

Review

Organizational Culture as a Factor in Designing a Flexible Company's Organizational Model in Dynamic Business Conditions

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Abstract: The objective of this research is to explore the role of organizational culture in designing a flexible model of the organizational structure in conditions of frequent market regime switching, based on Galbraith's star model. Designing a flexible organization can be achieved by changes not only in the organizational structure, as previously believed, but also by changes in each design element: strategy, structure, organizational culture, leadership, and human resource management. The paper focuses on achieving organizational flexibility by changing the organizational culture, without changing the other elements of the star model. The paper aims to determine the role of organizational culture in the transformation of a rigid, vertical company organization into a shallow, horizontal company organization. By changing the organizational culture, the organization can ensure stability and dynamism in conditions of frequent and turbulent market regime switching.

Keywords: *Organizational culture; organizational design; mechanical design; organic design; flexible organization; dynamic business conditions.*

1. Introduction

In modern business, markets change very quickly. For companies to survive and operate in dynamic business conditions, they need to continuously adapt to changes in the environment and to very dynamic market changes. The dynamic changes in the market have wiped out many companies, leaving only buildings and halls and sometimes not even that.

The research is conceptually based on Galbraith's Star Model, which includes strategy, structure, leadership, organizational culture, and the human resource management process.

This research paper examines organizational culture as a factor in designing a flexible model of company organization in dynamic business conditions.

Research shows that companies can achieve flexibility, in other words, they can achieve organizational design flexibility by changing organizational culture without changing other elements of organizational design. This research also shows how companies can achieve flexibility in organizational design while varying one element without changing the other elements of organizational design, by measuring the effects of organizational culture.

By reviewing the available domestic and foreign literature, we conclude that this topic is very current among both domestic and foreign authors. We also found that the literature is very numerous and insufficiently researched.

In the previous text, it was pointed out that the work is conceptually based on Galbraith's Star Model. Many authors have concluded that Galbraith J. is a leading scholar and practitioner in the field of organizational design. His early work focused on the amount, type, and complexity of information an organization needs to process to get the job done. Galbraith's work, i.e., Galbraith's Model Star, which discusses organizational design, was and still is influential in academic circles and widely used in the business arena.

Jay Galbraith developed key concepts such as the Star Model, which is used to explain and research the process of designing a flexible company organization in dynamic business conditions. Researchers, in their works, explore ways to achieve flexible organization design in companies, not only by making changes in the organizational structure, as previously believed but also by changing other elements, in this case, by making changes in organizational culture without changing other elements.

Are changes in the organizational structure sufficient to unleash the company's full potential, or is a complete turnaround required? This research paper aims to prove that changing the organizational culture is sufficient to design a flexible company organization without changing other design elements.

Based on the above, the following hypothesis was put forward:

- H0: Organizational culture factor will, as a design predictor of flexible company organizations in a qualitative sense take a high rank (first two positions) in at least two groups of respondents.
- H1: Organizational culture factor will, in a qualitative sense, take a high rank (first two positions) in only one respondent group as a design predictor of flexible company organizations.

The goal of this paper is to determine the role of organizational culture in transforming rigid, vertical company organizations into shallow, horizontal company organizations. By changing organizational culture, the company can provide stability and dynamics in the conditions of frequent and turbulent changes in the market operating regime.

The paper is structured as follows: subject, goal, and research hypothesis, the above is presented in the introductory part. Then, the conceptual framework of this paper refers to Galbraith's Star Model. Results and discussion can be found in the next part, followed by conclusions and literature.

2. Theoretical basis

The research is conceptually based on Galbraith's Star Model. The Star model in its original form consists of the following elements: strategy, structure, processes, rewards, and people. Galbraith's „star model“ is represented by a picture, where the element of „people“ is understood as leadership, and „processes“ as organizational culture.

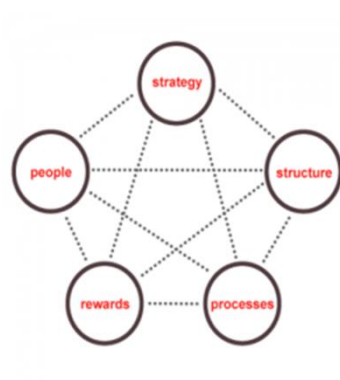


Figure 1. Star Model [1].

The research's subject represents the design process of flexible company organizations in dynamic business conditions. A company can achieve a flexible organization by changing organizational culture without changing other design elements.

The paper tried to explain the process of changing rigid vertical organizational structures into a horizontal, flexible organizational structure, by changing organizational culture as a design element.

