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## DETERMINATION OF APPROPRIATE ORGANIZATION STRUCTURES FOR THE IMPLEMENTATION OF STRATEGIES IN HEALTHCARE ORGANIZATIONS

Sevilay ORAK and Gülnur İLGÜN

*Hacettepe University, Faculty of Economics and Administrative Sciences Department of Health Administration, Ankara, TURKEY*

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### **Abstract**

*The phase after doing strategic analysis and composing strategy is the phase of carrying into the implementing strategy. Strategic planning stage make the previous analysis of strategic implementation, determine the appropriate strategic structure but not interested in phase implementation of strategy. Strategic management process don't finished only with making plans and programs, at the same time in terms of strategic implementation become more of an issue organizational structure, understanding of leadership and management and corporate culture of business. Strategic management deal implementation stage which ignored by strategic planning and at this stage organizational structure of enterprise played an active role, Which strategies that are appropriate to these structures, after the elections of appropriate strategies, who will apply them get the relationship between organizational culture and leadership are analyzed. Implementation of strategies in business also focuses on the importance of the relationship with other units. Organizational structure take into account whereas determine and implement of strategy. There are a strict dependence of the structure and strategy in organization. Generally structure prosecute strategy and business is structured in accordance with strategy. There are different business structure appropriate with corporate strategies, competitive strategies, strategic partnerships. Taking into account of health organization is matrix structure, strategy which will implement be difference as regard business structure. Firstly these study research structure of health organizations and after determine factor which affect these structure, structure of health organization appropriate to corporate strategies, competitive strategies, strategic partnerships reveal.*

Keywords: Strategy, Health Strategy, Implementation Strategy

### **INTRODUCTION**

The implementation of strategies is the next step following the performance of strategic analysis and determination of strategies in organisations. Strategic planning phase analyses the phases of a business before the implementation, identifies the appropriate strategic structure however it does not relate that much with the implementation of strategies. Strategic management covers the implementation phase that is avoided by the strategic planning, and assesses the structure of

business playing an active role in this stage, appropriate strategies for such structures, the relationship between the leader and business culture that will implement these. It also underlines the importance of relations with the other units of business for the implementation of strategies. Strategic management process is not only limited with the preparation of plans and programs but also it is important for the organization structures of businesses, management and leadership perception and implementation in corporate culture which are all defined as soft elements by Ülgen and Mirze (2010). The successful implementation of strategic plans is possible with the leaders that keep up with the unbelievable pace of change in social, economic, cultural and technological fields, direct the plans and programs towards such change and inform the employees towards these objectives and ensure their adaptation. In this research, the detailed assessment of organization structures suitable for strategies, which is one of the important phases for the implementation of strategies, is undertaken.

## **1. BUSINESS ORGANIZATION STRUCTURES**

Organization structure is defined as the formal system of control and coordination duties for authority relations and behaviours and attitudes of employees to accomplish targets in organizations (Jones, 2013). It makes the formal regulation of duties and works in an organization, identifies power and responsibility distribution and explains the rules and procedures for relations with employees (Nahm et al., 2003). The physical structure and social structure are included in organization theory. Physical elements such as buildings, machinery, and place of establishment, regional location and their interrelation constitute the physical structure. (Hatch, 1997). Social structure is constituted by employees, positions, departments and their interrelation. Organizational structure is the structure covering the relationship among works and employees, and the whole relationship between the employees. While strategy is among the important factors affecting organization structure, there are various factors as well. When considering flexibility and efficiency towards learning and control area, the main factors are strategy, environment, business scale, life cycle, technology and organization culture. (Daft et al., 2007)

The technologies used for the operation of business affects the structure. Increase in medical technology literature in every 4 years and proliferation of expensive practices of advanced technology in daily procedures oblige the change in health care (Can and İbicoğlu, 2008). This change in health care significantly creates an impact on the structure.

### **1.1. Departmentalization in Strategies and Organizations**

Nowadays the institutions face with variation in operation areas, lifting of regional boundaries, diversification of products, providers and customers due to globalization and developing information technologies. This requires detailed decision-making by institutions, therefore detailed information collection, analysis, reporting and interpretation (Fidancı, 2010). Businesses use departmentalization in order to perform the duties such as detailed information collection, their analysis, reporting much faster and easier.

