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STRATEGIC ORIENTATION OF HOTELS:
EVIDENCE FROM A CONTINGENT APPROACH

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Strategic orientation of hotels: 
evidence from a contingent approach

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Abstract

This paper aims to answer the following interrelated research questions: 1) Do different dimensions of strategic orientation (entrepreneurial, learning and market orientation) have a direct effect on hotel performance? 2) Is the relationship between strategic orientation and the hotel performance contingent on some hotel-specific characteristics, such as size and rating? We test our hypotheses on a sample of 120 small hotels operating in Rimini, a very famous tourist destination. Our results show that while entrepreneurial and market orientation are positive drivers of lodging firm performance, learning orientation is not important. Moreover, the relationship between strategic orientation and performance is shown to be contingent on internal firm-related moderators (size and quality). In particular, both the number of rooms and star classification reinforce the performance achievement of hotels able to introduce innovations and follow a customer-oriented approach.

Keywords: strategic orientation, contingent approach, service firms, hotel industry

JEL classification: L83, Z3

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1. Introduction

Strategic orientation (SO) – defined as the strategic direction implemented by a firm to create the proper behaviours for the continuous superior performance of the business (Narver and Slater, 1990) – is considered an important stimulus to improve performance and a necessary condition to reach and maintain competitive advantage for every firm both in manufacturing and service industry. Interestingly, although SO is the most common cultural attribute studied in the strategic management literature and the increasing contribution of the tourism industry to the economy of emergent and developed countries, there have been only limited attempts at assessing the impact of SO on hotel performance (Avci et al., 2011; Tajeddini, 2010).

The constant change and increasing competitive pressure on today’s hotel industry motivates an in-depth analysis concerning SO adoption and its impact on hotel performance (Orfila-Sintes & Mattsson, 2009; Stevens & Dimitriadis, 2005). One of the most critical points is related to the idea that SO might explain a hotel’s ability to reach higher levels of performance. Researchers typically use strategic configurations or orientations to examine the link between firm strategy and performance (Dess et al., 1993). Scholars have deeply debated the relationship between SO and performance (Covin et al., 2006; Jantunen et al., 2005; Kuivalainen et al., 2007; Lumpkin & Dess, 2001), arriving to mixed results. Thus, the SO literature needs to produce more knowledge on the conditions under which SO is related to performance and how different SO dimensions influence performance. This gap is particularly critical if we consider that the efficacy of SO on hotel performance could also be contingent on some hotel-specific characteristics, such as their quality, size, localization and so on.
Taking these considerations into account, this paper aims to answer the following interrelated research questions:

1) Do different dimensions of SO have a direct effect on a hotel performance?

2) Is the relationship between SO and the hotel performance contingent on some hotel-specific characteristics, such as size (number of rooms) and rating (number of stars)?

We test our hypotheses on a novel sample of 120 hotels operating in April 2014 in Rimini, a famous mature Italian tourism destination. In particular, inferential statistics based on probit regression models allows us to ascertain whether SO can be considered an important driver of lodging firm performance and also how its effect can change when different contingent factors are included in the model.

We believe that SO is potentially important to strategic tourism research, and this paper builds on previous works on the construct of SO. We suggest that theoretical development and empirical research directed at this construct are important for enhancing our understanding of the tourism sector. In particular, our empirical findings contribute to the debate concerning SO and performance in three areas.

- First, we consider SO as a composed concept based on three different independent dimensions: entrepreneurial orientation (EO), learning orientation (LO) and market orientation (MO) (Gao et al., 2007; Lumpkin & Dess, 1996; Odorici & Presutti, 2013; Zahra, 2005). This interpretation highlights that a hotel needs to possess different interrelated strategic dimensions to achieve superior performance.

- Second, we consider a unique performance measure. The contrasting findings on the relationships between SO and performance are due to different used performance measures
In particular, both growth and profitability have been considered as measures of performance, yielding mixed results. In our study, we consider hotels not suffering a drop in customers in the recent years of the economic crisis as a dimension of good performance. This choice is particularly important in the hotel industry in general and in our sample in particular because the majority of hotels are small firms (Christensen et al., 1998; Von Krogh & Cusumano, 2001).

