent variable of this study, will be addressed. Thereafter, the pertinent concept of innovative organizational structure that serves as the independent variable, will be discussed. Finally, definitions and meanings, as well as the significance of these factors will be deliberated and the relationship between these elements and the performance of SMEs will be emphasized to enhance the present views. Organizations in the SME sector are primarily regarded as the powerful dynamism of growth in developed and developing countries and backbone of the country's national economy (Wijethunga and Pushpakumari, 2014).

Small and Medium Enterprises (SMEs)

SMEs very often encounter numerous challenges which finally leads to disruption of their growth and end up in closing down the business. It appears that very few small enterprises are able to withstand these issues successfully, continue and flourish (Rodríguez-Gutiérrez et al., 2015). The existing literature highlights the prominence of internal features such as innovative structure in comparison to other factors (Rodríguez-Gutiérrez et al., 2015).

It is not easy to come across a definition for SMEs which is globally agreed upon, as any given definition could vary, based on the circumstantial features like economic growth of the country, type of the business, and the status of the study. Based on that table 1 presented few definitions of SMEs in the western countries as follows.

Table 1: Definitions of small and medium enterprises in the western countries

Country	Number of Employees less than	Annual Sales Turnover less than	Total Assets less than	Other / Comments
USA	500	-	-	Definition by U.S. Small Business Administration office
China	300	US\$ 46.11 Mn (¥ 300 Mn)	US\$ 61.48 Mn (¥ 400 Mn)	Revenue Depends on the industry
EU	250	US\$ 55.84 Mn (€ 50 Mn)	-	Total Balance Sheet US\$ 48.02 Mn (€ 43 Mn)
Republic of Korea		-	-	Factors vary according to the industry
Taiwan	200	-	-	Capital <US\$ 2.42 Mn (Manufacturing Sector)
	100	-	-	Capital <US\$ 3.03 Mn (Service Sector)
Malaysia	150	MYR 25 Mn US\$ 6.38 Mn	-	Manufacturing, Manufacturing- Related Services and Agro-based industries
	50	US\$ 1.28 Mn (MYR 5 Mn)	-	Services, Primary Agriculture and & ICT

Source: United States International Trade Commission, 2010; Asian Productivity Organization, 2015.

The literature reveals that many academics have acknowledged a comprehensive array of factors to be determinants of SME performance up to now. These determining factors are known to be classified in various methods and their effectiveness tend to differ among countries based on the geographical, economic and cultural nature. Therefore, the definitions of SMEs from the different countries are based on the different categorical views. The Sri Lankan context definitions are highlighted in the table 2.

Table 2: Definitions of small and medium enterprises in Sri Lanka

Institute	Maximum # of Employees	Max. Annual Turnover (Rs)	Maximum Assets (Rs)	Other / Comments
Department of Small Industries	50	-	-	Capital investment less than Rs. 5 million
Export Development Board	-	50 million	-	Investment less than Rs. 8 million
Central Bank		600 million	-	Borrowings below Rs. 200 million
Ministry of Industry and Commerce	300	750 million	-	Manufacturing Sector
	200	750 million	-	Service Sector
SME White Paper 2002, Ministry of Finance	-	-	50 million	excluding land and buildings

Source: Jayasekara & Thilakarathna, 2013; Ministry of Industry and Commerce, 2015

Business Performance

Business performance of an organization can be explained as the result of real output measured against its input as defined by Mata and Aliyu (2014). It can also be regarded as the establishment's capability to attain the objectives of the organization while according to other research, performance is the standard of success of a business venture irrespective of its size (Daft, 2013). Further, literature illustrates that performance is an incorporation of efficiency, effectiveness and productivity of a business establishment where efficiency denotes the manner in which resources are utilized, effectiveness specifies the way organizational goals are attained (Daft, 2013). Therefore, the extent to which the planned goals are succeeded by the establishment can be regarded as the general definition of business performance of SME.

Measures of Business Performance of SMEs

It becomes necessary to select the criteria for measuring the performance based on the context of the organization under study, since performance is a circumstantial existence. Single operational measure would not be suitable to get an accurate illustration of organizational performance as it is a multi-dimensional construct.

Financial Measures and Non-Financial Measures

Performance of SME could be observed either as financial performance or non-financial performance. The main measure of the success in a business establishment is financial aspect which is widely used. Financial performance is regarded as the best indicator of performance for SMEs by some academics as these include the overall objective of many SMEs and due to the easy nature in ranking the performance. Many argue that financial measures are objective, simple and effortless to comprehend and determine although these are ancient and not easy to obtain. Some financial measures like revenue and profitability pronounce the present situation of performance but do not forecast the long term survival of the organization and it is recommended to be more concerned about the factors that can envisage the steady future.

Owners' satisfaction, customer satisfaction, employee satisfaction, investments into training, new value streams, public image and perception, innovation, innovativeness, market share and market share growth, employee morale, productivity, product quality, investment in R&D, number of employees, growth in revenue across time, revenue per employee, company reputation are some of the measures used for non-financial criteria. Some research demonstrated that, although difficult to evaluate, non-financial measures can be useful in observing the progress of a business and it is also clear about the considerable influence, non-financial performance possesses on financial performance too. Hence, it is clear that both financial and nonfinancial measures can be used simultaneously in a study examining the relationship between innovative organizational structure and the performance of SMEs to guarantee an accurate conclusion.

Innovation

Many establishments consider innovation as a vital factor required for development and also a key element of competitive advantage. Innovation needs many activities coordinated by different persons and the integration of professional tasks, information domains and frameworks of application. Further, the development of innovation is based on organizational creation (Van de Ven et al 1999). The effective application of creative resources and novel technologies depend on the ability of an organization to innovate, and is a pre-condition for the same.

Organizational Structure

Literature describes organizational structure in several ways. The manner the work responsibilities are properly distributed, assembled and coordinated, is the definition given by Robbins and Judge (2013). Meanwhile, Certo and Certo (2015) explained structure as the existing links between resources of the management system, that facilitates achieving the company objectives. Further, the form of jobs and groups of jobs in an institute is another definition of the term as provided by Gibson, Ivancevich, and Konopaske (2012). Organizational structure

denotes the formal arrangement of persons and clusters in relation to the distribution of jobs, accountabilities, and authority within the organizations. Some academics identify organization structure as the method in which the activities of the organization are allocated, systematized and coordinated.