The paper aims to determine the role of organizational culture in the transformation of the rigid, vertical company organization into a shallow, horizontal company organization

Several authors define organizational culture as basic assumptions about the world and the values that govern life in organizations. Also, several authors consider organizational culture to be an essential component of organization and of designing a flexible organizational design. It has always been considered to have a profound influence and importance on the variety of organizational processes, employees, and their performance, and it is an important element for unifying different company cultures in the corporate group structure. The most comprehensive definition of the concept of organizational culture reads: „Organizational culture is a system of assumptions, values, and norms of behavior that members of an organization have developed and adopted through shared experience which guide their thinking and behavior“ (Petković et al, 2003: 161) [2].

Some of the definitions of organizational culture in the literature are as follows:

- „a system of assumptions, beliefs, values and norms of behavior developed and adopted by members of an organization through shared experience which guide their thinking and behavior“ (Janićijević, 1997: 42)[3].

- „a model of shared values that give employees institutional meanings as well as rules of behavior in everyday life“ (Davis, 1984) [4].

- „a model of basic assumptions, values , and norms that a given group has developed or discovered while learning how to solve problems of external adaptation and internal integration which function well enough to be passed on to new members of the organization as the correct way of thinking and feeling about those problems“ (Schein, 1985) [5].

The authors point out that managers can view organizational culture as a variable that is fully in their control and whose creation they can influence (Geertz, 1973 Schein, 1985) [6].

According to Galbraith (2002), an organization can be structured in five ways, and each organization has a specific organizational structure.

Functional structure, which is characteristic of small businesses, implies a culture of power. This structure favors interpersonal relationships as a means of solving problems. The geographical structure suits small businesses with high transport costs and implies a role culture or bureaucratic culture. The production structure that grows out of the functional structure implies a culture of support. The customer structure corresponds to businesses where customers have power and influence over the market and implies a task culture. Front-back, a hybrid structure implies a mixture of organizational cultures with a slight dominance of the support culture. These structures have no built-in specific culture because it arises and changes during the existence of the company.

The topic was and still is new and insufficiently researched. Several authors have asked many interesting questions regarding the subject mentioned in the title, and some of them are:

- Fritz (1996) [7]: .if the organizational structure remains unchanged, will the behavior of the organization revert to its previous behavior? A similar shift is possible with culture when an organization is in turbulent times.

- Seel (2000) [8] says that: „if any real degree of change is likely to occur, organizations ‘immune system’ will begin to resist new ideas. Some people will begin to assert the power they feel they are losing; some will be cynical and resent the process; some will be scared and withdraw from change“. Seel, believes that managers through their understanding of structure and culture, have the opportunity to act as „immune suppressants“.

3. Methodology

The purpose of this paper is to show the importance of organizational culture in the process of designing a flexible company organization in dynamic business conditions. This research is based on the research conducted in 2023 in the doctoral dissertation of Markovic, S [9].

Following the subject and goal of the research, the design of this work was set: subject, goal, and research hypothesis, which are presented in the introductory part. Then, the conceptual framework of the work related to Galbraith's Star Model. Results and discussion are shown in the next part, followed by conclusions and literature.

The methodology complies with the purpose of use: a review of available domestic and foreign literature, method of observation, and the case study method related to the company Nectar Group from Bačka Palanka and another company from Novi Sad. These companies were selected because they are a part of the Serbian economy, functional bureaucracies in the process of transition, and yet they are companies with different core business activities. However, according to the survey, upper and middle management as well as people from production gave very similar answers

The questions in the survey were formed with current events in mind, such as the financial crisis, armed conflicts in Ukraine, and the health crisis of COVID-19. The survey was conducted through an electronic questionnaire and a printed form questionnaire. A total of 146 respondents were surveyed, of which 46 were from the senior management group, 20 from the middle management group, and 80 employees from the manufacturing group. This survey, as an integral part of the aforementioned research, focused on the organizational culture and how by varying it the company achieves a flexible organizational design without changing other elements of the organizational design.

During the survey, we followed ethical standards, i.e., the full consent of the respondents for its implementation was gained. Also, the respondents thought that the survey was useful both at the micro and macro business levels.

The result of the research is based on a survey of three groups of respondents and a comparison of the significance of aggravating factors when designing a flexible company model in dynamic business conditions.

Structure of the answers:

- In the group of respondents from the Senior Management group, out of 20 surveys, we received answers to 19, and 14 were assessed as inconsistent. 5 surveys were included in the ranking process
- In the group of respondents from the Middle Management group, out of 46 surveys, we received answers to 46, and 35 were assessed as inconsistent. 11 surveys were included in the ranking process.
- In the group of respondents from the Manufacturing group, out of 80 surveys, we received 73 answers, and 70 were assessed as inconsistent. 3 surveys were included in the ranking process.

