

FLEXIBLE ORGANIZATIONAL STRUCTURES: THE ESSENCE, VARIABLES AND FACTORS OF PERFORMANCE

Gres G. Flexible organizational structures: the essence, variables and factors of performance.

The article aims to clarify the essence of flexible organizational structure, the variables (dimensions) distinguishing the flexibility and rigidity of a structure, and the impact of structure flexibility on enterprise performance. The need for a clear definition of flexible organizational structure and the confusion between flexible and organic structures makes conducting research in this field essential. Various reports of flexible organizational structure are presented in the article, each highlighting different aspects of flexibility. Some definitions focus on temporary units and specific tasks, while others encompass broader characteristics such as flat hierarchy, decentralization, and adaptability. An empirical research study is conducted through interviews with top managers of Ukrainian and foreign enterprises to clarify the essence of flexible organizational structure. The research identifies critical characteristics (variables) of flexible structures, including low hierarchy, low complexity, substantial decentralization, and low degree of formalization. The study finds that flexible structures positively correlate with flexible business processes and better adaptability to VUCA (Volatility, Uncertainty, Complexity, Ambiguity) external environments, as seen during the pandemic. Thus, the article defines flexible organizational structures as flat, simple, decentralized structures with a low level of formalization, enabling flexibility of the enterprise's business processes and allowing better adoption to VUCA external environment. Regarding performance, the research indicates that enterprises with flexible structures did not consistently demonstrate better overall performance than rigid structures. However, certain flexible structures were associated with higher performance in specific areas, such as overall efficiency, profitability, growth, and customer satisfaction.

Keywords: organizational structure, flexible organizational structure, factors of enterprise performance, key performance indicators, adaptation to external environment, determinants of organizational structure, variables of organizational structure, organizational structure profile, of organizational structure, variables of organizational structure, organizational structure profile.

Formulation of the problem. Today it's difficult to underestimate the role of organizational structure for enterprises. A transparent model of the organizational structure will make it possible to quickly identify the interaction problems between the control and control subsystems, see how operational processes are arranged, and assess their strengths and weaknesses. An ill-conceived organizational structure can significantly increase the duration of decision-making and working processes, cause excessive bureaucratization, non-optimal work distribution, etc. A properly built, well-established, and well-thought-out organizational structure guarantees stable and dynamic business development and full-fledged functioning of the enterprise.

But the ever-changing environment only allows enterprises to keep the once-developed structure for a while, even if it was perfect at some period. Thus, an increase in the pace of environmental changes must lead to increased organizational structure flexibility. But even this simple idea hasn't got the entire support in the academic world: while most scholars prove that structure flexibility must be used to respond to turbulent environments [1; 2; 3; 4; 5], some researchers strongly question this statement [6]. Moreover,

while theoretical researches often advocate complex organizational structures, companies practice simpler forms of construction [7, p. 318].

Another problematic aspect is that the essence of the flexible organizational structure needs to be clearly defined, and many scholars make no difference between flexible and organic types of organizational structure [8]. The essence of the flexible organizational structure still needs to be clarified: many scholars defined this term, but those definitions focus on different aspects of flexible organizational structures, confusing which aspects are distinguishing from the term discussed.

Thus, it is necessary to clarify the essence of flexible organizational structure, the variables (dimensions) distinguishing the flexibility and rigidity of a structure, and the impact of structure flexibility on enterprise performance.

Analysis of recent research and publications. First, to clarify the essence of flexible organizational structure, it is necessary to analyze the existing definitions of this term. Stachova K. and Stacho Z. [2, p. 245] state that flexible organizational structure is "characterized by the creation of temporary units (teams) within a basic departmental structure to solve a challenging task, important for the organization and limited by

the time". While providing a clear understanding of the purpose of flexible structures: to address specific tasks and challenges, this definition may lack a broader perspective on the overall organization's adaptability and long-term effectiveness, and the focus on temporary units might not address the need for flexibility in other areas of the organization.

