



Entrepreneurial orientation and the structuring of organizations

Performance evidence from the Asian hotel industry

Giri Jogaratnam

Eastern Michigan University, Ypsilanti, Michigan, USA, and

Eliza Ching-Yick Tse

*School of Hotel and Tourism Management,
The Chinese University of Hong Kong, Shatin, Hong Kong,
People's Republic of China*

Abstract

Purpose – The purpose of this study is to test the entrepreneurial orientation organization structure-performance link within the context of the Asian hotel industry.

Design/methodology/approach – Performance was designated as the dependent variable while strategic posture and organization structure were considered the independent variables. Correlation and regression analysis were adopted to test relationships.

Findings – Results suggest that entrepreneurial strategic posture is positively associated with performance. Contrary to expectations, organic structures were negatively associated with performance. The study findings are in support of previous researchers who have suggested that western theories are not easily generalized to a non-western context.

Research limitations/implications – The cross-sectional approach adopted in this research does not capture the effects of strategy-structure alignment over time. The external validity of the results is also limited due to the geographically focused nature of the study sample.

Originality/value – This study offers useful insights for hoteliers based on empirical evidence.

Keywords Organizational structures, Strategic planning, Entrepreneurialism, Business performance, Pacific region, Hotel and catering industry

Paper type Research paper

Introduction

Strategic management is concerned with the relationship between key variables – environment, organizational structure, culture, life-cycle stage, strategy – and performance. Higher performance as a result of alignment with both internal and external contexts is one of the intended outcomes of an effective strategy. When the firm develops a match between its core competencies and the opportunities in its external environment, it is aligned properly with its environment. Strategic management calls for firms to establish and exploit competitive advantages within a particular environmental context. Tse and Elwood (1990) indicate that a firm's strategy, management style and leader characteristics change with an organization's transition through the life cycle. As firms grow larger, their ability to be flexible and innovative may be hindered due to size and success. Many large companies may also have lost the entrepreneurial spirit that they began with (Echols and Neck, 1998).



Researchers adopting the contingency perspective focus on the need for flexible responses and on this basis suggest that there are particularly appropriate strategy-structure combinations. These researchers believe that there is no “best” strategy or structure, and that a given strategy or structure will not be equally effective under different conditions (Miller, 1991; Venkatraman and Prescott, 1990). Contingency theorists suggest that successful performance results from the appropriate alignment of strategy and structure (Powell, 1992). Therefore, it is the “fit” among environment, strategy, and/or structure that is thought to determine performance (Venkatraman and Prescott, 1990). The focus is thus on the need for flexible strategic and structural responses in order to align the business with its environmental context (Dess *et al.*, 1997; Venkatraman, 1989a).

In an environment characterized by stability and predictability, companies often adopt a bureaucratic or centralized management system to exercise control over as many variables as possible. However, today’s business environment is becoming increasingly complex and dynamic (Olsen *et al.*, 1998; Jogaratnam *et al.*, 1999). Although the 2000-2001 economic slowdown and post November 11 fear of air travel have hit the hotel industry particularly hard, it has recovered since late 2003. As the global hotel industry matures, the competitive environment becomes very intense with continually increasing levels of competition. Under such conditions, hoteliers have to be innovative and flexible to develop sustainable competitive advantages. Yet, established firms are usually larger, more formalised, more bureaucratic, more rigid, less flexible, and find that the entrepreneurial spirit needed to foster innovation is often stifled.

Most if not all hospitality strategy related research has been conducted in relation to the North American domain. Yet, research evidence suggests that western theories focusing on organizations and their environments are likely to suffer from a weak fit (Boyacigiller and Adler, 1991; Kiggundu *et al.*, 1983) in terms of generalizability to a non-western context. Cultural differences may also limit the ability of management to transfer and operationalize some systems and procedures (Pang *et al.*, 1998; Hofstede, 1980). Moreover, Harrington (2001) contends that the various hospitality industries operate in significantly different environments, raising the proposition that resulting managerial and organizational practices also differ. Given these considerations, previous researchers (May *et al.*, 2000; Kim and Lim, 1988) have argued that it would clearly be useful to assess if the concepts and frameworks adopted from the normative strategic planning school can be applied and generalized to the Asian context. The primary purpose of this study is to test if entrepreneurial strategic orientation is associated with organizational structure within the context of the Asian hotel industry and whether this has performance implications. Specifically, this study aims to extend the current body of literature by applying and empirically testing these relationships using primary data collected from selected Asian markets.

Entrepreneurial orientation

According to Ireland *et al.* (2001) entrepreneurship is a context-dependent social process through which individuals and teams create wealth by bringing together unique packages of resources to exploit marketplace opportunities. Entrepreneurship is concerned primarily with identifying opportunities and creating a set of resources through which prospects can be exploited. It is, therefore, seen as a mechanism that

promotes the search for competitive advantages through product, process, and market innovations. Entrepreneurship has both attitudinal and behavioral components and can be practiced by all type of organizations including small and large firms. As such, entrepreneurial attitudes and behaviors are seen as providing a foundation for the long-term competitive success of firms competing in various environments across different markets. As a construct, entrepreneurship has been described at both the individual level (Mintzberg, 1973) as well as the organizational level (Miller, 1983; Stevenson and Jarillo, 1990).

