

## FLEXIBLE COMPANY ORGANIZATION MODEL

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**Abstract:** The ability to quickly adapt to changes is a key factor for the survival of modern organizations operating in a turbulent environment. Globalization, cultural differences, and rapid technological change have caused major changes in organizational design. Survival requires that organizations abandon the traditional approach to business and encourage them to exchange experience, knowledge, and ideas. Qualitative research methods are applied in the work. Flexible forms of organizational design are described: as network, modular, virtual, and open organization - organization without borders. Flexible organizational forms are created by the concept of organic design. They represent non-hierarchical, decentralized, open, innovative organizations. The paper deals with their characteristics, advantages, and disadvantages. The paper aims to highlight the characteristics of organizational structure, organizational culture, and organizational learning inherent to flexible models.

**Keywords:** organization, flexible model, adaptation, changes

### Introduction

Companies have gone through stages of growth where they depend on a limited workforce, outdated equipment, and a stable market. Due to modern tendencies in business development, these underdeveloped entities must be eliminated, and organizations with a more contemporary form are "launched" in their stead. They are distinguished by their adaptability to market demands, flexibility, and less strict level-by-level hierarchical distribution [1].

Due to the market's expansion, commercial firms are no longer able to base their output on a safe and established market because there is no longer such. The first to adopt new tastes has the chance to dominate any global market due to the ongoing shifts in consumer preferences. Businesses in the Republic of Serbia were particularly affected by the modernization process of production and organizational structure; as a result, many of them lost ground to rivals and were unprofitable after official measures protecting them ceased. One of the main reasons for this setback was the companies' organizational obsolescence, but another was their technological refusal to adapt to customer needs. Information technologies [2, 3] and their role in enterprise decentralization are "hot topics" nowadays, along with the use of sophisticated methods to track the output of decentralized organizational units.

### Organizational structure

For the effective accomplishment of objectives, the organization is the distribution, coordination, and administration of every aspect of processes. It is established by how the production process is organized and by the structure of the organization (Babić, 2003). The structure is an essential component of all living things and also of organizations. Every organization, including businesses, has a unique structure, or a system that includes internal relations and interactions. The importance of structure for a company is equal to the importance of anatomy for a human or any other living organism, so it is often called the anatomy of a company. Without the right organizational structure, even the best performance in all areas of leadership will

remain ineffective. It is precisely for these reasons that choosing an adequate organizational structure is a priority task for every company. Numerous definitions of organizational structure exist, including:

The result of the organizing process, or in other words the organizational structure, should be in line with the objectives and the setting in which the business operates. The organizational structure that results from the organizing process is a tool to accomplish corporate objectives rather than a purpose itself. While making strategic decisions within the current organizational structure, the structure is also adjusted to the decisions made. Babić (2003)

With the development of the company, there are changes in the organizational structure. In the first stage, the company is the so-called entrepreneurial organization. One person - an entrepreneur - dominates the organization in the sense that it serves him to achieve some of his own goals. As long as a smaller number of people are employed, it is not a problem that a certain division of labor is followed by a formal organizational structure. Some entrepreneurs are more and others less inclined to accept risks. The choice of strategy, as a way of achieving goals in the environment, also depends on the attitude towards risk. If the company grows, it faces problems that exceed the ability of one person to effectively manage business activities. Certain business functions must also be present in a corporation of the right size. It is compelled to pursue a functional organizational structure as a result. Since every company function necessitates the management of its activities, it moves from people to a group of managers. The managers of various business functions are coordinated by the general director. Problems with the effectiveness of the organizational structure built on the functional principle emerge as the business moves past the stage of development when it is focused on a single product and market. Most of the time, a big business with more markets and goods is compelled to change to a divisional organization based on either market or product.

Since they require all of the business functions of an independent firm, a specific number of strategically important yet relatively independent business units are then established and organized as separate corporations in the second stage of development. A key component of a company's potential that establishes its position in the environment is its structure. In this approach, the structure and the strategy must work together to accomplish the company's business objectives. The kind of organizational structure required to carry out each strategy type is not governed by any rules. The current organizational structure was affected by the company's development history as well as the convergence of several elements with varying degrees of quality and intensity of action. The choice of strategy is influenced by these same considerations.