- Third, we follow a contingent approach proposing that the relationship between SO and performance is contingent on some internal firm-related moderators. This approach allows us to identify how hotel-specific characteristics, such as size (number of rooms) and rating (number of stars), can alter the influence of SO on performance.

The paper is organized in the following way. The next section develops the theoretical framework and defines the research hypotheses. Then, we provide a description of the data and the methodology used for testing such hypotheses and offer details about the empirical results. The final section discusses the research and managerial implications of our main findings, highlighting both the limitations of our analysis and possible areas for future research.

2. Theoretical framework and hypotheses

Several studies in the strategic management literature assert how firm success is strongly related to the ability to adopt a clear strategy that best fits the rapidly changing external context. The strategic management literature uses resource allocation and environmental cues to determine the right strategic plan for a company to achieve its goals (Goll & Sambharya, 1995). SO, which can be defined in tourism studies as “the overall strategic direction of the company and the need to design new initiatives” (Okumus, 2001), is considered necessary to achieving market success and to
sustaining a competitive advantage, especially in a period characterized by diffuse innovation and increasing globalization. SO refers to the manner in which a firm adapts to its external industry/competitive environment (Miles et al., 1978; Mintzberg, 1973). It can be defined also as a cultural attribute that influences the ability of a firm to focus strategies and to build or sustain superior firm performance (Gatignon & Xuereb, 1997). By adopting a strong SO, companies are more likely to implement effective processes, increase performance and achieve their goals. There is burgeoning interest in SO (Harrison & Leitch, 2005) in the organizational and managerial literatures (Huber, 1991; Rebelo & Duarte Gomes, 2008), as well as in the strategic marketing literature (Day, 1994; Kandemir & Hult, 2005) because of its impact on firms’ performance.

The issue concerning SO also globally applies to the tourism industry, which is characterized by strong competition and a rapidly changing environment. The shared theoretical idea is that hotel firms that perceive their environment as hypercompetitive should focus on SO. A successful SO requires hotels to build commitment to learning to remain abreast of environmental changes (Calantine et al., 2002). At the same time, a hotel must develop service innovation to gain a competitive advantage and to survive and grow (Deshpande & Farley, 1999) in a volatile environment (Johnson et al., 1999). This pressure causes a firm to differentiate its market offerings and relationships and thus create unique customer value. In summary, demanding customers generate strong requirements for hoteliers to be innovative (Barbini & Presutti, 2014), to be able to renew business-accelerating learning activities and to develop and maintain strong relationships with them (Tajeddini, 2010). Although investigations of SO to improve hotel performance have been invoked by many scholars (Harrington & Kendall, 2007; Jogaratnam, 2002; Tajeddini, 2009), few empirical studies have been produced (Lee et al., 2015; Tajeddini, 2010), and they have yielded mixed results. These mixed results can be due to different conceptualization of SO, scarce
consideration of contingency effects and the different measures of performance. We want to contribute to studies on the relationship between SO and performance in the hotel industry by considering all of these critical aspects. The field of strategic management has produced a body of research that focuses on the identification and the understanding of firm level SO within and across industries (Dess & Davis, 1984; Miles et al., 1978; Moore, 2005; Porter, 1980) in an attempt to operationalize the concept of strategic posture. Earlier theoretical work suggested the usefulness of considering SO as a multidimensional construct (Lumpkin & Dess, 1996) based on three different dimensions: entrepreneurial orientation (EO), learning orientation (LO) and market orientation (MO) (Gao et al., 2007; Odorici & Presutti, 2013; Zahra, 2005).