Dividing the organization to different units by considering specific criteria and identifying their power and responsibilities (under a manager) and applying such on organization structure are called departmentalization (Ülgen and Mirze, 2010). The distribution of works and grouping the works under specific criteria are very important for departmentalization. The objective is to create work clusters where powers and responsibilities diverge. The clusters facilitate the

organization to have an effective and efficient accomplishment of targets (Fidancı, 2010). The main ways of departmentalization are to separate in terms of functions, produced product or service; on the basis of customer, number, region, machinery, project and time, work unit and combined departments (Durmuş and Arat, 2004). On the other hand; formal and functional variations arise in the organization structures due to diversification of activities from strategic management perspective. The types of structures appearing during this process are entrepreneur structure, functional structure, multi-product structure, geographical and multi-national structure, strategic work unit structure, matrix structure and network structure (Eren, 2000). The main departmentalization types are as follows, when we consider activities and requirements of a business pursuant to Ülgen and Mirze, Fidancı and Eren's departmentalization;

- Departmentalization by functions
- Departmentalization by work unit
- Matrix departmentalization
- Team based departmentalization
- Network based departmentalization.

There is a very strong dependency in businesses between structure and strategy. Generally structure follows the strategy and businesses are structured in compliance with the strategies. The organization structure (functional, sectional or combined), centralization and decentralization levels, power and responsibilities of managers are regulated in accordance with the chosen strategy. The structures that are not suitable for the realization of strategy cause the basis of disputes within the organization, high cost and inefficiency. Moreover; the establishment of control and communication structure is crucial (Dinçer, 2004).

#### 1.1.1. Departmentalization by Functions

Departmentalization by functions covers the combination of works and duties in accordance with their characteristics. Some departments perform support activities and do not bring revenue and cost-oriented; some are revenue oriented since they bring revenue into the business. These are the departments where revenues generated from the main activities of business (Ülgen and Mirze, 2010). Under function based departmentalization, the obligation for coordinating the activities is on the top manager of organization since each department manager will be responsible from his department and assess the problems from such aspect. However; the top manager has the opportunity to see whole activities. Therefore, such structure may strengthen the tendency of his subjective problem assessment. This may lead the department to act only for their objective and interest and overlook the objectives for whole business. The responsibility to eliminate such problem belongs to the senior management on the top of departments (Barış, 2006).

#### 1.1.2. Departmentalization by Work Unit

Departmentalization by work unit means to establish different groups by gathering certain works following the determination of works and identification of work distribution and specialization (Fidancı, 2010). It is undertaken by focusing on activities such as a product, a project, which are important for the business or an important geographical region to provide service and operate. The output or output group from the activities of institution is accepted as an autonomous work unit and all activities related with the generation of output are gathered under this work unit. These autonomous work units that have main activity units generating income and cost generating units namely cost centres are like an interest centres (Ülgen and Mirze, 2010). The produced good and service, customer, number, region, process, machinery, project and time are taken as basis in sectional grouping and division are identified according to the targeted

information on such basis and grouping is applied. The establishment of organization structure that will provide the information required by the institution shall be considered (Fidancı, 2010).

### 1.1.3. Matrix Departmentalization

In matrix organizations, the activities are grouped on the basis of functions (Seçim, 1991). The most important aspect of matrix structure is that it uses functionality and authority of project managers in coordination (Koçel, 1988). While functional managers decide which employees will perform that work in what way and how; project manager identifies when and why that work will be performed (Seçim, 1991). In other words; the matrix organization is the structure where the project organization is installed on top of an organization grouped by the functions of activities (Özgen and Öztürk, 1992).

The matrix structure should be applied when environmental complexity is high, thus quick structural changes should be made on final products, there is a necessity to provide complex product designs and such designs should be changed frequently (Ergenel and Alsirt, 2003; Daft, 2006). It is only possible to have a good working matrix structure if the duties, powers and responsibilities of matrix organization managers (functional and project managers) in a clear and understandable way (Mardenlioğlu, 2001).

### 1.1.4. Team Based Departmentalization

In order to increase the efficiency by including the behavioural dimensions such as friendship, spirit, collaboration, cooperation into activity and duty to be performed, “teams” are formed that are self-efficient, can work as a department with team spirit in institutions instead of some functional or work unit based departments (Ülgen and Mirze, 2010). Surgery teams can be an example in health care organizations. Doctor, nurses and some technicians are available in a surgery team. Recently it is possible to see that not only a doctor but also whole surgery team is transferred from one hospital to another in private sector.

### 1.1.5. Network Based Departmentalization

The network type structures which are based on the collection of information concerning who can perform which work at requested time in a cheap and good quality, and procurement by using the contracting skills of companies, ensure that the companies get their activities done by sub-contractors in better quality and cheaper so that they get competition advantage. (Eren, 2000) Despite not being frequently seen today, until 5 years ago, many hospitals were sending their patients to such centres for MR and tomography and using the outsourcing opportunities

## **1.2. Structure of Healthcare Organizations**

Hospitals are one of the organizations that operate in matrix structure. The grouping of hospital activities as medical services, nursing services means functional organization (Yıldız, 2008).