To adjust to changes in its strategy and environment, the organization must modify its structure. The better the company outcomes, the greater the level of adaptation. There are various methods for implementing organizational changes. Classical organizational principles are used to implement structural changes with the aid of an organizational chart. The level of decision-making decentralization within the organization can be changed while preserving the organizational structure. The creation of strategic business units boosts the subsystems' autonomy and motivation to strengthen the effectiveness and productivity of the company (Sajfert, 1999). Enhancing the process of workflow (the grouping of specialists) can result in structural change, which improves motivation and productivity. The enhancement of the communication network is one of the major structural developments in the modern business. Enhancing the coordination mechanism among the subsystems is a prerequisite for achieving synergy in the strategy's implementation. (Babić, 2002)

### **The role of management in formation organizational structures**

In today's market, organizational structure is essential to the operations of industrial companies.

It must be modified as necessary to meet changing customer needs, regardless of how it is created. That is why it is a dynamic category and an obligation of a constant work process in an organization.

The complete work and business duties are divided into distinct operations that match in a connected sequence in the project of a company's organizational structure. The company makes certain that every procedure and system component is set up as efficiently and logically as possible.

Several elements influence the dynamism of implementing changes in the context of achieving an appropriate organizational structure inside the company. These factors determine any changes made to any part of the organizational structure. The organization's internal and external components then change to reflect the state of operations, whether the business is in a stable and predictable environment or one that is dynamic and changeable. In this sense, the interests of the employees of these types of companies are used to accomplish the objectives of the organizational structures. A procedural understanding of company operations is included in the modern organization's organized architecture. (Kovač, 1999).

By applying the concept of reengineering, it contributed to the engagement of management to change the responsibilities and structure of the company as well as its tasks. This concept emphasized the importance and role of process understanding of the organization (Garvin, 1998).

Important innovations are defined by radical changes in organizational structures supported by information technology, which is necessary when we look at the organization from a process point of view because only interrelated processes can be effective. In an organization, the process is a whole and gives the final required result. This creates a cross-functional organization that does not know the boundaries of functions, departments, and services.

The notion of organization as a whole process is conditioned by the complementarity of these processes, which means that the output or final products depend on all the processes that make up the organization and their coherence and connections. Within the framework of business, modern process principles of company organizations achieve the optimal organizational potential of companies and organizations.

Behavioral processes are an important component. Behavioral processes determine the characteristics of organizations in relation to external stakeholders, as well as to the internal participants themselves. These are the patterns of behavior and functioning of the organization that make up the general behavior of every other process in the organization.

Behavioral processes, as part of the organizational process, are divided into three smaller subgroups. These are: the decision-making process, communication process in the organization and learning process in the organization. In practice, the focus on processes gives benefit in regulating the organizational aspect of enterprises and organizations. Good recognition, mutual separation, and joint integration of processes constitute the greatest means for managers to work successfully in the company. On the example of research by scientists and practitioners in the USA, today's managers operate successfully in organizations that are functional and hierarchical. Problems arise from isolated departments, poor coordination, and limited communication.

### **Achieving design flexibility**

Many authors have written about organizational design and the question of how to make it flexible. They put the answer down to a change in the organizational structure. However, Galbraith's star model allows flexible organizational design to be achieved in several ways. This means, it is not necessary to change the organizational structure in order to make the organizational design flexible, but other elements of the model can also be: strategy, organizational culture, rewarding and leadership.

In Galbraith's "star" model, strategy is the first element to be determined, since it sets the criteria for selecting alternative forms of organization. It represents a cornerstone in the process of organizational design. Galbraith emphasizes that if the strategy is not completely clear, then there is no criterion on which other decisions could be based. So, without knowing the goal, it is impossible to make rational decisions (Galbraith, 20002).

Structure, organizational culture, rewards and leadership, all of that is in the service of strategy. The strategy sets the framework for all subsequent design decisions, and is therefore placed on top of the "star" model.

Galbraith believes that: "The company's strategy defines the goals that should be achieved, as well as the values and the mission that are being pursued." "Strategy defines the products and services a company produces, the markets it serves, and the value it needs to deliver to customers." "Strategy defines both the sources of competitive advantage and the effort required to provide superior value to consumers."

Galbraith defines strategy as a formula for company success (Galbraith, 2002). Jay Galbraith's organizational design analysis is based on a different understanding of strategy as a design factor. Simply, instead of viewing the structure as a result of the chosen strategy and the way to implement it, the opposite view is affirmed that companies must first define the existing structural potentials and organizational capacities, and then, based on that, look at strategic opportunities. "Organizational capabilities are skills, processes, technologies, and human capabilities that create competitive advantage" (Galbraith, 2002).