Innovative Organizational Structure

Existing literature on organizational innovation is diversified and three broad streams are significant. The association between the structural systems and the tendency of the organization to modernize (e.g. Burns and Stalker, 1961; Lawrence and Lorsch, 1967; Mintzberg, 1979) is the primary basis of organizational design theories. The main aim of research in this category is to recognize the structural features of an innovative institute, or to find out how the organizational structural variables affect the product and process innovation while the unit of analysis is the organization. The emphasis of organizational cognition and learning theories (Glynn, 1996; Bartel and Garud, 2009) is on the cognitive fundamentals of organizational innovation and these seem to be connected with the learning and organizational information formation procedure (Agyris and Schon, 1978; Nonaka and Takeuchi, 1995; Nonaka and von Krogh, 2009). The ability of the organizations to produce and maneuver new knowledge required for innovative activities is facilitated by this thread of work. Organizational adjustment and adaptation as well as the essential practices for the creation of new organizational forms (Lewin and Volberda, 1999) is a third constituent of research in this field. The primary objective of such research is to know if the establishments are able to adjust and be flexible under drastic environmental changes and technological revolutions. Therefore, innovation can be reflected as an ability to react to the alterations in the exterior environment, and to be flexible to meet the challenges (Burgelman, 1991; 2002; Child, 1997; Teece, 2007).

The range of organizational types in diverse innovation and job surroundings are explained by contingency theories. They acknowledge that establishments would embrace more robust and flexible arrangements when innovation, technology and product markets get more complicated and ambiguous with more heterogeneous and unpredictable job practices, in order to shift to organic forms of innovative organizing from bureaucratic nature. Figure 1 presents the Organicity and entrepreneurship as follows.

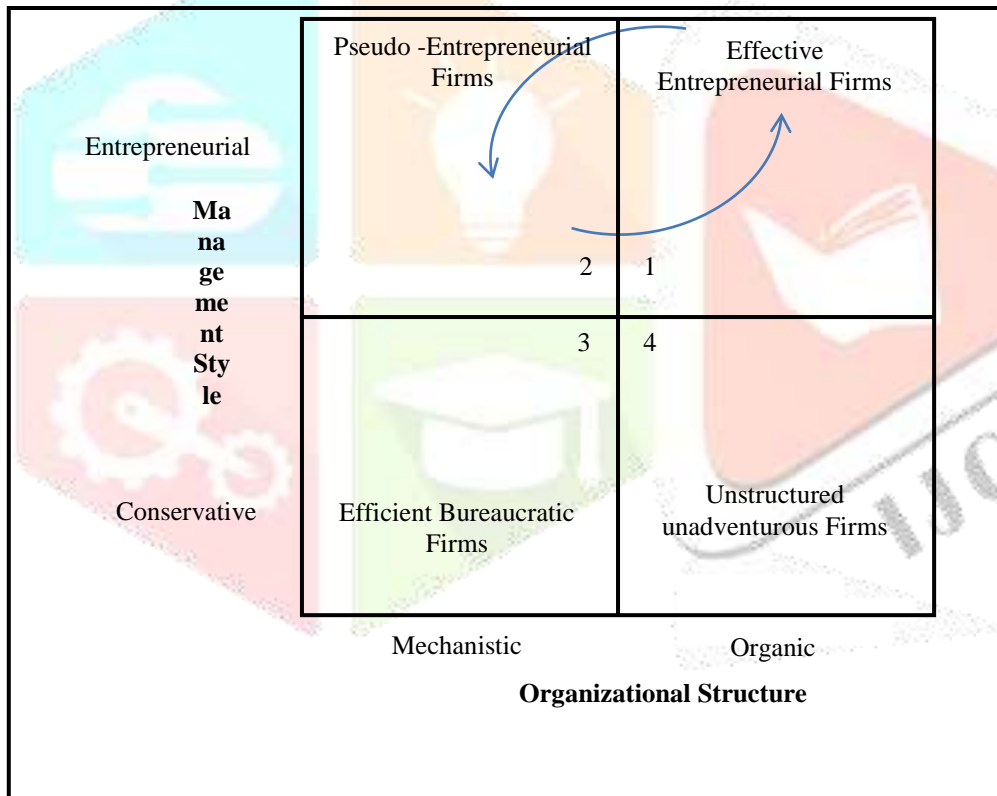


Figure 1 : Organicity and Entrepreneurship
(Source: Slevin & Covin, 1990)

The work of Lawrence and Lorsch (1967) on principles of organizational diversity and incorporation as well as how these are adjusted to various environmental settings, comprising the market with technical-economic and the scientific sub-cultures of different industries are relevant. Although, Burns and Stalker consider an organization as a mechanistic or organic, homogenous, entire establishment, Lawrence and Lorsch pinpoint that mechanistic and organic components can exist together in sections of the same institute due to the need of the tasks in these areas. An intense impact was shown by the studies of these previous authors, on organizational theory and submitted valuable strategy guidelines for innovative structure. As innovation tend to be serving a major role while the speed of environmental revolution increases, Burns and Stalker's model becomes extremely important for understanding the current challenges encountered by many organizations in their efforts to shift from the mechanistic to the organic type of organizing. The existence of mechanistic and organic structures as suggested by Lawrence and Lorsch's revealed in the present discussion regarding the prominence of emerging hybrid modes of innovative organization structure—'ambidextrous innovative organizations'—which have the capacity of surviving amidst both evolutionary and revolutionary innovative fluctuations (O'Reilly and Tushman, 2004; 2008).

Assimilating the main operational segments in a steadfast structure is not in favor of success. The two key methods of organizational structuring are mechanistic design and organic design (Gibson et al., 2012; Robbins & Judge, 2013) and the development of such an arrangement for the decision making process whereby managers select an appropriate organizational structure for attaining organizational

objectives is referred to as organizational design. It is essential to examine the reasons for the many of SMEs functioning in the form of non innovative organizational assemblies, while others, by creating value through innovative arrangements, earn large profits (Wedathantrige, 2014).

Innovative organization structure can be described as a vibrant, entrepreneurial, and a resourceful place to work where managers and subordinate staff embrace creative action as an innovation and optimal risk-taking. Their commitment to investigation and radical thinking helps to unite the institute and they struggle to be in the forefront. The long-term focus of such innovative structural organizations, is mainly on development and obtaining new assets, while gaining unique and new products or services are regarded as the success. In such environments being an industry leader is vital in order to promote individual creativity and innovation (Tharp, 2009). Further, dimensions of innovative structural organizations comprise with its unique features. Specializations, Departmentalization, Span of Management, Hierarchy, Delegation, Formalization, and Coordination (Lumpkin & Dess, 2005) are the seven dimensions of innovative organizational structure that were chosen to test the relationship with Performance of SMEs which were measured using 35 indicators in the questionnaire.

