Intermediating Factors in Entrepreneurial Orientation-Performance Dilemma: Structural Equation Analysis of Small Hospitality Firms in Ghana

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ABSTRACT
Currently the hospitality industry is increasingly characterized by competition and this has led to a continuous demand for effective operational decision-making processes which eventually lead to performance. Our study sought to investigate the intermediary role of service-drive market orientation in the relationship between entrepreneurship orientation and the performance of small and medium scale hotels in Ghana. We postulated that service-drive market orientation (SERVMO) mediates the effect of Entrepreneurship Orientation on firm performance. We collected data from a sample of 321 managers and supervisors from ten regional capitals in Ghana. Our analysis shows that customer orientation as a service-driven market orientation factor positively mediates the relationship between entrepreneurial orientation and financial performance (0.41), customer satisfaction (0.391), customer retention (0.312), Customer Retention (0.267) and occupancy rates (0.037) and these are statistically significant at 95% confidence interval. Similar positive and statistically significant intermediation is observed between Competitor orientation, Performance orientation and Long term orientation as service-driven market orientation factors and financial performance, customer satisfaction, customer retention, customer growth and occupancy rates at different levels of statistical significance. We conclude that small scale hospitality firms in Ghana has a greater propensity to stimulate performance by inculcating beliefs, behaviors and cross-functional processes that continuously and comprehensively seeks to understand, disseminate and meet the needs of current and future target customers regarding service excellence.

Keywords: Small Hotels Performance, Entrepreneurial Orientation (EO), Service-driven Market Orientation (SERVMO), Small Scale Hospitality Firm

INTRODUCTION
Hospitality is a sector in which the structure of supply is extremely volatile and solid and consistent part is demand. The primary purpose of a hotel is to provide the guest with lodging facilities aside the secondary services which include entertainment services, swimming pool, dance room, gymnasium, games and sports facilities, television, internet, teleconferencing and other business related service and comfortable lobby service (Barrows & Powers, 2008; N. Torres & Kline, 2013). Extra services which are usually termed value added services such as transportation services, business centre, shopping complex, sightseeing and room services are added. In a bid to maximize growth, the hospitality industry in Ghana is taking into consideration every opportunity in other to develop optimally and from the perspective of demand, business opportunities
must be supported by the company with good performance. To (Chu & Choi, 2000; Mollick, 2012) performance refers to the echelon of accomplishment or performance of the company within a specific time period. Basically the aim of every company is to maximize the core value of the company which in effect reflects in the various measures of performance in the organization. Most often, performance is seen on the company’s profitability and development (growth) rate of sales. In Sainaghi (2010) meta-analysis which was based on an international journal published in the period of at least 20 years, relating to hospitality management in broader sense, as an empirical basis successfully grouped the five factors most commonly used to predict performance of hotels and these are strategy; marketing; organization; production and IT.

Company’s internal marketing such as service quality standards, the demand for services, the lack of variety of products/service, the discharge of promotional activities and price competition must all be taken care of in situation like this Chu and Choi (2000). Dadzie, Dadzie, and Winston (2012), is of the view that the marketing process at least should be able to focus on the “4As”, which are (Accessibility, Acceptability, Affordability, Awareness) the occurrences that finally makes marketing activities undeviating, thereby causing the consumer to be more success with the tools that are available for promotion. Safari, Morsori, and Sesaiah (2016) also give description of the 4As, focusing more on what has happened to the customer in the context of making success and that include Awareness, Acceptance, Affordability and Availability. Externally, the Ghana government’s efforts to cultivate tourism/small hotels/small accommodation marketing have not been fully favorable. Although continuous reform are undergoing, lack of information relating to science and technology, aspect of capital, quality of service as well as limited access to markets and information and inability to market small/medium/tourism competitively both national and international market do not have the ability to compete yet (Dadzie et al., 2012)

