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CORPORATE ENTREPRENEURSHIP IN HOTEL FIRMS

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ABSTRACT: The entrepreneurial behaviour of firms is usually studied in high-tech contexts because innovation is considered essential for high velocity environments. Research in service industries, namely low-tech, is less common. In this study, we explore how corporate entrepreneurship is relevant for hotel firms, and describe the main differences between high entrepreneurial and low entrepreneurial hotels. Results from 13 hotels suggest the relevance of internal organizational conditions for intrapreneurship to emerge. In the case of hotel firms, extra-role employees' entrepreneurial behaviour is a relevant source of innovation because of employee-client interactions. Our study also suggests relevant propositions for future empirical research concerning corporate entrepreneurship in hotel firms. **Keywords:** Corporate entrepreneurship; Hotel; Intrapreneurial behaviour; Strategy.

RESUMEN: El comportamiento emprendedor de las empresas es normalmente estudiado en contextos tecnológicamente avanzados porque la innovación es considerada esencial en ambientes de alta velocidad. La investigación en la industria de servicios, nombradamente de baja tecnología, es menos común. En este estudio, explotamos como el espíritu empresarial corporativo es relevante para las empresas del sector hotelero y describimos las principales diferencias entre los hoteles con alto y bajo dinamismo emprendedor. Los resultados de 13 hoteles sugieren la relevancia de condiciones organizacionales internas para que el espíritu de empresa pueda emerger dentro de la misma. En el caso de las empresas del sector hotelero, el comportamiento emprendedor de los empleados diligentes es una fuente de innovación importante debido a las interacciones empleado-cliente. Nuestro estudio también sugiere propuestas relevantes para pesquisa empírica futura relacionada con el espíritu empresarial corporativo y las empresas del sector hotelero. **Palabras-llave**: espíritu empresarial corporativo; hotel; comportamiento intraemprendedor; estrategia.

RESUMO: O comportamento empreendedor das empresas é normalmente estudado em contextos tecnologicamente avançados porque a inovação é considerada essencial em ambientes de alta velocidade. A investigação na indústria de serviços, nomeadamente de baixa tecnologia, é menos comum. Neste estudo, exploramos como o empreendedorismo corporativo é relevante para as empresas do setor hoteleiro e descrevemos as principais diferenças entre os hotéis com alto e baixo dinamismo empreendedor. Os resultados de 13 hotéis sugerem a relevância de condições organizacionais internas para que o espírito empreendedor possa emergir dentro da empresa. No caso das empresas do setor hoteleiro, o comportamento empreendedor dos empregados diligentes é uma fonte de inovação importante devido às interações empregado-cliente. O nosso estudo também sugere propostas relevantes para pesquisa empírica futura relacionada com o empreendedorismo corporativo nas empresas do setor hoteleiro. **Palavras-chave**: empreendedorismo corporativo; hotel; comportamento intra-empreendedor; estratégia.

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INTRODUCTION

Corporate entrepreneurship has become an established stream of research. For early strategy scholars, the basic 'entrepreneurial problem' (Miles & Snow, 1978) was to address the principal question of strategy content, that is 'what business shall we enter'. More recently, the emphasis shifted to the methods, practices, and decision-making styles managers use to act entrepreneurially (Lumpkin& Dess, 1996). Entrepreneurial organizations are those that try to obtain a competitive advantage by habitually making dramatic innovations and taking challenging risks (Miller& Friesen, 1982).

Previous research in the domain, reveals that corporate entrepreneurship requires an organization-wide entrepreneurial orientation or proclivity (Covin & Slevin, 1991; Lumpkin & Dess, 1996; Matsuno, Mentzer, & Ozsomer, 2002) that instigates entrepreneurial actions, namely at individual-level (Hornsby, Kuratko, & Zahra, 2002; Kuratko, Ireland, Covin, & Hornsby, 2005). These actions may eventually result in outcomes, such as sustained regeneration (Dess, Ireland, Zahra, Floyd, Janney, & Lane, 2003), organizational rejuvenation (Dess *et al.*, 2003), strategic renewal (Dess *et al.*, 2003; Floyd & Lane, 2000; Guth & Ginsberg, 1990), and/or domain redefinition (Dess *et al.*, 2003) that might imply internally developed new ventures (Burgelman, 1983; Guth & Ginsberg, 1990). Many authors agree that corporate entrepreneurship is, in many organizations, much more a question of culture and employee behaviour[1], than of established research and development processes. Zahra (1996) states that corporate entrepreneurship implies creating a work environment that gives employees an opportunity to use their creative skills, quicken a company's response to the market and creating an organizational culture that fosters cross-functional collaboration. In fact, in his seminal work, Burgelman (1983) suggests the interaction between individual and organizational factors, towards corporate entrepreneurship. "Corporate entrepreneurship would seem to depend both on the capabilities of operational level participants to exploit entrepreneurial opportunities and on the perception of corporate management that there is a need for entrepreneurship at the particular moment in its development" (Burgelman, 1983, p. 1355).