The Cognitive Foundation of Innovative Organizational Structure

Innovation is considered as a result of some structural aspects as discussed by the structural viewpoints discussed above. Some researchers in this field consider innovation as a procedure of getting new, analytical, ideas into usage (Amabile, 1988; Kanter, 1983). Mexias and Glynn (1993: 78) explain innovation as non-conventional, substantial, and irregular alterations in any organization that expresses a new impression that is different from the current model of the institute's business. This approach considers Innovative organization as clever and inventive (Glynn, 1996; Woodman et al., 1993), accomplished to learn commendably (Argote, 1999; Senge, 1990; Agyris and Schon, 1978) along with generating novel knowledge (Nonaka, 1994; Nonaka and Takeuchi, 1995; Nonaka and von Krogh, 2009). It is debated by Cohen and Levinthal (1990) that innovative results are influenced by the previous knowledge gathered which permits trendsetters to adjust and accomplish new knowledge. This perspective emphasizes that the awareness of implementation of innovative organizational structure and SME performance in promotion or preventing innovation to be crucially important.

Relationship between Innovative Structure and Performance of SMEs

The association between Innovative organizational structure and Performance of the SMEs is shown by numerous models (Reynaldo et al., 2007; McClelland & McBer, 2007). Hence, the link between innovative organizational structure and SME performance is generally recognized through the above models. Many of the studies presented the measuring of the Innovative organizational structure comprised with its dimensions. Since, a single performance measure could result in biased outcome; both financial and non-financial indicators are used in measuring Performance of SMEs (Murphy, Trailer, & Hill, 1996; Gupta & Govindarajan, 1984). This is illustrated by Fairoz, Hiribumi, and Tanaka (2010) by using sales growth, employment growth, profit, market share growth and owner-managers' satisfaction to evaluate the performance of SMEs'.

A study conducted using 128 Savings and Loan Associations examined the connection between the efficiency and innovative organizational structure (Armandi and Mills, 1982). The outcome of this case study revealed that establishments having a smaller amount of distinct roles, a simple structure and dispersed decision-makings were more efficient (Armandi and Mills, 1982). It is clear that these outcomes could be stretched to reflect that an organization having these features could easily convert to a innovative institute since the organizational structure would not be a deterring element. Literatures has evidence for these results and indicate that innovative organizations in the manufacturing sector can be transformed in to flat type by being more flexible and simple with new actions (Alavi, 2003; Bamber and Dale, 2000; Barker, 1994). Shah and Ward 2003). Nevertheless, it has been revealed that the actual fact is that a large manufacturers tend to carry out innovative manufacturing practices mainly due to the accessibility of capital and human resources. This broad survey of institutes belonging to various industries, indicated that bigger establishments were more successful in having precise innovative structures than smaller sections. Through regression modeling it was also highlighted that the larger organizations that had implemented innovative practices faced difficulties with regard to operational performance in comparison with the minor institutes that had implemented innovative practices (Shah and Ward, 2003).

It is imperative to apprehend how some of the circumstantial and environmental factors unique to an organization may affect the success of an implementation for solving problems. Research provides evidence that the number of innovative practices applied can be affected by the organizational structure having diverse comprehensive results (Shah and Ward, 2003). An organization can be converted into a flat structure by adopting innovative manufacturing processes (Alavi, 2003; Bamber and Dale, 2000; Barker, 1994). This research study examines the relationship between the Innovative Organizational structure and the Performance of the SMEs in Sri Lanka in actual work atmosphere that is undergoing conversion while suggesting recommendations to assist and guide leaders.

Innovative forms of organizing can be identified in the literature. Early researches on organizational structures are jointly pronounced as "classical organizational theory", suggested the structuring of institutes mainly in the form of exploration for "idealism" (Weber, 1947) or competent structural "principles" (Fayol, 1949), with "scientific" feature (Taylor, 1947). Towards the latter stages research adapted to the "contingency perspective" claimed that the method to comprehend a structure lies in recognizing organizational characteristics and adjusting these to appropriate factors (Woodward, 1965; Pugh et al., 1969; Lawrence and Lorsch, 1969). Nonetheless, these two comprehensive interpretations are being extensively criticized for neglecting the people who manage these (Child, 1972; Wood, 1979), and for overlooking the nature of evolution of organizations (McKelvey and Aldrich, 1983; Hannan and Freeman, 1989).

Modern research focus mainly on investigation of new techniques of innovative structuring organizations and the attention has shifted away from the evaluation of the advantages and difficulties of traditional systems of organizing. It is interesting to note that many structural arrangements that are labeled as "innovative" do not have a concrete theoretical foundation (Snow, 1997) and officers habitually witness such structures mainly to solve their organizational issues (Miles and Snow, 1992; Pettigrew et al., 2000). The developed theories are mainly focused on the structures that are considered to be successful whereas studies on innovative organizational structures are guided more by practice rather than theory (Miles and Snow, 1992) while, (Snow 1997).

It is evident that both European and Japanese organizations tend to progressively implement innovative structural applications, although the two regions have significant dissimilarities in the rate of transformation (Pettigrew et al. 2000). Further, some research conducted in innovative types of organizing emphasize suggesting detailed descriptions of alteration attempts intended to attain innovative structures of particular types (Romme, 1997; Black and Edwards, 2000). Although, it is common to almost every innovative organizational conversion (Charan, 1991; Grabher and Stark, 1997), a certain amount of theoretical transparency of innovative

organizations is delivered by research personnel who consider these as flexible organizational arrangements resulted by market mechanisms (Miles and Snow, 1992; Hanssen-Bauer and Snow, 1996; Achrol, 1997) while other academics create stimulating observations for intra-organizational innovation (Quinn et al., 1996; Miles et al., 1997).

The capability of quick response to environmental strains is a major structural interpreter of business success and regular issue in the literature up to date (Snow, 1997; Pettigrew et al., 2000). Nonetheless, the serious feature of responding quickly is often endorsed to the capacity of an institute to connect its human resources through structural conversions and not to maximum use of technical abilities (Mintzberg et al., 1998; Whittington and Mayer, 1999). Research carried out on high performance work organizations indicate that such organizations, to a great extent take up a series of innovative human resource applications which have frequently been pronounced as process innovation (Pettigrew et al., 2000), workplace innovations (Ichniowski et al., 1996) or the novel management model (Bacon et al., 1996).

The literature has evidence that there are two vital descriptions to the development of new methods of innovative organizing. Firstly, the theoretical clarifications that initiated from the literature on innovative organizational structure and design exist. The contingency theorists suggest the design of the association as an essential managerial reaction to many circumstantial issues such as size, environment and technology (Lawrence and Lorsch, 1969; Pugh et al., 1969; Woodward, 1965). The work of institutional theorists led to modern theoretical clarifications (Di Maggio and Powell, 1983; Baum and Oliver, 1991; Roberts and Greenwood, 1997). These investigators debated that organizations get their legality and assets by following approved rationality of the establishment and business guidelines which is an occurrence explained as institutional isomorphism (Di Maggio and Powell, 1983). Secondly, the managers while tending to pursue solutions of establishing and reacting to the difficulties they encounter in the form of practical factors while driving the new inventive applications of organizing (Ezzamel et al., 1996; Ichniowski et al., 1996). Pettigrew et al. (2000) debate that strengthening of alterations to economic, technological, informational and political factors are compelling managers to look for novel methods of forming and reacting to the difficulties they encounter.

