



Investigating the Mediating Role of Organizational Innovation and Learning Orientation in the Relationship between Market Orientation and Business Performance

(Case Study: Khuzestan Medical Equipment Companies)

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(Case Study: Khuzestan Medical Equipment Companies)

Narges Makvandi^{1*}, Amir Hamzeh Razavi Nejad²

1* Islamic Azad University, Dehdasht, Iran, narges8063@gmail.com

ABSTRACT

The study aim was to investigate the mediating role of organizational innovation and learning orientation in the relationship between market orientation and business performance in Khuzestan Province. The statistical population of this research consisted of senior and middle managers of medical equipment companies in Khuzestan Province. Finally, 177 samples using the random stratified sampling methods were selected as a statistical sample. They were questioned through a standard questionnaire with 48 items. The analytical tools in this study were SPSS and LISREL software and by using these two tools, descriptive and inferential tests were performed on the data. It should be noted that in this research, structural equation modeling was used to test the hypotheses. Finally, the results of the research led to confirmation of some hypotheses and rejection of others. It should be noted that this research in terms of purpose is applied research and in terms of approach is descriptive-survey and is of causal study type.

Keywords: market orientation, organizational innovation, organizational learning, business performance, medical equipment companies, Khuzestan Province



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1. INTRODUCTION AND STATEMENT OF PROBLEM

Today most of the business environments have become entangled by increased competition and environmental disturbances. Most companies have been forced to find ways to deal with this strong truth, or, if possible, eliminate it and shut it down. For this reason, many efforts have been made by executives to develop a part of the competition in their own business sectors. There may be several factors affecting an organization, such as macroeconomic factors (economic, social, cultural, political, technological), environmental micro factors (new entrants, competitors, new and alternative products and customers), and agents within the firm (tangible assets, intangible assets and competencies). Managers are those who keep their organization in sync with the conditions of the day. This synchronization is possible when employees and managers accept the tendency to market as a culture and insight. According to Narver & Slater (1990), market orientation is the heart of the management and modern marketing strategy, and the business that boosts market orientation, improves their market performance.

Achieving an excellent performance for an organization involves creating a sustainable competitive advantage and providing a superior, sustainable value to customers (Narver & Slater, 1990). Organizational performance is one of the most important structures discussed in management research and is undoubtedly the most important criterion for measuring success in business companies. But in general, what are the variables and indicators of organizational performance, there is still no perfect agreement among the experts. In general, organizational performance indicators can be divided into objective and subjective categories. The objective indicators of organizational performance are indicators which is completely realistic and based on objective data among the objective indicators of organizational performance, we can point to profitability indicators such as asset returns, return on equity, return on investment, and earnings per share of stock returns. Organizational performance mental indicators include more indicators that are judged by the interest groups of the organization. These indicators include customer satisfaction, staff satisfaction, success in providing new products, etc. (Keshtkar, 2009)

The study show that medical equipment companies in Khuzestan province are in a very competitive environment and conducting initial interviews with several of the managers



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of these companies has shown that in recent years, companies active in this field paid a lot of attention to promoting business performance and paying attention to the issues of market economy. Therefore, in order to help companies active in this field, the present study is seeking to investigate the effect of market orientation on the performance of Khuzestan medical equipment companies. Meanwhile, according to a previous study, the organizational innovation variable may also play a role (Keshtkar 2016).

Innovations are a very strong tendency towards knowledge, expertise and commitment of employees as key inputs in the value creation process. Meanwhile, organizations will be more successful in responding to environmental changes as well as expanding new capabilities that help them achieve higher performance (Nejad and Keshtkar 2018).

Also, the research literature shows that organizational learning can also play a significant role in the way the market is influenced by performance. In addition, organizational learning will also have an impact on organizational innovation (Mahmoud et al., 2016).

Therefore, in this research, the role of innovation and organizational learning will be considered. With these interpretations, the present research will seek to answer the following main question:

"What is the mediating role of organizational innovation and learning orientation in the relationship between market orientation and business performance in Khuzestan Province?"