EO has been traditionally considered combining “innovative, proactive, and risk-seeking behaviour that crosses national borders and is intended to create value in organizations” (McDougall & Oviatt, 2000, p. 903). This conceptualization is rooted in the work of Covin and Slevin (1989) and Miller (1983). Innovativeness reflects the entrepreneurial tendency to engage in and support new ideas, novelty, experimentation and creative processes that can lead to new products, services, or technological processes (Lumpkin & Dess, 1996). Proactive behaviours allow firms to anticipate the needs of customers who seek new business operations (Newbert, 2007). Finally, although business management is naturally associated with the assumption of risk, entrepreneurs vary in their perception of risk’s impact on performance (Lumpkin & Dess, 1996; Miller, 1983; Pattitoni et al., 2013). On a general level, EO refers to the ability of the firm to continually renew, innovate and constructively take risks (Miller, 1983; Naman & Slevin, 1993). Several studies regard EO as a critical organizational process contributing to firm performance (e.g., Barringer & Bluedorn, 1999; Dimitratosfitz & Plakoyiannaki, 2003; Hitt et al., 2001; McDougall & Oviatt, 2000; Miller, 1983), and it has often been shown to be the most important dimension of SO for firms to achieve long-
term success (Baum, 1995; Noble et al., 2002; Rauch & Frese, 2000; Utsch & Rauch, 2000). Based on this discussion, we articulate the first hypothesis of our research:

H1 The magnitude of a hotel’s EO is positively associated with its performance achievement.

In recent years, LO and MO have emerged as two other important dimensions of SO. LO is based on market, technological and social aspects that constitute significant internal organization values explaining hotel performance. In this sense, the learning process occurs “within the firm, by which knowledge of action-outcome relationships and the effect of the environment on these relationships is developed” (Duncan & Weiss, 1979, p. 84). The learning process is able to influence the type of information gathered, as well as how it is interpreted, evaluated and shared. Thus, it can encourage the development of dynamic capabilities (Eisenhardt & Martin, 2000), including specific learning processes such as innovation, product development and strategic decision-making. As it is theoretically sustained, the ability to learn by actively seeking knowledge about markets, customers and competitors might discriminate among different successful hotels. Consequently, LO based on market, technological and social aspects (Yeoh, 2004) constitutes a significant internal organization value that can explain performance differences among hotels (Calantone et al., 2002; Sinkula et al., 1997). The LO of small businesses, such as the hotels of our sample, depends on two main drivers: direct experience by leveraging learning-by-doing processes and indirect experience by exploiting external networks (Anderson & Boocock, 2002; Fletcher & Harris, 2012; Taylor & Thorpe, 2004). Based on this discussion, we test the following second hypothesis of research:

H2 The magnitude of a hotel’s LO is positively associated with its performance achievement.
MO is the “degree to which the business unit obtains and uses information from customers, develops a strategy which will meet customer needs, and implements that strategy by being responsive to customers' needs and wants” (Ruekert, 1992). According to many empirical findings, the role of MO seems to be central to the successful implementation of business strategies because the current competitive business environment calls for a continuous emphasis on delivering superior quality products and services to customers (Day & Wensley, 1988; Esteban et al., 2002). Interestingly, a large number of articles verify that being market-oriented significantly improves the results of service enterprises. According to the unique intangible characteristics of services, customer satisfaction is very critical for service businesses (Dowling, 1993). In summary, MO has a favourable impact on business performance (Deshpande et al., 1993; Dowling, 1993). Based on this discussion, we test the following hypothesis:

H3 The magnitude of a hotel’s MO is positively associated with its performance achievement.