Observable fact confirms that the growth of the small hospitality industry has a fairly low figure and the cause of some of this constraint allegedly because of weak entrepreneurial personality role of stakeholders in managing small hospitality industries. This assertion confirms the statement of N. Torres and Kline (2013) that progressively things are becoming more complex due to the low performance of the industry which are generally more predominant due to the use of traditional technology, lack of capital, lack of managerial skills, flaws in decision making, poor quality of human resource and lack of supervision that have an impact on unsuccessful entrepreneurship activities. Entrepreneurship is the result of discipline and the methodical application of creativity and innovation in meeting the needs and market opportunities because one of the main goals of business owners is to achieve superior performance. Small businesses face many challenges that hinder their growth or even further cause a permanent shutdown. The rate of such growth is considerable variable and the key factors behind it require a great deal of investigation. Therefore, it is critical and extremely important to identify and examine these factors that lead small businesses to survive and succeed. According to Armstrong and Taylor (2014) various studies previously revealed strategy formulation and implementation as a key factor in achieving this goal. Many hoteliers develop competitive strategy which is aimed at scouring a strong market position and achieve profitability. (Safari et al., 2016; Sainaghi (2010)), is of the view that competitive strategy is typically defined by assessing internal resources such as tangible and intangible assets and as well as the ability organization. While entrepreneurial orientation seems to hold some positive influence on the performance of hospitality firms, the intermediary role of service-drive market orientation has been suggested albeit unexamined in the extant literature. Our study seeks to investigate the intermediary role of service-drive market orientation in the relationship between entrepreneurship orientation and the performance of small and medium scale hotels in Ghana. We postulate that service-drive market orientation (SERVMO) mediates the effect of Entrepreneurship Orientation on firm performance. Next, we examine the current literature on the subject and explain some key terms associated with this study. Following, we, assemble, apply and test a robust structural equation model to determine the significance of this intermediation explained above. We conclude the study by outlining the policy implications and recommendations for future research direction.

LITERATURE REVIEW

Hotel cannot achieve higher performance without aligning with internal and external context because it is one of the expected outcomes of an effective strategy. The ability of a hotel to develop core competencies and opportunities in the external surroundings, aligned it properly to the surroundings is a thumps up for the company. This,
notwithstanding, it behooves on small hotels to establish and explore competitive advantages in the context of a particular surroundings through their strategic management activities. Barrows and Powers (2008), asserted that the company’s strategy, management style and characteristics of the organization’s leads to change with the evolution through the life cycle. Many companies become inflexible and non innovative as it grow larger, and this can be a hindrance because of the size and success and lot of large companies also might have lost the entrepreneurial spirit (Rainnie, 2016; Voss & Frohberger, 2016) contends that both management by objectives and performance management have numerous indistinguishable processes, including the prerequisite for clear work based goals and developing objectives to be accomplished. Strategic management is a procedure that helps employees to play out their obligations to the best of their capacities with the target of achieving or exceeding setup objectives and measures that explicitly lined up with the associations destinations (Voss & Frohberger, 2016). Performance management is considered as a strategic management practice that supports the general business goals of the organization. The growing interest in strategic management has highlighted various organizational functions to become more concerned with their role in the strategic management process.

**Entrepreneurial Orientation (EO)**
High performing entrepreneurial-oriented firms are successful in exploiting business opportunities and before opportunities can be exploited, they must be recognized. To (De Koning & Brown, 2001; Sciascia, D’oria, Bruni, & Larrañeta, 2014) the entrepreneurial orientation is positively associated with opportunity alertness. Scholars all over the world have most often than not referred entrepreneurial companies as “entrepreneurial orientation” that is EO and the most widely used definition of EO is that of (Covin & Wales, 2012; Hughes & Morgan, 2007) which was further developed by (Covin, Green, & Slevin, 2006; Covin & Wales, 2012) and coupled with Lumpkin and(Covin & Wales, 2012; Dess, Pinkham, & Yang, 2011). Not only has the concept been use in more than 200 studies focusing entrepreneurship, it started from management and marketing also. Depending on the context in which individual or team find itself, entrepreneur or entrepreneurship is a social process to create wealth by bringing together a distinctive package of resources to take advantage of opportunities. In other words, entrepreneurship relates to the recognition of opportunities and craft a set of resources which can be utilized differently (De Koning & Brown, 2001).