Employees' entrepreneurial behaviour might be a particularly relevant concept for hotel firms because of the strategic importance of employee-client interactions. These types of services depend on their employees' behaviours and willingness to initiate or participate in activities that extend the firm in new directions. However, most research developed so far is mostly concerned with high-tech manufacturing firms and with more structured ways of corporate entrepreneurship, such as corporate venturing, rather than on employees' entrepreneurial behaviour.

In this article, we use a multiple-case design to explore the relative importance of an organization-wide entrepreneurial proclivity, and of

employees' entrepreneurial behaviour, for innovation in hotel firms. Our objective is twofold: to fill the gap in strategic entrepreneurship literature regarding low-tech services firms, and to draw some propositions that may serve as springboards for future research.

ENTREPRENEURIAL ORIENTATION/PROCLIVITY

In 1983, Miller examined the entrepreneurial style of top management teams and suggested that an entrepreneurial firm "engages in product market innovation, undertakes somewhat risky ventures, and is first to come up with 'proactive' innovations, beating competitors to the punch" (1983, p. 771). Entrepreneurial orientation refers to the extent to which top management is inclined to obtain a competitive advantage for the firm through taking business risks, favouring change and innovation, and competing aggressively with other firms (Covin & Slevin, 1989).

Several researchers (e.g. Barringer & Bluedorn 1999; Caruana, Morris, &Vella, 1998; Covin & Slevin, 1989; Morris, Avila, & Allen, 1993) have adopted an approach based on Miller's (1983) original conceptualization. It seems there is a consensus around the three underlying dimensions of the organizational proclivity to act entrepreneurially – innovativeness, proactiveness and risk taking. Miller's (1983) conceptualization implies that only firms that exhibit high levels of all the dimensions should be regarded as entrepreneurial. On the contrary, Lumpkin & Dess (1996) argue that even though all dimensions are important to understand the entrepreneurial process, they may occur in different combinations.

Innovativeness

The concept of innovativeness comes from Schumpeter. Schumpeter's (1942) 'creative destruction' by which wealth is created when new goods or services disrupt existing market structures because they cause the shift of resources away from existing firms to new the firms, emphasizes the role of innovation in the entrepreneurial process. Innovativeness "reflects a firm's tendency to engage in and support new ideas, novelty, experimentation, and creative processes that may result in new products, services, or technological processes" (Lumpkin & Dess, 1996, p. 141). Innovative firms often are first-to-market with new product offerings (Covin & Slevin, 1991).

Risk taking

Cantillon (1734, *in* Lumpkin & Dess, 1996), who was the first to formally use the term entrepreneurship, argued that the principal factor that separated entrepreneurs from hired employees was the uncertainty

and riskiness of self-employment. Thus, the concept of risk taking is a quality that is frequently used to describe entrepreneurship. In the context of strategy, firms with an entrepreneurial proclivity are often characterized as risk-takers that incur in heavy debt or make large resource commitments in the interest of obtaining high returns by seizing opportunities in the marketplace.

Proactiveness

Proactiveness suggests a forward-looking perspective that is accompanied by innovative or new-venturing activity. To Lumpkin and Dess (1996, p. 146), proactiveness refers to "taking initiative by anticipating and pursuing new opportunities and by participating in emerging markets". Proactiveness was usually used to depict a firm as the quickest to innovate and "the first to come up with proactive innovations" (Miller, 1983, p. 771). However, Lumpkin and Dess (1996) suggest that a firm can be novel, forward thinking, and fast without always being the first to innovate.