2. THE CONCEPTUAL MODEL OF THE RESEARCH

Considering the research background, the following model was considered as the conceptual model of the research. It should be noted that this model is based on the research of Mahmoud et al. (2016):



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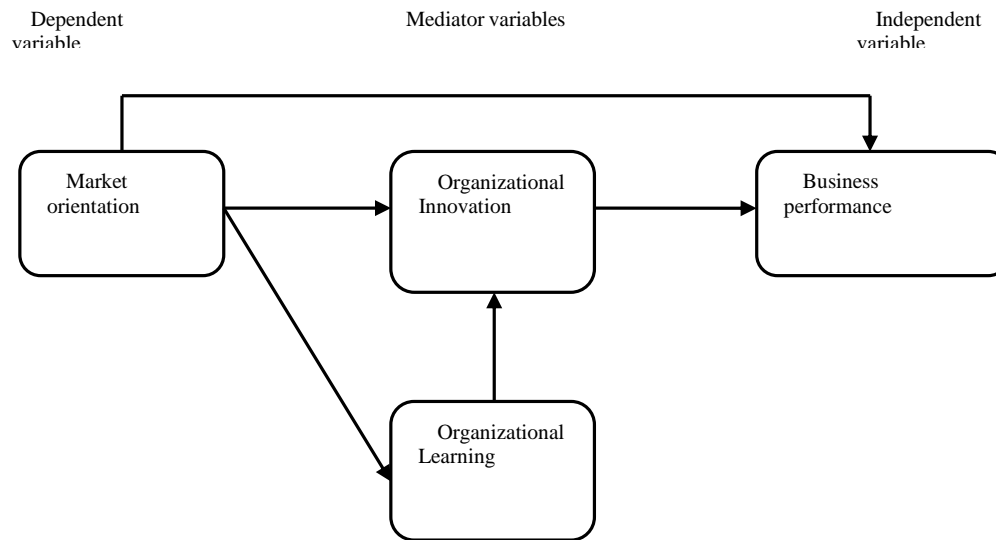


Figure 1) Conceptual model of research (Mahmoud et al., 2016)

In this section, based on the conceptual model of research (Fig. 1), hypotheses are presented:

- Market orientation has a positive and significant effect on the performance of medical equipment companies in Khuzestan province.
- Market orientation has a positive and significant effect on organizational innovation in medical equipment companies in Khuzestan province.
- Market orientation has a positive and significant effect on organizational learning in medical equipment companies in Khuzestan province.
- Organizational learning has a positive and significant effect on organizational innovation in medical equipment companies in Khuzestan province.
- Organizational innovation has a positive and significant effect on the performance of medical equipment companies in Khuzestan province.
- Organizational innovation plays a mediating role in the relationship between market orientation and performance of medical equipment companies in Khuzestan province.
- Organizational learning plays a mediating role in the relationship between market orientation and organizational innovation among medical equipment companies in Khuzestan province.



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3. CONCEPTUAL AND OPERATIONAL DEFINITION OF RESEARCH VARIABLES

In this section, we will try to provide a brief definition of the variables involved in the conceptual model of research:

Market orientation: Market orientation is the creation of information from the market in the whole organization about the current and future needs of customers, the development and transfer of this information and talent across the organization and its responsiveness at all levels of the organization (Mahmoud et al., 2016).

Operationally, in the present study, this variable is measured through items 1 to 24 of the questionnaire and based on five-point Likert scale.

Organizational learning: Organizational learning is all the methods, mechanisms, and processes that are used within the organization to realize teach (Mahmoud et al., 2016).

Operationally, in the present study, this variable is measured through the questionnaires of 25 to 38 questionnaires and based on the five-point Likert scale.

Organizational innovation: Organizational innovation is a management system that emphasizes the mission of the organization and seeks for exceptional and new opportunities and identifies the criteria for success (Mahmoud et al., 2016).

Operationally, in this study, this variable will be measured through items 39 to 43 of the questionnaire and based on the five-point Likert scale.

