The Influence of Entrepreneurial Orientation and Business Performance: A Study of Small Hotels in Ghana

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ABSTRACT

Hospitality industry has seen an expansion especially in the small accommodation business sectors recently. We augment the extant attempts to provide meaningful system for the promotion of entrepreneurial culture in an organisation to stimulate performance. Empirically, testing the validity closeness of association between entrepreneurial orientation dimensions (innovation, proactiveness, risk competitive aggressiveness and autonomy) and its relationship with business performance was done. A total of 170 respondents, randomly sampled from small hotels filled pre-designed questionnaire. Data integrity checks were conducted after which a fitted logistic regression was used to evaluate the hypothesis. Results confirm the extant literature that innovation positively correlates with business performance in the same way as proactivity is emphatically connected with business performance. Risk is absolutely associated with business performance while competitive aggressiveness and autonomy is positively associated with business performance. The implications for the hotel sector in Ghana are presented in appropriate sections of the study.

Keywords: Entrepreneurship, Orientation, Performance, Small Hotel Industry

INTRODUCTION

With the current complication in conducting business transactions, entrepreneurial orientation (EO) can be considered a critical factor in ensuring the success of a business despite the fact that companies or businesses continually participate in the search for new opportunities. EO replicates the behaviour of entrepreneurs as innovation, proactive and risk takers. That is companies have to be innovative with innovations of products, services and processes, be more proactive compared to competitors in all aspects and be risk oriented in their dealings. The study adopted the five elements of EO that was developed by (Covin & Miller, 2014; G Tom Lumpkin & Dess, 1996). These elements have been studied by several researchers. As Fairoz, Hirobumi, and Tanaka (2010) point out; EO is significant for the growth of both company and country's economy and few scholars agree that EO is a significant contributor to a company's success as well as contributes to healthier business performance. G Thomas Lumpkin and Dess (2001), asserted that EO is very necessary especially in aggressive and technologically sophisticated environments. Many studies have recognized the importance of EO for company performance (Fairoz et al., 2010; Rosenbusch et al., 2013). As postulated by Pearson (2016), companies that have a high EO have a better-quality performance where market share showed improvements and growth in number of new products, services and processes. Firms need to be enterprising to survive and compete successfully, especially in rapidly changing industries and as mentioned by Pearson (2016) rapid technological progress strengthens competitive pressure and creates a wealth of technological opportunities that promote corporate behaviour. In this study, the correlation between EO and business performance will be examined and tested accordingly within SMEs in small hotels in Ghana. Ghana recently found crude oil off the shores of its Western Atlantic Coast -Jubilee field. The oil discovery led to the emergence of a substantial number of small medium hospitality industry in Ghana. These small medium hospitality tend to be
smaller and peripheral, compared to other leading hospitality clusters in the oil and gas-related industry in the world. Ghana has designated its tourism (hospitality) industry as one of the new growth sectors for economic development, employment generation and poverty reduction in its development framework document (Agyapong, 2010; GPRS, 2005). This development framework recognizes the tourism (hospitality) industry in Ghana as a growing, vibrant and dynamic one with a great potential for job creation. In recent years there has been an expansion of investments in the tourism industry, especially in the small tourism accommodation businesses sector (small scale hospitals). The total number of registered tourism accommodation businesses in Ghana as at 2015 was 3,358 (Mensah & Blankson, 2013) though others maybe operating on the blind side of the law and not register. The organization of this study is presented accordingly where the next section presents a review of relevant literature followed by the methodology section. The results and discussion presents a statistical analysis of the data in which the conclusion is made in the last section. The purpose of this research was to contribute entrepreneurship literature by taking on an entrepreneurial orientation perspective to explore the determinants of small hotels industry (SHI) in Ghana. Rather than attempting to map out the entire business performance mechanism of SHI, this study highlighted on what actually enables SHI performance in Ghana. To gain insights from this inquiry, the study attempted to uncover the influence of entrepreneurial orientation on SHI performance in Ghana, a sparsely investigated concept. By staying on this track, the study disclosed and filled in some of the gaps that existed in the current literature on SHIs and small medium hotel industry (SMHI): Firstly, by integrating the entrepreneurial orientation on business performance view, this study makes a specific contribution to this field by creating a parsimonious theoretical framework