INTRAPRENEURIAL BEHAVIOUR

The recognition of the importance of individual behaviour for the corporate entrepreneurship process emerges from seminal works in the field (e.g. Burgelman, 1983; Pinchot, 1985). Burgelman (1983) suggests that innovation in organizations is the result of two distinct behavioural processes. The first of these is what the author calls induced strategic behaviour, while the second process is called autonomous strategic behaviour. While induced strategic behaviour is seen as the official path for innovation, Burgelman (1983) proposes that as long as operational-level participants see opportunities that exceed those proffered by top management, autonomous strategic behaviour will occur. Pinchot's (1985) focus is on the individual characteristics of the entrepreneurial employee or intrapreneur. An intrapreneur is someone who possesses entrepreneurial skills and uses them within a company instead of using them to launch a new business (Pinchot, 1985).

The major activities of intrapreneurs include opportunity perception, idea generation, designing a new product or another recombination of resources, internal coalition building, persuading the management, resource acquisition, planning and organizing (de Jong & Wennekers, 2008). These are activities similar to those of an independent entrepreneur. In fact, the traditional concept of entrepreneurship shares many key behavioural characteristics with employee entrepreneurial behaviour, such as taking initiative, opportunity pursuit without regard to presently available resources, and some element of 'newness' (de Jong & Wennekers, 2008).

At the same time, intrapreneurship distinctly belongs to the domain of 'employee behaviour' and thus faces the same kind of limitations and opportunities for support from the organizational context.

Employees' entrepreneurial behaviour may be classified as extra role behaviour. Pinchot (1985) described intrapreneurs as those who may get in trouble because they go beyond formal job descriptions. In this study, the focus is on workers that reveal extra-role behaviours related to innovation, that occur either inside or outside the current strategy. Intrapreneurs are workers that go beyond their job descriptions, providing valuable help to innovate some aspect of their firms. This is consistent to what Zahra (1991) calls the 'informal activities' through which entrepreneurial behaviour might occur.

METHOD

An exploratory multi-case study was chosen as the most suitable method for this study, because of the need to gain an understanding of the broader context of corporate entrepreneurship in hotel firms.

Thirteen hotel firms were selected. The real names were made anonymous for confidentiality. The case studies are exploratory and are not intended to be "ideal types". Generalizability from these cases is neither intended nor expected. However, by selecting thirteen hotels that explore different segments and operate under different strategic conditions, the intent was to identify similarities and differences in approaches to corporate entrepreneurship. The sample of hotels is varied, ranging from middle scale to luxury, and including both smaller and larger units, independent or belonging to domestic or international chains. The number of employees range from 15 to 187, and the age of the firm from 7 to 90 years. Table 1 characterizes the cases.

Three data sources where used. The sources were firm documentation (mainly presentation brochures and annual reports), the firm's website, and a questionnaire directed to senior executives. The questionnaire targeted senior executives because of their likely familiarity with company-wide strategic actions, especially corporate entrepreneurship efforts (Zahra, 1991). The three sources of data provided a form of triangulation in the analysis of results.

From each firm's documentation and website, information concerning the relevance of innovation for the firm's strategy was extracted. Information concerning the firm's values and expectations from employees were also considered relevant. This information was compared to key-informants answers in the questionnaire. The questionnaire addressed three relevant dimensions for our study: entrepreneurial proclivity, intrapreneurial behaviour, and innovation outcomes. We used Mat-

suno *et al.'s* (2002) entrepreneurial proclivity (EP) scale, which measures innovativeness, risk taking and proactiveness. The executive rated the firms' entrepreneurial proclivity over the preceding 3-year period using a 5-Point Likert-type scale where '1' corresponds to low EP and '5' represents high EP. The measurement items at the lower level were aggregated by summing the scale. Table 2 shows the dimensions of EP and respective items considered in the questionnaire (Matsuno *et al.*, 2002).

Table 1 – Cases characteristics

Hotel	Type	Firm age (years)	Nr. employees (full-time equivalent)
H1	Luxury / Independent	90	187
H2	Upscale / Domestic chain	51	148
H3	Luxury resort / International chain	31	180
H4	Upscale / Independent	8	15
H5	Upscale / Independent	27	70
H6	Middle scale / Independent	18	85
H7	Upscale / Independent	7	15
H8	Upscale / International chain	16	55
H9	Middle scale / Independent	31	48
H10	Upscale / Independent	35	24
H11	Luxury / International chain	32	178
H12	Upscale / Independent	12	21
H13	Upscale / Independent	31	50

Table 2 – Entrepreneurial proclivity

Dimensions	Items
Innovativeness	When it comes to problem solving, we value creative new solutions more than the solutions of conventional wisdom.
	Top managers here encourage the development of innovative marketing strategies, knowing well that some will fail.
Proactiveness	We firmly believe that a change in market creates a positive opportunity for us.
	Members of this firm tend to talk more about opportunities rather than problems.
Risk-taking	We value the orderly and risk-reducing management process much more highly than leadership initiatives for change (reverse-coded).
	Top managers in this firm like to 'play it safe' (reverse-coded).
	Top managers around here like to implement plans only if they are very certain that they will work (reverse coded).