Miller (1983) offers one of the earliest operationalizations of the entrepreneurial orientation construct and suggests that innovation, proactiveness, and risk-taking are three components of an organization's strategic posture that comprise a basic uni-dimensional strategic orientation. Covin and Slevin (1988) suggest that entrepreneurship may be viewed as a characteristic of firms that can be discerned by looking at managerial conduct as the organization engages in the entrepreneurial process. Entrepreneurship is characterized by the strategic actions and operating management philosophies that firms may adopt (Naman and Slevin, 1993). As a firm-level construct, entrepreneurship applies to both new ventures and existing businesses. Traditionally, concepts from the strategy-making process literature have been used to model entrepreneurship (Covin and Slevin, 1991; Lumpkin and Dess, 1996). The literature suggests that entrepreneurial orientation can be broadly defined as a firm's overall competitive orientation, or the composition of competitive options firms use within their industry (Dess and Davis, 1984; Venkatraman, 1989b).

Several researchers have adopted Miller's (1983) original conceptualization in delineating the dimensions of a firm's entrepreneurial orientation (Covin and Slevin, 1989; Schafer, 1990; Zahra and Covin, 1995; Lumpkin and Dess, 1996; Becherer and Maurer, 1997; Miles *et al.*, 2000). For instance, Covin and Slevin (1988) viewed a firm's entrepreneurial orientation as its position along a continuum ranging from conservative to entrepreneurial. Entrepreneurial firms were associated with strategic postures that were risk-taking, innovative, and proactive. This characterization is consistent with the prospector firms conceptualized by Miles and Snow (1978) and entrepreneurial organizations proposed by Mintzberg (1973). Likewise, conservative firms are those with strategic postures that are risk-averse, non-innovative, and reactive. These firms are said to approximate Miles and Snow's (1978) defender firms and Mintzberg's (1973) adaptive organizations (Covin and Slevin, 1989). Such a differentiation is also consistent with the strategic orientation paradigm that suggests that organizational adaptability and organizational rigidity are two modes of achieving competitive advantage. Adaptability is consistent with the entrepreneurial profile and rigidity is compatible with the conservative posture (Miles and Snow, 1978; Hambrick, 1983). As defined for the purposes of this study, entrepreneurship represents organizational behavior or intrapreneurship, and entrepreneurial orientation refers to the processes, practices, methods, operating philosophy, and decision-making styles that top-level executives use in their efforts to manage entrepreneurially (Slevin and Covin, 1990).

Organizational structure, entrepreneurship, and performance

Burns and Stalker (1961) developed a continuum where the structure of an organization can be classified according to its technology: mechanistic versus organic.

The “mechanistic” structure represents a high degree of specialization, division of labor, vertical communication, centralized authority, and low autonomy. Mechanistic organizations tend to be more traditional, more tightly controlled, and more hierarchical in their approach. On the other hand, the “organic” structure allows less strict task differentiation, less clear hierarchy, and a relatively higher degree of autonomy. In general, an organically structured organization is more adaptable, more openly communicative, more consensual, and more loosely controlled. Organic structures support the systematic discovery of innovative opportunities and foster opportunities through facilitation and motivation (Drucker, 1985; Covin and Slevin, 1990; Slevin and Covin, 1990). These authors maintain that entrepreneurial behaviors can be promoted by organizational structures that are organic and amorphous. Structures that support entrepreneurship foster the right climate or culture (Chung and Gibbons, 1997) and minimize bureaucracy while maximizing *ad hoc* (Echols and Neck, 1998). The high levels of performance achieved by many entrepreneurial firms with flexible, non-bureaucratic structural attributes suggests that the fit between organization structure and a firm’s entrepreneurial orientation may be particularly crucial to the effectiveness of the firm.

This perspective can be illustrated using best practice examples from the hotel industry. For instance, Four Seasons is an exemplary of hospitality firms that exhibits an entrepreneurial orientation (Dube and Renaghan, 1999). Recognized as one of the 100 best companies to work for in North America by *Fortune* magazine, Four Seasons is a brand that promises to fulfill any request the guest may have. The management builds an environment based on respect and leadership that allows the employee to take care of the guest. Four Seasons also constantly introduces new products and services that will make the returning guest’s experience even more comfortable and convenient than before (Dube and Renaghan, 1999). Another “Best Practice” example is Mirage. According to former Mirage Resorts Chairman Steve Wynn, “everything Mirage does is about being receptive to change, learning new ways to do things, and developing good ideas” (Dube and Renaghan, 1999, p. 21). The company counts on everybody in the organization to take the initiative in bringing up creative new ideas when appropriate. In order not to stifle creativity, senior managers have no specific job descriptions. They are hired to achieve a goal, rather than to perform a specific set of tasks. In hiring, the company looks for people with creativity coupled with the ability to make a good business case for great ideas. Similarly, Marriot aims to be one of the best places to work in the USA. In recent years, Marriot has consistently appeared on the Fortune list of, “100 best companies to work for.” Marriot has put in place the infrastructure that incorporates the different market-based models that combine various mixes of base pay, incentives, and other rewards in order to allow properties to respond to local conditions. The company also explores creative ways to deliver incentives and, at the same time, address associates’ life style issues (Fisher *et al.*, 2003).