**Entrepreneurial Orientation**

Entrepreneurial orientation is described as the inference of a company to go into a fresh market (Fairoz et al., 2010) which assumes that the EO is an organizational phenomenon that reflects a management capability by which companies embark on (Xie, Zeng, Peng, & Tam, 2013). The five elements according to (Covin & Miller, 2014; G Tom Lumpkin and Dess (1996)) exemplify a company's EO and these are innovation, proactively, risk-taking, competitive aggressiveness and autonomy. Innovation reflects the tendency to get involved and supports new ideas, novelty, experimentation and creative processes which result in novelty. Proactivity to (G Tom Lumpkin & Dess, 1996; Pearson (2016)) reflects the company's actions in the exploitation and expectation of emerging opportunities by developing and introducing new improvements towards a product. Risk-taking is defined as the extent to which a company is willing to undertake large risk commitments (Rosenbusch et al., 2013). Competitive aggressiveness is the intensity of the company to improve its position to surpass its competitors in the market (Mensah & Blankson, 2014; Porter, 2008) and this is characterized by a strong offensive stance aimed at overcoming competitors when a company enters aggressively in a market that a rival has identified (G Tom Lumpkin & Dess, 1996; Rauch et al., 2009) and this gives employees the opportunity to act effectively, to be independently, self-directed and creative.

**Business Performance**

In the measurement of the owners/managers business performance, prejudiced actions and self-description which are consistent with earlier studies would be used as (Rauch et al., 2009) reported, data on business performance on most previous studies collected have established to be reliable but (Jagunic, 2011; Pagano, Panetta, & Zingales, 1998) are of the view that public information is unreliable because most SMEs are private and have no legal binding regarding the disclose of information.

**EO and Business Performance**

The relationship between EO and the performance of firms has become the most important issue of interest in the past literatures. According to (Fill & Turnbull, 2016), it is likely that companies that implement the EO perform better than companies using the conservative approach. The importance of EO for business success could be questioned and so earlier studies showed that EO could significantly improve business performance (Rauch et al., 2009; Rosenbusch et al., 2013) and so many studies on the EO and business performance have come together to have positive results (Baker & Sinkula, 2009; Keh, Nguyen, & Ng, 2007; Rauch et al., 2009). However, there is no doubt that there are also studies that showed that the EO did not give positive results on business development (Frank, Kessler, & Fink, 2010; Morgan & Strong, 2003; Paauwe, 2009).

The researcher explains with few studies in different situations on how EO will have a direct and indirect impact on the company (Chrisman, Chua, Pearson, &
Barnett, 2012; Fill & Turnbull, 2016; G Tom Lumpkin & Dess, 1996). The study of EO especially in (G Thomas Lumpkin & Dess, 2001; Rauch et al., 2009) elements are necessary since many studies have shown that there is a relation between EO and business performance. The researchers therefore adopted (Arshad, Rasli, Arshad, & Zain, 2014) sample of hypothesis:

- H2: Proactively is emphatically connected with business performance.
- H3: Risk is absolutely associated with business performance.
- H4: Competitive aggressiveness is positively associated with business performance.
- H5: Autonomy is positively related with business performance.

**Hospitality Performance**

The term hospitality industry consists of several service providers including lodging establishments- (from budget to five star lodging), restaurants- (from fast food to fine dining), bars- (from casinos to drink sport) and local eateries- (from street food vendors to stall). Due to the interrelated activities of hospitality providers, one finds it difficult to assess it performance because each service depend on another. A number of definitions have been given to what a hotel is and Canina, Kim, and Ma (2010) categorizes hotels as Luxury, Upper scale, Upscale, Midscale Full Service, Midscale Limited Service, Economy and Budget due to the granularity of sections required, in other words it is based on the cost implication of living in these hotels. Additionally budget hotel is the type of hotel that offers low-priced option for anyone who just needs to have a hygienic place of rest (Lockyer (2013)), that is, type of hotel that offer low-priced option for anyone who just need to have a hygienic room with a bed and a shower, without having to pay for extra facilities that they may not even make use of. According to (Kim & Canina, 2010) getting the best out of the employee has always challenged employers and the hospitality industry is no exception. Performance is not just dealing with poor performance, it’s a holistic process that begins with getting the right people, educating employees on procedures to be followed and high quality service delivery (Armstrong & Baron, 2005; Kang, Lee, & Huh, 2010). Hospitality industry is regarded as the most expanding sector of the economy in Ghana, especially along the coastal belt (Kang et al., 2010).

