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Entrepreneurial orientation–hotel performance: Has market orientation anything to say?☆

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ABSTRACT

This research shows the mediating role of market orientation (MO) in the link between entrepreneurial intention (EO) and business results. This conclusion comes from an empirical study of a sample of 70 independent hotels located in the south of Spain, one of the world's most important tourist areas. This study's relevance lies in its contribution to the knowledge of the effects that EO has on the improvement of results, as previous research has findings in every sense: A positive relation between EO and results, a lack of relation between the two, and even a negative effect of EO on the firm's results. This work also contributes to the research on the relation between EO and results in the hotel sector. From the point of view of its application to firm management, the study concludes that the development of EO is not enough to generate a positive result, at least in the short term. To this end, implementing an MO-based organizational culture thus also becomes necessary to attain a positive effect of EO on results.

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1. Introduction

Entrepreneurial orientation (EO) has experienced a boom in recent years, both in its theoretical development and its empirical application, thus giving rise to a vast body of knowledge. Many of the efforts center on analyzing the consequences of adopting EO, and emphasize its effect on business performance. A review of these studies shows the scant attention which toward the hotel industry (Tajeddini, 2010). The great majority of these studies measure business performance subjectively, building on firm managers' about their result expectations. The conclusions of these studies are not clear. A good part of the studies finds a positive and direct effect between EO and business results (Covin & Slevin, 1990; Wiklund, 1999; Wiklund & Shepherd, 2003, 2005; Zahra, 1991; Zahra & Covin, 1995). Others postulate that this positive relation does not exist (Baker & Sinkula, 2009; Morgan & Strong, 2003; Walter, Auer, & Ritter, 2006) or detect an inverted U-shape (Tang & Tang, 2012). A consensus does not prevail either concerning the effects on results from a time perspective: Some researchers posit a quick and immediate effect, but others maintain that this effect increases in the long term (Madsen, 2007; Wiklund, 1999; Zahra & Covin, 1995). Some studies even advocate for the need to consider the long-term effects, because in the short term, EO, may have a negative impact on results

(Cossío-Silva, Vega-Vázquez, & Revilla-Camacho, 2015; Pinillos, Reyes, & Soriano, 2005).

Building on this situation, researchers have begun to investigate both the internal and the external factors that can mediate the EO–business performance relation, rather than measuring the direct link between them (Alegre & Chiva, 2013; Li, Huang, & Tsai, 2009).

In accordance with contingency theory, several factors relating to the hospitality industry and to the environment can affect the way in which EO improves firm performance. Some structural and management characteristics can also mediate this relation (Lumpkin & Dess, 1996, 2001; Wang, 2008).

This study follows this research line, proposing as its aim the analysis of the possible mediating effect of MO on the relation between EO and performance in the hotel industry. To do so, the study begins with a review of the literature and the formulation of the hypothesis. The development of the empirical study follows, using primary data from a sample of 79 hotel firms, as well as secondary data from the SABI (Iberian Balance Sheets Analysis System) database. The article ends with a discussion of the results and comments on their limitations and future research lines.

2. Theoretical background and development of the hypothesis

A direct relation tends to exist between the strategic positioning of an entrepreneurial firm and the concepts of innovation, proactiveness, and risk taking (Covin & Slevin, 1990; Wiklund & Shepherd, 2005). Lumpkin and Dess (1996) add two dimensions: Competitive aggressiveness and autonomy, which present concrete and relevant aspects of entrepreneurial behavior.

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Innovativeness is the extent to which a firm supports new ideas, novelty, experimentation, and the creative process in introducing new products or services, in a move away from the existing technologies and practices (Lumpkin & Dess, 1996). Pro-activeness is an attitude of anticipating changes and opportunities in the environment, hence boosting a competitive advantage with respect to the firm's competitors (Hughes & Morgan, 2007; Lumpkin & Dess, 1996). A connection exists between risk-taking and the willingness to allocate resources to projects that will not necessarily be successful and whose cost related to failure might be high (Miller & Friesen, 1978). According to Lumpkin and Dess (1996, p. 148) "competitive aggressiveness refers to a firm's propensity to directly and intensely challenge its competitors to achieve entry or improve position, that is, to outperform industry rivals in the marketplace." Firms that are able to aggressively impair their competitors restrict these competitors' capacity to foresee and react to their future actions (Hughes & Morgan, 2007). Finally, autonomy is a person's or a team's independent action of upholding an idea and developing this action through to its culmination. This facet means the ability to autonomously handle opportunity seeking (Lumpkin & Dess, 1996).

The literature has dealt with market orientation (MO) since the early 1990s. Setting out from the resource-based view and organizational learning theory, this work defends that MO is an intangible knowledge-based resource that enables the delivery of a higher value to the customer. The basis of intangible resources is the information that people, groups, and the firm itself have, hence making its identification and reproduction difficult. In this sense, the generation, dissemination, and use of market intelligence concerning customers and competitors is the cornerstone of MO (Kohli & Jaworski, 1990). All the organization's members share a series of beliefs which put the customer's interest first (Deshpandé, Farley, & Webster, 1993) and apply inter-functional resources in a coordinated manner to create higher value (Narver & Slater, 1990). The foundation of this strategic advantage is that the firm's competitors cannot easily duplicate the value that the customer receives.