Previous research, both in the generic strategy literature as well as the hospitality strategy literature, has attempted to examine the relationships among strategy, structure and performance. For instance, Schaffer and Litschert (1990) adopted Miles and Snow’s (1978) typology to assess the internal consistency between strategy and structure and its performance implications within the US hotel industry while Tse (1991) adopted Porter’s (1980) typology to assess the link between strategy and

structure in restaurants. In general, these studies found few, if any, significant relationships in support of the contingency perspective. However, Covin and Slevin (1988) examined the influence of organization structure on the relationship between top management's entrepreneurial orientation and financial performance. They suggest that an entrepreneurial top management style has a positive effect on the performance of organically structured firms and a negative effect on the performance of mechanistically structured firms.

The Asia-Pacific context

This study looks at hotels within selected Asian markets – those that are growing rapidly in terms of inbound and outbound tourism and are thus very attractive to many leading hotel groups that are keen to increase their presence in the region. This region is fast becoming a major source market for the global hotel industry. Both regionally and globally, a lot of travel will be generated and demand created within the Asian markets. The World Tourism Organization (2003) reports that growth in the number of tourist arrivals to the region is forecasted to outpace the world average of 4.1 per cent through the year 2020. According to the same source, the Asian region is projected to account for over 25 per cent of all inbound tourism by the year 2020. The markets provide great opportunities for hotel expansion and key Asian, European, and US-based hotel companies have been developing full-service properties throughout Asia. While development activities may have slowed in gateway cities in the USA and Western Europe, opportunity still exists in many Asian markets (Coleman, 2002).

Contemporary western management styles are typically oriented towards corporate cultures that are focused on developing quality and customer satisfaction by building a sense of personal ownership into service excellence (Mwaura *et al.*, 1998). Along these lines, Peters and Waterman (1982), among others, have argued that US companies are considered to be hands-on, value-conscious, and driven by the strongly-held US cultural values of social mobility, economic achievement, closeness to the customer and productivity through people. This is achieved by promoting open and honest communication and teamwork, and staff being empowered to make decisions (Mwaura *et al.*, 1998). On the other hand, Hofstede (1980) has noted that in some cultures – (i.e. those associated with high power distance relationships) – employees have limited expectations for participation in decision making. The combination of a culture's power distance and its tolerance for uncertainty determines part of the power structure of an organization. The higher the power distance and the lower the tolerance for uncertainty, the more likely it is that leaders will hold a high degree of power and that subordinates will expect them to use it. Therefore, it would seem to be the case that the prerequisite service orientation for a successful hotel operation (Mwaura *et al.*, 1998) is in direct conflict with many local cultural expectations that have been influenced by such factors as a general lack of experience in service industries, the collectivist approach to problem solving, and "everyone being equal", which emphasizes the view that having to serve someone is associated with a "loss of face" (Pang *et al.*, 1998). Research suggests that when national and organizational cultures come into conflict, the former is likely to override values in the latter (Hofstede, 1980; Pang *et al.*, 1998). As such where an international organization tries to reproduce its corporate culture, work systems, and organizational configurations in another national

setting, problems may be expected. Organizations may therefore have to adjust operating systems, organizational structures, and work arrangements to accommodate local norms (Mead, 1994). Given such cultural considerations, normative theory pertaining to the relationships between strategic orientation, organization structure, and performance may not apply. It may be possible that the most prevalent structural configuration is mechanistic in nature and these may more likely be positively associated with performance.

As suggested previously, the specific purpose of this study was to assess the link between entrepreneurial orientation, organizational structure, and performance, especially as it applies to the contingencies faced by top-level hotel executives. In particular, the aim is to examine whether normative strategic planning theory can be applied within the prescribed Asian context examined in this study. Based on the literature reviewed, a case can be made that entrepreneurial strategic orientation will be associated with organization structure. Previous research, as well as normative strategic management theory, suggests that hotels distinguished by an entrepreneurial strategic orientation are more likely to be associated with an organic organization structure. Moreover, both entrepreneurial strategic orientation and organic structure are expected to have a positive impact on performance.

Methodology

Sample frame and data collection

Data were collected by means of a mail survey questionnaire completed by general managers (or their designees) of hotels located in Mainland China, Hong Kong, Malaysia and Singapore. Although the area from which the sample is drawn is geographically focused, it is home to major international and regional hotel brands (e.g. Accor, Hilton, Marriott, Mandarin Oriental, Peninsula, and Shangri-La). These hotels are highly representative of the industry as a whole and include Asian, European and US-based hotel groups that own, manage, and operate hotels throughout the world.

Although the limitations of questionnaire-based research are well documented (Yu and Cooper, 1983) the benefits arising from cost savings, convenience, anonymity, and reduced interviewer bias seem to outweigh the limitations. The limitations of using self-report data must also be recognized. Though self-report data are commonly adopted in management research, there is the risk of common-method bias, or the possibility of alternative explanations. As such, the results of this study should be viewed as presenting managers' perceptions, which according to Lyon *et al.* (2000) provide the most precise assessment of conditions within an enterprise. The geographically circumscribed nature of the sample as well as the reliance on select Asian markets may also limit the extent to which any conclusions may be generalized beyond the range represented by the sample.

