



## THE EFFECT OF ORGANIZATIONAL CULTURE TOWARDS ENTREPRENEURIAL ORIENTATION IN SRI LANKAN HOSPITALITY OPERATIONS

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### **Abstract:**

The article examines the relationship between the organizational culture and the entrepreneurial orientation in the Sri Lankan hospitality sector. The data for the study was collected from 215 managers occupying senior positions star class hotel sector. The analysis was performed based on CFA SEM techniques using AMOS 21 software to identify the relationship. The quantitative data analysis revealed there is a significant relationship between organizational culture and entrepreneurial orientation. In the research entrepreneurial orientation was reflected with three dimensions proactiveness, risk taking and innovativeness. The organizational culture was reflected with four dimensions organizational climate, flexibility or the support to change, team work and employee empowerment. This study develops a better understanding of elements of organizational culture and entrepreneurial orientation.

**Keywords:** organizational culture, entrepreneurial orientation, innovativeness, proactiveness, organizational climate

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## 1. Introduction

To have an in-depth understanding over the causes of entrepreneurial orientation it is important to study the organizational culture. Organizational culture is a strategic resource that firms can use to cultivate entrepreneurial orientation (Ling, Fernandez, Bedia & Kellermanns, 2019). While numerous researches have highlighted the significance of entrepreneurial orientation for firms, the impact of organizational culture and how it is rooted within entrepreneurial orientation has not been adequately studied (Lee & Kreiser, 2019). Both for academia and business practitioners the effect of organizational culture on entrepreneurial orientation is an important relationship to focus on. The salient features of the hospitality industry make organizational culture an important area of concern for this industry, particularly as organizational culture has the capacity to influence the behaviors of workers to a reasonable degree (Bavic, 2016). Being a common bond that crafts a sense of belongingness among the players culture will offer a shared system of meaning which is the basis for communications and correspondence. If those functions are not fulfilled in a satisfactory manner such cultures may significantly reduce effectiveness of employees (Ojo, 2008).

Path and direction of the organization and the behavior of the employees will be very much influenced by the organizational culture (Kemp & Dwyer, 2001). Sense of identity for the organization, facilitates the generation of commitment for something, enhancing the social system stability and in certain organizations it may itself be a mechanism of control (Chathoth et al., 2012). Existence of a supportive organizational culture is a pre requisite for the nourishment of this new paradigm of corporate entrepreneurship. Wider interest on organizational culture stems from its ability to lead the organization towards a superior financial performance. Organizational culture has the capacity in improving the competitive position of the organization because better motivated employees become more dedicated towards reaching organizational goals by and large. Hence organizational culture a clear determinant of corporate entrepreneurial orientation which refers to all aspects of processes and practices leading to the overall performance of the hotel business ventures. Organization culture is the collection of relatively uniform and enduring values, beliefs, customs, traditions and the practices that are shared by the organizations members, learned by new recruits, and transmitted from one generation of employees to the rest (Huczynsi & Buchanon, 2001). Even if the organizational culture is a well-studied area, few empirical studies have assessed the impact of organizational culture on Entrepreneurial orientation (Fayolle, Basso & Bouchard, 2010).

This article examines the link between organizational culture and entrepreneurial orientation in four star and five-star hotels through survey collected data.

## 2. Literature Survey

### 2.1 Organizational Culture

It is more practical to explain organizational culture as the surrounding environment of employees which can influence how they think, act and go through their work (Warrick, Milliman, & Ferguson, 2016). The knowhow on organizational culture is understood as an important source in influencing employee behavior which is of utmost importance as a strategy in achieving a higher degree of organizational effectiveness (Lund, 2003). Organizational culture scholar Edgar Schein (2010) contended that “*culture is to a group what personality is to an individual*” (p. 14), emphasizing the mutual roles played by culture and personality types.

