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# Study of relationship between the organizational structure and market orientation from the viewpoint of nurse managers

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## ABSTRACT

**Background:** Considering globalization of health care and quality improvement trend to respond to competition and customer orientation, attention to organizational structure and its relationship with market orientation is essential. Therefore, this study reviews the relationship between organizational structure and market orientation in selected hospitals of Isfahan (Iran). **Materials and Methods:** This study was a descriptive survey. The study population comprised nurse managers from selected hospitals ( $n = 80$ ). Data collection tools were two questionnaires (market orientation questionnaire and organizational structure) that the validity and reliability were confirmed ( $r = 0.83$  for market orientation questionnaire and  $r = 0.87$  for organizational structure). SPSS (Ver. 16) software was used for the analyses. **Results:** The mean score of organizational structure was 65.4 (11.2) and total mean of market orientation was 51.14 (17.6). All aspects of the organizational structure (Organization Centralization, Formalization in Organization, and Organization Complication) and market orientation (responding to competition, accountability, customer satisfaction, intelligent organization)—except by responding to clients with Formalization in Organization—as well as all aspects of the Systemic attitude (the system of internal coordination and communication systems\_ and market orientation (responding to competition, accountability, customer satisfaction, intelligent organization), there was a meaningful relationship ( $P < 0.05$ ). **Conclusion:** Market orientation and its dimensions have a significant relationship with organizational structure and can lead managers' view to the analysis and recognizing elements of success and achievement to goals. With increasing competition in markets, globalization of health services, and presence in international markets and more attention to patients' satisfaction, hospitals need to understand and use of market orientation in order to promote quality and services in the health care system.

**Key words:** Hospital, market orientation, nurse manager, organizational structure

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## INTRODUCTION

Market orientation is an organizational culture that commits the organization to the continuous creation of superior value for customers.<sup>[1]</sup> This business culture comprises three components: Customer orientation, competitor orientation, and interfunctional coordination.<sup>[2]</sup> In some other studies, market orientation had three dimensions, namely, market intelligence, interfunctional coordination, and organizational responsiveness.<sup>[3,4]</sup> Research showed that market orientation has positive effects on organization performance, organization learning, employee attitude, and customer-oriented behavior

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of salespersons.<sup>[5]</sup> Market orientation has significantly and positively effect on the marketing performance and financial performance of a hotel.<sup>[6]</sup> Another study showed that different aspects of market orientation had impact on performance in the Russian industrial firms.<sup>[7]</sup> Some researchers acknowledged the importance of implementing market orientation within the organizations, because market orientation has a positive effect in improving performance.<sup>[8,9]</sup> In today's economy, market orientation is essential for health care institutions to survive.<sup>[10]</sup> So in the hospital industry, a marketing orientation is currently recognized as a necessary management function in a competitive and resource-constrained environment. Marketing orientation can increase customer satisfaction (patient's satisfaction) with understanding consumer needs and perceptions.<sup>[11]</sup> In this changing environment and evolving today, managers must continually adapt organizational structure to the environment. Understanding the core processes and organizational structure helps understanding the workplace too and to prevent chaos.<sup>[12]</sup> An organizational structure consists of activities such as task allocation, coordination, and supervision, which are directed toward the achievement of organizational aims.<sup>[13]</sup> So the emergence of an organizational structure is a continuous process.<sup>[14]</sup> It is not easy to achieve organizational goals, without having an accordance organizational structure.<sup>[15]</sup> Structure is a key element of the pattern of relationships in an organization, and is defined by three basic elements, namely, Organization Centralization, Organization Complication, and Formalization in Organization.<sup>[16]</sup> Several studies have investigated the impact of market orientation and found that a strong market orientation is an important determinant of a company's performance.<sup>[2,4,17]</sup> Their results showed that market orientation was related to the financial performance of hospitals, although the market intelligence and interfunctional coordination dimensions had relatively more impact on financial performance than organizational responsiveness<sup>[2-4]</sup> both in the business context in general and in the health care context in particular.<sup>[18-20]</sup> This research indicated that the market orientation could explain the 64% of variance in hospital performance.<sup>[18]</sup> And in many (predominantly) publicly financed health care systems, market-oriented health care reforms are being implemented or have been proposed.

Because it is a clear relationship between market orientation and organizational performance, in the past two decades the market orientation topic has been noticeable, in the health care system.<sup>[21]</sup> For example, Subhash *et al.*<sup>[22]</sup> in American hospitals and Naidu *et al.*<sup>[23]</sup> show that there is a positive relationship between market orientation and hospital performance. The study was conducted at a private hospital in Istanbul in Turkey showed that market orientation has a strong and positive effect on new service development (NSD) performance.

Also, to remain competitive in today's health care industry, hospital managers should all keep pace with the daily changes in the market place.<sup>[22]</sup> On the other hand, research shows that organizational structure dimensions have been theorized as antecedents to and organizational performance

as a consequence of market orientation.<sup>[24]</sup> Also it is clear from numerous studies conducted over a wide variety of industries that marketing-oriented organizations perform better than those that do not adopt this business philosophy. Recent studies have confirmed this finding in health care organizations as well.<sup>[25]</sup> Hence the purpose of this research is to investigate the relationship between the Organizational Structure and Market Orientation between hospitals of Isfahan University of Medical Sciences.