Pawłowski E. [9, p. 2332] provides a much broader definition of flexible organizational structure based on five dimensions, defining it as "an extremely flat organization, free of the official hierarchy, based on horizontal coordination relationships and variable hierarchy of goals, blended into external economic networks, completely decentralized, based on the wide specialization of employees, and shallow level of standardization and formalization". As we can see, this definition encompasses a broad range of characteristics that promote adaptability and responsiveness.

Tyulkova N. defines the term analyzed as a "structure in which business processes are no longer stable, and functions of workers mix" [10]. The researcher acknowledges the importance of dynamic and evolving business processes.

Kasak D. T. [11] claims it is "a system that can adapt and adjust to meet the needs of individuals or groups within an organization". This definition emphasizes meeting the needs of individuals and groups, fostering a people-centric approach while lacking specific details on the structural aspects required for such adaptability. Moreover, focusing on individual and group needs might neglect overall organizational objectives.

Van der Weerd N. P., Volberda H. W., Verwaal E., Stienstra M. [12, p. 110-111] while discussing the issue of organizational structure and structural flexibility, emphasize the need for coordination between different parts of the organization and thus widely define organic structures as those "characterized by a basic organization form that can deal with increased coordination needs between interfacing units, a rudimentary performance-oriented planning and control system that allows for ambiguous information and necessary experimentation and intuition, and limited process regulation. Such organic structures accommodate efficient managerial processing of information and facilitate adaptation of organizational structures and processes, which increases the potential for structural flexibility".

J. Miles [7, p. 315] highlights the importance of networks and knowledge-sharing in

fostering flexibility and defines organic structures as "fluid, dynamic networks in which many people share task, knowledge and information". Donohoe A. [13] claims, "flexible structure is an informal type of organizational structure that puts less emphasis on departmentalization and a strong chain of command than a traditional bureaucratic structure. Instead, this structure allows lower-level workers to make decisions as much as possible and emphasizes the ability to adapt quickly to changing business needs and allow growth".

Rapoport V. states that a flexible organizational structure allows a management system to adapt effectively to varying goals and environments while maintaining stability [14]. This definition balances adaptability with the need for peace in achieving organizational goals.

Adaptive (flexible, organic) organizational structures are characterized by the absence of bureaucratic regulation of the activities of management bodies, the lack of a detailed division of labor by types of work, the blurring of management levels and their small number, the flexibility of the management structure, the decentralization of decision-making, the individual responsibility of each employee for the overall performance results [15].

Thus, the various definitions of flexible organizational structures have strengths and weaknesses. Some focus on specific aspects like temporary units or flat hierarchies, while others encompass a broader range of characteristics like adaptability and decentralization. Emphasizing adaptability while maintaining stability is a common theme in many definitions. The advantages of these definitions lie in their recognition of the importance of adaptability, employee empowerment, and cross-functional collaboration. On the other hand, some reports lack specificity or neglect certain organizational aspects, such as standardization or clear reporting lines.

Flexible organizational structure is considered the basis for innovative operations in organizations. However, many organizations rely on individuals rather than specialized teams to handle new and demanding projects, which can hinder the creation of an innovative environment. Organizational flexibility, the ability to respond to changing conditions and new situations, is crucial for creating a creative environment. Research suggests that only a smaller portion of analyzed organizations have organizational structures that fulfill flexibility characteristics, such as adapting to changing conditions and delegating

operational decisions to line managers. The level of flexibility in organizational structures also varies across different functional areas of the enterprise, such as marketing and sales, research and development, operational activity, and administration. A comprehensive understanding of flexible organizational structures should incorporate decentralization, adaptability, coordination, and employee empowerment while considering the challenges of maintaining stability and clear accountability.

The empirical research was conducted to formulate the final definition of flexible organizational structure, and its results will be discussed below.

