

## LEADERSHIP 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 qualitatively explore the role of leadership in designing a flexible model of organizational structure in conditions of frequent market regime-switching, tail behavior, and jumps, based on the 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 of the design elements such as corporate strategy, structure, organizational culture, leadership, and human resource management. The paper focuses on understanding how to achieve organizational flexibility by changing the leadership factor, while assuming *ceteris paribus*. Moreover, this work attempts to gauge the contribution of leadership in the process of transforming a rigid, vertical company organization into a shallow, horizontal company organization. By adjusting the leadership input, the organization may be able to ensure stability and dynamism while being subjected to turbulent business environment.

**Keywords:** leadership, organizational design, organic design, flexible organization, dynamic business conditions, regime-switching.

### 1. Introduction

The topic of this research is leadership as a creation factor of a flexible organizational structure, which can take various manifestations. In the recent period (i.e., from 2020 to 2022), increased market volatility in the business environment caused modifications of companies' strategic behavior and redesigning of the existing organizational structure.

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The dynamics of structural changes in global financial markets together with the transition processes in the Republic of Serbia, imposed the necessity of company restructuring, which inevitably includes modifications of the model of corporate organizational structure and organizational design, i.e., the way the organization is managed.

Globalization and informatization are the two key characteristics of the business environment for modern organizations. This research focuses on the analysis of current rapid business changes and the organizational adaptation of companies necessary to achieve the desired flexibility and better performances. Contemporary business conditions require organizational restructuring to respond adequately to both profitable opportunities and environmental challenges.

Continuous environmental adaption is essential for organizations experiencing frequent changes in the market regime switching. It is worth emphasizing that an ideal organizational structure does not exist. However, an inadequate organizational structure subsist. Negative results may not be visible in the short term but subsequently, in the system crisis, when the negative consequences could only be eliminated by the appropriate organizational solutions, i.e., by creating an adequate organizational structure.

The transitioning process from initially expensive rigid organizational structures with numerous hierarchical levels to organizational structures with a small number of hierarchical levels is very important for modern organizations.

In conditions of frequent market regime-switching, human resources become the key source of competitiveness and power to achieve better business results and the prerequisite for company viability and the development of modern organization. Leadership plays a significant role in aligning the rigid, vertical organization of a company.

There is no uniform definition to be followed encompassing every aspect of leadership. Leadership is a complex process that includes:

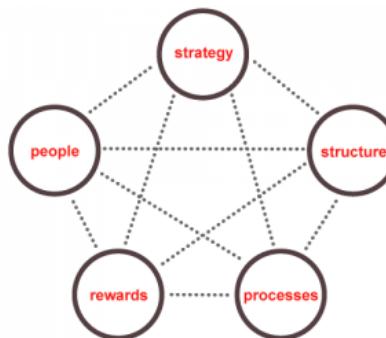
- personality variables of subordinates,
- expectations of subordinates about the leader's behavior,
- the ability of the group to solve the problem,
- willingness of subordinates to accept responsibility. (Vlahović, 2008, p. 30).
- Some leadership definitions are the following:
- Leadership is the choice-making process in dealing with people while giving orders to influence them and the subsequent transformation of the choices into actions (Mašić, 2009, p. 405)
- Leadership is the skill of using the expertise possessed by the majority and demonstrated by the minority. It is necessary to obtain excellent results from ordinary people (Milisavljević, 1999, p.11).
- Leadership is the process of directing group members towards task accomplishment, as well as the distribution of power between leaders and members (Bošković, 2008, p. 203).

The most important components of leadership are the following:

- leadership is a process,
- leadership involves influence,
- leadership occurs in groups, and
- leadership involves common goals (Northouse, 2008, p. 7).

Leadership "primarily involves using authority to help followers handle challenges arising from a dynamic work environment and culture" (Heifetz, 1994). Leadership is determined by numerous factors, such as company size, company structure, characteristics and behaviors of leaders and employees, environment, and organizational and national culture.