Culture is stemming out of the set of meanings and values within an organization that provide a context for interpretation of information by its members through a communicative perspective (Eisenberg, Goodall, & Trethewey, 2010). In this study the organizational culture is measured using four major dimensions, flexibility to change, organizational climate, empowerment and teamwork (Shahzad, Xiu & Shabaz, 2017). In line with the studies of Gupta, Tesluk, & Taylor & Parker et al. (2003) an employee's self-perception regarding attributes of the organization is called as organizational climate, which plays a crucial role in the creation of innovative attitude within the organization. The organizational climate describes to interpreting apparent practices, situations, and procedures; shared and followed by members of the organization (Dennison, 1996). Organizations must be adaptable to hold up the change to endure itself in a market with strong business rivalry and to cope up with global challenges. Organizational change is viewed as a successful strategy for corporate survival and innovative performance (Haveman, 1992).

The team work relies on individuals working together in a corporative environment to achieve common team goals through sharing skills and knowledge (Harris & Harris, 1996). Teamwork is a process of interlinked movements, based on the information passed around the market including collecting, interpreting, and exchange of this information in reaching organizational targets (Sukthankar & Sycara, 2010).

The empowerment is the organizational environment that motivates the enhancement of skill and induces their contribution to the organizational achievements (Jaffee & Scott, 1993). Increase in intrinsic task innovation supported with capability and autonomy of employees is defined as an employee's empowerment (Thomas & Velthouse, 1990). According to Khazanchi, Lewis & Boyer (2007) involvement of employees in decision making motivates employees to feel more accountable for the organization.

### 2.2 Entrepreneurial Orientation

Entrepreneurial Orientation has been defined in as an important research as a strategic posture, (Covin & Wales, 2012). It is also defined as a firm's decision-making methods, management viewpoints, and strategic conducts that are entrepreneurial in nature

(Covin & Miller, 2014). At present Entrepreneurial orientation is regarded as the most widely researched construct within the domain of entrepreneurship (Wales, 2015).

The stiff business rivalry, internationalization of markets and the speedy technological drive have pushed many businesses towards entrepreneurial orientation (Tajeddini & Trueman, 2008). Hence it is worthy to examine through which means a competitive advantage is achieved by firm adopting a variety of techniques like develop new products/services and markets (Berthon, Mac Hulbert & Pitt, 2004), develop proactive behaviors (Kreiser, Marino, Kuratko & Weaver, 2013) and take greater risks (Ahimbisibwe & Abaho, 2013). Even if there is a reasonable consistency among the researchers over the measurements of entrepreneurial orientation and a variety of definitions are there. Among such definitions used by researchers the strategy-making practices used for creation of new venture (Dess et al., 2005) seems to be prominent. Innovativeness being a sub dimension of is interpreted as an essential way through which businesses identify new opportunities and it is also known as a business tendency to get involved in new processes and actions to generate new solutions to problems in the business (Ofem, 2014).

The proactiveness is explained as the tendency of the firm to come up with new products and services ahead of the competition and act in anticipation of future demand (Wang & Altinay, 2010). The term risk-taking is defined as a firm's tendency to engage and the willingness to commit significant resources to opportunities with uncertain outcomes (Schillo, 2011; Lumpkin & Dess, 1996).

### **3. Methodology**

#### **3.1 Sample**

The population of this study was comprised of the senior managers of four star and five-star hotels of Sri Lanka which are registered with Sri Lanka Tourism Development Authority. The overall number of hotels representing the upper star category is 53. These hotels are employing around 600 number of senior managers belonging to both line and staff divisions. A sample of 215 was chosen according to the sample plan to be subjected for the research. The primary data was collected from a Likert scale questionnaire using 215 senior managers from hospitality industry representing star class hospitality operations.

The study was based on primary data. Simple random technique was adapted to collect data from respondents covering all four star and five-star hotels. Collected data was analyzed using multi group techniques to identify the relationship between organizational culture and entrepreneurial orientation. The analysis was performed using the AMOS 21 software.

