

Article

Designing a Flexible Organizational Model: The role of Rewarding

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Abstract: The main goal of this research is to explore the role of rewarding 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 reward system, without changing the other elements of the star model. The paper aims to determine the role of reward system in the transformation of a rigid, vertical company organization into a shallow, horizontal company organization. By changing the rewarding, the organization can ensure stability and dynamism in conditions of frequent and turbulent market regime switching.

Keywords: *Rewarding; 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 rewarding as a factor in designing a flexible model of company organization in dynamic business conditions.

Rewards and their influence are becoming an issue of concern for all. Therefore effective reward management deals with setting processes, policies and strategies. Such practices are required to ensure that the contribution of employees to the business is recognized by those responsible for the running of the organization. The main theme of reward management is to reward employees fairly, equitably and consistently in correlation to the value of these individuals to the organization. Reward system exists in order to make employees work towards achieving strategic goals through

enhancing their productivity and performance levels. Reward management is not only concerned with pay and employee benefits.

It is equally concerned with non-financial rewards such as recognition, training, development and increased job responsibility [1].

Research shows that companies can achieve flexibility, in other words, they can achieve organizational design flexibility by changing rewarding 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 rewarding.

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 rewarding 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 rewarding is sufficient to design a flexible company organization without changing other design elements.

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

- H0: Rewarding 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: Rewarding 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 rewarding in transforming rigid, vertical company organizations into shallow, horizontal company organizations. By changing rewarding, the company can provide stability and dynamics in the conditions of frequent and turbulent changes in the market operating regime.

2. Theoretical basis

As we mentioned above, 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.

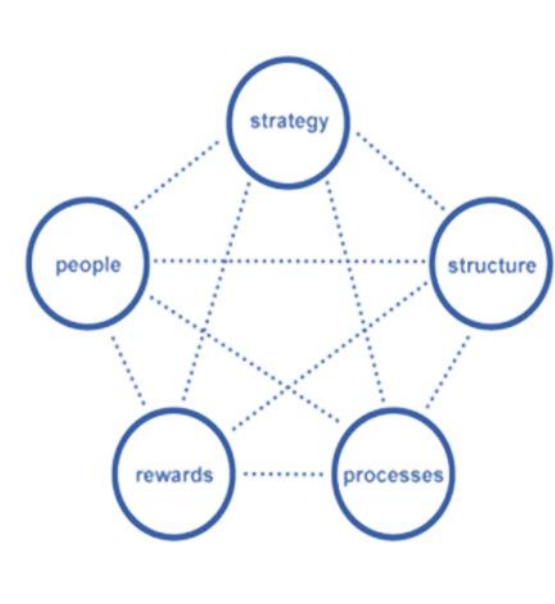


Figure 1. Star Model [2].

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 rewarding 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 rewarding as a design element.

The paper aims to determine the role of rewarding in the transformation of the rig-id, vertical company organization into a shallow, horizontal company organization.

Rewarding employees is a term used in human resource management to describe the process by which employees are provided with compensation for the work done and incentives for the performance they have achieved or should achieve [3].

Rewarding employees is a function that is realized by creating a reward system. In a narrower sense, the reward system can be defined as a system related to money, goods and services that employees receive from the employer in exchange for their work. The reward system in a broader sense, in addition to compensation, also includes a system for evaluating the performance of employees, which often play an important role in determining different compensations [3].

Several authors define rewarding as basic assumptions about the world and the values that govern life in organizations. Also, several authors believe that rewarding is an essential component of organization and designing a flexible organizational design.

In a survey conducted in the USA, out of 177 respondents of US companies, 68 companies use only one performance measure in their annual compensation plans, and the other 109 companies combines two or more measures, and in both cases in the highest percentage (91% of observed companies) use profit-based performance [4].

3. Material and Methods

The purpose of this paper is to show the importance of rewarding in the process of designing a flexible company organization in dynamic business conditions. This research is based on the research conducted in 2023 [5].

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 rewarding and how by varying it the company achieves a flexible organizational design without changing other elements of the organizational design.

Questionnaires were distributed to the subjects on location of their work. Simple instructions and assistance were given on how to correctly fill in the questionnaires and confidentiality of information is assured [1].

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 rewarding 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 rewarding system 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 rewarding and organizational structure guide employee behavior through the reduction of uncertainty and ambiguity.

4. Results and Discussion

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. 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
<u>Rewarding</u>			
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

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 indicators, desired values and behaviors are the most important while senior management group emphasize rewarding and recognition as well as compensation.

Table 2. 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
<u>Rewarding</u>			
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 indicators, desired values and behaviors are the most important, while middle and senior management group emphasize rewarding and recognition as well as compensation.

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 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
<u>Rewarding</u>			
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 that desired values and behaviors are the most important, while senior and middle management emphasize rewards and recognition, as well as compensation.

To test the null hypothesis - H0: Rewarding 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.

Table 4. 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 only manufacturing group considers rewarding 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 rewarding 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

Human resources are valuable assets of organizations and they constitute critical component of strategic success across all types of organizations. Highly rewarded employees, tend to be highly satisfied well performing employees; they also tend to remain longer with the organizations and that would lead or increase competitive edge.

Since the relationship between rewards and employees performance is considered to be strong, then that should alarm management to be more committed regarding the setting of appropriate incentive plans because that will encourage employees to be more purposeful and hence increase their performance.

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.

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.

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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Conflicts of Interest: The authors declares no conflict of interest.

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