**Market Orientation /MO**
This is a determinant for the performance and activities that reflect the accomplishment of the marketing concept. Although the development of the marketing concept has been existent for the past decade in 1950s, it only in 1990s that empirical study to examine the impact of the marketing concept to strategy and business success has been popular. Baker and Sinkula (2009) in their article “market orientation: the construct, research proposition, and managerial implications” and market orientation: antecedents and consequences” as well as (Grinstein, 2008) in the article “the effects of market orientation on business profitability “as mentioned by (Molina, Gómez, & Martín-Consuegra, 2010), market orientation involves the accomplishment of the marketing concept. This concept makes possible the company’s ability to predict, react to and take advantage of the changes in the surroundings, resulting in better-quality outcomes (Baker & Sinkula, 2009).

**Service-driven Market Orientation (SERVMO)**
According to (Barrows and Powers 2008; Ho Voon, 2006) organization of services is creating value for customers through a variety of performance or activities and the behavior of these services and activities should be market oriented. The marketing concept and market orientation of existing theories and measures play a vital role in improving the quality of service. Management on the other hand can develop construction market orientation of the pro-services embedded with the required service behavior and culture. Service-driven Market Orientation, simply put SERVMO is a form of beliefs, behaviors and cross-functional processes focusing continuously and comprehensively to understand, disseminate and meet the needs of current and future target customers regarding service excellence (Freddy, 2010; Ho Voon, 2006)

**Company Performance**
Performance management is considered as a strategic management practice that supports the general business goals of the organization(Armstrong & Taylor, 2014; Mollick, 2012) and the growing interest in strategic management has highlighted various organizational functions to become more concerned with their role in the strategic management process. Currently the hospitality industry is increasingly characterized by competition and this has led to a continuous demand for effective operational decision –making processes which eventually lead to performance. Every aspect of the
services in the hotel plays an important role in the bid to analyze and measure their performance. Services involving direct customer relationship management as well as those activities which took place without any direct interaction with the customer but have the same level of importance, all have contributing factor in the measurement (Mollick, 2012). That means there is an increased need for performance measurement and management tools that make possible the development of organizational strategy and assessing the success of organizational goals (Armstrong & Taylor, 2014). The study adopted the five indicators of measurement such as the company’s profitability, occupancy rates, customer growth, satisfaction and customer retention using the measurement of the performance of the hotel industry.

MATERIALS AND METHODS

The hospitality industry in Ghana is very large but made up of mainly small and medium scale enterprises. We collected data from a sample of 321 managers and supervisors from ten regional capitals in Ghana. Tema and Kasoa were added to the number considering their growth in terms of small and medium scale hospitality firms in Ghana largely influenced by the proximity to the national capital. Access to the respondents was facilitated by the Ghana Tourism Authority with regulatory supervision over these entities. We measured entrepreneurial orientation on a combination of models to develop a hybrid model from (Anderson & Eshima, 2013; Boso, Story, & Cadogan, 2013; Lumpkin & Dess, 2001; Tricahyadinata, Hamzah, Taba, & Hamid, 2015; Zhao, Seibert, & Lumpkin, 2010). Our final measure of Entrepreneurial Orientation include innovativeness \( (y_1) \), proactiveness \( (y_2) \), risk taking \( (y_3) \), competitive aggressiveness \( (y_4) \) and autonomy \( (y_5) \). We included three other items recommended as catalyst of performance name; network ties \( (y_6) \), financial resources \( (y_7) \) and environment \( (y_8) \). All questions relating to the eight variables were compiled from previous efforts in the extant literature. On the other hand we calibrated SERVMO using (Tricahyadinata et al., 2015; Zhao et al., 2010) six factor parameterization which includes customer orientation, competitor orientation, interfunctional orientation, performance orientation, long -term orientation and employment orientation. Finally we measured hotel industry performance based on the company’s profitability proxied by the return on asset