Organizational performance: Organizational performance is an indicator of how an organization or institution achieves the goals (Mahmoud et al., 2016).

Operationally, in this study, this variable will be measured through items 44 to 48 of the questionnaire and based on five-point Likert scale.

4. REVIEW PREVIOUS RESEARCH

Abbasi et al (2016) conducted a research entitled "The effects of market orientation on economic development and economic performance with respect to the role of strategic planning moderators." The purpose of this study was to investigate the effects of market orientation on development and economic performance considering the moderating role of strategic planning of Iran Khodro Diesel Company. This case study is a descriptive-survey method in terms of purpose is applied and in terms of nature is descriptive-survey.



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The statistical society has targeted its chief administrative, financial, and executive directors. The results of the research, using structural equation model and path analysis, show the positive effect of market orientation on economic performance and each of its four dimensions (profitability, market share, return on investment and company sales volume). Also, the results of regression analysis did not confirm the impact of moderating variable of strategic planning methods on the relationship between market orientation and economic performance of Iran Khodro Diesel Company.

Jonaeidi Jafari and Aghdasi (2016) conducted a research entitled "the study of the effect of distinctive technological styles and organizational learning on organizational performance by intervening organizational innovation: Iran's banking industry". This paper examines the effect of top management support from technology on the development of technological skills, distinctive technological competencies and organizational learning. Also, the effects of distinct technological competencies and organizational learning on organizational innovation, and subsequently on organizational performance, were examined. Finally, the results of statistical analyzes, based on a sample of 828 employees of the banking industry in Iran, showed that: (1) Senior management support has a positive impact on the development of technology skills, distinctive technological competencies and organizational learning; (2) Distinctive technological competencies and organizational learning, directly or indirectly through organizational innovation, have a positive impact on organizational performance.

Rahimi and Mobin (2015) conducted a research entitled "investigating the relationship between organizational learning and organizational performance (case study: Qom Power Distribution Company)". The purpose of this study was to investigate the relationship between organizational learning and organizational performance in Qom Power Distribution Company. The statistical population of this study was all 244 official employees of the company. According to Krejcie and Morgan table, 150 of them were selected randomly by class. In this descriptive-correlational study, to measure the variables of the research, the organizational performance questionnaire of Hersey and Goldsmith and organizational learning of Watkins and Marsic (1996), both of which had a high degree of validity and reliability. The obtained data were analyzed by descriptive



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statistics and inferential statistics of single sample regression. The results indicate that there is a positive and significant relationship between organizational learning and all aspects of T-Line Distribution Company and Qom Power Distribution Company.

Khorsandi et al (2015) conducted a research entitled "Investigating the relationship between organizational learning capability and organizational performance at the general office of sports and youth of Khorasan Razavi". The purpose of this study was to investigate the relationship between learning ability and organizational performance in the Department of Sports and Youth of Khorasan Razavi province. The research method was correlation and its statistical society consisted of all experts of the Department of Sports and Youth of Khorasan Razavi province. The data collection tools were organizational learning ability (Gomez, 2005) and organizational performance (Brown, 2001) questionnaires. Data analysis was performed using descriptive and inferential statistics at a significant level ($p < 0.05$). The study results showed that the systemic subscale has the highest average compared to other organizational learning capabilities. Also, organizational learning capabilities have a significant relationship with organizational performance. Given the linear relationship between the variables and the hypotheses hypotheses of the independence of the errors from each other, predictive variables (organizational learning capabilities) explain 76 percent of the change in organizational performance.

Ghalegari and Fatehipour (2015) conducted a research entitled "analyzing the role of innovation and new businesses with organizational performance". This research was conducted with the general purpose of analyzing the role of innovation and new businesses with organizational performance in insurance companies of Sanandaj city. The data collection tool was the standard questionnaire of Morales et al. (2013).