Another problem is that despite many scholars believing flexibility of organizational structure is the inevitable condition of the enterprise survival and high performance [2; 3; 7; 9; 12], others state that "excessive changeability of the structure makes the management system unstable and leads to less effective organizational behavior" [14] and "too much flexibility could degenerate into dysfunctional behavior" [16, p. 577]. Thus, the second task of the empirical research discussed in this paper is to define if flexible organizational structures fit the contemporary environment of enterprises' activity, securing high performance. Today's external business environment can be characterized as extremely VUCA (standing for volatility, uncertainty, complexity, ambiguity) [17], especially in recent years. Thus, in 2022 Collins dictionary defined "Permacrisis" as a Word of a Year, explaining its meaning as "an extended period of instability and insecurity". Indeed, having just been restored after the severe pandemic, the global economy faced a new crisis long enough, caused by the war in Ukraine. These significant changes can impact the performance of enterprises with different organizational structures.

The purpose of the article is to clarify the essence of flexible organizational structure, the variables (dimensions) distinguishing flexibility and rigidity of a structure, and the impact of structure flexibility on enterprise performance.

Main results of the research. The empirical part of the research is conducted by interviewing top managers of Ukrainian and foreign enterprises. Questionnaires were sent to 150 enterprises; the responses were collected from 102 enterprises, among which 86 were left for analysis.

Sample structure by enterprises' sector, size, and age is provided in fig. 1 - 3, respectively.

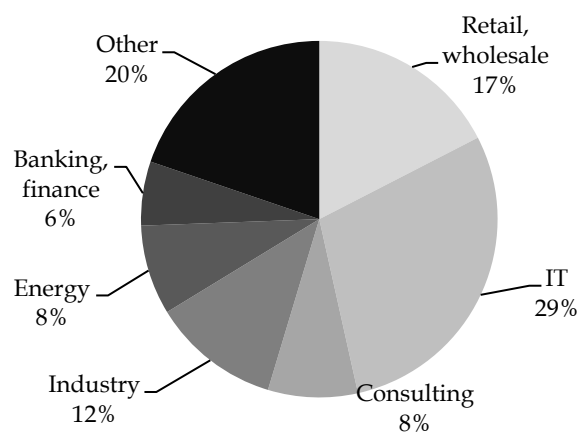


Fig. 1. Sample structure by sector

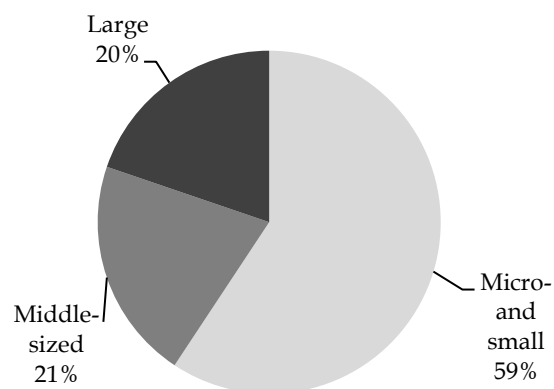


Fig. 2. Sample structure by size

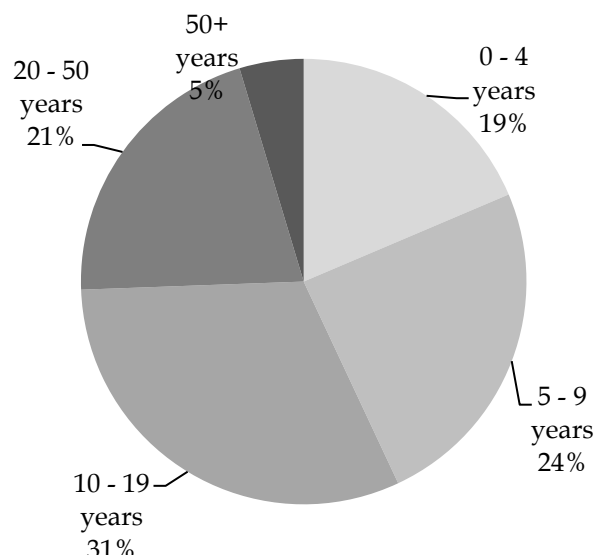


Fig. 3. Sample structure by age

Thus, leading positions in the sample belong to IT, trading, and industrial companies. Micro- and small enterprises comprise almost 60% of the piece, while middle-sized and large enterprises comprise about 20% each. By age, enterprises aged 10–19 years prevail in the model, followed by 5–9 years old and 20–50 years old enterprises.