### 3.2 Conceptual Framework

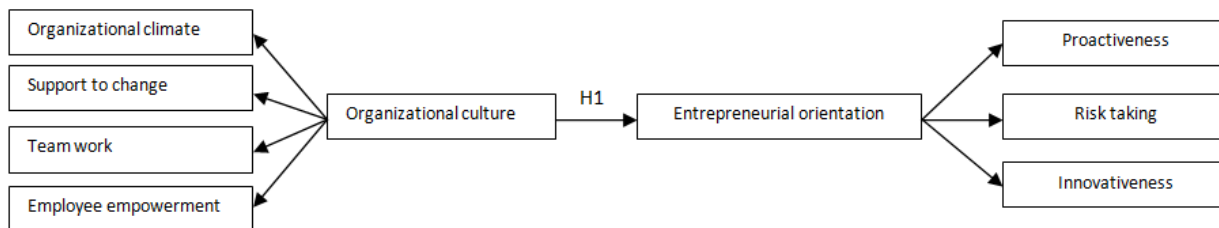


Figure 1: Conceptual framework

### 3.3 Hypothesis of the study

Following hypothesis was relevant to the study

**H1:** There is a relationship between organizational culture and entrepreneurial orientation

## 4. Analysis

CFA-SEM analysis technique was deployed to measure the relationship between the independent construct and dependent construct where both were composite variables of second order.

Firstly, the seven individual models were tested for their suitability. The independent variables of first order category namely organizational climate, flexibility to change, external orientation, team work and employee empowerment, proactiveness, risk taking, innovativeness were subjected for this analysis.

As the second step all seven variables were combined together to develop the structural model. In both the individual model and the structural model items were scrutinized and modification indices were used in reaching the model fit. During the analysis relevant values of CMIN/df, CFI and RMSEA were considered for model fit. Subsequently the final model was developed and tested for the research hypothesis.

## 5. Results

The individual models of dimensions organizational climate, flexibility to change, team work, employee empowerment, proactiveness, risk taking and innovativeness were developed and tested for their model fit. After treating the modification indices all dimensions reached the relevant values. The indices were selected in order to represent three important categories.