The objective of this research is to explore the role of leadership in designing a flexible model of organizational structure in conditions of frequent market regime-switching, tail behavior, and jumps, based on the Galbraith's Star model.



Source: Galbraith, J. et al. (2002).

The research on the influence of the leadership element in the process of designing a flexible model of enterprise organization in the dynamic changes of market regime-switching opens up many questions such as the following:

- The relationship between leadership and the organizational structure of the company
- The relationship between leadership and the business strategic goals
- The relationship between leadership and rewards
- The relationship between leadership and the organizational culture.

This analysis, however, does not aim to provide individual answers to each open question, but rather to cross-analyze the aforementioned phenomena and show how the leadership can, with fine tuning and while assuming *ceteris paribus* of other Galbraith's Star model elements, enable the design of a flat, flexible company organization.

The research results are derived from the author's doctoral thesis (Marković, 2023). The research conducted in the company Nectar from Bačka Palanka produced certain results, which will be presented in the next section.

## 1.1 Leadership as a factor in designing a flexible organizational model (survey)

The influence of leadership as a factor in designing a flexible model of company organization in dynamic business conditions was evaluated by conducting a survey in the company Nectar from Bačka Palanka in 2023 (Marković, 2023).

A total of 146 respondents participated in the survey, including 80 production workers, 46 middle-class managers, and 20 members of the senior management.

The results are as follows:

During the financial crisis, the respondents of all three groups, i.e., production, middle management and senior management, declared that autocratic leadership was the most desirable choice.

*Table 1: Leadership in the conditions of the financial crisis*

		Production	Middle management	Senior management
Leadership	Autocratic	7	8	12
Leadership	Democratic	3	3	1
Leadership	Liberal/Laissez-faire	1	5	7

*Source: Authors*

During the health crisis (e.g., COVID-19), the respondents of all three groups, i.e., production, middle management, and senior management, declared that autocratic style of leadership was the most desirable choice.

*Table 2: Leadership in the conditions of the health crisis*

		Production	Middle management	Senior management
Leadership	Autocratic	10	15	13.5
Leadership	Democratic	5	1	1
Leadership	Liberal/Laissez-faire	1	3.5	7.5

*Source: Authors*

## 2. Results

After the review of domestic and foreign literature and examples from practice, and the conducted research in a business entity, the authors conclude that a flexible organization is necessary in modern times. In this research, they relied on the Galbraith's Star model. The organizational flexibility can be achieved not only by changing the structure and strategy but also other dimensions of the design, without variations of other elements. In this case, it is the leadership. People, i.e., employees are key assets of any organization.

In this sense, the organizational flexibility is above all achieved by the creative and innovative behavior of managers and other employees (Marković, 2023).

### 3. Discussion

In dynamic business conditions, the role of the leadership phenomenon in the process of designing flexible company organizations is a great challenge for future researchers in the field of organizational design.

The questions to be asked might be the following: is the advocacy for a flexible organization justified? Can the leadership and to what extent ensure organizational flexibility without varying other elements of the Galbraith's Star model?

In this research, flexibility is proven as necessary for a company to survive in conditions of frequent market regime-switching, but to what extent should bureaucracy be rejected?

### 4. Conclusions

A new leadership and organizational culture, a new job systematization, and a new reward system are essential for implementing a flexible organizational structure.

The management of tomorrow needs to understand the importance of implementing flexible company organization. Recent business environment has changed in favor of more frequent regime switching episodes (e.g., COVID-19, cryptocurrency crash in 2022, and Russia-Ukraine war). A flexible organizational structure design is directed towards enabling companies to be more adaptable to dynamic markets, i.e., to improve their perception of business opportunities and threats. By adjusting the leadership input, the organization may be able to ensure stability and dynamism while being subjected to turbulent business conditions. This research concludes that an organization's executives should understand the ever-changing nature of current markets that originates from geopolitics, intensified competition, globalization, and informatization.

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