The statistical society of this research was formed by insurance companies of Sanandaj city. Using Cochran formula, 212 individuals were selected randomly. Cronbach's alpha method was used to determine reliability. The results show that the research tool has the power to collect data. To analyze the statistical data, descriptive and inferential statistics were used. This information was analyzed in SPSS18 software environment by applying appropriate statistical tests according to research hypotheses. Accordingly, the results



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indicate that there is a positive and significant relationship between innovation and new businesses with organizational performance.

Sarmad Seyyedi and Jamshidian (2013) conducted a research entitled "investigating the effect of internal marketing on market orientation and performance of service organizations (Case Study: Bank Branches of Refah Bank in Arak City)". The results of this study showed that internal marketing could have a positive and significant effect on market organization and performance.

Reis (2011) conducted a research entitled "Investigating the impact of market orientation on organizational performance with emphasis on the mediating role of market-based resources (Case Study: Toos Industrial Complex Companies in Mashhad)" in the form of a Master's thesis. The results of this study indicate that, firstly, the model employed was a strong theoretical model to predict the effects of market orientation, and secondly, all direct relationships between the model variables were significant. Thirdly, the findings of the research emphasize that market orientation, given the sources of human capital, reputation and innovation, and customer empowerment, has a significant impact on the company's performance.

Mahmoud et al. (2016) conducted a research entitled "Market orientation, learning organization, and business performance - mediating role of innovation." The results of this research showed that the innovation variable plays a mediating role in the path of market orientation and organizational learning on business performance.

Sherine et al (2016) conducted a research entitled "human resources management and organizational performance in the UAE banking industry: mediating role of organizational innovation." The results of this research showed that the variable of organizational innovation plays a mediator role in the way of influencing human resource management practices and strategies.

Mohan and Song (2015) conducted a study entitled "the relationship between learning organization and organizational performance". The results of this research showed that whatever organizations at their organizational learning levels can upgrade, they can wait for improvement in their performance and make better performance.



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Lin et al. (2014) conducted a research entitled "the impact of export market orientation on export performance." The results of this study showed that social trust and social impact on export market orientation have a positive and significant effect, and this market orientation influences export performance.

Huhtala et al. (2014) conducted a study titled "market orientation, innovation capacity, and business performance." The results of this study showed that innovation capacity in the relationship between market orientation and business performance plays a significant mediating role.

5. METHODOLOGY OF RESEARCH

This research in terms of purpose is applied. Because the results can be used in the policy-making of the companies under study and helps the managers of these companies to make the right decisions. Also, this research is descriptive-survey in terms of approach and how data is collected. Because the researcher, in order to obtain the first-hand data, enters the statistical community through a specific tool called the questionnaire, and collects the data directly. Finally, this research is considered as a causal study in terms of data analysis, because it examines the causal relationship between variables.

5.1 Statistical society:

In this research, all senior and middle managers of Khuzestan medical equipment companies were considered as the statistical community. According to the statistics, the number of this statistical population was 327.

5.2 Statistical sample and sampling method:

According to the Krejcie and Morgan table, for a community of 327 people, at least 177 statistical samples were needed. In this research, a "randomized stratified sampling" method was used to select statistical samples among the statistical population.

5.3 Data collection tools:

The main tool used in this study was a standard questionnaire that was taken from Mahmoud et al. (2016). The questionnaire, which has 48 items, in which responses were designed based on five-point Likert scale (I completely disagree to completely agree). In the table below, the structure of this questionnaire is visible:



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Table 1: The structure of the research questionnaire

Variable	Related items	Reference
Market- orientation	1 to 24	Mahmoud et al. (2016)
Organizational learning	25 to 38	
Organizational innovation	39 to 43	
Business performance	44 to 48	

To assess reliability of the questionnaires, Cronbach's alpha method was used. Given that Cronbach's alpha was all above 0.7, reliability of dimension and total questionnaire were confirmed.

5.4 Data analysis:

Descriptive statistics and inferential tests are used to analyze the statistical data and to examine the research questions using SPSS and Lisrel software. Data analysis and variables are used in two parts:

Descriptive statistics including: Mean standard deviation, frequency distribution tables and related graphs.