The sampling frame represents a listing of all star-grade hotels maintained by each of the following agencies: China International Travel Services, Hong Kong Hotels Association, Malaysian Association of Hotels, and the Singapore Hotel Association. The questionnaire was addressed to the general manager and included a cover letter that explained the purpose of the research as well as a pre-addressed envelope. Two subsequent mailings with a reminder letter were sent out to those general managers whose responses were not received within three and six weeks, respectively, of the initial mailing.

Variables and scale development

Performance was designated as the dependent variable in this study while strategic posture and organization structure were considered the independent variables. Existing scales were adopted to measure all three constructs. Reliability was tested using the conventional measure of coefficient α . Scales were constructed for each variable by averaging the ratings for the items associated with each measure. Adopting this method, indices were developed for each firm to represent the variables of performance, structure, and strategic orientation. Correlations and regression analysis were adopted to test relationships among variables and significance was tested at the $p < 0.05$ level.

Entrepreneurial orientation. Following Naman and Slevin (1993), entrepreneurial orientation was measured using a nine-item, seven-point Likert type scale. Covin and Slevin (1988) developed this scale based on early work by Miller and Friesen (1982) and Khandwalla (1977). These previous researchers operationally define entrepreneurial orientation as an aggregate measure of three dimensions. These comprise the willingness to take business related risks, the willingness to be proactive when competing with other firms, and the willingness to favor change and innovation in order to obtain competitive advantage (Miller, 1983; Covin and Slevin, 1988; Naman and Slevin, 1993). Managerial assessments were obtained by means of a structured questionnaire. In responding to the items, respondents were asked to characterize the collective management orientation of key decision makers. The ratings assigned to these items were averaged to obtain an entrepreneurial style index for each firm. Higher values on the index suggest a more entrepreneurial management orientation while lower values are indicative of a more conservative management orientation. The entrepreneurial style index comprising the nine items had a mean of 4.72, a standard deviation of 1.003, and a Cronbach α coefficient of 0.874. These results are similar to those reported by Naman and Slevin (1993) who obtained a mean of 4.38, a standard deviation of 0.81, and a Cronbach α coefficient of 0.805.

Organization structure. Organization structure was operationally measured as the extent to which organizations are structured in organic or mechanistic forms. A seven item, 7-point Likert type organization structure scale was adopted. This scale was initially developed by Khandwalla (1977) to measure organicity – the organic versus mechanistic orientation of a business, and subsequently validated by researchers including Naman and Slevin (1993) and Covin and Slevin (1988). Respondents were asked to characterize the extent to which the operating management philosophy of their firms favored aspects of structure. The ratings assigned to the items were averaged to obtain an organicity index for each firm; the higher the index, the more organic the firm's organization structure. The organization structure scale had a mean of 4.10, a standard deviation of 1.17, and a Cronbach α coefficient of 0.851. Here again these results are similar to Naman and Slevin (1993) who reported a mean of 4.93, a standard deviation of 1.02 and a Cronbach α coefficient of 0.827.

Performance. Managerial perceptions of overall performance were measured with a modified version of an instrument developed by Gupta and Govindarajan (1984). For this overall measure, respondents first rank ordered the importance of the following performance criteria: cash flow, sales level (\$\$), return on sales, net profit, market share, and sales growth. The respondents then indicated on a five-point interval scale, ranging from "highly dissatisfied" to "highly satisfied", the extent to

which they were satisfied with their hotel's performance on these performance criteria. The "satisfaction" scores were multiplied by the "importance" rankings in order to compute a "weighted average performance index" for each firm. Previous studies have established that managerial interpretations correspond closely to internally obtained objective performance indicators (Dess and Robinson, 1984; Covin, 1991; Jogaratnam, 2002) and externally obtained secondary data (Venkatraman and Ramanujam, 1987). The performance index had a response range of 4.67-17.33, a mean of 11.89, a standard deviation of 2.91, and a Cronbach α of 0.90.

Results

Surveys were mailed to the 581 hotel general managers listed in the publications comprising the sample frame and 187 responses were obtained for an overall response rate of 32.18 per cent. The response rates from the four markets varied somewhat: 48.78 per cent in Hong Kong, 36.43 per cent in Malaysia, 27.27 per cent in Mainland China, and 24.65 per cent in Singapore. However, there were no statistically significant ($p < 0.05$) differences found in the data obtained from the four markets on any of the variables measured. Likewise, no differences were found between early and late respondents. Follow up telephone calls were made to several non-respondents and based on information provided by ten of these non-respondents, no statistically significant differences were found between respondents and non-respondents on the hotel characteristics and personal profile of managers. These tests, along with the range of the data obtained, suggest that the data are not subject to response bias. Collinearity diagnostics based on the tolerance statistic suggested that there was no evidence of multicollinearity in the model.

The majority of responses (68 per cent) relate to regionally or internationally branded hotels. Respondents included general managers (35 per cent), resident managers (21 per cent), and director/controllers (25 per cent). The majority (80 per cent) had over ten years industry experience and responded with respect to hotels that had over 500 employees (53 per cent) and over 400 rooms (50 per cent). Approximately 43 per cent of the respondents self-typed their hotels as being five-star grade properties while 44 per cent self-typed their hotels as four-star properties. Additional characteristics relating to the respondents and the hotels they represent are presented in Table I.