The chief of medicine responsible for medical services, and head nurse responsible for nursing services are each functional manager. The internal grouping of medical services as internal diseases, external diseases, and eye diseases expresses the service-based grouping and constitutes a basis for project organization (Kavuncubaşı and Ersoy, 1998). The matrix structure in hospital organization has four important roles, which are top management, functional manager, project manager and expert staff working in project. The duty of top management is to prevent the authority complexity caused by the matrix structure and create organizational environment. The top management in university hospitals is the chief of medicine. The functional manager is the head or chief of polyclinic or clinic services that patient care and treatment services are provided.

These constitute functional organization, which are grouped as patient care services, diagnosis and laboratory services, nursing services etc. The project managers are responsible for the planning and enforcement of activities under a certain speciality field. Project organization is created in hospitals by the inter-grouping of functional units as internal diseases, eyes, dermatology etc. Therefore; the treatment of diseases that require specific specialization are performed by these project organizations. Namely, each patient sets a project field for the doctor. The expert staff in project team uses his specialization within certain projects and works under project manager due to the project and under functional manager due to the department that he works (Küçükilhan and Lamba, 2007).

## **2. BUSINESS STRUCTURES IN THE IMPLEMENTATION OF STRATEGIES**

The business structures are crucial for the implementation of strategies. The business structures should be taken into account during the determination and implementation of strategies. There are different business structures suitable for corporate strategies, competition strategies and strategic partnerships. The appropriate business structures for such strategies are as follows.

### **2.1. Business Structures in the Implementation of Corporate Strategies**

Corporate strategy means the whole strategy of an organization that has different business and work fields. The senior management of business undertakes this process. Since this strategy covers the whole organization, it is about defining the organization as a whole and making resource distribution to strategic work units. Such strategy also includes functional unit policies, new investment decisions and decisions of business on product/market strategies (Akgemci, 2008).

Corporate strategies are senior management strategies that focus on the issues such as the future status of business and operation fields to have a long-term existence and increase its value by getting competition dominance. The main corporate strategies are the diversification strategies for growth and recession (Ülgen and Mirze, 2010).

#### **2.1.1. Business Structures to the Implementation of Diversification Strategies**

Diversification means entering totally into a new area or is the initiative to get a related product or services. Generally there are two different types of diversification strategies as related and unrelated diversification strategies. Related diversification strategy is the partnership initiative that related product or services are added. Unrelated diversification means adding a service or product into the organization that has no relation with previous work field. The general idea is that businesses shall apply as they wish, if they walk away from their area of expertise, this may be dangerous. Although this issue is very controversial, both diversification methods have their own positive and negative aspects (Katsioloudes, 2006).

In diversification strategy, while health institution tries to enter new markets, it also develops new health care services in accordance with the demands of such markets (Malhan and Özgülbaş, 1999). This strategy is the most comprehensive and powerful among the growth strategies. Since the health care institution will enter fields which it has no experience, the risk is more. Therefore; before trying this option, the health care institution should think about how much it would be successful in a field without any experience. When it becomes successful despite of its high risk, it will bring more benefits (Karafakioğlu, 1998). For example; big pharmaceutical company Merck didn't settle down with only developing medical drugs and in 1993 it bought Medco which buy and sell drugs via mail, by 6,6 billion dollars. It has established joint ventures with

DuPont to perform more basic research and with Johnson & Johnson to sell non-prescribed drugs. Moreover, it cooperates with bio-technology companies and operates Merc Generics (Kotler, 2003).

### 2.1.2. Business Structures Suitable for Recession Strategies

The recession strategies are the strategies that are applied as divestiture and liquidation at corporate level, and harvesting and retrenchment strategy (e.g number of staff) at departmental level under the circumstance when senior level managers decide to leave some or all their existing works, vacate them temporarily or permanently (Swayne et al., 2006).

Saving strategy, which is one of the recession strategies, can be applied in businesses with departmentalization practices. Such strategies should be chosen intentionally in functional, by work unit or matrix departmentalization. Therefore; in the implementation of saving strategies, trying to find strategic solutions by centralization level, formalization and changes in management area instead of appropriate departmentalization is much effective and right way. The decision mechanism is centralized, formalization level is increased for inspection and management area is restricted for effective inspection in the implementation of saving strategies. Also the establishment of central inspection unit with functional power under senior management may lead the staff to care more about the savings. However; in the long-term implementation of saving strategy, there may be some changes in departmentalization. In partial liquidation strategy, the existing departments of business, work units, resources and employees should be liquidated without any further problems (Ülgen and Mirze, 2010). The aim of selling service units and its liquidation is to gain the capital required for the new investment of organization serving to seasonal objectives, simplify the organization structure of organization, realize recession and decrease cost (Kavuncubaşı and Kısa, 2002). Thus; it is also important to find an appropriate “management style” in addition to an appropriate structure for the strategy to create a fundamental change. However; the performance of an organ that can manage a partial liquidation (generally outsourcing institutions) under senior management with its strong functional powers will decrease the subjectivity in business and increase the generated benefit (Ülgen and Mirze, 2010).