Different strategies require different organizational capacities, and thus different organizational designs. Choosing the right design increases the likelihood that the company will be able to build appropriate organizational capacity. The competition can hardly match the organizational capacities. Their design or construction takes time, and it is difficult to imitate them and obtain them from others.

By appearing on the business scene, the enterprise encounters numerous and complex forces in the environment. That means the environment is dynamic. Therefore, it is the strategy that should enable the company to have successful relationships with the environment and thus achieve a competitive advantage in the market. When it comes to Galbraith's model of flexible design, competitive advantage is gained not only by aligning strategy and structure but also by aligning other design elements: organizational culture, rewards, and leadership. However, a high degree of agreement must be achieved between the implemented strategy and the chosen model of organizational structure. They need to identify the pros and cons of each strategy well. Different strategies imply different organizational structure models, and therefore different organizational cultures, motivation systems, and leadership styles. A customer-focused strategy does not mean that the best answer is a customer-oriented organizational structure. Simply, for the reason that the choice of the appropriate structure depends on the direction of the strategy, the complexity of the business, and the size of the organization.

In the book "Designing Dynamic Organizations" (Galbraith, 2002), Galbraith defines the basic strategies: production, operation, and customer. Each of them provides different opportunities and requires different organizational capacities, i.e. skills, processes, technologies, and human abilities to achieve competitive advantage. Production strategy. This strategy implies that production-oriented companies create the best product in the branch, as well as products and services that consumers do not even know they need. These companies are focused on innovation and the development of new products. Their advantage is that they bring new products to the market faster than their competitors and push the industry forward. Companies that follow a manufacturing strategy usually have a flexible organizational structure model based on innovation. Businesses that are production-oriented to encourage innovation will have a high tolerance for error and experimentation.

Operational strategy. This strategy implies that operationally oriented companies produce a combination of quality, price and ease of interaction that others cannot measure up to. Companies that follow

an operational strategy promise value, whether it is measured in price, convenience, quality, which is more important to consumers than other features or services. (McDonlad's ). (Galbraith, 2002).

Businesses that follow an operational strategy tend to have high standardization and will reward efficiency rather than creativity. So, the companies that follow this strategy most often have a bureaucratic structure. However, this does not mean that their design cannot be flexible. Namely, these companies will use other design elements: organizational culture, rewards, and leadership, and change them in the appropriate direction to make the model following this strategy flexible. Customer strategy. This strategy implies that customer-oriented companies build long-term relationships with consumers by tailoring their products and services to them. These companies offer their users complete solutions, not just products or services (consulting, law, accounting). Companies that follow the customer strategy are most often flexibly organized according to Galbraith's star model, which means aligning all elements of the star model, strategy, structure, organizational culture, rewards, and leadership. Customer-oriented companies are distinguished by their ideas, knowledge, and experience, as well as their ability to provide a package of products and services to their customers. The trend in many branches is directed towards user-oriented strategies. It is easy to conclude that the high speed of changes and their complexity in today's modern environment means that it is impossible for changes in the environmental factors to require changes in the organizational structure, but not in other elements of the organization. Structural changes are not enough to implement the organization's strategy, so it is necessary to consider other elements (leadership, rewards, organizational culture) and the potential of the organization as indicated by Galbraith's star model.

### **Modern development tendencies organizational structures**

Of all the factors that determine the modeling and use of an organizational model, the environmental factor takes the primary place. In addition to traditional (classical, bureaucratic) organizational structures such as functional, and divisional organizational structures, today we have new organizational forms that are a consequence of the changed environment, and especially the rapid development of technique and technology in all areas, especially in IT and telecommunications. The modern organization of the company does not know any new rules and procedures of the organization, which would not have been known to the classical forms as well. The difference is only in where the center of gravity is placed. Models of mixed organizational structures are recommended: T-shape organization, Virtual organization, Network organization, Spider web organization, Twisted organization, Amoeba organization, Model of innovative organizational structure, and Model of "learning organization".

The difference between classic and modern company organization can be seen only in whether the organization focuses on: centralization or decentralization; deeper or shallower division of labor; narrow or wide control span; rigid or flexible structure; static or innovative organization; bureaucratic or organic structures; individual authority or teamwork; disrespecting or respecting people in the organization; management of people versus management of things and processes; willingness or unwillingness to carry out organizational changes.