Analytical Procedure

Our analytical procedure was conducted at a two-staged level. We first conducted data integrity checks using and ensemble of prescribed techniques (McPhillips et al., 2007; Yeboah et al., 2014). The recorded values of Kaiser–Meyer-Olkin measure of sampling adequacy (KMO-MSA) and Bartlett’s Test of Sphericity to determine the appropriateness of the data for factor analysis were within acceptable range. Subsequently, a factor analysis to investigate the dimensions of entrepreneurial orientation and service-driven market orientation preceded the construction of a structural equation model to examine the intermediary role of service-driven market orientation and firm hospitality firm performance. Prior to this, we checked the basic assumptions such as the constant variance and normality so as not to influence the outcome. The varimax rotation and principal components analysis were performed for factor analysis. We set and ensured that all measure of sampling adequacy exceeded the Cronbach’s alpha reliability value threshold level of 0.80 and the Bartlett’s Test of Sphericity were large and significant. All items of inter-functional orientation and employment orientation were deleted from the service-driven market orientation due to multicolinearity with others or lower factor loading. The final model consisted of 8 covariates, 4 intervening variables and 1 output variable. Our analytical model uses the structural equation model which is a departure from the traditional model of regression analysis. The structural equation model is explicitly formulated as a causal model, not just a predictive model with column vector, \( y \), containing \( p \) dependent variables. The vector \( y \) is understood to represent an arbitrarily chosen observation from the population, maybe the \( i \)th. In SEM (Structural Equation Model) terms \( y \) is said to contain the endogenous variables and \( x \) contains the exogenous variables. An endogenous variable is one that appears at least once as the dependent variable in an equation. On the other hand, variables that do not appear on the left hand side are exogenous, or "given." In other words, all variances of, and covariance between, exogenous variables are determined outside of the system. The variances and covariance of the endogenous variables are being modeled as a function of the exogenous variables.

This is mathematically expressed as follows:

\[
y = By + \Gamma x + \zeta.
\]
where for each of the causal parameters, the $\gamma$’s and the $\beta$’s, the subscripts follow the same pattern. The first subscript refers to the equation, in other words the y variable which is the effect. The second subscript refers to the cause. The $p$ by $q$ matrix $\Gamma$ contains the coefficients of the regressions of y variables on other y variables with 0’s on the diagonal which implies that a variable cannot cause itself. The $p$ by $q$ matrix $\zeta$ is p by 1. These errors are different than factor analysis errors; they represent errors-in-equations, in the way that these equations are specified. Thus they are also called specification errors. To get to a point to estimate the model, some assumptions were added. For example, it was assumed that $E(y) = 0$ and $E(x) = 0$, which has absolutely no impact on the variances or covariance of these variables. We then assume that the x and $\zeta$ vectors are independent. Further we employed a second order factor model. In effect, the factors themselves may form a higher order factor. In other words, if the correlations amongst the factors have the right structure, these may be the result of a latent variable. A path diagram of this model appears below:

$$y = \Lambda_y (\Gamma \xi + \zeta) + \epsilon.$$

We need to assume that $\text{Cov}(\xi, \zeta) = 0$ and $\text{Cov}(\xi, \xi) = 0$. Here we also have $V(\epsilon) = \Theta$, $V(\xi) = \Psi$ and $V(\zeta) = \Phi$. The variance matrix of y, $\Sigma$, takes on a particularly aesthetic form with this model,

$$V(\epsilon) = \Lambda_y' [\Gamma \Phi \Gamma' + \Psi] \Lambda_y + \Theta$$

with the internal part in the brackets being the $V(\eta)$. Figure 1 represents the configuration of the model used in our study.