**Data Source**

To determine the effect of entrepreneurial orientation on performance (innovation, proactivity, risk taking, competitive aggressiveness and autonomy), we determined the appropriateness of the data for factor analysis by employing Kaiser–Meyer-Olkin measure of sampling adequacy (KMO-MSA) and Bartlett’s Test of Sphericity. We recorded a KMO value of more than 0.60 and a significant value for the Bartlett’s Test of Sphericity. We performed Varimax rotation and principle components analysis for factor analysis. We eliminated all the factors that had factor loadings lower than 0.50 after which we conducted the Cronbach’s alpha reliability analysis. We ensured that all measure of sampling adequacy exceeded the Cronbach’s alpha reliability value threshold level of 0.60 and large and significant Bartlett’s Test of Sphericity. We eliminated 5 items of the initial 33 on the 5 dimensions of entrepreneurial orientation (autonomy, competitive aggressiveness, risk taking and innovativeness) since they had a factor loading lower than 0.50. Before the advanced statistics was performed, we performed a correlation matrix among the independent variables and a product moment correlational analysis of the two set of variables (entrepreneurial orientation and performance) and noted the non-existence of multicollinearity between the variables in performance and entrepreneurial orientation.

Our final multiple logistic regression model assumed that in a situation with n independent observations $(x_i, y_i), i = 1, 2,..., n$. $\beta' = (\beta_0, \beta_1, ..., \beta_p)$. The likelihood equations that result are expressed as follows:

\[
\sum_{i=1}^{n} [y_i - \pi(x_i)] = 0..........................(1)
\]

and

\[
\sum_{i=1}^{n} x_{j} [y_i - \pi(x_i)] = 0\text{ for } j = 1, 2, ..., p...........(2)
\]

We adopted but modified items of logistic regression modelling from (Hosmer Jr et al., 2013b). In our model, $\beta$ denotes the fitted solution. Thus, the fitted values for the multiple logistic regression model are $\hat{\pi}(x_i)$, the value of the expression in the equation above computed using $\beta$ and $x_i$ for $j, l = 0, 1, 2, ..., p$ where $\pi_l$ denotes $\pi(x_i)$ . Let the $(p + 1) \times (p \times 1)$ matrix containing the negative of the
terms given in equations above be denoted as $I(\beta)$. This matrix is called the observed information matrix. The variances and covariance’s of the estimated coefficients are obtained from the inverse of this matrix which we denote as $\text{Var}(\beta) = I^{-1}(\beta)$. except in very special cases it is not possible to write down an explicit expression for the elements in this matrix (Hosmer Jr et al., 2013b). Hence, we will use the notation $\text{Var}(\beta_j)$ to denote the $j^{th}$ diagonal element of this matrix, which is the variance of $\hat{\beta}_j$, and covariance $\text{Cov}(\beta_j, \beta_l)$ to denote an arbitrary off-diagonal element, which is the covariance of $\hat{\beta}_j$ and $\hat{\beta}_l$. The estimators of the variances and covariance, which will be denoted by $\hat{\text{var}}(\beta_j)$ are obtained by evaluating $\text{var}(\beta)$ at $\beta$. We will use $\text{var}(\beta_j)$ and $\text{cov}(\hat{\beta}_j, \hat{\beta}_l)$, $j, l = 0, 1, 2, ..., p$ to denote the values in this matrix. For the most part, we will have occasion to use only the estimated standard errors of the Standard coefficients, which we will denote as

$$SE(\beta_j) = \sqrt{[\hat{\text{var}}(\beta_j)]} \ldots \ldots \ldots \ldots (3)$$

for $j = 0, 1, 2, ..., p$. This notation is used to develop for to test coefficients and estimate confidence interval. The format of information matrix that is used in designing the model fitting and assessment is $I(\beta) = XVX$ where $X$ is an $n$ by $p+1$ matrix containing the data for each subject, and $V$ is an $n$ by $n$ diagonal matrix with general element $\pi_j(1-\pi_j)$. That is, the matrix $X$ is

$$X = \begin{bmatrix}
1 \times_{11} L & \times_{1p} \\
1 \times_{21} L & \times_{2p} \\
& \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots
\end{bmatrix}
$$

And the matrix $V$ is

$$V = \begin{bmatrix}
\pi_j(1-\pi_j) & 0 & L & 0 \\
0 & \pi_j(1-\pi_j) & L & 0 \\
M & 0 & O & M \\
0 & L & 0 & \pi_j(1-\pi_j)
\end{bmatrix} \ldots \ldots \ldots \ldots (5)$$

According to Hosmer Jr et al. (2013b) under the null hypothesis that the p ‘’slope” coefficients for the covariates in the model are equal to zero. In distribution of $G$ will be chi-square with p degrees of freedom. Before concluding that any or all of the coefficients are nonzero, we may wish to look at the univariate Wald test statistics,

$$W_j = \frac{\hat{\beta}_j}{SE(\beta_j)} \ldots \ldots \ldots \ldots (6)$$

The multivariable analog of the Wald test is obtained from the following vector-matrix calculation:

$$W = \beta [\text{Var}(\beta)]^{-1} \beta = \beta(XVX) \beta \ldots \ldots \ldots \ldots (7)$$

This is distributed as chi-square with p + 1 degrees of freedom under the hypothesis that each of the p + 1 coefficient is equal to zero. Then multivariable analog of the Score test for the significance of the model is based on the distribution of the p derivatives of $L(\beta)$ with respect to $\beta$ (Hosmer Jr et al., 2013a). The computation of this test is of the same order of complication as the Wald test.