Modern organizational models guide companies in the direction of decentralized, flexible, and innovative organizations. It should be based on autonomous organizational units and profit centers, teamwork, and the management of people in the organization. Contemporary organizations should have a developed corporate culture and be ready to implement organizational changes. At the base of all modern forms of organization is information technology, which with the help of telecommunications facilitates the networking of organizations.

The mixed organization model occurs in a multidivisional organizational structure in which two or more types of divisional units at the same organizational level are mixed. In the literature, the name

conglomerate organization (Conglomerate Organization) is also used for mixed organizational structures, which are associated with a mixture of different organizational structures. At the first level of the organization, the territorial model of the organization is applied, and at the second and third levels, the functional model is applied, while at the fourth level of the company's organization, two types of structure are simultaneously present: subject (in production) and organizational structure oriented towards customers (in the sales department).

At the last, lowest level of organization, production is organized into organizational units according to the stages of the technological process, based on a process-oriented functional organizational structure. In this model of organizational structure, each organizational unit or department in the company should choose the type of organizational structure that best suits it, that is, which will enable them to successfully implement the assigned task.

T-shaped organization: Information technology offers the possibility for new ways of shaping the organization, primarily the creation of a T-shaped organization, that is, a technologically conditioned organization. The T-shape of the organization represents the shape of the networked organizations: suppliers, customers, strategic partners and other virtual components.

This is happening with the help of information technology, which enables the creation of a shallow organizational structure with a small number of management levels and a wide range of control. Part of the communication between management and employees is taken over by information technology, so the range of communication has a greater meaning in shaping the organization than the range of control.

Technologically conditioned organization through communication technology, e-mail, and network organization allows for great flexibility of the organization that can quickly respond to customer demands. It is characterized by numerous advantages such as flexibility, reduction of bureaucracy, employees who trust the management, low organization, a small number of superiors, efficient sales, decentralized decision-making, virtual components, high competitiveness, work focused on customer satisfaction, the possibility of establishing strategic alliances and other partnership relations. One of the weaknesses of the T-shaped organization is its dependence on external partners.

A virtual organization is a temporary network of independent institutions, companies, or individuals, that use information and communication technology to unite spontaneously to use their competitive advantages. As a rule, it does not have its structure, which is why it is called a virtual organization and not a virtual organizational structure. Each company in the network of the virtual organization rejects all the activities in which it is not the best (outsourcing), and keeps only those in which it is the leader. A virtual organization is a non-hierarchical organization of independent companies that independently decide to enter the network of virtual organizations with other companies with which they exchange raw materials, materials, information, knowledge, technology, research and development, products, and services.

Orientation of companies to the basic essential program (core business) is the importance of the largest number of high-tech organizations that are members of virtual organizations. Due to the strategy of a high focus on the main program, there is a need for externalization (outsourcing) of some other products or services, which until then the company produced itself, and which can now be obtained more favorably from other members of the virtual organization. It is precisely these two dimensions (core business and outsourcing) that give exceptional importance to the virtual organization and make every organization a necessary member of the network. This organizational model is flexible and modular as well as capable of quick response. The basis of the formation of virtual organizations is the economic interests of each of the members. Network organization (network organization) is a form of virtual organization that shows the way of connecting members in the virtual organization. The possibilities of entering and exiting the network are practically unlimited, so such organizations are also called "organizations without borders."

Network shapes can be as simple as a chain, where only some members of the network have direct

links and others only indirect links. In contrast to a wheel-shaped network where there is one network member who is in the center of the network and has a key role in the network, and all other members are tied to the key member. The most common form is the multi-channel network, which is enabled by information technology, and it is precisely the network that will characterize the future organization. The biggest advantage of the network is its adaptability, through which it is possible to gather so much knowledge that it would never be possible to have in any single organization. The forms of network organization can be different about: the reasons for networking, the number of members in the network, the strength or strength of an individual member of the network, the mutual connection of members, as well as the specificity of the culture of individual countries. One of the most well-known examples is the network of the Japanese company "Mitsubishi", in which there are various companies specializing in chemicals, electronics, heavy industry, cars, trade, etc. Mitsubishi Bank has a central place in that network, which plays the role of integrating all network members.