Concerning intrapreneurial behaviour, we used an adapted version of Pearce II *et al.*'s (1997) entrepreneurial behaviour scale. The scale proposed by these authors is used to assess a particular individual's intrapreneurial behaviour and is focused on behaviours that illustrate how intrapreneurs interact with others within the organization. We adapted this scale as to reflect the degree in which each of the behaviours apply to the totality of the workforce over the preceding 3-year period as perceptioned by the executive. Respondents are asked to make a choice on a Likert-type 5-point scale. The score, calculated as the average between the sum of the items for managers and the sum of the items for non-managerial employees, assesses a firm's position on a continuum where a higher score corresponds to a firm where IB is generalized across the organization, and a low score corresponds to a firm where IB is seldom present. The items considered in this scale are shown in Table 3.

Table 3 – Intrapreneurial behaviour

Items
Our employees are able to describe vividly how things could be in the future and what is needed to get the firm there.
Our employees encourage their colleagues to take the initiative for their own ideas.
Our employees inspire their colleagues to think about their work in new and stimulating ways.
Our employees create an environment where people get excited about making improvements.
Our employees get people to rally together to meet a challenge.
Our employees boldly move ahead with a promising new approach when others might be more cautious.
Our employees display an enthusiasm for acquiring skills.
Our employees 'go to bat' for the good ideas of their colleagues.
Our employees devote time to helping other colleagues find ways to improve our products and services.
Our employees quickly change course of action when results are not being achieved.
Our employees efficiently get proposed actions through 'bureaucratic red tape' and into practice.

Innovation, as an output of corporate entrepreneurship, was measured using an adapted version of Zahra *et al.*'s (2000) scale. The scale has 10 items in total: five items on product innovation, and five items on process or organizational innovation (Table 4). Using a 5-point scale, respondents rated their companies' emphasis over the previous three years.

Table 4 – Innovation

Dimensions	Items
Product innovation	Creating radically new products for sale in the company's existing markets
	Creating radically new products for sale in new markets
	Commercializing new products
	Being the first company in your industry to introduce new products to the market
	Investing heavily in cutting edge R&D
Process and organizational innovation	Being the first company in the industry to develop and introduce radically new technologies
	Being the first in the industry to develop innovative management systems
	Introducing innovative human resource programs to spur creativity and innovation
	Being the first in the industry to introduce new business concepts and practices
	Changing the organizational structure in significant ways to promote innovation

RESULTS AND DISCUSSION

Within cases analysis

When comparing results regarding entrepreneurial proclivity, intrapreneurial behaviour, and innovation outcomes (Figure 1) within each case, we can observe that in most cases the results for each variable are similar within cases. This means that in most cases, hotel firms with higher entrepreneurial proclivity also show higher results for intrapreneurial behaviour and higher results for innovation. Similarly, hotels with lower entrepreneurial proclivity show lower results for intrapreneurial behaviour, as well as for innovation.