The relationship between performance and SO is moderated by several variables, both internal, such as firm size and resource constraints (Jantunen et al., 2008; Zahra, 1991), and external, such as environment hostility (Zahra & Covin, 1995) and uncertainty in the domestic market (Dimitratos et al., 2004; Lee et al., 2015). Depending on the particular relationship, these factors are complementary, substitutive or neutral to the direct effects of SO on hotel performance. In this paper, we focus our attention on internal rather than on contextual variables because our sample of hotels operates in the same location and consequently we suppose that they share the same environmental conditions. Many international studies (i.e., Baum & Mezias, 1992; Brown & Dev, 1999; Pine & Phillips, 2005) have verified how both a hotel’s size and rating, usually treated as
independent or control variables, positively influence its performance, but we prefer to consider the hotel size (number of rooms) and the hotel rating (number of stars) as factors moderating the relationship between SO dimensions and hotel performance. A larger size for a hotel may increase financial performance because of the possibility to exploit economies of scales and experience (Pine & Phillips, 2005). In addition, size may positively affect operational dimension of performance, such as occupancy rate, because it increases commercial activities (Claver-Cortés et al., 2007). Hotels with a high number of rooms may have a higher propensity to introduce innovation activity, to accelerate learning activity and to follow a customer-oriented approach because they usually possess a large amount of economic and financial resources. However, larger hotels are often characterized by high levels of internal management and less effectiveness as the high costs required by this kind of structure. Moreover, the delivered service in these hotels could be more impersonal and more formal with negative impact on their performance (Anderson & Boocock, 2002). Hotel rating, which can be considered a proxy of the quality level of the supplied service, may increase hotel performance because of the possibility to attract better resources (Brown & Dev, 1999; Pine & Phillips, 2005), which are also useful for increasing learning activity, introducing innovation activity and following a customer-oriented approach (Claver-Cortés et al., 2007). In conclusion, the effects of hotel size and rating are not straightforward and should be considered as mediators of the other strategic levers at the disposal of hotel managers.

Following previous theoretical argumentation, we suppose that a larger size and higher rating for hotels reinforce the positive impact of SO on hotel performance. Based on these intuitions, we develop the two following research hypotheses to capture the contingent effects of the selected moderator variables:
H4a A larger hotel size reinforces the positive effects of the different dimensions of SO on the hotel’s performance achievement.

H4b A higher hotel rating reinforces the positive effects of the different dimensions of SO on the hotel’s performance achievement.

3. Methodology

3.1. Sample

To test the hypotheses, we conducted a survey in April 2014 on 120 managers running hotels in the municipality of Rimini. Rimini is a well-known mature Italian tourism destination located on the Adriatic Coast, hosting approximately 150,000 inhabitants with a traditional tourism vocation that has resulted in a wild proliferation of hotels. Rimini, located in the northern part of Italy, in the Emilia-Romagna region, has been a leading tourism destination in Europe since July 1843, when the inauguration of the first privileged bath called “bagno” represented the beginning of the Italian and international tourism industries. Approximately 170 years later, Rimini is still the most famous beach in Europe and one of the most popular destinations, targeted by Italian and foreign tourists (starting with Russian, German, Swiss and French tourists). During the years, Rimini has been able to capture visitors by supplying everything they need and fulfilling their wishes. Repeatedly, the culture of hospitality has been stressed as a core value of this tourism destination.

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1 Around 1,000 hotels are hosted in this area, but some managers run more than one hotel. When that was the case, the most representative hotel, from the hotel-manager’s perspective, was considered.
Because it is a mature local tourism destination, Rimini has a strongly competitive tourism sector in which accommodation prices are very low, sometimes even fixed below costs to attract customers and profit from aftermarket sales (Savioli & Zirulia, 2015). Such an established competitive market is an ideal setting for studying the strategic performance of service firms repeatedly engaged in enhancing efficiency and quality and in attracting new customers/tourists or retaining loyal customers/tourists. It is important to stress that, even though the external validity of our results may be an issue, having a sample limited in a specific geographic area has the advantage of greater homogeneity of observations, limiting unobserved variability that can produce biased estimations.