## MATERIAL AND METHODS

This is a descriptive correlation survey. The population studied comprised nursing managers working in selected hospitals in Isfahan University of Medical Sciences. Questionnaires were given to 80 nursing managers who were currently employed. Data were collected through two questionnaires: Lonial and Raju (2001) instrument<sup>[26]</sup> consisting of 16 items was selected to measure market orientation, with 4 dimensions (Intelligence Generation, Customer Satisfaction, Responsiveness to Customers, and Responsiveness to Competition); and the organizational structure Bani Talebi (2009) Questionnaire.<sup>[27]</sup> The questionnaires were given to 10 professors in the fields of health care management for validity. Reliability was calculated via Cronbach's alpha ( $r = 0.83$  for market orientation questionnaire and  $r = 0.87$  for organizational structure) using 30 questionnaires. Data were analyzed by SPSS v. 16 through analysis of variance, *t*-test, and Chi-square test. This study was conducted during 2011, and in five selected hospitals (Kashani, Nor-Ali Asghar, Eisabn Mryam, Sadi, and Sina).

## RESULTS

Demographic results of the study show that 18.8% of the sample population was male and 81.2% was female. From the education point of view, 67.1% had bachelors degree and 33% had MS degree. Also 42.6% of sample population was between 41 and 50 years of age. From the experience point of view, 32.6% had 6–20 years of job experience.

The mean score of organizational structure was 65.4 (11.2). Organization Centralization had the highest amount 75.5 (8.9) and Formalization in Organization had the least 54.3 (12.9). Total mean of market orientation was 51.14 (17.6) and Responsiveness to Customers had the highest amount 55.4 (13.2), and Customer Satisfaction had the least 41.1 (17.3) [Table 1].

There was a significant relationship between organizational structure and market orientation and its mention (Intelligence Generation, Responsiveness to Customers, Customer Satisfaction, Responsiveness to Competition) [Table 2].

## DISCUSSION

This study found strong relationship between market orientation and organizational structure performance within hospitals in Iran (case study—Isfahan).

**Table 1: Means of market orientation and organizational structure**

Variable	Intelligence generation	Responsiveness to customers	Customer satisfaction	Responsiveness to competition	Market orientation	Organization complication	Formalization in organization	Organization centralization	Organizational structure
Mean	53.82	55.48	41.1	54.16	51.14	66.5	54.3	75.5	65.4
Standard deviation	19.1	13.2	17.3	21.1	17.6	11.8	12.9	8.9	11.2

**Table 2: Relationship between organizational structure and market orientation**

Variable	Intelligence generation	Customer satisfaction	Responsiveness to customers	Responsiveness to competition	Market orientation
Organization complication	$r=0.481$ $P=0.003$	$r=0.370$ $P=0.003$	$r=0.318$ $P=0.006$	$r=0.358$ $P=0.003$	$r=0.334$ $P=0.003$
Formalization in organization	$r=0.617$ $P=0.003$	$r=0.560$ $P=0.003$	$r=0.528$ $P=0.003$	$r=0.510$ $P=0.003$	$r=0.567$ $P=0.003$
Organization centralization	$r=0.509$ $P=0.003$	$r=0.423$ $P=0.003$	$r=0.446$ $P=0.003$	$r=0.412$ $P=0.003$	$r=0.481$ $P=0.003$
Organizational structure	$r=0.555$ $P=0.003$	$r=0.510$ $P=0.003$	$r=0.477$ $P=0.003$	$r=0.424$ $P=0.003$	$r=0.547$ $P=0.000$

$P < 0.05$  was considered as significant

Subhash *et al.*<sup>[22]</sup> found that there is a strong and positive effect of market orientation on NSD performance and financial performance. This result is similar to significant relationship between market orientation and complexity in current research, so that, the greater the complexity, the market orientation and performance of different sectors (planning, training, finance and accounting, control and supervision departments, and others) is greater. Raju *et al.*,<sup>[18]</sup> using the technique of Structural Equations Modeling (SEM) examine the relationship between market orientation and hospital performance, and found that this relationship is change in different sizes of hospitals and much stronger for smaller hospitals than for larger hospitals. It is similar with the findings of the present study because the statistical test showed significant component of market orientation and organizational structure. Narver and Slater<sup>[2]</sup> examined the impact of market orientation on Business Profitability. They interviewed 113 executive managers in an organization's strategic business units. Their findings showed that market orientation is an important factor, in profitability. They concluded that much greater market orientation will lead to greater profitability. The current study also showed the significant correlation between market orientation and complexity and it means much greater market orientation will lead to greater performance in financial and accounting unit, and benefits the hospital more.

In another study about the effect of marketing research on performance via market orientation, market orientation incorporated the three dimensions of customer orientation, competitor orientation, and coordination between the functionalities.<sup>[28]</sup> The customer orientation and competitor orientation were used for the measurement of market orientation in the current study. The study also found that marketing research can help to increase the ability of staff to be responsive to customers.<sup>[28]</sup> Also, in the present study, marketing research was studied as a unit of organizational complexity, and a significant correlation was found between marketing research and customer orientation.

## CONCLUSION

Sometimes people are dissatisfied with the services provided in hospitals and health centers. Therefore, hospitals to survive and succeed need to orient their management method and select a proportional structural model because the organizational structure in the dynamic health care environment is important. In the hospital industry, a marketing orientation is currently recognized as a necessary management function in a highly competitive and resource-constrained<sup>[29]</sup> environment. Marketing tools, such as a market orientation and others, are important dimensions in a service center as well as hospitals. The marketing orientation is posited to lead to greater customer satisfaction and improved business results, as well as to force hospitals to focus more on cost control. The use of these tools can create a very strong image with a sense of credibility, trust, and confidence for domestic and foreign customers in hospitals. However, so far there has been little attention to competitive markets in the health sector, and has not felt the need to pay attention to these issues. But it could be stated that hospitals that are more market oriented will be more effectiveness in their markets,

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