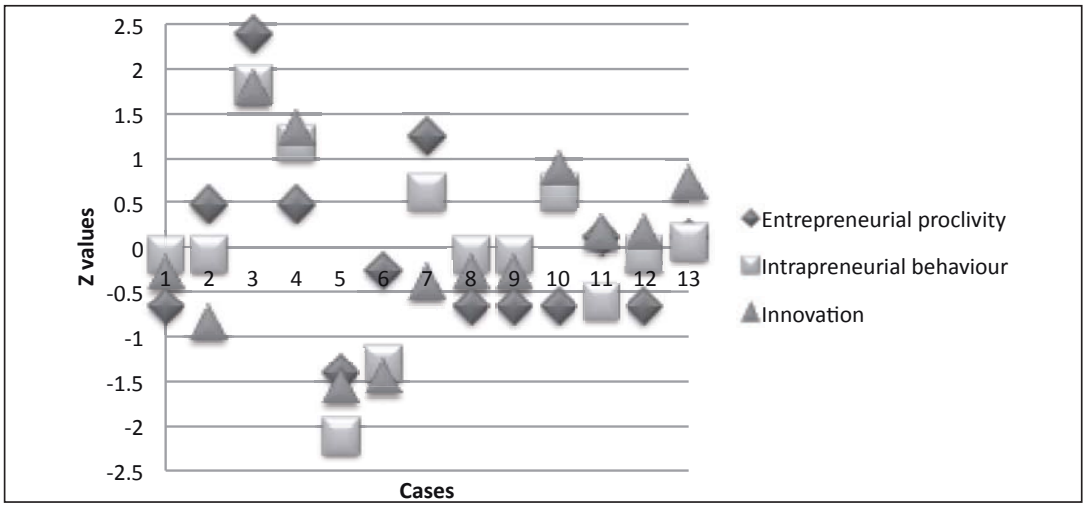


Figure 1 – Summary of results by case (standardized values[2])

However, there are some exceptions. These are cases H2, H6, H7, and H10. H2, H6, and H7 seem unable to transform its levels of entrepreneurial proclivity into similar levels of innovation outcomes. Case H10 is in the opposite situation. Here we have a hotel firm that is able to obtain relatively high levels of IB and innovation outcomes, without a high entrepreneurial proclivity.

The analysis of firms' strategies, from the other data sources, reveals that only three firms clearly express a strategic concern with innovation (Table 5). These firms are H7, H10 and H13. Four hotels express the strategic importance of the workforce. These are H3, H8, H11, and H13.

Table 5 – Firms' strategic intent

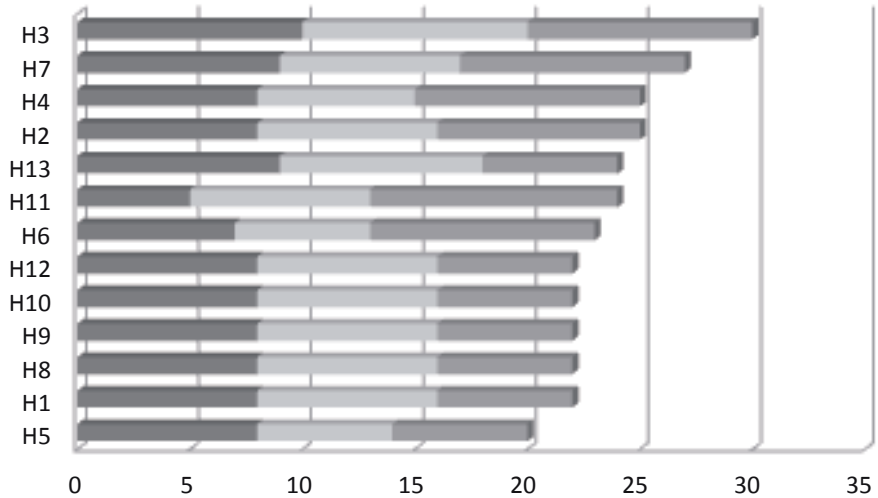
Case	Main strategic concerns	Strategic importance of the workforce
H1	Location Luxurious features of the facilities History	No reference
H2	Variety of services and activities available to guests	No reference
H3	Customized service Location Luxurious features of the facilities	Various references to the importance of employees as the firm's best competitive advantage; the firm encourages employee initiative.
H4	Location Atmosphere provided by the architecture and design features of the facilities Partnerships	No reference
H5	Location	No reference
H6	Location Variety of activities and services available to guests	No reference
H7	Location Atmosphere provided by the architecture and design features of the facilities Environmental concerns Orientation towards product innovation	No reference
H8	Price/quality ratio Location Client-oriented service	Reference to employees' know-how, as well as their dedication and commitment
H9	Location Variety of activities available to guests Price/quality ratio	No reference
H10	Atmosphere provided by the design features of the facilities Product innovation is a concern	No reference
H11	Customized service Attention to details Luxurious atmosphere	References to the importance of employees' commitment and dedication

(cont.)

