

<https://doi.org/10.31891/2307-5740-2024-332-49>

УДК 338:658

MAZORENKO Oksana

Simon Kuznets Kharkiv National University of Economics

<https://orcid.org/0000-0003-1784-697X>

IVANCHENKOV Viacheslav

Odessa National University of Technology

<https://orcid.org/0000-0002-7074-3024>

STRUCTURAL CHANGES IN THE PROCESS OF ORGANIZATIONAL TRANSFORMATIONS AT AN ENTERPRISE

This article explores the critical role of structural changes in the process of organizational transformations within enterprises, focusing on how these changes impact organizational effectiveness and long-term development. In the current competitive and rapidly evolving business environment, enterprises are compelled to undergo continuous transformation to maintain their relevance and achieve strategic objectives. Structural transformations, which involve the reconfiguration of organizational hierarchies, roles, and workflows, are central to this process. The study examines various forms of structural changes, with a particular emphasis on the shared services model, which has emerged as a prominent approach for optimizing resource utilization and improving service delivery within enterprises.

The shared services model involves the centralization of common functions—such as human resources, finance, and IT—into a single, unified service center that serves multiple business units within the organization. This approach not only leads to significant cost savings and process efficiencies but also facilitates standardization and consistency in service quality across the enterprise. By reducing duplication of efforts and streamlining operations, shared services enable organizations to better focus on their core competencies, thereby improving overall performance and competitiveness.

The findings of this study underscore the importance of structural transformations as a strategic tool for enhancing organizational effectiveness. The article concludes that while structural transformations are often challenging, they are essential for organizations seeking to navigate the complexities of modern business environments and achieve sustainable growth.

Keywords: organizational structure, organizational transformations, change management, structural changes, structural transformations, enterprise development, enterprise, enterprise management, shared service centers, organizational effectiveness.

МАЗОРЕНКО Оксана

Харківський національний економічний університет імені Семена Кузнеця

ІВАНЧЕНКОВ Вячеслав

Одеський національний технологічний університет

СТРУКТУРНІ ЗМІНИ В ПРОЦЕСІ ОРГАНІЗАЦІЙНИХ ТРАНСФОРМАЦІЙ НА ПІДПРИЄМСТВІ

Ця стаття присвячена дослідженню ролі структурних змін у процесі організаційних трансформацій на підприємстві, зосереджуючись на тому, як ці зміни впливають на організаційну ефективність і довгостроковий розвиток. У нинішньому конкурентному та швидко розвиваючому бізнес-середовищі підприємства змушені зазнавати постійних трансформацій, щоб зберегти свою актуальність і досягти стратегічних цілей. Структурні трансформації, які включають реконфігурацію організаційних ієрархій, ролей і робочих процесів, є центральними для цього процесу. У дослідженні розглядаються різні форми структурних змін, з особливим наголосом на моделі спільних послуг, яка стала видатним підходом до оптимізації використання ресурсів і покращення надання послуг на підприємствах.

Модель спільних послуг передбачає централізацію загальних функцій, таких як людські ресурси, фінанси та ІТ, у єдиному уніфікованому сервісному центрі, який обслуговує кілька бізнес-підрозділів в організації. Такий підхід не тільки призводить до значної економії коштів і ефективності процесів, але також сприяє стандартизації та узгодженості якості послуг на підприємстві. Зменшуючи дублювання зусиль і оптимізуючи операції, спільні сервіси дозволяють організаціям краще зосередитися на своїх основних компетенціях, тим самим підвищуючи загальну продуктивність і конкурентоспроможність.

Результати цього дослідження підкреслюють важливість структурних змін як стратегічного інструменту для підвищення ефективності організації. У статті робиться висновок, що хоча структурні трансформації часто є складними, вони важливі для організації, які прагнуть орієнтуватися в складнощах сучасного бізнес-середовища та досягти сталого зростання.

Ключові слова: організаційна структура, організаційні трансформації, управління змінами, структурні зміни, структурні трансформації, розвиток підприємства, підприємство, управління підприємством, центри спільного обслуговування, ефективність організації.

FORMULATION OF THE PROBLEM IN GENERAL

In today's dynamic business environment, enterprises must continuously adapt to remain competitive, necessitating ongoing organizational transformations. These transformations often involve significant structural changes, which can profoundly impact the organization's effectiveness, and ability to innovate. Organizational structure, which defines the hierarchy, communication channels, and workflow processes within an enterprise, plays a vital role in how well a company can respond to internal and external changes.

The importance of understanding structural changes during organizational transformations cannot be overstated. In the process of enterprise development, there is often a need to reorganize the organizational structure to support new strategies, technologies, and market compliance. However, the process of structural change is complex and fraught with challenges. These challenges highlight the need for a deeper understanding of how structural change can be effectively managed during organizational transformation.