Is entrepreneurial strategic orientation associated with organization structure?

The correlations among the variables (Table II) suggest that organization structure is positively correlated ($p < 0.01$) with entrepreneurial strategic posture. More specifically, and on the basis of the measures adopted, this implies that an entrepreneurial strategic posture is more likely to be associated with an organic organization structure while conservative hotels are more likely to favor a mechanistic structure.

Are strategic orientation and organization structure associated with performance?

The correlations presented in Table II also revealed that strategic posture and organization structure were both independently related to overall performance. The strength of the relationship, though modest, was statistically significant at above the $p < 0.05$ level. As expected, the direction of the relationship was positive with respect

IJCHM
18,6

462

	<i>n</i>	Per cent
<i>Title of respondent</i>		
General manager	66	35
Resident manager	40	21
Director/controller	47	25
Functional manager	34	18
<i>Years in present position</i>		
< 3 years	77	41
4-7 years	59	32
8-15 years	31	17
> 16 years	7	4
<i>Years in hotel industry</i>		
< 10 years	32	17
11-15 years	34	18
16-20 years	59	32
> 21 years	57	30
<i>Year hotel established/built</i>		
< 1985	48	26
1986-1993	46	25
1994-1998	53	28
> 1999	31	17
<i>Number of employees</i>		
< 200	29	16
201-500	69	37
501-750	69	37
> 751	30	16
<i>Number of rooms</i>		
< 275	42	23
276-400	50	27
401-535	45	25
> 536	45	25
<i>Average daily rate</i>		
< US\$ 138	38	20
US\$ 139-165	36	19
US\$ 166-199	37	20
> US\$ 200	35	19
<i>Star classification</i>		
Three star	20	11
Four star	83	44
Five star	80	43
<i>Type of hotel</i>		
Independent brand	46	25
Regional brand	22	12
International brand	105	56

Table I.
Respondent and property
profile

Notes: ^aMay not sum to 100 per cent due to missing data on some items

to the correlation between strategic posture and performance. However, the correlation between organization structure and performance was negative. In other words, while an entrepreneurial strategic posture was positively associated with performance, an organic structure was negatively associated with performance.

The regression results (Table III) suggest that both strategic posture and organization structure have an independent, though modest, effect on performance. However, these variables combine to explain over 17 percent of the variance in performance, suggesting that the effect of strategic posture and organization structure on performance is additive. As suggested previously, while the effect of strategic posture on performance is positive, the effect of organization structure on performance is negative. This is contrary to normative expectations as well as the findings of previous research conducted in a western context. Perhaps this result may be partially attributed to the employee work expectations and management styles in Asian sub-cultures where mechanistic organization structures may be more prevalent, and perhaps more effective as well. However, this study did not assess the influence of cultural dimensions like those developed by researchers such as Hofstede (1980) among others, and therefore, such an explanation may only be confirmed by future studies that incorporate variables such as national culture and organizational culture.

Discussion

Strategic posture and organization structure

The results seem to suggest that a higher proportion of hotels with an entrepreneurial strategic posture tended to favor organic organization structures, while a higher proportion of those adopting conservative strategic postures favored a mechanistic organization structure. While this result was statistically significant, there is no support to the contention that entrepreneurially oriented hotels do not adopt mechanistic structures, or vice-versa.

The regression results emphasize the importance of understanding the significant yet independent additive effects of both strategic posture and organization structure.

	Mean	SD	1	2	3
1. Strategic posture	4.72	1.00	0.874		
2. Organization structure	4.10	1.17	0.347**	0.851	
3. Performance index	11.89	2.91	0.259**	-0.169*	0.900

Notes: **Correlation is significant at the 0.01 level (two-tailed); *correlation is significant at the 0.05 level (two-tailed)

Table II.
Descriptive statistics with inter-item reliability coefficients on the diagonal

Variable	Model 1 B ^a	Model 2 B ^a	Model 3 B ^a	β^b
Intercept	7.52 (1.75)	15.90 (1.32)	10.33 (1.81)	
Strategic posture	1.22 (0.36)		1.80 (0.36)	0.384***
Organization structure		-0.675 (0.311)	-1.381 (0.309)	-0.343***
R ²	0.067	0.029	0.182	
Adjusted R ²	0.061	0.023	0.171	
F-statistic	11.31***	4.717*	17.123***	

Notes: ^aUnstandardized regression coefficients, with standard errors in parentheses; ^bStandardized regression coefficients (for model 3); *** $p < 0.001$; * $p < 0.05$

Table III.
Regression results (dependent variable: performance)

The tests suggest that each of these independent variables was significantly and individually related to performance. The simultaneous inclusion of both variables (Table III, model 3) further strengthens the predictive ability of the regression equation. Together, these variables explain a greater proportion of the variance in performance than either one alone; collectively, they enhance explanatory power.