Case	Main strategic concerns	Strategic importance of the workforce
H12	Location Variety of activities available to guests	No reference
H13	Quality of service Innovation is a concern	Reference to employees' experience

Cross-cases analysis

Entrepreneurial proclivity. In the thirteen hotels studied, entrepreneurial proclivity ranged from 20 to 30 (maximum possible: 35). Results show that cases H3, H7, H4, and H2 are the most entrepreneurial firms (Figure 2). The relatively less entrepreneurial firms correspond to cases H12, H10, H9, H8, H1 and H5. Comparing the characterization variables on Table 1 to these results, we observe that segment, being independent or belonging to a chain, age, and size did not seem to justify the difference between the groups, concerning entrepreneurial proclivity.



	H5	H1	H8	H9	H10	H12	H6	H11	H13	H2	H4	H7	H3
Innovativeness	8	8	8	8	8	8	7	5	9	8	8	9	10
Proactiveness	6	8	8	8	8	8	6	8	9	8	7	8	10
Risk-taking	6	6	6	6	6	6	10	11	6	9	10	10	10

Figure 2- Entrepreneurial proclivity (total and by dimension)

A closer look at the results on entrepreneurial proclivity shows that the dimension of entrepreneurial proclivity where there is more difference between entrepreneurial and less entrepreneurial hotels is risk-

taking (ranging from 6 to 10). Some hotels are more entrepreneurial, mainly because they are more risk-takers than others.

Intrapreneurial behaviour. Concerning intrapreneurial behaviour, the difference between cases is wider than that observed for entrepreneurial proclivity, ranging from 22 to 52 (maximum possible of 55). The cases that reveal higher levels of intrapreneurial behaviour are H3, H4, H10, and H13 (Figure 3). Only cases H3 and H4 were amongst those with higher entrepreneurial proclivity. In fact, H10 is amongst the less entrepreneurial firms of the sample. This may suggest that some internal conditions, other than entrepreneurial proclivity, might be present to instigate these high levels of intrapreneurial behaviour. This is consistent with Calisto and Sarkar (2010). Of course, these IB results may also be dependent on the individuals themselves, not only on the organizational conditions. However, even that takes us to the importance of human resource management policies, mainly concerning the selection of employees.

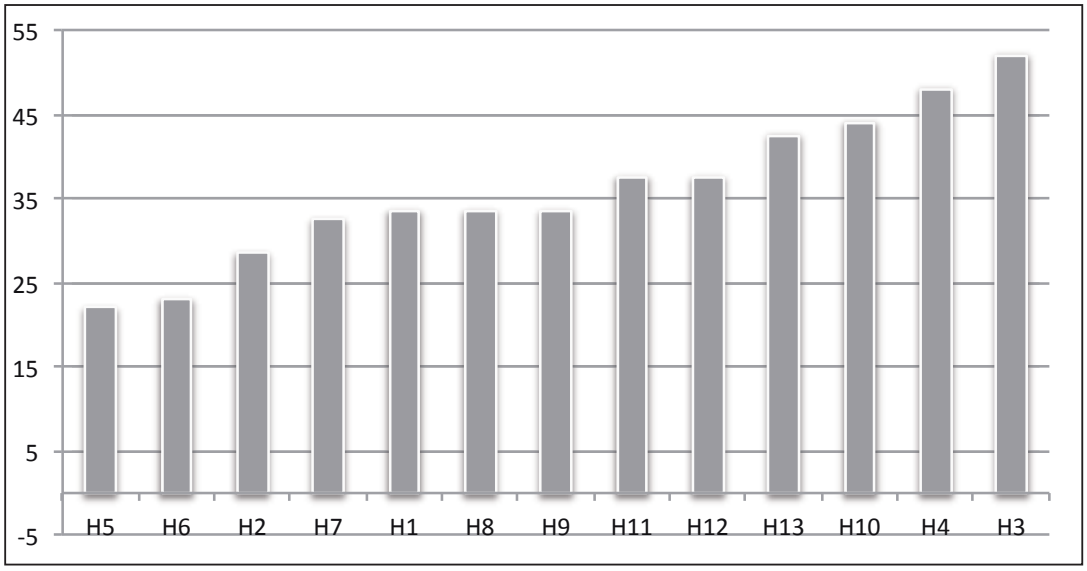
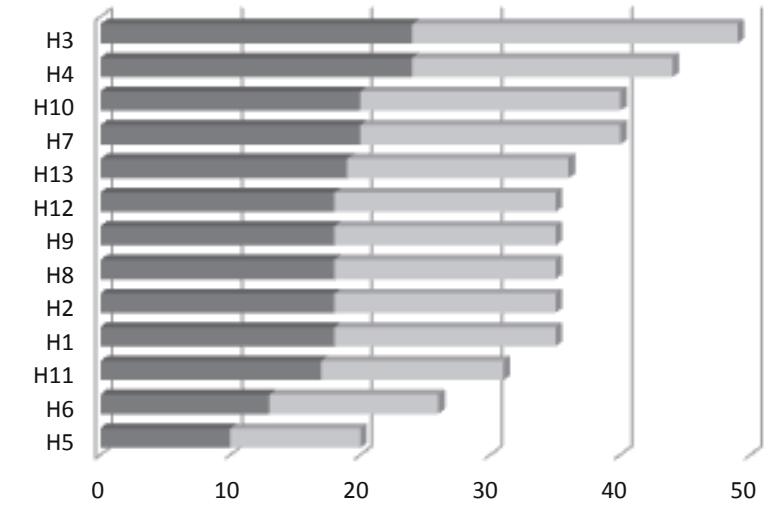