ANALYSIS OF RECENT RESEARCH AND PUBLICATIONS

Previous research [1; 10; 11; 13; 15] has explored various aspects of organizational changes, including the drivers of transformation, key strategies, methods and approaches to managing organizational changes at enterprises. However, there is a notable gap in the literature concerning the specific nature of structural changes that occur during these transformations and how they influence organizational outcomes. For instance, while some studies have examined the relationship between structural changes and organizational performance, the findings have been inconclusive, with some suggesting positive impacts and others highlighting potential risks [1; 11].

FORMULATION OF THE GOALS OF THE ARTICLE (STATEMENT OF THE TASK)

This paper aims to address this gap by examining the structural changes that occur during organizational transformations in enterprises and analyzing their impact on organizational performance. Thus, it seeks to contribute to a more nuanced understanding of the role of organizational structure in the transformation process.

PRESENTATION OF THE MAIN RESEARCH MATERIAL

The enterprise development should be considered as an irreversible and purposeful process of transformations, which is dictated by market conditions and aimed at improving the efficiency of functioning.

As Bilichenko V. and Ognevy V. [13] point out, transformation is a process of transformations that can cover both the entire organization as a whole and its individual parts, but necessarily has the character of fundamental changes.

Organizational transformations are significant changes that take place in the organization with the aim of increasing its efficiency, competitiveness and ability to adapt to the changing external environment. Organizational transformation is a broad concept that incorporates change in structure, culture, and operations [12]. Such transformations may include restructuring, introduction of new technologies, change of business model, development of corporate culture, etc. [15].

It is expedient to consider organizational transformations, first of all, as an object of strategic management, since their goals are the growth of the enterprise economic potential, the achievement of a stable increase in the economic efficiency of the enterprise activity, and the strengthening of its market positions.

Organizational transformations can take various forms depending on the specific needs and goals of the enterprise.

Literature review [6; 10; 11; 15] made it possible to summarize the following types of organizational transformations: financial transformations; cultural transformation; operational transformations; digital transformations; behavioral transformation; strategic transformations; and structural transformations.

The structural transformations are in the focus of this paper. By aligning the structure with strategic goals, enhancing flexibility, promoting innovation, managing change, and improving efficiency, structural changes provide the necessary framework for organizations to navigate the complexities of transformation.

The structural transformations can lead to improvements in operational efficiency by streamlining processes and eliminating redundancies. As organizations grow or shift their focus, inefficiencies often emerge due to outdated or overly complex structures. By reassessing and redesigning their structures, enterprises can optimize workflows, reduce overhead costs, and improve overall productivity. For instance, centralizing functions such as procurement or human resources can reduce duplication of efforts and lead to more consistent and efficient operations [3].

Structural changes involve changes in the internal structure of the enterprise, which may include restructuring of divisions, revision of the organizational hierarchy, redistribution of functions and responsibilities between divisions. The main purpose of such changes is to optimize the organizational structure to increase efficiency, reduce costs and improve coordination between different departments [15].

The transformation of enterprises takes place under the influence of a number of factors and is reflected in the corresponding organizational forms.

Considering [7; 9], organizational structure is a system of ways by which enterprise divides its tasks among existed human resources, which is influenced by internal and external factors and implemented in terms of the degree of complexity, centralization of decision-making, formalization of rules, authority, communication, and compensation, standardization of work processes and skills.

Given understanding of organizational structure was highly influenced by contingency model, which assumes that overall internal company organization and its individual sub-systems should be correspondent with the external environment [4]. In the evidence of contingency, several organizational structure dimensions are used.

Among them there are complexity, formalization and centralization. In terms of given study departmentalization was also analyzed in this context.

Complexity is based on the degree of horizontal, vertical organization and spatial differentiation [9]. With greater number of hierarchical levels, organizational units or sub-units and geographically distributed branches, the level of complexity increases, creating boundaries for effective communication, information flow and delegation of authority. When measuring and dealing with complexity, such dimensions as diversity, ambiguity and interdependence are traditionally considered. Diversity as a quantitative measure is mainly dealing with multiplicity and variety of structure components. During the restructuring process, organization management can increase the degree of its structure complexity by creation of overlapping organizational units or introduction of new lines with line managers hired on each of them, bringing additional costs and internal misunderstandings. Ambiguity defines the predictability of informational flow and its processing between organizational units, having validity and amount of circulated information as defining features. Interconnection measures the level of communication between organizational units, as well as between organization and its external partners or stakeholders.

Formalization defines the level of circulation and implementation of normative documents and rules inside the organization. In terms of structure it is concerned the availability of written job descriptions, procedures of authority allocation [4].