The "spider web" organization is one of the forms of the network organization. In contrast to classic network organizations, which exist as closed or open permanent networks with numerous members, the spider web organization is not a permanent organization, but an ad hoc organization, so it can be compared to a project or team organization. It is not so important that all members of the network are in the same place, as they must have software that enables them to share a common language and a common database.

Inverting organizations represents one of the forms of decentralized and non-hierarchical organization. The organization of this form is inverted so that top management is located at the base of the organizational pyramid, and the base of the organization is at the top. According to that model, all those companies dealing with the direct sale of one product or a certain range of products, in a very wide area (cosmetics, dishes, vacuum cleaners, life insurance, etc.) could be organized.

It is characteristic of all of them that they have a relatively small administration with supporting services and thousands of direct sellers who are in contact with the headquarters. Numerous organizations could be organized according to this model: scientific, educational, and health institutions, but also universal organizations based on knowledge, such as consulting organizations, design, software, and similar companies.

Amoeba organization - based on autonomy, flexibility, and co-management by the employees of the organization. These organizations are without hierarchy, so it can be said that, from the point of view of the depth of the organization, they are of one level of organization. Amoebas can have between 3 and 50 members. If the amoeba is ineffective, it can be divided further or reformed into new amoeba for some other task. The most important feature of amoeba organizations is the lack of hierarchy among its members, which is why organizations of this type are flexible and easily adaptable.

The model of the innovative organizational structure was created as an expression of the modern company's need for constant innovations and modifications of the production program, and with them also the offer to customers. This structure is defined as a structure that accelerates the transformation of the results of research and development activities into new activities related to a product or market. The innovative structure has two completely separate parts, which makes it treated as a dual structure.

The first part is the one that deals with research, i.e. innovative activities. The innovative part of the organization consists of functional teams (FT) of various profiles - they find new ideas and develop innovative projects. The organizational structure is of a matrix form, for each project a separate team is formed and it is considered a cost center.

The second part is the operational part, which is the carrier of executive activities. The structure is divisional with appropriate functional units, but it is the carrier of executive activities, new ideas, programs and projects are operationalized and efficiency is favored.

The "learning organization" model. Contemporary business requires an increasingly intensive

application of knowledge, multidisciplinary, and cooperation. Today, it is considered that a basic university education is not enough, because the rules of business change so quickly, so there are always new ones that must be learned. What modern companies want are not graduates who "know it all", but those who, in addition to knowledge, possess the ability and willingness to learn constantly. Organizations that have changed their way of working so that employees, in addition to performing their core activities within working hours, must also learn are called "learning organizations".

### **Conclusion**

For organizations that are exposed to frequent changes in the operating regime of the market, it is very important to determine the projections of future strategies regarding the organizational structure. First, it should be borne in mind that an ideal organizational structure does not exist and that it is necessary to make compromises during which the competitive position of the company would not be reduced. It is possible to make mistakes regarding the organizational structure that cannot be noticed immediately but after a certain time. Then the system is already in crisis, and the negative consequences can only be eliminated by appropriate organizational solutions, that is, by improving the organizational structure.

The new organizational forms affirm knowledge and inter-organizational learning. The management's task is to balance the relationship between its knowledge, on which it builds competence and the knowledge it displaces to its business partners. By dislocating activities outside its borders, the organization achieves cost reductions, but also threatens its competence. The manager's success is reflected in the extent to which he managed to distribute as much knowledge as is necessary for the effective functioning of the network while preserving the necessary knowledge to maintain his competitiveness.

Risk can be reduced if a trusted partner is chosen or an interactive knowledge exchange is required. In a virtual organization, members of the network exchange implicit knowledge. The management of member organizations of networks in such a structure should insist on developing unity and a sense of belonging to the organization as a whole. It can be concluded that an open organization has the most potential for the application of the knowledge management concept. Knowledge transfer within an open organization is the most intense because it is based on teamwork and porous boundaries.

The main conclusion of this paper is that the potential for organizational flexibility is not only in the model of the organizational structure but also in other dimensions, and elements of organizational design, which according to Galbraith's "star model" are strategy, organizational culture, reward, and leadership. The study of theoretical literature and examples from practice provides an opportunity to conclude that the flexibility of the structure is imperative for modern business organizations. This flexibility is reflected in the fact that organizations are focused both on results and on market movements. One of the most important components of any organization is its human capital. In this sense, the flexibility of the company's organization is primarily achieved by the creative and innovative behavior of managers and other employees.

### **Conflict of interests**

The authors declare no conflict of interest.

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