Entrepreneurship and performance

In general, an entrepreneurial orientation was positively associated with performance. This finding supports the normative bias toward the value of entrepreneurial behavior and the assumption of a positive relationship between an entrepreneurial posture and performance outcomes. Entrepreneurial firms are actively involved in shaping their own destiny as opposed to reacting to environmental events. They proactively scan their environments for emerging trends, develop strategies, and adopt tactics to address new challenges. These firms are more inclined to disrupt the status quo and more likely to be forward-thinking even if there might be some degree of risk associated with such an approach. Entrepreneurial firms also have a tendency to lead the industry with innovations, which is more than just developing new products and services because it also encompasses doing things in better ways that better satisfy customers and give the company a competitive edge.

Organicity and performance

Within the Asian context, it would seem that organic structures tend to have a negative effect on performance, while mechanistic structures have a positive effect on performance. This result in itself was somewhat unexpected, especially since the majority of hotels surveyed were internationally branded properties that were operated under management contracts or franchised by major international hotel chains. Moreover, previous research has documented that hotel operations in the region are predominantly occidental (Mwaura *et al.*, 1998) and therefore, more likely to adopt western management styles (Pang *et al.*, 1998). Yet, these authors argue that the direct transfer of a corporate culture from a foreign organization into a host environment without consideration for and sufficient knowledge of the national culture is expected to result in a conflict of perception between both parties, inviting resistance from the host culture. For instance, China is considered to have a strong national culture, stemming from its history of a closed-door philosophy, and the Chinese workforce, especially in the hotel industry, is regarded to have different working ethics, styles, and attitudes (Pang *et al.*, 1998). At the same time, where the host environment has sufficient knowledge to understand and sustain the transfer of the guest culture (e.g. Singapore) multinational corporations may expect to find their corporate cultures accepted in entirety. The interplay between national and organizational culture, although not studied here, and the likelihood that national cultural values are likely to override values in organizational culture (Laurent, 1986), may help partially explain the negative association between organic structures and performance found in this study.

Managerial implications

To improve the hotel's ability to grow and create wealth, it is believed that successful integration of entrepreneurial and structural attributes is essential. Hoteliers are increasingly recognizing the importance of innovation, risk taking, and the proactive

search for opportunity as primary drivers of growth and value creation. At the same time, the internal mechanisms, organizational configurations, and how work is done within an organization also influences success. The results of this study suggest that normative theory cannot be easily generalized to the non-western context. There are forces at play within the Asia context such as value systems and long-established practices relating to managerial roles and employee expectations of management, that influence the degree to which western management styles, and therefore, normative theory, may be applied to non-western environments.

Based on the results obtained in this research effort, managers should be encouraged to evaluate the strategic orientation in place and the internal organizational structure of their properties. A culture or climate and internal structure that encourages creativity and innovation, supports risk taking, and fosters an environment within which there is a proactive search for opportunities should be promoted. Entrepreneurial behaviors and supportive organizational structures can be fostered to optimize firm performance.

This study offers useful insights for hoteliers based on empirical evidence. Specifically, organic organizational configurations are most favored by entrepreneurially oriented organizations. However, while entrepreneurial strategic postures may positively influence performance, organic structural arrangements may in fact have a negative effect on performance, at least within the Asian context examined in this study. These results should also be of interest to students of hotel management who may be interested in confirming or extending the findings obtained here. The study findings are also in support of previous researchers who have suggested that western theories are not easily generalized to a non-western context.

Limitations and future research

The fact that the regression models did not explain large portions of the variance in performance suggests that variables other than those considered here might be important predictors. A complex causal model including variables such as environmental hostility, life-cycle stage, and organizational and national culture among others will most likely increase predictive power. Further, the cross-sectional approach adopted in this research does not capture the effects of strategy-structure alignment over time, but rather provides a snapshot of the relationship at one point in time. The external validity of the results is also limited due to the geographically focused nature of the sample as well as the reliance on selected markets. However, the study does reveal interesting relationships and provides a better understanding of how the strategy-structure-performance link applies to hotels, at least within the prescribed Asian context. While the influence of national and organizational culture on these relationships was not assessed in this study, future research that involves cross-cultural comparisons based on these variables should provide interesting findings and also help validate or disconfirm the results of this study, especially those that are not necessarily consistent with existing theory.

References

- Becherer, R.C. and Maurer, J.G. (1997), "The moderating effect of environmental variables on the entrepreneurial and marketing orientation of entrepreneur-led firms", *Entrepreneurship Theory and Practice*, Vol. 22 No. 1, pp. 47-58.