Inferential statistics include:

- Kolmogorov-Smirnov test to determine the distribution of research variables (normal or abnormal distribution of variables).
- Reliability study (Cronbach's alpha coefficient)
- Verifiable factor analysis
- The general fit of the model (structural equation modeling)

6. RESULTS OF DATA ANALYSIS

6.1 Demographic characteristics of the research sample

In the table below, descriptive statistics about the demographic variables of 177 individuals included in the research are presented:



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Table 2: Demographic characteristics of respondents

		Frequency	Percent
Sex	Male	105	59%
	Female	72	41%
Age	20 to 30 years	67	38%
	31 to 40 years old	42	24%
	41 to 50 years	38	21%
	51 to 60 years old	17	10%
	More than 60 years old	13	7%
Education	Diploma	13	7%
	Associate Degree	34	19%
	Bachelor	81	42%
	MA	42	24%
	P.H.D	7	4%

6.2 Conceptual model fitness and testing hypothesis

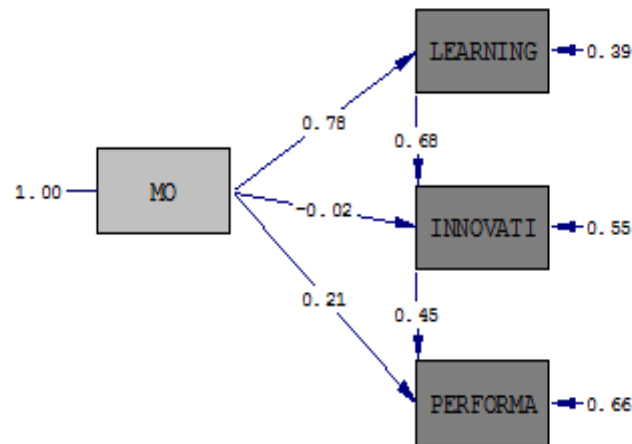
After determining the measurement models in order to evaluate the conceptual model of the research as well as to ensure the existence or non-existence of causal relationship between the variables of research and the study of the appropriateness of the observed data with the conceptual model of the research, the research hypotheses using the structural equation model were also tested. They were The hypothesis test results are reflected in the chart:



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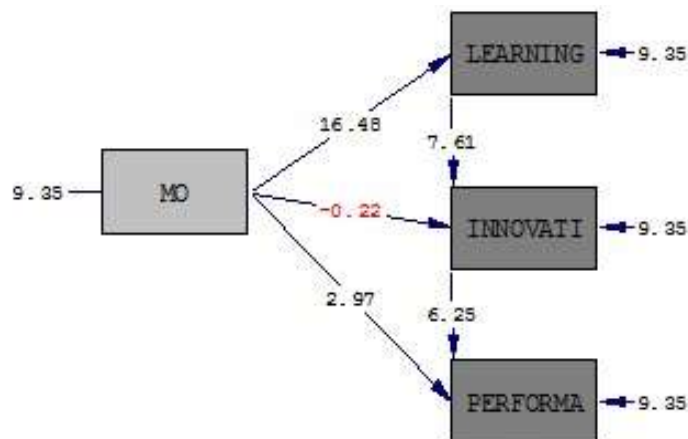
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Chi-Square=2.07, df=1, P-value=0.00030, RMSEA=0.063

Figure 2) Measuring the general model and the results of the hypotheses in the standard state



Chi-Square=2.07, df=1, P-value=0.00030, RMSEA=0.063

Figure 3) Measuring the overall model and the results of the hypotheses in significant state

Table 3: Fitness indicators of the conceptual model of research

X ² /df	RMSEA	RMR	GFI	CFI	NNFI	IFI
2.07	0.063	0.036	0.91	0.99	0.94	0.95



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6.3 The result obtained from testing of hypotheses 1 to 5

The results of the LaserL outputs show that the Chi-square to degree of freedom ratio is less than three, and other fitness indicators confirm fit of the model.