The investigation started in May 2013 with meetings and a joint definition of research questions. We took several steps to ensure data validity and reliability. First, the investigators jointly elaborated a first draft of the pilot questionnaire about entrepreneurs, management and the organizational models of business accommodations in Rimini. We then revised any potentially confusing items. This step was particularly important for selecting appropriate items to measure the different dimensions of strategic orientation according to the specific needs of the investigated sample. Then, in the fall of 2013, a focus group composed of professionals participated in the subsequent reformulation and testing of the pilot questionnaire. Finally, we called a random subset of 15 respondents to see if any problems with the instrument persisted, but no problems were revealed. In the spring of 2014, the final version of the questionnaire was presented at the general assembly of the Italian Hotel Association, Rimini section, and submitted to its 650 associates in

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2 The complete research project involved the Strategic Plan, the Chamber of Commerce and Fiera di Rimini and was launched by the Center for Advanced Studies on Tourism (CAST) at the University of Bologna and Uni.Rimini, in collaboration with the Italian Hotel Association, section of Rimini.
April 2014. The 139 responses, after listwise deletion of missing values, resulted in a full dataset composed of 120 observations. The final sample respects the natural proportions of hotels among star categories and geographical positions in the destination. Rimini hotels are small and often family run. As a result, the hotels in the sample have an average size of 39 rooms, with a maximum of 95 rooms, and an average category of less than 3 stars, with a maximum of 4 stars (only two hotels have 5 stars in the entire municipality of Rimini). Furthermore, we assume that non-respondents are like late respondents (interest hypothesis). Since results of tests of proportion/t-test indicate no significant differences between the early and late respondents, we concluded that, probably, non-response bias is not invalidating this study (results not reported for brevity).

3.2. Measures

Independent variables

*Entrepreneurial orientation* (EO)

Following the different steps to ensure data validity and reliability explained in the previous section, innovativeness was the most important dimension of EO for our sample, confirming many theoretical studies (Hult et al., 2003; Hurley & Hult, 1998; Martins & Terblanche, 2003; Noble et al., 2002). Innovativeness in the hotel industry includes many activities, such as developing new technologies, new services and improving information and communication technologies interaction (Tajeddini, 2010, p. 223). We measure the EO of the hotels by asking whether any innovative

\[ \text{innovative action} \]

\[ \text{innovative activity} \]

3 After the questionnaires were collected, for approximately a year, semi-structured interviews of hotel managers were conducted to understand the history of the hotel and to let them tell the story of their careers. Even though this last part of the project is not explicitly considered in the present work, it was very helpful in guiding the reading and the interpretation of our results.
change was implemented within the past two years (Johannessen et al., 2001). To capture this dimension in the paper, we use a dummy variable \((Innovativeness)\).

\[Learning\ orientation\ (LO)\]

According to the literature review and as confirmed by our steps preliminary to the final data collection, the learning process of the hotels in our sample, which are limited in terms of size, seems to be strongly network based (Anderson & Boocock, 2002). Thus, we decide to measure the LO of the hotels by asking whether any learning process to acquire new knowledge was realized through acting external networks within the past two years (Tajeddini, 2010). Specifically, we use a unitary index variable, with higher values corresponding to the magnitude of use of external networks to acquire new knowledge \((Learning\ propensity)\).

\[Market\ orientation\ (MO)\]

Many studies consider customer orientation as the core of market orientation because providing superior customer value is a main goal of companies. Following these studies, we investigate MO by considering the customer-based approach. This decision seems to also be confirmed by the steps followed before starting the data collection. In particular, we capture two different aspects of the customer-based approach followed by hotels. First, we measure the hotel’s flexibility to adapt to customers’ needs and preferences. The index \((Hotel\ customization)\) takes on higher values for higher values of employees’ discretion to customize the experience of the tourist, for instance varying prices, to adapt to the different needs of customers. In this case, hotels’ offerings are more and more customer based to increase customer value (Grisseman et al., 2013). The second aspect of the customer-based approach that we intend to capture is how much service differentiation is
pursued by the hotel. To measure this aspect, we surveyed hotels regarding a number of customer services assured to customers (*Service differentiation*).

**Moderator variables: Hotel size and rating**

As previously illustrated, we consider hotel size and rating two very important contingency factors that might profoundly influence the impact of different dimensions of SO on hotel performance achievement. We use *Number of rooms* as a direct measure of the hotel size and *Hotel rating* as a proxy of the quality of services supplied. The latter is measured by five categories, that is by the number of stars ranging from 1 to 5.