Likewise other academics recognize developing innovative globalization as a vital feature affecting the managers to copy successful procedures of establishments in other countries for better performance. The researcher's opinion that a majority of innovative organizational structures are connected to performance, originated from the debate that a majority of the inventive organizational forms have the benefit of adjusting the characteristic mistakes of old-fashioned organizational forms (Bahrami, 1992; Pettigrew et al. 2000). Nevertheless, lack of broad practical confirmation that shows direct connection between innovative organizational arrangements and performance is evident while indirect indication can be found from studies which joined innovative work organizations to businesses success. A considerable attentiveness can be seen in the performance consequences of establishments which are popular to be high performance work organizations (Whitfield and Poole, 1997; Osterman, 2000). Several writers reveal that steel factories that implemented inventive work procedures attained superior outcomes when compared with organizations using traditional methods (Ichniowski et al., 1996). Comparable findings were presented by other scholars as well (Batt, 1995; Batt and Applebaum, 1995; MacDuffie et al., 1996).

Significant inferences for professionals in this area of work can be seen among few more studies. Definitely, it seems like that a converting innovative organizational structure might result in direct financial performance concerns and inconspicuous impacts on employee motivation and obligation. Hence, officials who prefer performance improvement would find it valuable to examine and practice innovative organizational forms. It is not the intension to propose that all variations could enhance performance. Nevertheless, the cautious novelty to rattle the drained industry formulas to burst the borders of obsolete sector procedures is expected to display benefits.

The objective of this article is to examine the link among innovative organizational structure and business performances of SMEs in the Sri Lankan context. The outcomes would be valuable to improve the innovative style of organizational structures in SMEs and to work towards the advancement of the economic sustainability in Sri Lanka. Within this context few findings have shown that significant positive relationship between the independent variable as the Innovative organizational structure and the dependent variable as the SME performance. Further different types of relationships have been identified by few researchers in the literature with considerable factor that the relationships were not much greater value indication of the results of the studies with in the Asian context (Wedathanthrige, 2014). The many findings have presented indicating that independent variable was found to have a direct positive relationship on performance of Malaysian SMEs (Arham, 2014) and in a new concept of technology based businesses in China innovative organizational structure created the business performance (Cai, Liu, Deng, & Cao, 2014) indicated that the relationship with some extent less values.

Methodology

Explicitly, this section will attempt to initially distinguish research philosophy, research design and research strategy associated with the study. Thereafter secondly, the relevant concepts and variables of the research problem will be discussed in order to reach an effective research model. Thirdly, the links between those concepts and variables which were generally hypothesized or generally believed, would be acknowledged. Fourthly, an effort would be taken to distinguish and enlighten on the dimensions, indicators and measures of those concepts and variables.

This article at the inception explains the framework of study into the innovative structuring of organization structure and SME performance. Thereafter a review of the methodology adopted for the study is mentioned, followed by the arrangement of the results of the study. Finally, the article ended with an enlightenment of the implications of the outcomes. Literature expressed that dependent variable is the prime focus the researcher (Sekaran & Bougie, 2013) and causes changes in other variables (Saunders et al., 2016). This research primarily aims at studying the variance in SME performance. Hence, performance of SMEs serves as the dependent variable of the study measured through profitability, growth of the business and owner satisfaction.

Profitability

An entrepreneur's principle objective is innovation, profitability and growth (Kuratko & Rao, 2012). Profitability is generally defined as the ability of a business to earn a profit. Profitability has been widely used as a measure to assess the performance of SMEs. Pandey (2015) identifies two methods of calculating profit: Gross Profit and Net Profit.

Growth of the Business

Firm growth can be simply defined as the change in the size of a company between two time periods (Rodríguez-Gutiérrez, Moreno, & Tejada, 2015). Growth is the most popular indicator of firm success (Costin, 2012).

Owners' Satisfaction

Financial measures, though easy to measure and understand are historical in nature, not readily available and tend to be manipulated by the SME owners due to their unwillingness divulge the information to the public.

In terms of financial and non-financial measurements these dimensions were measured using by 11 indicators for the Performance of SMEs which is the dependent variable of this study.

Independent Variable

Independent variable is the variable that influences and causes to change the dependent variable (Saunders et al., 2016; Sekaran & Bougie, 2013). Independent variable proposed to test in this study is Innovative Structure that simply be defined as the degree to which an organization exhibits the new actions as the entrepreneurial spirit. There are seven dimensions comprised with Innovative organizational structure (Lumpkin and Dess, 1996).

Specialization

The act of dividing a total work down in to small and simple operations is known as division of work or division of labor. Allowing an employee to repetitively perform such a simple task on a continuous basis is specialization. Work specialization, if applied properly, increases efficiency and productivity of the organization and if the jobs are over specialized it will be resulted in decreasing efficiency and productivity of the organization (Daft 2014; Stoner et.al. 1998; Gibson et.al. 2012; Robbins & Judge 2013; Certo & Certo 2015).

Departmentalization

Departmentalization is the process of grouping jobs together so that common tasks can easily be coordinated and controlled (Robbins & Judge, 2013).

Span of Management

Span of Management is the number of subordinates reporting directly to a given manager (Robbins & Judge, 2013). Choosing an appropriate span of management is important because it can affect the efficiency of the organization.

Hierarchy

Known as the Chain of command and Scalar chain too, hierarchy is defined as the unbroken line of authority that extends from the top of the organization to the lowest level and clarifies who reports to whom (Robbins & Judge, 2013).

Delegation

Delegation is the act of assigning formal authority and responsibility for completion of specific activities to lower levels of hierarchy (Certo & Certo 2015). The degree to which the authority is passed down to the lower levels can be explained by two twin concepts i.e. centralization and decentralization.

Formalization

Formalization is the degree to which jobs within the organization are standardized using clear job descriptions, rules and regulations, policies and procedures. Further slowing down the decision making process, making the organization Inflexible and less responsive are agreed to be the disadvantages of formalization.(Gibson et al., 2012; Robbins & Judge, 2013).

Coordination

Coordination is the process of integrating the different objectives and different activities of different work units and different people in them so that the common goals and objectives of the organization can efficiently and effectively be achieved. Coordination is essential due to the interdependency between work units, tasks of non-routine nature, turbulent environment in which businesses are operating, and high performance objectives (Griffin 2012).

Many studies confirmed the relationship between the Innovative Structure and the Business performance of SMEs. Since this study attempts at examining the association of said two variables.