### RESULTS

Table 1 presents the intermediating influence of service-driven market orientation on the relationship between entrepreneurial orientation and firm performance. The analysis shows that customer orientation as a service-driven market orientation factor positively mediates the relationship between entrepreneurial orientation and financial performance (0.41), customer satisfaction (0.39), customer retention (0.312), Customer Retention (0.267) and occupancy rates (0.037) and these are statistically significant at 95% confidence interval. On the other hand, the effect of competitor orientation on financial performance (0.28), customer satisfaction (0.084), customer retention (0.038), customer growth (0.078) and occupancy rates (0.041) are positive and statistically significant. The analysis again indicates that performance orientation positively and significantly influences financial performance (0.54), customer satisfaction (0.128), customer retention (0.002), customer growth (0.137) and occupancy rate (0.033) are positive and statistically significant. These are as significant as the effect of long term orientation on financial performance (0.16), customer satisfaction (0.309), customer retention (0.781), customer growth (0.301) and occupancy rates (0.041)

### CONCLUSION

As observed by (Boso et al., 2013; N. Torres & Kline, 2013), organization of services is creating value for customers through a variety of performance or activities and the behavior of these services and activities should be market oriented. The marketing concept and market orientation of existing theories and measures play a vital role in improving the

**Table 1: service-driven marketing orientation and firm performance**

<table>
<thead>
<tr>
<th>Service-Directed Market Orientation</th>
<th>Financial Performance</th>
<th>Customer Satisfaction</th>
<th>Customer Retention</th>
<th>Customer Growth</th>
<th>Occupancy Rates</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer orientation</td>
<td>0.41**</td>
<td>0.39</td>
<td>0.312</td>
<td>0.26***</td>
<td>0.037**</td>
</tr>
<tr>
<td>Competitor orientation</td>
<td>0.28***</td>
<td>0.084**</td>
<td>0.038**</td>
<td>0.07**</td>
<td>0.041**</td>
</tr>
<tr>
<td>Performance orientation</td>
<td>0.54***</td>
<td>0.128*</td>
<td>0.023**</td>
<td>0.137**</td>
<td>0.033**</td>
</tr>
<tr>
<td>Long-term orientation</td>
<td>0.16**</td>
<td>0.250***</td>
<td>0.781**</td>
<td>0.301**</td>
<td>0.041**</td>
</tr>
</tbody>
</table>

**Notes:**

- **p-value = 0.002**
- **p-value = 0.01**
- **p-value < 0.05**

Where $y_1$ = customer orientation, $y_2$ = competitor orientation, $y_3$ = performance orientation, $y_4$ = long-term orientation. Conversely, $y_1$ - $y_5$ denote innovativeness ($y_1$), proactiveness ($y_2$), risk taking ($y_3$), competitive aggressiveness ($y_4$) and autonomy ($y_5$), network ties ($y_6$), financial resources ($y_7$) and environment ($y_8$). The hotel industry performance is measured based on five indicators of measurement includes the company’s profitability, occupancy rates, customer growth, customer satisfaction and customer retention. They are denoted by the single dependent factor $\xi_1, \xi_2$ respectively. The AMOS software was used to analyze the data for the effect of each of the factors on organizational citizenship behavior. Note that the d, n, t, s and g have their own loadings and their own unique factors. Here, the variable $\xi$ serves as the higher order factor. In general terms, the second order factor analysis model can be written as $y = \Lambda_y \eta + \epsilon$ and

$$\eta = \Gamma \xi + \zeta.$$
quality of service. Management on the other hand can develop construction market orientation of the service-provided embedded with the required service behavior and culture. Our study sought to investigate the intermediary role of service-drive market orientation in the relationship between entrepreneurship orientation and the performance of small and medium scale hotels in Ghana. We postulated that service-drive market orientation (SERVMO) mediates the effect of Entrepreneurship Orientation on firm performance. We note that customer orientation as a service-driven market orientation factor positively mediates the relationship between entrepreneurial orientation and financial performance (0.41), customer satisfaction (0.391), customer retention (0.267) and occupancy rates (0.037) and these are statistically significant at 95% confidence interval. Similar positive and statistically significant intermediation is observed between Competitor orientation, Performance orientation and Long term orientation as service-driven market orientation factors and financial performance, customer satisfaction, customer retention, customer growth and occupancy rates at different levels of statistical significance. We conclude that small scale hospitality firms in Ghana has a greater propensity to stimulate performance by inculcating beliefs, behaviors and cross-functional processes that continuously and comprehensively seeks to understand, disseminate and meet the needs of current and future target customers regarding service excellence.

REFERENCE