The data was collected in the period from February 2023 to June 2023. The AHP method was used: Aggregation of individual grades (AIG). Ten (10) questions per cluster were asked in the survey, and a Likert scale was used in the answers. (-1+9).

The survey provided significant results in response to the question of whether and to what extent organizational culture can ensure the design of a flexible company organization in dynamic business conditions without varying other elements of organizational design.

However, there are also limitations that future researchers should consider:

1. In this sample, managers do not represent all members of the organization;
2. Also, analyzing two companies in one sector can create a generalization problem;
3. Furthermore, the research may analyze organizational culture using more managers from different industries and sectors of activity, in different regions, and extend the research to other professional categories.

The year 2020 was a challenging business year. The pandemic brought unprecedented situations that required quick and well-thought-out action in business management while preserving health and safety.

Several authors believe that organizational culture and organizational structure guide employee behavior through the reduction of uncertainty and ambiguity.

4. Results

The result of the research based on the survey of three groups of respondents is founded on the comparison of the importance of aggravating factors when designing a flexible company model in dynamic business conditions.

Table 1. Comparative overview of criteria ranks by groups.

| Criteria | Manufacturing | Middle Management | Senior Management |
|-------------------------------|---------------|-------------------|-------------------|
| Market penetration | 2 | 1 | 2 |
| Market development | 3 | 7 | 6 |
| Product development | 5 | 6 | 7 |
| Diversification | 1 | 2 | 1 |
| Power culture | 8 | 9 | 8 |
| Role culture | 6 | 5 | 3 |
| Supportive culture | 4 | 3 | 5 |
| Task culture | 7 | 4 | 4 |
| A mixture of all of the above | 8 | 8 | 9 |

The manufacturing and senior management groups deemed the diversification strategy the most important, while middle management considers it to be market penetration. Manufacturing group believes that power culture and mixed organizational cultures are the worst models, while for middle management it is a culture of power, and for senior management, a mixture of all models of organizational culture.

In the conditions of the change in the operating regime of the market due to the health crisis, respondents from the manufacturing group believe that the liberal style of leadership is the most important, while respondents from the middle and senior management group consider the democratic style of leadership to be the most important. The manufacturing group considers the front-back structure the least important, while middle and senior management groups consider power culture the least important.

Table 2. Rankings of factors in the creation of a flexible model of company organization in the conditions of a change in the market operating regime due to the health crisis for all three groups of respondents.

| | Manufacturing | Middle Management | Senior Management |
|--------------------------------|----------------------|--------------------------|--------------------------|
| Strategy | | | |
| Production strategy | 3 | 8 | 12 |
| Operational strategy | 9 | 3.5 | 3.5 |
| Customer strategy | 2 | 2 | 5 |
| Structure | | | |
| Functional structure | 7 | 7 | 6 |
| Geographical structure | 12 | 17.5 | 19 |
| Production structure | 17 | 17.5 | 16 |
| Customer structure | 13.5 | 9 | 15 |
| Front-back structure | 20 | 19 | 11 |
| Organizational cultures | | | |
| Power culture | 19 | 20 | 20 |
| Role culture | 15 | 14 | 17 |
| Supportive culture | 6 | 13 | 9 |
| Task culture | 13.5 | 10 | 10 |
| A mixture of all the above | 18 | 12 | 3.5 |
| Rewarding | | | |
| Indicators | 16 | 11 | 2 |
| Desired values and behaviors | 11 | 5 | 7.5 |
| Compensations | 8 | 16 | 18 |
| Rewarding and Recognition | 4 | 6 | 13.5 |
| Leadership styles | | | |
| Autocratic | 10 | 15 | 13.5 |
| Democratic | 5 | 1 | 1 |
| Liberal | 1 | 3.5 | 7.5 |

Table 3. Rankings of factors in the creation of a flexible model of company organization in the conditions of a change in the operating regime of the market due to armed conflicts for all three groups of respondents.

| | Manufacturing | Middle Management | Senior Management |
|--------------------------------|----------------------|--------------------------|--------------------------|
| Strategy | | | |
| Production strategy | 9 | 3 | 10 |
| Operational strategy | 1 | 1 | 2 |
| Customer strategy | 7 | 12 | 8.5 |
| Structure | | | |
| Functional structure | 3 | 8 | 5 |
| Geographical structure | 14 | 18.5 | 18 |
| Production structure | 18 | 13 | 16 |
| Customer structure | 16 | 10 | 15 |
| Front-back structure | 19 | 18.5 | 13.5 |
| Organizational cultures | | | |
| Power culture | 17 | 20 | 19.5 |
| Role culture | 10 | 17 | 17 |
| Supportive culture | 11 | 9 | 8.5 |
| Task culture | 13 | 14 | 13.5 |
| A mixture of all the above | 20 | 7 | 4 |
| Rewarding | | | |
| Indicators | 15 | 5 | 1 |
| Desired values and behaviors | 12 | 6 | 7 |
| Compensations | 5 | 16 | 19.5 |
| Rewarding and Recognition | 6 | 15 | 12 |
| Leadership styles | | | |
| Autocratic | 8 | 2 | 11 |
| Democratic | 4 | 4 | 3 |
| Liberal | 2 | 11 | 6 |