3.3 Theoretical framework

Any scientific research based on a theoretical framework which acts as a basis on which the hypotheses are developed. Theoretical framework which act as the foundation of hypothetico-deductive research, involves the researcher's beliefs on the relationship between variables (the model), and the researcher's justification as to why variables are related as presumed (the theory) (Sekaran & Bougie, 2013). Accordingly, conceptual frame work of the study presented in the figure 2 as bellow.

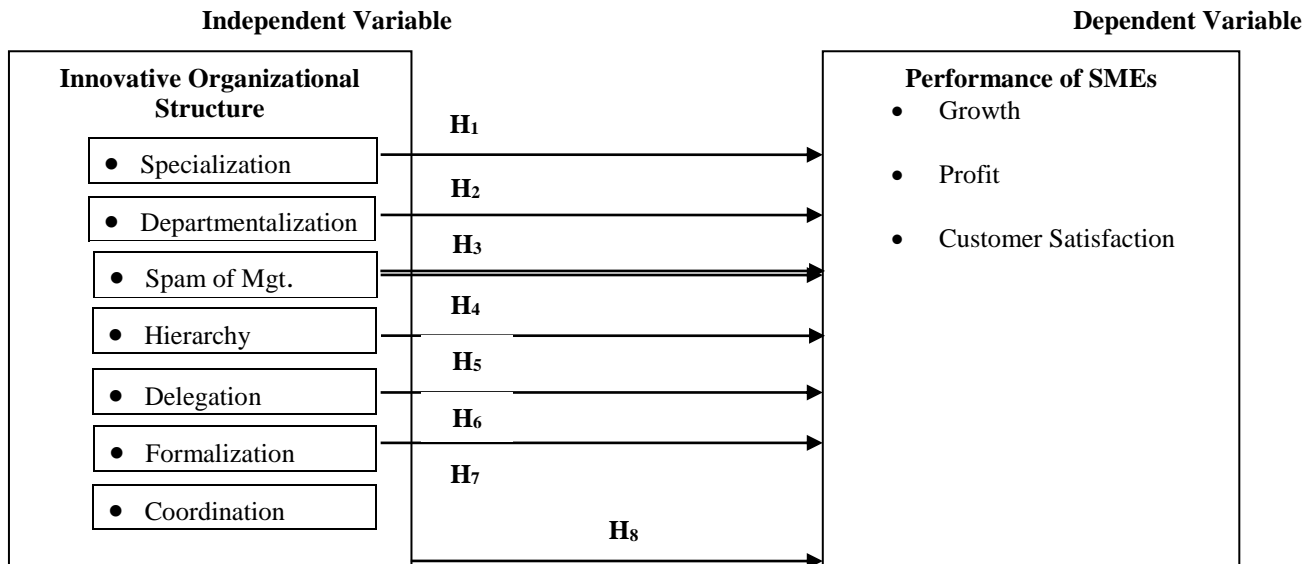


Figure 2: Conceptual Framework

Research Objectives and Hypotheses Development

This section is devoted to discuss the literature that guided the development of objectives and hypothesis, along with to present the hypotheses proposed in the study.

Table 3: Research Objectives and Hypothesis

Research Objectives	Hypotheses
Identify the relationship between Specialization and performance of SMEs	H1: There is a significant positive relationship between Specialization and performance of SMEs in Sri Lanka.
Identify the relationship between Departmentalization and performance of SMEs	H2: There is a significant positive relationship between Departmentalization and performance of SMEs in Sri Lanka
Identify the relationship between Span of Control and performance of SMEs	H3: There is a significant positive relationship between Span of Control and performance of SMEs in Sri Lanka
Identify the relationship between Hierarchy and performance of SMEs	H4: There is a significant positive relationship between Hierarchy and performance of SMEs in Sri Lanka
Identify the relationship between Delegation and performance of SMEs	H5: There is a significant positive relationship between Delegation and performance of SMEs in Sri Lanka
Identify the relationship between Formalization and performance of SMEs	H6: There is a significant positive relationship between Formalization and performance of SMEs in Sri Lanka
Identify the relationship between Coordination and performance of SMEs	H7: There is a significant positive relationship between Coordination and performance of SMEs in Sri Lanka
Analyze the association between the Innovative organizational structure and the Performance of SMEs in Sri Lanka	H8: There is a significant positive relationship between Innovative Organizational Structure and the Performance of SMEs in Sri Lanka

The Linkage between Innovative Organizational Structure and SME Performance

A study of 104 independently owned USA firms showed that innovative structure of firms better perform than other reported a positive relationship between two variables. This type of structure has been recognized as an important tool for enhancing performance of SMEs. A study of SMEs in USA and UK concluded a positive relationship between Innovative Organizational Structures and performance (Brouthers et al., 2014)

In the Sri Lankan context significant positive relationship between Innovative organizational structure and SME performance have been identified by few researchers in the literature (Wedathanthrige, 2014) with considerable factor that this relationship is not much greater value indication of the results of the studies with in the Asian context. This independent variable was found to have a direct association on performance of Malaysian SMEs (Arham, 2014) and in technology based new ventures in China innovative organizational

structure supported the business performance (Cai, Liu, Deng, & Cao, 2014) indicated that the relationship with the feature of some extent less value.

Research Design Process

Research design is a framework drawn by the researcher explaining the way of collecting and analyzing data so that the research questions can be properly answered (Saunders et al., 2016). Research design involves the decisions on the purpose of the study, extent of the researcher's interference, study setting, unit of analysis, time horizon, sample design, data collection and data analysis (Sekaran & Bougie, 2013). The application of research design elements in this study as explained above is summarized in the table 3.3.

Table 3. 1: Elements of research design involved in the study

Elements of Research Design	Application in this study
Purpose of the study	Causal and hypotheses testing
Researcher interference	Minimal
Study setting	Non-contrived (field study)
Unit of analysis	Organizational
Time horizon	Cross-sectional

(Source: Author based on Sekaran and Bougie, 2013)

Sampling Design Process

A sample is a subset of the population (Saunders et al., 2016; Sekaran & Bougie, 2013). Bryman and Bell (2015) defined it as the segment of the population selected for the investigation. Hence, the concept of 'sample' can simply be defined as a subset of population selected for the investigation. According to Sekaran and Bougie (2013) study of the sample helps the researcher to draw conclusion that can be generalized to the total population. For this purpose sample should be representative of the population. Accordingly, sampling is the procedure that ensures the selection of the right number of the right elements from the population so that generalizable conclusions can be drawn (Sekaran & Bougie, 2013).

As per Asian Development Bank (2013) there are 132,483 SMEs and 880,066 micro enterprises in Sri Lanka (Daily FT, 2015, September 3). Nonetheless, according to the Department of Census and Statistics, there are 1,017,267 non-agricultural MSMEs in Sri Lanka by the end of 2014 (Department of Census and Statistics, 2015).