Numerous academics have studied the relation between EO and MO without reaching conclusive results (Wiklund & Shepherd, 2003). Some consider EO to be an antecedent of MO, whereas others postulate that they are independent variables. Still others consider EO to be a moderating variable of the relation between MO and organizational results (Bhuiyan, Menguc, & Bell, 2005). None of them posits the inverse relation; that is, the mediating effect of MO on the EO–business results link.

The academic literature considers EO to be a differentiated offer instrument — an aspect that is of the utmost importance to guarantee the firm's survival and growth (Williams & Shaw, 2011). The advantage via EO rests on the anticipation and use of the different opportunities that emerge, in such a way that the firm can introduce new products, establish the industry's standards, and control the market and distribution channels. In the tourist sector, EO may be a critical factor for the development of tourist products and for improving competitiveness (Hjalager, 2010; Tajeddini, 2010).

According to recent studies, the intensity of the relation between EO and performance can vary, making clear the need to examine the roles which other organizational variables can play (Muchiri & McMurray, 2015). Lyon, Lumpkin, and Dess (2000) classify the different factors that influence the EO–performance relation, distinguishing between organizational factors and environmental factors. The organization's MO is in the first group of factors. The combined effect of EO and MO will therefore be what causes an improvement in the hotel firm's results, which leads to the proposing of the following research hypothesis:

H1. Market orientation mediates the influence of entrepreneurial orientation on the firm's performance.

3. Method

This work's aim is to analyze if MO plays a mediating role in the EO–business results relation. The measurement of the results is in objective

terms, building on the accounting information that the hotel firms supply through their annual accounts. All the hotels are independent at the time of the study (the financial year 2012), they are not part of chains.

3.1. Industry selection

The reason for choosing the tourist sector is its weight in the economy at both the national level and that of Andalusia, which is the regional leader in the Spanish market in terms of visitors. The tourist activity is indeed a traditional support for the Andalusian production model, as its GDP contribution shows (12.6% of the total GDP). Likewise, 12.6% of employees in the region work in the tourist industry and 16.2% in the services sector in Andalusia, according to data of its Ministry of Tourism and Commerce (Consejería de Turismo y Comercio, 2014a, 2014b).

In 2014, a total of 246,014 hotel rooms were on offer in Andalusia. 83.5% were in four-star and three-star hotels. Andalusia has 1803 hotels, 55.9% of which are in the 3-star and 4-star categories (Consejería de Economía y Conocimiento, 2014). The four-star category heads the list of the tourist offer, which means that Andalusia is a destination of great qualitative value (Consejería de Turismo y Comercio, 2014b).

On the other hand, this sector has numerous independent hotels. These hotels have problems in differentiating themselves from their competitors, in accessing international-market customers, and in finding sustainable competitive advantages that help them to increase their rates. The difference in the size of the hotels that belong to chains and those that are independent (161 vs. 51 rooms) and the constant increase of properties that chains control reflect a growing trend toward concentration in the Spanish hotel sector. The results of technical efficiency (68.61% vs. 60.84%) and productivity (7.44% vs. 3.81%) suggest that hotels belonging to chains have a better production function. Independent properties have to be more competitive if they mean to survive in the medium and long term. The need for these establishments to have a greater differentiation, to incorporate technological innovation into their production and processes, and to increase their cooperation level is crucial. These factors lead to new challenges and cause the firms to take advantage of the market's new opportunities (Ireland, Hitt, Camp, & Sexton, 2001) in order to maximize their results.

All these elements, along with the lack of attention that the sector has aroused in the academic literature on entrepreneurship, make the hotel market ideal for this research.

3.2. Sample

The sample has 79 independent 3- and 4-star hotels located in Andalusia (in the south of Spain). The data collection consists of personal interviews with the managers of the hotels. Furthermore, the study uses secondary information from the SABI (Iberian Balance Sheets Analysis System) database concerning the economic-financial results of the hotels. The data in this base come from official sources, such as the Commercial Register and the Central Companies Registry Bulletin (BORME).

3.3. Measurement scales

As the study uses previously validated measurement instruments, the translation of the original version from English to Spanish received special care, considering the possible linguistic nuances, as well as its adaptation to the sector under analysis. The measurements of the EO and MO variables use 1–5 Likert-type scales; 1 is *strongly disagree* and 5 *strongly agree*.

Entrepreneurial orientation (EO): A scale with fourteen indicators, which the study adapts from Lumpkin and Dess (1996) and Lumpkin, Coglisier, and Schneider (2009), and which previous studies have validated, measures EO. This scale considers EO to be a multidimensional construct, comprising five dimensions: Competitive aggressiveness (EOA), Autonomy (EOAU), Innovativeness (EOI), Pro-activeness (EOP)

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