Centralization deals with the delegation of authority. Highly centralized organizations have their top-management teams mainly involved in the process of making decisions, while in the decentralized organizations employees are involved in this process, and decision-making is done on the lower hierarchical levels. Both centralization and decentralization have disadvantages for the companies [7]. Considering the problems above, enterprises now search for the decisions, that combine ideas of centralized and decentralized structures.

The analysis of organizational structure by given features done by theorists of contingency theory, revealed certain trends. Burns T. and Stalker G. [2] suggested mechanistic and organic types of structure, and found out the market influence on their composition. Mechanistic structures with hierarchical organization and clear lines of authority, performing better under the stable market conditions. In the same time for uncertain markets, the organic structures, with changing lines of authority, informal communication and distributed decision-making are more appropriate.

Lawrence P. and Lorsch J. [8] determined the interdependence between organizational structures and the environment, while arguing that centralized hierarchical organizations work better in a stable environment, and decentralized and highly differentiated – in a dynamic one.

Considering the aims of the study, it is appropriate to classify different organizational structure tasks and depict the influence of different structures on the organizational transformation. The main types of departmentalization existing in companies are product, function, geography, projects and matrix ones [4; 8; 9].

Functional departmentalization depicts most classical understanding of internal organization, with all divisions built around the activities performed, having production, human resources management, finance and other departments on first hierarchical levels. In such a structure the difficulties can appear during the communication with customer, who should communicate with the several departments in the same time in order to receive holistic view on the project performed. Internal conflict of goals is also considered as one of the main risks for companies with such a departmentalization [9].

Product departmentalization assumes the division by product type, with all supportive activities divided inside the each of products' group. It is applied when to produce different product types company should use different procedures of developing and targeting. Function, product and geography departmentalization types characterize mechanistic organization [4] but are still commonly used.

Organic organizations have their structures built based on project or matrix departmentalization, but they are more difficult to be reorganized and optimized due to their complexity, and the level of interdependencies. It should be noted that most of the companies have combinations of departmentalization types, different on each hierarchical level [9].

Disadvantages of mentioned organizational structures and fast growth of enterprises' size accelerated the development of shared service centers (SSC). Shared service was defined by Herbert I. [5] as concentration of enterprise resources in a semi-independent business unit, which provides specific support activity for internal customers (other business units) and guarantee better quality and minimization of costs involved. The essence of such changes is to create internal organization, in which BUs consider shared service center as external provider of service and build buyer-seller relationships. Modern centers provide up to three functions, and concentrate not only on support, but also on knowledge-based activities.

The most popular services to be shared is finance, then human resources and IT services are going. Supply chain and manufacturing services are on the rise [14].

Shared services are mainly implemented by global companies with function or geographical departmentalization, having several international subsidiaries and looking for possible ways to make business activity more efficient. For such companies the question of possible center location is crucial. Decision on it starts with the understanding, whether company subsidiaries situated in culturally different regions or similar ones. Depending on scope of possible mismatch in services provided, decision on multiple SSC or single one arises [5].

Multiple SSCs strategy also allows companies to use full variety of benefits from SSCs offshoring, nearshoring and onshoring.

The implementation of shared services allows the enterprise to achieve the following goals:

- economies of scale reached by providing services to several business units. The main goal of the unit is to increase efficiency and internal and external customer satisfaction;
- specialized, professional and process-oriented activity provided, which is aimed on resources release for core activities, and involves less resources for performing the main task.

As the form of structural transformation, shared services implementation can be analyzed by organizational structure features described previously. When introducing shared services, it is expected to receive decreased complexity of overall structure due to the diversity cut. Restructuring brings greater standardization and consolidation, with additional benefits of faster decision-making and reduction of risks achieved. However, in the case of wrong strategy applied when implementing shared services, additional complexity can be created, doubling costs and uncertainty in informational flow.

Shared services can be considered neither centralization nor decentralization strategy [5]. They introduce with the aim to diminish possible disadvantages of both strategies and bring specific benefits in terms of lower costs and better quality of services provided. The distinction between centralization, decentralization and shared services is summarized in the table 1.

Table 1

Comparison of centralization, decentralization and shared services

Centralization	Shared services			Decentralization
	Features of centralization	Own features	Features of decentralization	
Hierarchical distribution of authority	Complexity decrease, less control costs involved; enable company to reach economies of scale			Higher complexity due to higher diversity – more costs
Decision-making is performed by top levels	Company’s strategic goals are followed; the opportunity to concentrate on core activities is provided	Decision-making is provided based on relationship between shared service center (provider) and other business units (internal customer)	Local interests are considered when making decisions and distributing budgets	Decision-making is performed by employees
Not enough attention of management board given for support activities	Better quality of support activities provided because of specialization and technology involved			Distributed interests of different BUs, duplication of efforts
Dictated communication policies; unidirectional informational flow	Standardization of procedures, shared communication means and responsibility for risks, less occasions for internal conflicts; better quality of information and possibility for two-way communication			Different communication means for different BUs – internal conflicts; lower information quality

Shared services can only be introduced at enterprises with functional or geographical departmentalization on its first hierarchical levels, because their main goal is to decrease the complexity of overall structure, but not to bring additional organizational units. The level of interconnections between departments is also considering when deciding on restructuring.