- Boyacigiller, N. and Adler, N.J. (1991), "The parochial dinosaur: organizational sciences in a global context", *Academy of Management Review*, Vol. 16 No. 2, pp. 262-90.
- Burns, T. and Stalker, G. (1961), *The Management of Innovation*, Quadrangle Books, Chicago, IL.
- Chung, L.H. and Gibbons, P.T. (1997), "Corporate entrepreneurship: the roles of ideology and social capital", *Group and Organization Management*, Vol. 22 No. 1, pp. 10-30.
- Coleman, Z. (2002), "Hotel groups bolster presence in Asia", *Wall Street Journal*, Vol. 8, p. D10.
- Covin, J.G. (1991), "Entrepreneurial versus conservative firms: a comparison of strategies and performance", *Journal of Management Studies*, Vol. 28 No. 5, pp. 439-62.
- Covin, J.G. and Slevin, D.P. (1988), "The influence of organization structure on the utility of an entrepreneurial top management style", *Journal of Management Studies*, Vol. 25 No. 3, pp. 217-34.
- Covin, J.G. and Slevin, D.P. (1989), "Strategic management of small firms in hostile and benign environments", *Strategic Management Journal*, Vol. 10 No. 1, pp. 75-87.
- Covin, J.G. and Slevin, D.P. (1990), "New venture strategic posture, structure, and performance: an industry life cycle analysis", *Journal of Business Venturing*, Vol. 5 No. 2, pp. 123-35.
- Covin, J.G. and Slevin, D.P. (1991), "A conceptual model of entrepreneurship as firm behavior", *Entrepreneurship: Theory and Practice*, Vol. 16 No. 1, pp. 7-24.
- Dess, G.G. and Davis, P.S. (1984), "Porter's (1980) generic strategies as determinants of strategic group membership and organizational performance", *Academy of Management Journal*, Vol. 27 No. 2, pp. 467-88.
- Dess, G.G. and Robinson, R.B. (1984), "Measuring organizational performance in the absence of objective measures: the case of the privately-held firm and conglomerate business unit", *Strategic Management Journal*, Vol. 5 No. 3, pp. 265-73.
- Dess, G.G., Lumpkin, G.T. and Covin, J.G. (1997), "Entrepreneurial strategy making and firm performance: tests of contingency and configurational models", *Strategic Management Journal*, Vol. 18 No. 9, pp. 677-95.
- Drucker, P.F. (1985), *Innovation and Entrepreneurship*, Harper Business, New York, NY.
- Dube, L. and Renaghan, L.M. (1999), "Strategic approaches to lodging excellence", *Cornell Hotel & Restaurant Administration Quarterly*, Vol. 40 No. 6, pp. 16-26.
- Echols, A.E. and Neck, C.P. (1998), "The impact of behaviors and structure on corporate entrepreneurial success", *Journal of Managerial Psychology*, Vol. 13 Nos 1/2, pp. 38-46.
- Fisher, K., Gross, S.E. and Friedman, H.M. (2003), "Marriott makes the business case for an innovative total rewards strategy", *Journal of Organizational Excellence*, Spring, pp. 19-24.
- Gupta, A.K. and Govindarajan, V. (1984), "Business unit strategy, managerial characteristics, and business unit effectiveness at strategy implementation", *Academy of Management Journal*, Vol. 27 No. 1, pp. 25-41.
- Hambrick, D.C. (1983), "Some tests of the effectiveness and functional attributes of Miles and Snow's strategic types", *Academy of Management Journal*, Vol. 2 No. 1, pp. 5-26.
- Harrington, R.J. (2001), "Environmental uncertainty within the hospitality industry: exploring the measure of dynamism and complexity between restaurant segments", *Journal of Hospitality and Tourism Research*, Vol. 25 No. 4, pp. 386-98.
- Hofstede, G. (1980), *Culture's Consequences*, Sage, Beverly Hills, CA.
- Ireland, R.D., Hitt, M.A., Camp, S.M. and Sexton, D.L. (2001), "Integrating entrepreneurship and strategic management actions to create firm wealth", *The Academy of Management Executive*, Vol. 15 No. 1, pp. 49-63.

- Jogaratanam, G. (2002), "Entrepreneurial orientation and environmental hostility: an assessment of small, independent restaurant businesses", *Journal of Hospitality and Tourism Research*, Vol. 26 No. 3, pp. 258-77.
- Jogaratanam, G., Tse, E.C. and Olsen, M.D. (1999), "Strategic posture, environmental munificence, and performance: an empirical study of independent restaurants", *Journal of Hospitality and Tourism Research*, Vol. 23 No. 2, pp. 118-38.
- Khandwalla, P.N. (1977), "Some top management styles, their context, and performance", *Organization and Administrative Sciences*, Vol. 7 No. 4, pp. 21-51.
- Kiggundu, M.N., Jorgenson, J.J. and Hafsi, T. (1983), "Administrative theory and practice in developing countries: a synthesis", *Administrative Science Quarterly*, Vol. 28, pp. 66-84.
- Kim, L. and Lim, Y. (1988), "Environment, generic strategies, and performance in a rapidly developing country: a taxonomic approach", *Academy of Management Journal*, Vol. 31 No. 4, pp. 802-27.
- Laurent, R. (1986), "The cross-cultural puzzle of international human resource management", *Human Resource Management*, Vol. 25 No. 1, pp. 91-102.
- Lumpkin, G.T. and Dess, G.G. (1996), "Clarifying the entrepreneurial orientation construct and linking it to performance", *Academy of Management Review*, Vol. 21 No. 1, pp. 135-72.
- Lyon, D.W., Lumpkin, G.T. and Dess, G.G. (2000), "Enhancing entrepreneurial orientation research: operationalizing and measuring a key strategic decision-making process", *Journal of Management*, Vol. 26 No. 5, pp. 1055-85.
- May, R.C., Stewart, W.H. and Sweo, R. (2000), "Environmental scanning behavior in a transitional economy: evidence from Russia", *Academy of Management Journal*, Vol. 43 No. 3, pp. 403-28.
- Mead, R. (1994), *International Management: Cross-Cultural Dimensions*, Blackwell, Oxford.
- Miles, R.E. and Snow, C.C. (1978), *Organization Strategy, Structure and Process*, McGraw-Hill, New York, NY.
- Miles, M.P., Covin, J.G. and Heeley, M.B. (2000), "The relationship between environmental dynamism and small firm structure, strategy, and performance", *Journal of Marketing Theory and Practice*, Vol. 8 No. 2, pp. 63-78.
- Miller, D. (1983), "The correlates of entrepreneurship in the three types of firms", *Management Science*, Vol. 29 No. 7, pp. 770-91.
- Miller, D. (1991), "Stale in the saddle: CEO tenure and the match between organization and environment", *Management Science*, Vol. 37 No. 1, pp. 34-52.
- Miller, D. and Friesen, P.H. (1982), "Innovation in conservative and entrepreneurial firms: two models of strategic momentum", *Strategic Management Journal*, Vol. 3 No. 1, pp. 1-25.
- Mintzberg, H. (1973), "Strategy-making in three modes", *California Management Review*, Vol. 16 No. 2, pp. 44-53.
- Mwaura, G., Sutton, J. and Roberts, D. (1998), "Corporate and national culture – an irreconcilable dilemma for the hospitality manager?", *International Journal of Contemporary Hospitality Management*, Vol. 10 No. 6, pp. 212-20.
- Naman, J.L. and Slevin, D.P. (1993), "Entrepreneurship and the concept of fit: a model and empirical tests", *Strategic Management Journal*, Vol. 14 No. 2, pp. 137-53.
- Olsen, M.D., West, J.J. and Tse, E.C. (1998), *Strategic Management in the Hospitality Industry*, Wiley, New York, NY.
- Pang, C., Roberts, D. and Sutton, J. (1998), "Doing business in China – the art of war?", *International Journal of Contemporary Hospitality Management*, Vol. 10 No. 7, pp. 272-83.