Unit of Analysis

Unit of analysis refers to the researcher's ultimate focus on what is going to be analyzed i.e. phenomenon related to individual behaviour, group behaviour or organizational behaviour and so on. Depending on this focus, the data collected from individuals has to be aggregated at the analysis stage to reflect the behaviour of the desired unit.

Sampling Frame

Sample frame is the list of all the cases of the population from which the sample will be selected (Bryman & Bell, 2015). For finding a complete list of SMEs the researcher visited the three major institutions which are supposed to maintain such statistics in Sri Lanka: the Central Bank of Sri Lanka, the Department of Census and Statistics and the Department of Commerce which come under the purview of Ministry of Industry and Commerce. Discussions with the relevant officials of the said institutions revealed that such a complete list of SMEs is not available with them.

Sampling Technique

Screen the design content of this section and leave only the writings pertaining to sampling technique. Probability sampling and non-probability sampling are the two sampling designs available for a researcher (Sekaran & Bougie, 2013). Probability sampling ensures a known and nonzero chance for every elements of the population to be selected for the sample, and in the non-probability sampling chance for an element of the population to be selected as a subject of the sample is not known (Saunders et al., 2016; Sekaran & Bougie, 2013). Probability sampling ensures a representative sample – a sample that accurately reflect the population - which in turn is required for generalizing the conclusions (Sekaran & Bougie, 2013). Since the researcher proposes to generalize the conclusions Probability Sampling is selected for this study.

Determining the Sample Size

The most important considerations in the determination of sample size under probability sampling design are precision and confidence (Sekaran & Bougie, 2013). As defined by them precision refers to the closeness of the sample estimates to the population characteristics whereas confidence refers to the certainty that sample estimates will be true for population. Since the population of this study comprises of 34231 SMEs the sample size is approximated to be 383.

Data Collection Methods

Primary and secondary data is used in this study. Primary data collection techniques, mainly structured questionnaire. Empirical and conceptual studies published through on-line and printed journals, text books, newspaper articles, websites of local and foreign institutes, reports published by local and foreign institutes will be used to gather secondary data.

Test Procedures for Instrument Development

Pre-test pilot-test and actual test are the steps in the sequence of assessing a research for the reliability and validity measurements of the instrument. Few statistical techniques were employed for the measurement of data during these periods for diverse tests.

Findings and Discussions

Assessing relevant data to investigate the link between Innovative Structure and the Performance of SMEs in Sri Lanka is the foremost intention of this article. Data collection was initiated by distributing the structured questionnaire among 383 SME holders. The Software Package of Social Sciences (SPSS- version 23) and testing with Pearson's Correlation technique were used for the analysis of data. Hypothesis was tested by Quantitative analysis which directed to assess the relationship between Innovative Structure and the Performance of SMEs of the selected sample. 35 indicators were used to measure this association. The dependent variable in this study is Performance of SMEs which was evaluated based on Profitability, Growth and Owner Satisfaction and these dimensions were determined by 11 gauges. A five point Likert scale was utilized to get the feedback from the sample units. The reliability of the instrument and the validity were tested by Cronbach's Alpha while by and factor analysis respectively. In order to get a precise data set for the analysis, a preliminary data screening was done for the completed questionnaires. Based on these results of the pre-test the questionnaire was amended enabling to be used for the pilot test. With the use of Cronbach's Alpha and Factor analysis to assess reliability (> 0.7) and validity (> 0.5) respectively, 62 responses obtained from the pilot test were analyzed. Subsequently, final assessment was done with 383 SMEs in Sri Lanka and the results led to the analysis. Throughout this course of the analysis, Construct validity was tested and factor analysis was regarded as the most suitable validity test. Exploratory Factor Analysis (EFA) was carried out for fulfilling this aspect.

The results of the EFA indicated a value of 0.830 in KMO for Performance of SMEs and Bartlett's test value proved sufficient with the P value of 0.001. The innovative structure showed the KMO value as 0.921 and Bartlett's test value resulted the P value as 0.001 which is adequate. Since the threshold norms are that EFA should be greater than 0.5 the results show the connections between the Performance of SMEs and other chosen dimensions with gauges. Since the EFA values for the Innovative Structure demonstrate higher than 0.5 it can be considered as satisfactory level. Based on the EFA results, forty two were allowed from forty six items. Three factor loadings established the Performance of SMEs and one factor loading interpreted Innovative Structure which is regarded as one of the key constructs. Values, greater than 0.7 were shown by two variables in the reliability analysis of Performance of SMEs. Both Validity and the Reliability of the instrument of the study showed an adequate value for the actual test of the study.

The descriptive statistics indicated that at least 50% of profitability, growth, owner satisfaction and Innovative structure have medium values. In order to test the relationship between the two variables, the Pearson's Correlation technique was used during the data analysis process. The level of the linear relationship of variables is known as the Pearson product-moment correlation coefficient which is commonly known as Pearson's correlation or merely as the correlation coefficient. The correlation coefficient is not sufficiently shown in the level of the association between the variables if these connections are not linear.

The Relationship between Innovative Structure and Performance of SMEs

The symbols " ρ " and " r " are used for Pearson's correlation respectively, when measured in the population and measured in a sample. Since this study deals exclusively with samples, r will be used to denote Pearson's correlation unless stated otherwise. Pearson's r has a range from -1 to 1, where -1 signifies a perfect negative linear relationship, while r of 0 specifies lack of linear relationship, and an r of 1 designates a perfect positive linear relationship between variables. The test, based on this assumption, showed a significant positive and weak relationship between Innovative Organizational Structure and the Performance of SMEs in Sri Lanka. Subsequently the sub variables of Innovative Organizational Structure were checked by the test of analysis.

Seven dimensions of The Innovative Organizational Structure were used to measure its relationship with the Performance of SMEs. These seven elements showed the collective relationship with the performance of SMES and each dimension was separately assessed with the Performance of SMEs for testing the hypotheses. The relationship between Specialization and the performance of SMEs is shown in table 4 as follows.

Table 4: Correlation between Specialization and Performance of SMEs.

Correlations			
		TBP	TSP
TBP	Pearson Correlation	1	.220**
	Sig. (2-tailed)		.000
	N	383	383
TSP	Pearson Correlation	.220**	1
	Sig. (2-tailed)	.000	
	N	383	383

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

H1: There is a significant, positive relationship between Specialization and Performance of SMEs.

As shown in table 4, the p-value is less than 0.05 and the relationship between Specialization and Performance of SMEs is acknowledged. A weak correlation is also observed as Pearson correlation coefficient is 0.220. Henceforth, the conclusion is that Specialization of innovative organizational structure is significant, positive and has a weak relationship with the performance of SMEs. The relationship between Departmentalization and the performance of SMEs is shown in table 5 as follows.