The questionnaire asked about the type of organizational structure the enterprise has and the parameters (variables) of organizational structure that shape the corporate structure profile of the exact enterprise. Such parameters are formed based on the specialized literature [2; 3; 6; 9; 18; 19; 20; 21] and include, among others: the number of hierarchy levels, the level of business processes specialization, the level of tasks standardization, employees qualification, coordination mechanisms, friendliness of the corporate climate, etc. (43 parameters in total). Then, the correlation coefficients between the level of organizational structure flexibility and parameters (variables) of organizational structure were calculated, and the significance of correlation coefficients (for $p = 0.05$) was estimated. Thus, the organizational structure flexibility has a strong negative correlation with the number of hierarchical levels in the enterprise (correlation coefficient equals -0.46), which means that flexible organizational structures are relatively flat (but not highly flat, as the average number of hierarchical levels is 4).

Another finding is that the organizational structure flexibility has a strong positive correlation with the flexibility of operations (correlation coefficient equals 0.40). Thus, flexible business processes can be considered a structure flexibility driver, as stated in our work [22].

The level of organizational structure flexibility has a robust negative correlation with such variables as:

the workload of top management (correlation coefficient equals -0.25);

organizational structure complexity (correlation coefficient equals -0.35);

the level of organizational structure formalization (correlation coefficient equals -0.24);

the need for coordination (correlation coefficient equals -0.29).

The first and the last variables mentioned are instead consequences of the use of a flexible organizational structure in the company, while the other two are parameters of the structure, making it flexible. Simultaneously, decreasing the workload of top management can mean decentralization immanent for flexible structures.

It was asked how well the company has adapted to the pandemic to analyze how well it can adapt to the VUCA environment in the questionnaire, as it can be considered a perfect manifestation of the environmental VUCA [23]. Again, enterprises with flexible structures have

shown better adaptation (correlation coefficient equals 0.25).

Thus, taking into account the results of the empirical research, the definition of the flexible organizational structure can be specified: flexible organizational structure is a flat, simple, decentralized structure with a low level of formalization, which enables flexibility of the enterprise's business processes and allows better adapt to VUCA external environment.

Another task was to understand if enterprises with flexible structures perform better. The following aspects of performance were considered to resolve this task [24; 25; 26]:

overall efficiency;

competitiveness;

profitability;

growth;

cost-effectiveness;

innovativeness;

customer satisfaction.

In general, enterprises with flexible organizational structures did not perform better by any of the critical performance indicators mentioned. But there is evidence that some types of structures can be associated with higher performance compared to others. Thus, divisional structures, holacracies, process, and network structures are better than others by overall efficiency; process and flat structures – by competitiveness; network, divisional, and project structures – by profitability; process, network, and team-based – by growth, etc. At the same time, the hierarchical structure is among the best by profitability and customer satisfaction level, functional – by profitability and cost-effectiveness, etc.

Conclusion. The research defined the key characteristics (variables) of flexible organizational structure: low hierarchy, low complexity, decentralization, and low formalization. The primary outcomes for companies with flexible organizational structures are high adaptability to the VUCA environment (a reasonable manifestation of which is pandemic) and flexible business processes. Thus, a flexible organizational structure can be defined as flat, simple, decentralized structure with a low level of formalization, which enables flexibility of the enterprise's business processes and allows better adoption to VUCA external environment. At the same time, there is no clear evidence that flexible organizational structures, in general, are more efficient than rigid ones.