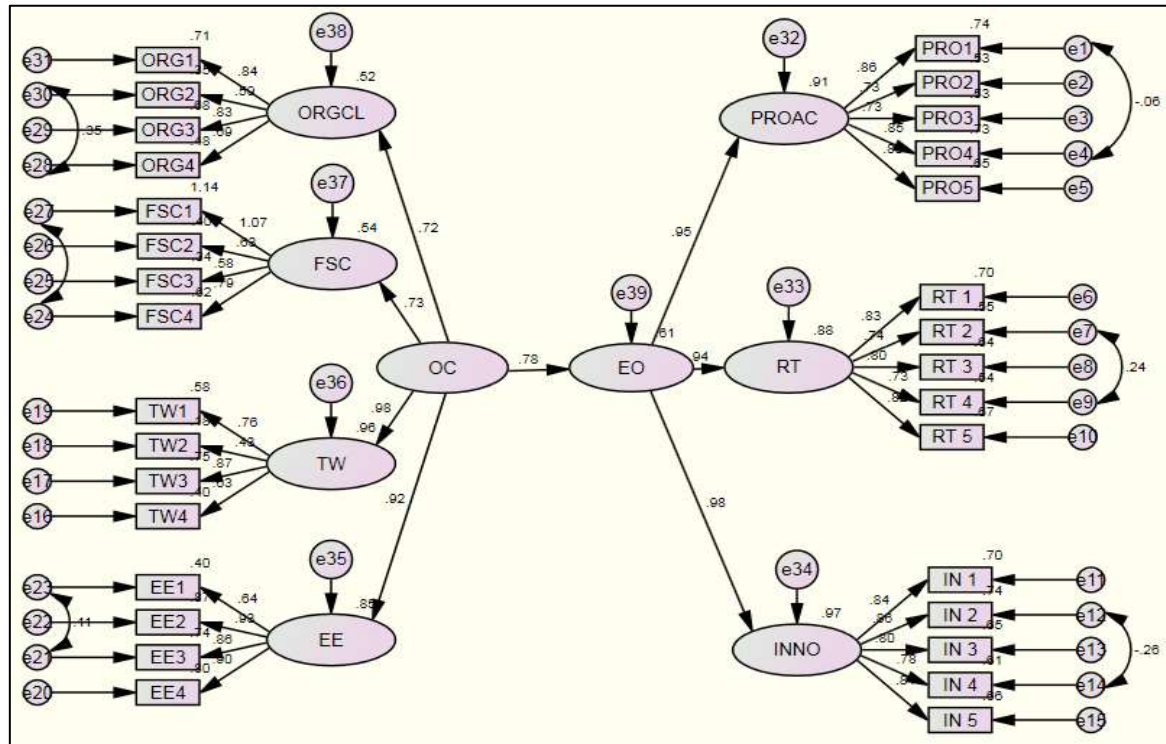


Figure 2:

Table 1: The Model fit indices of dependent and independent variables

Dimension	CMIN/DF	CFI	RMSREA	Comment
Threshold values	5	0.9	0.8	
Organizational climate	4.326	0.975	0.058	Required level is achieved
Flexibility to change	3.844	0.984	0.044	
Employee empowerment	3.184	0.922	0.042	
Team work	3.738	0.964	0.067	
Proactiveness	2.659	0.992	0.059	
Risk taking	2.865	0.944	0.062	
Innovativeness	2.947	0.956	0.068	

In the final Structural Equation Model (SEM) the four dimensions are showing a standard beta estimate value towards the organizational culture and three dimensions are showing a standard beta estimate value towards the entrepreneurial orientation. In the relationships p values are 0.000 which is less than the threshold values and are significant. The critical ratios also are above the 1.96 threshold value.

Table 2: Standard beta values of first order variables

Second order variable		First order variable	Standard Beta Estimate	Critical Ratio	P value
Organizational culture	<	Organizational climate	0.724	11.358	0.000
Organizational culture	<	Flexibility to change	0.732	11.263	0.000
Organizational culture	<	Team work	0.922		Reference point
Organizational culture	<	Employee empowerment	0.984	13.732	0.000
Entrepreneurial orientation	<	Proactiveness	0.955	12.588	0.000
Entrepreneurial orientation	<	Risk taking	0.942	12.163	0.000
Entrepreneurial orientation	<	Innovativeness	0.983		Reference point

In the final Structural Equation Model (SEM) the p value 0.000 is less than the threshold value of 0.05, the relationship is proved to be significant. The critical ratio value 12.257 is greater than the 1.96 threshold value and there is a standard beta estimate value of 0.78 between organizational culture and entrepreneurial orientation. Therefore, the hypothesis is accepted, that depicting there is a significant and sizable relationship between organizational culture and entrepreneurial orientation.

**Table 3:** Results of the hypothesis testing

Second order variable		First order variable	Standard Beta Estimate	Critical Ratio	P value
Entrepreneurial orientation	<	Organizational Culture	0.782	12.257	0.000

## 6. Findings

The SEM final model demonstrated that the path coefficient influence of organizational culture on entrepreneurial orientation in hospitality operations of Sri Lanka has a significant effect. The research revealed that higher the organizational culture high will be the entrepreneurial orientation. The outcome of the CFA SEM analysis depicts there is a significant and a sizable relationship between organizational culture and entrepreneurial orientation in Sri Lankan hospitality operations. By deploying organizational culture successfully star rated hotel operations in Sri Lanka could bring up greater results. By utilizing organizational culture in a more constructive way hospitality companies could affirm the sustainability of their businesses and growth in the sternly competitive tourism markets. Hospitality businesses could augment the organizational culture relying on its dimensions organizational climate, flexibility to change, external orientation, and team work and employee empowerment. Further they can enrich their entrepreneurial stance by adopting proactiveness and risk taking and being more innovative. These constructs are functioning in a mutually exclusive manner from each other, where the hospitality businesses could espouse different dimensions according to their managerial goals and availability of resources.

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