Table 5: Correlation between Departmentalization and Performance of SMEs.

		Correlations	
		TBP	TDP
TBP	Pearson Correlation	1	.187**
	Sig. (2-tailed)		.000
	N	383	383
TDP	Pearson Correlation	.187**	1
	Sig. (2-tailed)	.000	
	N	383	383

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

H2: There is a significant, positive relationship between Departmentalization and Performance of SMEs.

The p-value is less than 0.05 as given in table 5, which suggests that there is a relationship between Departmentalization and Performance of SMEs. The fact that the Pearson correlation coefficient is 0.187 indicates a weak correlation between the two. Hence, the conclusion is that Departmentalization of innovative organizational structure has a significant, positive and weak relationship with the performance of SMEs.

The relationship between Spam of Management and the performance of SMEs shown in table 6 as follows.

Table 6: Correlation between Spam of Management and Performance of SMEs.

		Correlations	
		ToBP	Total SM
ToBP	Pearson Correlation	1	.170**
	Sig. (2-tailed)		.001
	N	383	383
Total SM	Pearson Correlation	.170**	1
	Sig. (2-tailed)	.001	
	N	383	383

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

H3: There is a significant, positive relationship between Spam of Management and Performance of SMEs.

Since the p-value is less than 0.05 as per the table 6, it is recognized the relationship between Spam of Management and Performance of SMEs. The Pearson correlation coefficient of 0.170 suggests a weak correlation among these two components. Therefore, it is possible to arrive at a conclusion, to note that Spam of Management of innovative organizational structure is significant, positive and possesses a weak association with the performance of SMEs.

The relationship between Hierarchy and the performance of SMEs in table 7 as follows.

Table 7: Correlation between Hierarchy and Performance of SMEs.

		Correlations	
		TBP	THI
TBP	Pearson Correlation	1	.082
	Sig. (2-tailed)		.107
	N	383	383
THI	Pearson Correlation	.082	1
	Sig. (2-tailed)	.107	
	N	383	383

H4: There is a significant, positive relationship between Hierarchy and Performance of SMEs.

As shown in table 7 the p-value is lower than 0.05 and it indicates a relationship between Hierarchy and Performance of SMEs. The Pearson correlation coefficient is 0.082 reflecting a weak correlation between these. This leads to the conclusion that Hierarchy of innovative organizational structure depicts a significant, positive and weak link with the performance of SMEs.

The relationship between Delegation and the performance of SMEs shown in table 8 as follows.

Table 8: Correlation between Delegation and Performance of SMEs.

		Correlations	
		TBP	TDL
TBP	Pearson Correlation	1	.083
	Sig. (2-tailed)		.105
	N	383	383
TDL	Pearson Correlation	.083	1
	Sig. (2-tailed)	.105	
	N	383	383

H5: There is a significant, positive relationship between Delegation and Performance of SMEs.

The p-value is less than 0.05 according to the table 8 which proposes the relationship between Delegation and Performance of SMEs. Since Pearson correlation coefficient is 0.220 it can be depicted as a weak correlation between the two and it can be concluded that Delegation of innovative organizational structure shows a significant, positive and weak relationship with the performance of SMEs.

The relationship between Formalization and the performance of SMEs is shown in table 9 as follows.

Table 9: Correlation between Formalization and Performance of SMEs.

		Correlations	
		TBP	TFO
TBP	Pearson Correlation	1	.094
	Sig. (2-tailed)		.067
	N	383	383
TFO	Pearson Correlation	.094	1
	Sig. (2-tailed)	.067	
	N	383	383

H6: There is a significant, positive relationship between Formalization and Performance of SMEs.

Table 9 shows that the p-value is lower than 0.05 which indicates the relationship between Formalization and Performance of SMEs. The Pearson correlation coefficient is 0.940 and suggesting a weak correlation between the two constructs and it can be concluded that Formalization of innovative organizational structure designates a significant, positive and weak association with the performance of SMEs.

The relationship between Coordination and the performance of SMEs shown in table 10 as follows.

Table 10: Correlation between Coordination and Performance of SMEs.

		Correlations	
		TBP	TCO
TBP	Pearson Correlation	1	.130*
	Sig. (2-tailed)		.011
	N	383	383
TCO	Pearson Correlation	.130*	1
	Sig. (2-tailed)	.011	
	N	383	383

*. Correlation is significant at the 0.05 level (2-tailed).

H7 : There is a significant, positive relationship between Coordination and Performance of SMEs.

As shown in table 10 the p-value is less than 0.05, depicting the relationship between Coordination and Performance of SMEs. The Pearson correlation coefficient obtained is 0.220 symbolizing a weak correlation among them. Based on this it can be concluded that Coordination of innovative organizational structure shows a significant, positive and weak association with the performance of SMEs.

The relationship between innovative organizational structure and the performance of SMEs shown in table 11 as follows.

Table 11: Correlation between Innovative Structure and Performance of SMEs

Correlations			
ToBP	Pearson	ToBP	ToOS
	Correlation	1	.178**
	Sig. (2-tailed)		.000
	N	383	383
ToIS	Pearson	.178**	1
	Correlation		
	Sig. (2-tailed)	.000	
	N	383	383

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

H8: There is a significant, positive relationship between Innovative organizational structure and performance of SMEs in Sri Lanka.

The obtained p-value is less than 0.05 which proposes the relationship between Innovative organizational structure and Performance of SMEs. Further, the Pearson correlation coefficient value is 0.178 reflecting a weak correlation between the two. Therefore it can be concluded that Innovative organizational structure shows a significant, positive and weak link with the performance of SMEs.

Test of Research Question (2)

The second research question of this study is, which dimension of Innovative Organizational Structure shows the better relationship among others. It is intended to observe, out of the dimensions of Innovative structure, which dimension reflects best on the Performance of SMEs. The findings indicate the significant, positive relationships of these individual variables. Table 11 presents the summary of results for the association between all seven dimensions and the Performance of SMEs as follows.

Table 11: Summarized Results of Dimensions and Performance of SMEs

No	Dimensions of Innovative Organizational Structure	Coefficient Value
1	Specializations	0.220
2	Departmentalization	0.187
3	Span of Management	0.170
4	Hierarchy	0.082
5	Delegation	0.083
6	Formalization	0.94
7	Coordination.	0.130

Although the results of the tests done for the hypotheses denoted weak connections between them, the comparison shows that the best relationship is expressed by the Specialization in contrast to all other dimensions, on the performance of SMEs. In order to confirm the above results it was considered to carry out a qualitative survey using a small sample of 22 respondents to obtain their practical views. Based on the responses a thematic analysis was conducted.