**FINDINGS**

**Table 1 Logistic Regression Predicting Likelihood of Effect of Entrepreneurial Orientation**

<table>
<thead>
<tr>
<th>Variable</th>
<th>Estimates</th>
<th>S.E.</th>
<th>Wald</th>
<th>DF</th>
<th>P Values</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marital status</td>
<td>0.745</td>
<td>0.110</td>
<td>1.000</td>
<td>1</td>
<td>0.315</td>
</tr>
<tr>
<td>Responsiveness</td>
<td>0.617</td>
<td>0.240</td>
<td>1.020</td>
<td>1</td>
<td>0.315</td>
</tr>
<tr>
<td>Risk taking</td>
<td>0.054</td>
<td>0.169</td>
<td>0.019</td>
<td>1</td>
<td>0.919</td>
</tr>
<tr>
<td>competitive aggressiveness</td>
<td>-0.627</td>
<td>1.042</td>
<td>0.033</td>
<td>1</td>
<td>0.858</td>
</tr>
<tr>
<td>Ambition</td>
<td>2.397</td>
<td>1.394</td>
<td>11.313</td>
<td>1</td>
<td>0.000</td>
</tr>
<tr>
<td>Control</td>
<td>3.68</td>
<td>1.139</td>
<td>8.489</td>
<td>1</td>
<td>0.000</td>
</tr>
</tbody>
</table>

The computation of the crude odds ratio for entrepreneurial orientation dimensions $X$ is given by the estimate $\exp (B)$. The crude odds ratio of entrepreneurial orientation dimension determines the influence it has on the growth performance. The Wald’s and log likelihood ratio tests are also performed to ascertain the significant effect of the risk factors. A probability value of less than or equal to 0.05 was considered to be statistically significant. Hence the inclusion of that entrepreneurial orientation dimension as important in stimulating growth and performance outcome $Y= 0$ or 1. The parameters of the model were estimated using maximum likelihood approach. The estimates for each independent variable are interpreted relative to the referenced category. The estimated odds ratio for all parameters presented in table 1 indicates that the odds ratio of 1.805 and a confidence interval of 95%, means that innovation are 1.805 as likely to
Contribute to growth in performance. Similarly the results indicates that the odds of growth in performance increases by a factor of 1.853 with a confidence interval of 95% when the firm exudes proactiveness (p-value=0.018) while an odds ratio of 0.004 indicate that, risk taking contributes 0.004 as likely to growth in performance with 95% confidence interval (p-value=0.000) controlling for other factors in the model. Further it is noted that competitive aggressiveness is 0.054 more likely to contribute to growth in performance (p-value=0.008) similar to the 1.062 statistically significant effect of autonomy to growth in performance. Thus overall, the results indicate a positive relationship between entrepreneurial orientation and potential growth prospects of the hospitality industry.

Discussion/Recommendations
As indicated in earlier sections of the study, in recent years there has been an expansion of investments in the tourism industry, especially in the small tourism accommodation businesses sector. This is the major reason for the effort to stimulate entrepreneurial orientation into the firms since it holds the key to unlocking large potential of growth opportunities masked by the vicissitude, complexity and competitiveness of today’s globalised economy. Our study confirms the extant literature that successful integration of entrepreneurial orientation into firm’s strategic behaviour is essential to improve hotel’s ability to grow and create wealth. To that extent, the observation of (Canina et al. (2010)) that hotel managers are increasingly perceiving innovation, risk taking and proactive as importance preconditions to and prime drivers to stimulate positive business performance and value creation. Further the findings of the research equally demonstrate of the positive association of all the five entrepreneurial orientation dimensions to be positively associated with the performance of small hotels in Ghana. In terms of its practical relevance, the study augments the extant attempts to provide meaningful system for the promotion of entrepreneurial culture in an organisation to stimulate performance. Overall, there is an urgent need for managers to encourage creative, risk taking behaviour, foster an environment of autonomy of work of employees and managers in order to attain a proactive entry into new and existing market opportunities that are urgently needed to boost the competitive strength of their entities.

References