Shared services are a powerful form of structural transformation that can drive efficiency, standardization, and focus within an organization. By centralizing common functions, enterprises can achieve significant cost savings, improve service quality, and enhance their ability to respond to changes in the business environment. However, the successful implementation of a shared services model requires careful consideration of the associated challenges and a strong focus on change management.

CONCLUSIONS AND PROSPECTS FOR FURTHER RESEARCH

The process of organizational transformation is inherently complex, requiring careful consideration of various structural elements to ensure alignment with strategic objectives and operational efficiency. Structural transformations play a critical role in this process by enabling organizations to streamline their operations, enhance flexibility, and focus on core competencies.

In the conditions of a changing environment and modern challenges, the organizational structures of the enterprise are becoming more complex and have a higher level of interdependencies. At the same time, completely new forms of organizational structure are being created, such as shared services. By measuring shared services according to organizational parameters that confirm the contingency model, it can be concluded that their implementation helps enterprises reduce the complexity of structures by reducing the number of structural divisions in levels, eliminates the disadvantages of centralization and decentralization strategy, creating additional advantages related to their own form.

However, effective change management, clear communication, and ongoing support are crucial for ensuring that structural transformations achieve their intended outcomes. As organizations continue to navigate the

pressures of global competition and rapid technological advancements, the ability to manage and adapt their structures will be a decisive factor in their long-term success. The findings of this study underscore the importance of viewing structural transformations not merely as administrative adjustments but as strategic imperatives that can drive sustainable organizational development.

References

1. Burke W. W. Organization change: Theory and practice (5th ed.). Sage Publications. 2017.
2. Burns T., Stalker G. M. The Management of Innovation. Revised Edition. Oxford University Press. 1994. 304 p.
3. Davenport T. H. Process innovation: Reengineering work through information technology. Harvard Business School Press. 1993. 352 p.
4. Hatch M. J. Organization Theory: Modern, Symbolic, and Postmodern Perspectives. Oxford University Press. 2018. 407 p.
5. Herbert I., Seal W. B. Shared services as a new organisational form: Some implications for management accounting. The British Accounting Review. 2012. 44(2). P. 83–97. URL: https://www.researchgate.net/publication/257289665_Shared_services_as_a_new_organisational_form_Some_implications_for_management_accounting
6. Huber G., Glick W., Miller C., Sutcliffe K. Understanding and Predicting Organizational Change. Organizational Change and Redesign N. Y. 1993. P. 215–265.
7. Koontz H., O'Donnell C. Principles of Management: An Analysis of Managerial functions. McGraw Hill. 1972. 748 p.
8. Lawrence P. R., Lorsch J. W. Differentiation and Integration in Complex Organizations. Administrative Science Quarterly. 1967. 12. P. 1–47. URL: <http://dx.doi.org/10.2307/2391211>
9. Mintzberg H. Structure in 5's: A synthesis of the research on organization design. Management Science. 1980. 26(3). P. 322–341.
10. Pham J. M. Organizational Transformation: An Essential Guide to Successful Implementation. ITD World. URL: <https://itdworld.com/blog/human-resources/organizational-transformation/>
11. Smith W. K., Lewis, M. W. Toward a theory of paradox: A dynamic equilibrium model of organizing. Academy of Management Review. 2011. 36(2). P. 381–403.
12. Transforming an Organization: Key Strategies for Sustainable Growth and Success. HRM Guide. URL: <https://hrmguide.io/2023/12/transforming-an-organization/>
13. Bilichenko V. V., Ohnevyi V. O. Stratehii transformatsiinykh zmin avtotransportnykh pidpriemstv : monohrafiia. Vinnytsia: VNTU. 2019. 140 s
14. Vynohradova H. V. Challenges of shared services implementation. Rozvytok yevropeiskoho prostoru ochyma molodi: ekonomichni, sotsialni ta pravovi aspekty: Zbirnyk tez dopovidei konferentsii. Kharkiv, 17 travnia 2019 roku. URL: <https://cdn.hneu.edu.ua/rozvitok19/thesis01-03.html>
15. Nemashkalo K. R., Ostrikov V. V., Maliuk O. H. Upravlinnia orhanizatsiinykh transformatsiinykh v protsesi rozvytku pidpriemstva. Aktualni problemy innovatsiinoi ekonomiky ta prava. 2024. № 4. S. 6 – 11.