Discussion

The aim of this article is to investigate substantial information to assess the affiliation between Innovative organizational structure and Performance of SMEs in the Sri Lankan context. The standard structured questionnaire was used for data collection from the sample of the study. Software Package of Social Sciences (SPSS- version 23) was used in data analysis by way of the correlation analysis, while all the hypotheses that led to investigate the link between two main constructs were tested using quantitative analysis. Further, the individual relations with Performance of SMEs in Sri Lanka were found by testing the dimensions of Innovative organizational structures. The results of the study provided and reinforced all the hypotheses having a significant, positive relationship among Innovative organizational structure and the Performance of SMEs. In addition, the study revealed a very weak status of the correlation coefficient values for all hypotheses that were evaluated in this research. By considering these results it can be evident that several relationships with lesser of correlation coefficient values are prominent. The deliberation to the effect that a most of the creative organizational forms possess the advantage of altering the typical faults of outdated organizational types (Bahrami, 1992; Pettigrew et al. 2000) contributed to the researcher's straight forward thinking on origin of innovative organizational structures' connection to performance. The SME can be identified as a small firm that has limited activities in a particular geographical area excluding marketing tasks, invested by few persons and includes a small managing team. Nevertheless, it is possible that some SMEs could function in many parts of a country.

Literature highlights that the smaller enterprises have trivial business owner problems too. Henceforth, the requirement for inventive organizational structure of establishment pronouncements is essential. Furthermore, only few published research are found in the area of Innovative organizational structure and performance of SMEs among the scarce empirical studies carried out under different fields of current research. This circumstances lead to the mandatory requirement of SME sector in a country to emphasize on the valuable concept of entrepreneurship in order to sustain and the importance of Innovative organizational structure that enhances the usage of current knowledge and skills to improve performance of SMEs in diverse levels. Nonetheless, the insufficient research outcomes, accurate conclusions with regard to links of Innovative organizational structure and performance of SMEs in different settings do not permit generalizing for developing countries in the world. One of the conspicuous factors that define the performance of SME is considered to be innovative organizational structure according to many studies. Further Innovative organizational structure has been considered as a

very important element to manage the small establishments successfully in order to bring awareness of much required performance of SMEs for the contemporary society. Further, the opinion to the effect that appropriate Innovative organizational structure is necessary to give distinction to the behavior of the persons in an organization who display creativity in carrying out work as well as solving businesses problems is reflected.

A study carried out using 104 independently owned companies in USA displayed that innovative structure of businesses perform better than others and conveyed a positive relationships of the big companies, while this type of innovative structures were accepted as a vital instrument for improving performance of SMEs, even though the available facts demonstrate that the practical situations does not exhibit much success at present (Brouthers et al., 2014). A study carried out on SMEs in USA and UK revealed a positive relationship between Innovative Organizational Structures and performance (Black and Edwards, 2000; Brouthers et al., 2014). Due to the lack of innovative activities in the initial stages of SMEs, this independent variable tend to have a direct connotation on performance of only large businesses in Malaysia in comparison (Arham, 2014). Technology based new establishments in China have stressed that innovative organizational structures reinforced the extensive capacity of the companies to increase the performance (Cai, Liu, Deng, & Cao, 2014). Remarkably, there is an outbreak of concern for the common area of organizational structures but current studies on innovative structures mainly emphasize on a very few structural forms and often established by large international organizations (Bartlett and Ghoshal, 1993; Pettigrew et al., 2000) or the complex structural formations of high technology-based enterprises in hypercompetitive surroundings (Bahrami, 1992; Miles et al., 1997).

Literature proved the prominence of the experiential research done on the Performance of SME concept made use of the concerns of innovative organizational structure extensively. These research were classified into precise areas like current discussion of innovation, theory and research application along with country wise effect to the businesses (Beliaeva, 2014). An empirical study done in Ecuador using a sample of 750 microenterprises on the financial literacy and Performance of SME in free economy businesses exposed that both financial literacy and role models are vital for assessing Performance of SME in some cases only (Engstrom, 2016). The results of another study conducted in the USA with a sample of 300 new establishments indicated that the exact connection between OS and Performance of SME is affected negatively by political networking in a moderating manner but financial networking resulted a reverted U-shaped relationship and an obvious link with business networking. These findings endorse that the consequence of managerial networking on the performance of new undertakings as elaborated, and the use of structural design and a variation of managerial networking systems in new companies to improve the growth inside the shifting economy in China (Wang, 2008).

Literature identifies significant positive association among Innovative structure and performance of SMEs as stated by few researchers (Wedathanthrige, 2014). Although Innovative structure has been found to be significant and an important component with regard to Performance of a business in the Sri Lankan context, the practical situation and actions of innovation is yet in an inadequate level. This explains the SMEs awareness that Innovative structure in the Sri Lankan context has been given less consideration for Performance of business environment which affects their ability to manage businesses.

Conclusion

SMEs in Sri Lanka do not have sufficient policies and principles but they possess practical commitment of proficiencies and recognize the activity of Innovation, as a conspicuous element. Although insufficient, the elements of Innovative structure compounded with Specialization, Departmentalization, Hierarchy, Span of Management, Delegation Formalization and Coordination shows the significant, positive relationship. The findings of this study summarizes management consequences and suggest required recommendations for the SME sector with regard to Performance of SMEs in Sri Lanka emphasizing the importance of the application of practical innovations to the SMEs. Therefore, the importance of the dimensions of Innovative structure in the SME industry, particularly in the new business formation and in the case of the business persons who plan to start new undertakings and display entrepreneurial activities, are immense. Hence improved consciousness of Innovative structure is a novel tendency for the people to attain the appropriate mindset. The seven dimensions of Innovative structure has a straight significant association on the Performance of SMEs and have a characteristic relationship. The results of this study directs to enrich the empirical nature of Innovative structure component with regard to Performance of SMEs in Sri Lanka.

Future Implication

It is prominent that business owners all over the world who manage their own undertakings display entrepreneurial activities of SMEs and function as change agents in a country. Therefore, it is the obligation of the government and non-government organizations to give attention to development with necessary Innovative organizational structure of companies for economic progress with suggestions to the academic field, to the entrepreneurs and to the policy makers along with regulators who are answerable for sustainable situation for the businesses in any country.

Recommendation

In the current situation, unless enhanced attention is given to Innovative organizational structures, the complications and disasters faced by the SMEs in functioning the establishments, the above factors could become serious concerns to their sustainability of the endeavors. It is the main purpose of the SMEs to acquire appropriate knowledge, skills, attitudes and aspirations, essentially in relation to innovation, that are beneficial for the new venture creations and establishments. Hence, it is crucial to practice innovative nature of entrepreneurial mindsets to think of turning ideas into actions for creating unique, innovative organizational structures and superior atmosphere displaying the SMEs behaviour.

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