Firm level entrepreneurship and firm performance: with special reference to the hotel industry in Sri Lanka

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Introduction

According to the central bank of Sri Lanka, country has been experiencing a higher economic growth over the past few years and is still growing at a healthy rate due to improvements of few key performing industries such as hotel industry and such industries need to be more entrepreneurial at the firm level and have strong strategic outlook to face competition and rapid growth. Firm level entrepreneurship (FLE) has been defined using various terminologies such as strategic posture, corporate entrepreneurship (CE) and entrepreneurial orientation (EO) and this term measures the extent to which a firm is entrepreneurial (Davis, 2007). EO and CE are two commonly used constructs of FLE (Hosseini et al., 2012).EO includes the entrepreneurial tendency of top management of a firm, (Hosseini et al., 2012)and CE is identified as actual entrepreneurial actions of the firm (Mokaya, 2012). Both CE and EO lead to have higher levels of firm performance (FP) Hosseini et al., (2012). However, as to Hosseini et al, (2012) and Fis and Cetindamar (2009) FLE it is not only the entrepreneurial intensity of the top management personals but also the actual entrepreneurial actions undertaken by the firm although many researches had related either EO or CE with FP in their researches. Thus, it seems that conceptualizing FLE by using either EO or CE creates a blind picture of entrepreneurship phenomenon. Therefore, the objectives of this study were to assess the level of FLE, EO and CE of the firms in the Sri Lankan hotel sector to identify the relationship between FLE and FP. Thus, EO was conceptualized as innovativeness, risk taking, proactiveness, competitive aggressiveness and autonomy (Lumpkin & Dess, 1996) and CE was conceptualized as management support, work discretion, rewards, time availability and organizational boundary (Kuratko et al.,2007). Moreover, FP was measured in terms of the perceptual measurements on market share growth, ROI growth, sales growth and cash flow growth.

Methodology

The population of this study was Colombo district hotels those have got registered under Sri Lanka Tourism Development Authority (SLTDA) and that included 40. However, only 37 firms responded making the response rate of 92.5 percent. Data was collected by using a structured questionnaire and CE was measured by using Corporate Entrepreneurship Assessment Instrument - CEAI (Kuratko et al., 1990) and EO was measured by using self-developed questionnaire. The reliability of questionnaire was measured by using Cronbach's Alpha and the results confirmed that all the constructs were well above the acceptable level of 0.7 and hence executed for data collection. In assessing the level of EO and CE of the firms, mean, standard deviation and percentages were used while in order to identify the relationship between EO & CE and FP, a multiple linear regression was employed and can be specified as: $FP = \beta 0 + \beta 1 EO + \beta 2 CE + \varepsilon$.

Results and discussion

The average levels of CE and EO were 3.607 and 4.11 respectively confirming a higher level of EO with compared to CE. However, the difference standard deviation further evident that it is a slight difference. Nevertheless, as to the Table 1, majority of the firms (60%) was at the high level of CE while 86% of the firms were demonstrating a high level of EO. Interestingly, a negligible level of firms was at the low level of CE (3%) and EO (Nill) implying that the Colombo District hotels are seemingly maintaining a fair level of high CE and EO level.

The statistically significant ($P<0.01$) strong positive correlation values of CE (0.715) and EO (0.688) confirmed that there is a positive association between CE & EO and FP. Regression assumptions of Normality, Homoscedasticity (Pattern-less scatter), Multicolinearity (Table 2-c) and Auto-correlation (Table 2-a) were checked and got confirmed that data meet all the blue properties.

Table 01: Descriptive Statistics of CE and EO

Dimension	Mean	Standard deviation	% level of CE,EO and FLE		
			High	Medium	Low
CE	3.6072	0.48852	60	37	3
EO	4.1103	0.45732	86	14	0

Source: SPSS output based on Field Survey 2014

Accordingly, the adjusted R-Square of the specified regression model reported that 53.1% of the variation of FP can be explained by the two independent variables of CE and EO (Table 2-a). In addition, the statistically significant F test (Table 2-b) confirms that the specified model is fitted well.

Table 02(a): Model Summery of the Multiple Linear Regression Analysis

R	R Square	Adjusted R Square	Standard Error of Estimate	Durbin-Watson
0.746	0.557	0.531	0.4026	2.192

Table 02(b):ANOVA Table

Model		Sun of Squares	Df	Mean Square	F	Sig.
1	Regression	6.921	2	3.461	21.351	.000[b]
	Residual	5.511	34	.162		
	Total	12.432	36			

Table 02 (c) – Coefficients of Multiple Linear Regression Analysis

Predictor	β_0 Coefficients	Standard Error	Significant	Collinearity Statistic (VIF)
Constant	0.194	0.609	0.753	-
CE	0.548	0.217	0.016	2.478
EO	0.433	0.231	0.070	2.478

Source: SPSS output based on Field Survey (2014)

Hence, as per the Table 2 (c), it can be identified that only the variable of CE is a statistically significant ($P<0.05$) predictor of FP and Therefore, regression model can be estimated as FP = 0.194 + 0.548 CE. This makes clear that higher the level of CE by one unit, higher will be the FP by 0.54 amounts. What this makes clear is that processes are directly predicting the FP whereas behavioral tendency of EO is not a good predictor of FP. As to Awang et al. (2009) and Lumpkin and Dess (1996), EO is strongly associated with performance when it is combined with both the appropriate strategy and the proper environmental conditions. Thus, although studies argue that the both CE and EO are essential predictors of FP, due to contextual differences the results might be considerably varied.

Conclusions

This study was conducted with the aim of assessing the level of EO and CE and identifying the relationship between EO & CE and FP. Thus, it can be concluded that there is a high level of EO and CE in the studied context. Further, it was confirmed that CE is a predictor of FP whereas EO is not a predictor of FP. These findings confirm the findings of the Antoncic (2005), Shamsuddin & Othman (2012) and Mokya (2012).

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