In the event of a change in the market operating regime due to war, respondents from the manufacturing and middle management group consider operational strategy to be the most important, while senior management believes that it is a reward indicator. Respondents from the manufacturing group give the least importance to the mixture of all organizational cultures, respondents from the middle management group consider power culture to be the least important, while respondents from senior management are divided over the power culture and compensation.

Table 4. Rankings of factors in the creation of a flexible model of company organization in the conditions of a change in the operating regime of the market due to the financial crisis for all three groups of respondents.

| Criteria | Manufacturing | Middle Management | Senior Management |
|--------------------------------|---------------|-------------------|-------------------|
| Strategy | | | |
| Production strategy | 4 | 2 | 13 |
| Operational strategy | 5 | 7 | 4 |
| Customer strategy | 2 | 6 | 6 |
| Structure | | | |
| Functional structure | 16 | 18 | 14 |
| Geographical structure | 12 | 17 | 19 |
| Production structure | 13 | 10 | 17 |
| Customer structure | 17 | 12 | 11 |
| Front-back structure | 20 | 12 | 5 |
| Organizational cultures | | | |
| Power culture | 19 | 15 | 20 |
| Role culture | 9 | 12 | 18 |
| Supportive culture | 11 | 19 | 8 |
| Task culture | 14 | 20 | 9 |
| A mixture of all of the above | 18 | 4 | 2.5 |
| Rewarding | | | |
| Indicators | 8 | 1 | 2.5 |
| Desired values and behaviors | 15 | 9 | 10 |
| Compensations | 10 | 14 | 15.5 |
| Rewarding and Recognition | 6 | 16 | 15.5 |
| Leadership styles | | | |
| Autocratic | 7 | 8 | 12 |
| Democratic | 3 | 3 | 1 |
| Liberal | 1 | 5 | 7 |

In the event of a change in the operating regime of the market due to the financial crisis, manufacturing considers the liberal style of leadership to be the most important. For middle management, it is reward indicators, and for senior management, the democratic leadership style. Under the same conditions, respondents from the manufacturing group consider the front-back organizational structure to be the least important, middle management considers task culture, and senior management power culture the least important.

To test the null hypothesis - H0: Organizational culture factor will take a high rank as a predictor of designing a flexible company organization in a qualitative sense (first two positions) in at least two groups of respondents -- factors in all three groups were ranked. The analysis showed that the first two places in the ranking are considered significant, and organizational culture is marked in red.

Table 5. A comparative overview of the ranking of the factors of designing a flexible company organization.

| Criteria | Manufacturing | Middle Management | Senior Management |
|----------|---------------|-------------------|-------------------|
| 1 | Strategy | Structure | Strategy |
| 2 | Rewards | Strategy | Structure |
| 3 | Structure | Leadership | Leadership |
| 4 | Leadership | Culture | Culture |
| 5 | Culture | Rewards | Rewards |

The analysis shows that not a single group considers organizational culture as a significant predictor of flexible company organization, which is why the null hypothesis is rejected in favor of the alternative hypothesis:

H1: The factor of organizational culture will take a high rank as a predictor of creating a flexible company organization in a qualitative sense (first two positions) with one group of responders at most.

5. Conclusions

The research unequivocally shows that in modern organizations, structural changes are not enough for a company to improve its operations.

In particular, a mechanical design model based on a functional organizational structure model can be successfully applied to respond to the demands of a turbulent environment of fierce competition if the potential of other organization elements is used, outside the organizational structure.

An adequate leadership system is also important, which will ensure the participation of employees, organizational flexibility, and better overall company performance. There is significant potential in the reward system for flexible business behavior. Employees are motivated by a reward system in which their results and contributions are valued, their differences in abilities and skills accepted, and their expectations respected.

The results qualitatively show that organizational culture, which will create an environment in which employees are motivated, satisfied, and loyal to the organization, has special importance in Serbian companies. Employees, in the new value system, start changing their old habits and begin to learn and accept the value of teamwork, direct communication, trust, creative behavior, etc.

Directions for further research include continuous monitoring of the effect of the applied flexible model of company organization in new i.e. future market conditions with optimal business decisions in mind. In further research, we should expand the survey with several new factors chosen by following the evolution of the corporate model of company management and the wider economic, scientific, and geopolitical environment of the company.

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