Further research in this field should be aimed at analyzing the characteristics and performance of enterprises with exact types of

organizational structure and developing the approach to choosing and forming the most appropriate type of organizational structure.

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Анотація.

Гресь Г. О. Гнучкі організаційні структури: сутність, змінні та фактори ефективності.

Метою статті є уточнення сутності гнучкої організаційної структури, змінних (вимірів), що відрізняють гнучку організаційну структуру від жорсткої, і впливу гнучкості структури на ефективність діяльності підприємства. Відсутність чіткого визначення гнучкої організаційної структури та плутанина між гнучкою та органічною структурами робить важливим проведення дослідження у цій галузі. У статті розглянуто численні визначення гнучкої організаційної структури, кожне з яких підкреслює різні аспекти гнучкості. Деякі визначення зосереджуються на тимчасових підрозділах і конкретних завданнях, тоді як інші охоплюють ширші характеристики, такі як плоска ієрархія, децентралізація та адаптивність. Для уточнення сутності гнучкої організаційної структури проведено емпіричне дослідження шляхом інтерв'ювання топ-менеджерів українських та іноземних підприємств. Дослідження визначило основні параметри (змінні) гнучких структур, включаючи «плоску» ієрархію, низький рівень складності, високий рівень децентралізації та низький ступінь формалізації. Дослідження виявило, що гнучкі структури мають сильну позитивну кореляцію з гнучкістю бізнес-процесів підприємства та кращою адаптованістю до зовнішнього середовища, яке можна визначити як VUCA (мінливе, невизначене, складне й неоднозначне), що проявилось, наприклад, під час пандемії COVID-2019. Таким чином, у статті визначено гнучку організаційну структуру як плоску, просту, децентралізовану структуру з низьким ступенем формалізації, яка забезпечує гнучкість бізнес-процесів підприємства та дозволяє краще адаптуватися до зовнішнього мінливого, невизначеного, складного й неоднозначного середовища. Щодо ефективності діяльності підприємства, то дослідження показує, що підприємства з гнучкими структурами не завжди демонстрували кращі результати, порівняно з підприємствами з жорсткими структурами. Проте певні типи гнучких структур асоціювалися з вищою ефективністю в певних сферах, таких як загальна ефективність, прибутковість, зростання та задоволеність клієнтів.

Ключові слова: організаційна структура, гнучка організаційна структура, фактори ефективності діяльності підприємства, основні показники ефективності, адаптація до зовнішнього середовища, детермінанти організаційної структури, змінні організаційної структури, профіль організаційної структури.

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**DEVELOPMENT OF ORGANIZATIONAL CULTURE AS A KEY FACTOR IN
ENSURING THE MAIN COMPANY'S COMPETITIVE ADVANTAGE**

Shymanovska-Dianyach L. Development of organizational culture as a key factor in ensuring the main company's competitive advantage.

A significant number of scientific works by foreign and domestic scientists are devoted to studying the problems of the development of the company's organizational culture and the search for ways to transform the company's organizational culture in the conditions of globalization. An essential factor in increasing the competitiveness of a modern company, on the one hand, and one of the strategic resources of the company's development is precisely its organizational culture. In current economic science, the study of the essence of the concept of corporate culture, its components, mechanisms of formation, and development of the company's organizational culture occupies a leading place in both theoretical and practical aspects of the activities of modern companies. This study aims to identify and analyze the features and components of the development of the company's organizational culture. Organizational culture has a relatively significant influence on employees and the entire company's activities. Corporate culture allows you to develop and maintain a stable social and psychological climate in the team. It ensures the strength and development of the organization, including the development of personnel competencies. Developing organizational culture is an essential process of every company's activity. It is this factor that will depend on the efficiency of the enterprise in the future. A high degree of compatibility with the organization's strategy and culture is an essential factor in the organization's competitiveness, success, and development. The sequence of developing the