## 2.2. Business Structures in the Implementation of Competition Strategies

Today’s health care services become more expensive in parallel with the changing technology and development in service providing, share of treatment services expenses increases in the total health care expenses and social security institutions face with payment problems. This problem arises an obligation to decrease the treatment service expenses, which constitute a major part in whole health care services, and efficient use of resources. In this perspective, there are some activities to decentralize public hospitals, make them self-efficient and give service in a competitive environment in accordance with the efficiency principle. These activities with the final aim of having public and private hospitals to provide good quality and efficient service together under competition conditions, oblige the competition in health care sector (Akbolat and Işık, 2012).

Porter defines competition strategies in 3 groups, which are cost leadership strategy, differentiation strategy and focus (Porter). The appropriate business structures for these competition strategies are follows.

### 2.2.1. Appropriate Business Structures for Cost Leadership Strategy

From the division of labour and specialization, the establishment of main groups and sub groups by combining the similar works in a homogenous way would be more suitable in cost leadership strategy. In this regard, the recommended suitable structure for cost leadership is functional departmentalization. In such structuring, there is an effort to ensure coordination between departments and efficient resource utilization. Hence, it is important to provide coordination between the departments (via coordinators or task teams).

Although there is less centralization in businesses, namely the decision-making powers are transferred to sub management levels, high centralization structure is recommended in this strategy to reach effective cost and efficient inspection. Having high formalization levels so written rules and procedures are available, is also important for the cost and efficiency inspections and commitment of employees into aims (Ülgen and Mirze, 2010).

### 2.2.2. Appropriate Business Structures for Differentiation Strategy

Functional departmentalization is recommended as a suitable structure in differentiation strategy. Each department tries to ensure value-creating differences in their related activities. The customers will accept the differentiation, thus the business outputs will be sold higher prices.

For departmentalization, although it is functional in principle, low centralization and formalization would be an appropriate solution. The departments performing the differentiation should give their own decisions and mitigate the written rules and procedures to the lowest levels to establish an environment that would create differentiation under their budget. Such strategies can be more effective when performed quick and on time. Therefore; with the expansion in management and control area, more flat structure is obtained and decisions and implementation are accelerated.

Apart from its approval by the customers, the reflection of differentiation on whole business structure is important for all stakeholders that they can understand it much clear. Yet physical structure in differentiation strategies is important. The physical structure elements (image and identity supporting elements such as decoration and design) should be available in the way to make the differentiation clear (Ülgen and Mirze, 2010).

## **2.3. Appropriate Business Structures in Strategic Partnership and Joint Ventures**

Strategic partnerships are one of the alternative solution recommendations for the sustainability of organizations. Today, many organizations establish strategic partnerships in order to lower their costs or cover their insufficient aspects. With the strategic partnerships, the businesses will be able to reach to a long-term competition providing position through their own equities and supporting outsourcing (Harrison et al, 2001). The most important reason behind the fact that organizations make strategic partnerships with other organizations is to generate the substitute product and services, which they cannot develop by themselves. It is also known that they want to bring resources and skills together and learn the skills required by the organization (Oktay, 2010).

The most compatible business structures for partnerships are network based organizations. Joint ventures are independent institutions established by the partner businesses as different identities and assets. Therefore; any structure can be chosen for such independent institutions complying with their corporate, competitive and functional strategies. Since the partners to accomplish specific aims and objectives establish joint ventures, it is not wrong to say that again one of network organizations would be appropriate in this case. Either balanced or internal network structures will be beneficial in accordance with the importance of business and resources.

## CONCLUSION

Lastly in the establishment of required business structures for the implementation of strategies, it is necessary to express that since no business is the same as other due to its resource, skills, management styles and environmental elements of activity, the recommendations made from the suitability perspective should not taken as absolute facts and considered as general examples showing which subjects should be taken into account in strategy-structure relationship. Therefore; a structure suitable for one business may not for another. In this regard, strategist and managers should assess strategy-structure relationships by considering other environmental elements and business skills and resources in the contingency approach and give their decisions accordingly.

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