Figure 3 – Intrapreneurial behaviour

In general, the results for the questionnaire do not contradict the data on the hotels' strategic intent (see Table 5). H3, H11 and H13 express a strategic relevance of the workforce and report relatively high levels of intrapreneurial behaviour. These firms rely on its workforce experience and initiative. In case H8, the strategic concern with employees does not translate into high levels of intrapreneurial behaviour, but it is also a firm strategically concerned with service levels. These results suggest that the strategic relevance of human resources is higher when the firm's strategic intent is based more on service than on location or facilities. This is because employees are often in a unique position to observe changing customer needs and suggest new approaches for

improving the service delivery process (Raub, 2008). Intrapreneurial behaviours allow for the continuous tailoring of products and services and/or the improvement of internal processes and systems.

Innovation. Regarding innovation, we can observe in Figure 4 that in most cases, there is no significant difference between the results for product innovation and results for process/organizational innovation.



	H5	H6	H11	H1	H2	H8	H9	H12	H13	H7	H10	H4	H3
Product Innovation	10	13	17	18	18	18	18	18	19	20	20	24	24
Organizational and Process Innovation	10	13	14	17	17	17	17	17	17	20	20	20	25

Figure 4 – Innovation

This might be related to the characteristics of hotel businesses, where service delivery processes are most times undistinguishable from its output, as production and consumption happen simultaneously. The exceptions are H4 and H11, where product innovation is higher than process and organizational innovation. The most innovative hotel firms are H3, H4, H7, and H10. This is consistent with the data on strategic intent, as three of these four firms express a strategic orientation towards innovation. H7 and H4 are firms with high entrepreneurial proclivity, and H3 and H10 are firms where intrapreneurial behaviour is high. This suggests that innovation might be obtained by developing entrepreneurial proclivity or by instigating intrapreneurial behaviour.

FUTURE RESEARCH

This study covers an important gap in strategic management literature, concerned with the relation between innovation outcomes and

entrepreneurial behaviour of managers and employees in low-tech service firms. However, the study has limitations, as the results of this study cannot be generalized, not even to other hotel firms. Quantitative studies are needed. In spite of that, results from within cases and cross-cases analysis suggest the following propositions:

1. Segmentation is not related to corporate entrepreneurship;
2. Belonging, or not, to a chain (domestic or international) is not related to an hotel's corporate entrepreneurship, unless it is a corporate policy;
3. Risk taking is the most relevant dimension in entrepreneurial hotel firms;
4. Firm's strategies are related to corporate entrepreneurship;
5. When service differentiation is a main strategic intent, entrepreneurial proclivity and/or intrapreneurial behaviour are high;
6. In hotel firms, the association between intrapreneurial behaviour and innovation is stronger than the association between entrepreneurial proclivity and innovation;
7. Specific internal conditions are needed, other than entrepreneurial proclivity, for intrapreneurial behaviour to emerge;
8. Human resources' strategic management practices are associated with intrapreneurial behaviour.

These propositions can be used as a springboard for future research.

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(Endnotes)

1 The entrepreneurial behaviour of employees is sometimes called 'intrapreneurship'. The notion of 'intrapreneur' is derived from the concept of entrepreneur from the entrepreneurship literature.

2 In this figure, we used standardized values to overcome differences in scales.

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