- Peters, T. and Waterman, D.R. (1982), *In Search of Excellence: Lessons from America's Best Run Companies*, Harper Collins, London.
- Porter, M.E. (1980), *Competitive Strategy*, Free Press, New York, NY.
- Powell, T.C. (1992), "Organizational alignment as competitive advantage", *Strategic Management Journal*, Vol. 13 No. 2, pp. 119-34.
- Schafer, D.S. (1990), "Level of entrepreneurship and scanning source usage in very small businesses", *Entrepreneurship: Theory and Practice*, Vol. 15 No. 2, pp. 19-31.
- Schaffer, J.D. and Litschert, R.J. (1990), "Internal consistency between strategy and structure: performance implications in the lodging industry", *Hospitality Research Journal*, Vol. 14 No. 1, pp. 35-53.
- Slevin, D.P. and Covin, J.G. (1990), "Juggling entrepreneurial style and organizational structure – how to get your act together", *Sloan Management Review*, Vol. 31 No. 2, pp. 43-53.
- Stevenson, H.H. and Jarillo, J.C. (1990), "A paradigm of entrepreneurship: entrepreneurial management", *Strategic Management Journal*, Vol. 11 No. 1, pp. 17-27.
- Tse, E.C. (1991), "An empirical analysis of organizational structure and financial performance in the restaurant industry", *International Journal of Hospitality Management*, Vol. 10 No. 1, pp. 59-72.
- Tse, E.C. and Elwood, C.M. (1990), "Synthesis of the life cycle with strategy and management style: a case analysis in the hospitality industry", *International Journal of Hospitality Management*, Vol. 9 No. 3, pp. 223-36.
- Venkatraman, N. (1989a), "The concept of fit in strategy research: toward verbal and statistical correspondence", *Academy of Management Review*, Vol. 14 No. 3, pp. 423-44.
- Venkatraman, N. (1989b), "Strategic orientation of business enterprises: the construct, dimensionality, and measurement", *Management Science*, Vol. 35 No. 8, pp. 942-62.
- Venkatraman, N. and Prescott, J.E. (1990), "Environment-strategy co alignment: an empirical test of its performance implications", *Strategic Management Journal*, Vol. 11 No. 1, pp. 1-23.
- Venkatraman, N. and Ramanujam, V. (1987), "Measurement of business economic performance: an examination of method convergence", *Journal of Management*, Vol. 13 No. 1, pp. 109-22.
- World Tourism Organization (2003), *Tourism Market Trends 2020*, available at: www.world-tourism.org/market_research/factsandfigures/ (accessed June 13, 2003).
- Yu, J. and Cooper, H. (1983), "A quantitative review of research design effects on response rates to questionnaires", *Journal of Marketing Research*, Vol. 20 No. 1, pp. 36-44.
- Zahra, S.A. and Covin, J.G. (1995), "Contextual influences on the corporate entrepreneurship-performance relationship: a longitudinal analysis", *Journal of Business Venturing*, Vol. 10 No. 1, pp. 43-58.

Further reading

- Tse, E.C. and Olsen, M.D. (1988), "The impact of strategy and structure on organizational performance in restaurant firms", *Hospitality Education and Research Journal*, Vol. 12 No. 2, pp. 57-72.

Corresponding author

Eliza Ching-Yick Tse can be contacted at: elizatse@cuhk.edu.hk

To purchase reprints of this article please e-mail: reprints@emeraldinsight.com
Or visit our web site for further details: www.emeraldinsight.com/reprints

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.