Hence, the research model is fitted and it can be used to test the hypotheses based on standard and significant coefficients. The following table summarizes the significant coefficients and the results of the hypotheses:

Table 4 Results of testing hypotheses 1 to 5

Hypotheses 1 to 5	Standard	Significant	Result
Market orientation has a positive and significant effect on the performance of medical equipment companies in Khuzestan province.	0.21	2.97	Confirmed
Market orientation has a positive and significant effect on organizational innovation in medical equipment companies in Khuzestan province.	-0.02	-0.22	Rejected
Market orientation has a positive and significant effect on organizational learning in medical equipment companies in Khuzestan province.	0.78	16.48	Confirmed
Organizational learning has a positive and significant effect on organizational innovation in medical equipment companies in Khuzestan province.	0.68	7.61	Confirmed
Organizational innovation has a positive and significant effect on the performance of medical equipment companies in Khuzestan province.	0.45	6.25	Confirmed

6.4 Testing hypotheses 6 and 7 (mediating hypothesis)

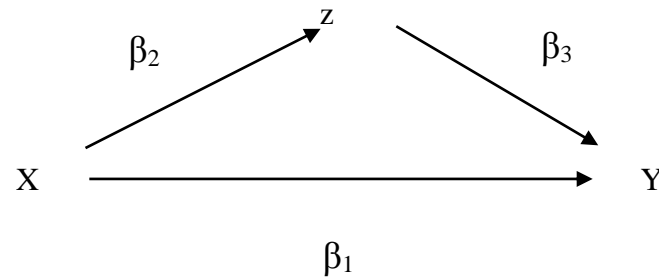
In the study of the relationship between the two variables, the direct and indirect effects of the variables should be calculated on the same way:



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Direct effect: it show the direct effect of the x variable on the variable y (β_1)

Indirect Effect: multiplication of the coefficients of each path ($\beta_2 \times \beta_3$)

Total effect: direct effect + indirect effect

How to infer mediation hypotheses:

- If the total effect is less than 0.3, then the correlation observed is not significant.
- If the total effect is between 0.3 and 0.6, the correlation is desirable.
- If the total effect is above 0.6, the correlation is highly desirable.

Table 5: Testing mediating hypotheses (Hypotheses 6 and 7)

Hypothesis	Standard beta value					Result
				β_2	β_3	
The mediating role of organizational innovation in the relationship between market orientation and business performance	Direct effect	Indirect effect	total effect	Market orientation on innovation	Performance innovation	Rejected
	0.21	(0.02-) \times 0.45	0.202	0.02-	0.45	



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The mediating role of organizational learning in the relationship between market orientation and organizational innovation	Direct effect	Indirect effect	total effect	Market orientation on learning	Learning on innovation	
	0.02-	(0.68)×0.78	0.510	0.78	0.68	Confirmed

7. CONCLUSION AND EXECUTIVE SUGGESTIONS FOR MANAGERS

The first hypothesis of the research shows that market orientation has a significant effect on the business performance of medical equipment companies in Khuzestan province. Statistical analysis showed a significant correlation between two equal variables (2.97), and since this value was greater than 1.96, this hypothesis was confirmed. On the other hand, since the standard coefficient was positive (0.21), this effect was directly detected. This result is consistent with the results of research carried out by Abbasi et al. (2016), Sarmad Saedi and Jamshidian (2013), Reis (2011), Lin et al. (2014), Hautala et al. (2014), and Mahmoud et al. (2016).

The second hypothesis of the research shows the significant effect of market orientation on organizational innovation in medical equipment companies in Khuzestan province. Statistical analysis showed a significant correlation between two equal variables (-0.02) and since this amount is not within the permitted range, this hypothesis was not approved. This result is consistent with the results of research carried out by Mahmoud et al (2016). The third hypothesis of the research shows the significant effect of market orientation on organizational learning in medical equipment companies in Khuzestan province. The



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statistical analysis showed a significant correlation between two equal variables (16.48) and since this value is greater than 1.96 so, this hypothesis was approved. On the other hand, because the number of standard coefficients was positive (0.78), this effect was directly detected. This result is consistent with the research conducted by Mahmoud et al. (2016).

The fourth hypothesis of the research shows the significant effect of organizational learning on organizational innovation in medical equipment companies of Khuzestan province. Statistical analysis showed a significant correlation between two equal variables (7.61) and since this was greater than 1.96, the hypothesis was approved. On the other hand, since the standard coefficient was positive (0.68), this effect was directly detected. This result is consistent with the research conducted by Mahmoud et al. (2016).

The fifth hypothesis of the research shows the significant effect of organizational innovation on the business performance in medical equipment companies in Khuzestan province. Statistical analysis showed a significant correlation between two equal variables (6.25) and since this was greater than 1.96, the hypothesis was approved. On the other hand, since the standard coefficient was positive (0.45), this effect was directly detected. This result is consistent with the research carried out by Joneidi Jafari and Aghdasi (2016), Ghalegari and Fatehipour (2015), and Mahmoud et al. (2016).

The sixth hypothesis of the research shows the mediating role of organizational innovation variable in the relationship between market orientation and business performance of medical equipment companies in Khuzestan province. Based on the calculations made in section 4, and given that the value of the total effect obtained for this relationship was less than 0.3, so, this correlation was not significant and this hypothesis was not approved. This result is consistent with the results of research carried out by Mahmoud et al. (2016).

Seventh hypothesis of the research shows the mediating role of organizational learning variable in the relationship between market orientation and organizational innovation in the medical equipment companies of Khuzestan province. Based on the calculations made in section 4, and given that the total value of the obtained result for this relationship was more than 0.3, so, this correlation was found to be desirable, and therefore this hypothesis



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is confirmed. This result is consistent with the research conducted by Mahmoud et al. (2016).

According to the results of the present research, the following suggestions can be made to senior managers of medical equipment companies of Khuzestan province:

- Given the first hypothesis that show the positive effect of market orientation on the performance of Khuzestan medical equipment companies, it is suggested that these companies design mechanisms and working groups to monitor the demands and changing demands of customers, to monitor the market completely and regularly and report back to the research & development and marketing department of the company.
- Given the first hypothesis about the positive impact of market orientation on the performance of medical equipment companies in Khuzestan province, it is suggested that these companies, through the formation of skilled market research teams, are more likely to learn about competitors' actions, day-to-day technologies, political and social changes, and ... and adapt themselves to the market moves.
- Considering the first hypothesis about the positive effect of market orientation on the performance of medical equipment companies in Khuzestan province, it is suggested that these companies, after applying any operational changes (changes in product specifications, variety of products, etc.) assess the satisfaction of customers and, accordingly, evaluate the success rate of such changes and serve as guides in future affairs.
- Considering the first hypothesis about the positive effect of market orientation on the performance of Khuzestan medical equipment companies, it is suggested that these companies form groups of experts in order to identify these groups regarding current market trends and future developments. Sit down and talk to each other and give their senior executives the opportunity to reform their corporate goals and strategies.
- Given the first hypothesis about the positive effect of market orientation on the performance of medical equipment companies in Khuzestan province, it is suggested that these companies regularly develop their own development plans, namely the design and delivery of new products/ services to the market, revision customers' new demands for matching products / services.



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- Given the fifth hypothesis that the positive effect of organizational innovation on the performance of medical equipment companies in Khuzestan province, it is suggested that these companies welcome the new ideas provided by employees and even customers and provide the necessary examinations to operate them.
- Given the fifth hypothesis that the positive effect of organizational innovation on the performance of medical equipment companies in Khuzestan province, it is suggested that these companies search and apply new ways of doing things and processes and do not capture their stereotypes.
- Given the fifth hypothesis that the positive effect of organizational innovation on the performance of medical equipment companies in Khuzestan province, it is recommended that these companies constantly try to market new products / services in specified time periods and will introduce the title as a leading innovator.

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