**Dependent variable**

The contrasting results reached by studies regarding the relationship between SO and performance are due, to a certain degree, to the different performance dimensions that were used (Matsuno et al., 2002; Slater & Narver, 1994). We decided to measure performance as clientele growth because it is more coherent with the small hotel size of our sample, and it is a condition for firm survival and long-run earnings. However, Italy slipped back into its third recession since 2008, during the spring 2014, when the data of this study were collected. We can therefore consider this period as a period of crisis. Because only 9% of our sample declared a growth in clientele, we considered that to achieve market success and sustain competitive advantage in a period of crisis, it is sufficient that respondents declared that customers have at least not dwindled (34% of our sample). Therefore, we operationalized hotel performance by means of a dummy variable taking value 1 if the hotel manager stated that her/his hotel had not suffered a drop in customers in the preceding years (*Performance achievement*).
Table 1 contains descriptive statistics of all the variables. The variables are numerical, except the variables of type “D”, which are dummy variables.

Table 1 – Descriptive statistics

<table>
<thead>
<tr>
<th>Independent variables</th>
<th>N</th>
<th>Dummy</th>
<th>Mean</th>
<th>SD</th>
<th>Min</th>
<th>Max</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Entrepreneurial orientation</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Innovativeness</td>
<td>120</td>
<td>D</td>
<td>0.65</td>
<td>0.48</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td><strong>Learning orientation</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Learning propensity</td>
<td>120</td>
<td></td>
<td>0.19</td>
<td>0.28</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td><strong>Market orientation</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hotel customization</td>
<td>120</td>
<td></td>
<td>0.65</td>
<td>0.43</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Service differentiation</td>
<td>120</td>
<td></td>
<td>0.51</td>
<td>0.24</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td><strong>Hotel size</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of rooms</td>
<td>120</td>
<td></td>
<td>38.73</td>
<td>16.57</td>
<td>7</td>
<td>95</td>
</tr>
<tr>
<td><strong>Hotel rating</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of stars</td>
<td>120</td>
<td></td>
<td>2.77</td>
<td>0.72</td>
<td>1</td>
<td>4</td>
</tr>
<tr>
<td><strong>Dependent variable</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Performance achievement</td>
<td>120</td>
<td>D</td>
<td>0.35</td>
<td>0.48</td>
<td>0</td>
<td>1</td>
</tr>
</tbody>
</table>

4. Empirical results

To present the results of the empirical analysis, we start with univariate statistics, then proceed with multivariate statistics and finish with regression analysis and two figures showing the effects of interactions (moderating effects) on predicted performance.

The distribution of the hotel according to their size, measured by the number of rooms, is shown in Figure 1. Although a right tail indicates the presence of some hotels with a high number of rooms (50-100 rooms), the majority of the distribution has 20-50 rooms, confirming the widespread presence of small hotels in the highly competitive tourism city of Rimini.
Figure 1 – Hotel distribution by Hotel size

Table 2 reports the distribution of hotels in terms of rating measured by the number of stars. A large majority of hotels in the destination are medium quality (three stars).

<table>
<thead>
<tr>
<th>Hotel rating</th>
<th>Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 star</td>
<td>7 **</td>
</tr>
<tr>
<td>2 stars</td>
<td>26 *********</td>
</tr>
<tr>
<td>3 stars</td>
<td>74 ***************</td>
</tr>
<tr>
<td>4 stars</td>
<td>13 ****</td>
</tr>
<tr>
<td>Total</td>
<td>120</td>
</tr>
</tbody>
</table>

The services offered by hotels are different. Hotels with more stars usually offer more and higher quality services. Table 3 shows that higher rated hotels tend to be larger in size, innovate more by using the newest technologies (as, for instance, web marketing), have more customization (for instance, having a reception clerk with discretion over prices) and offer a larger number of important customer services. On the contrary, lower quality hotels learn more intensively through collaboration.
Table 3 – Average independent and control variables by Hotel rating

<table>
<thead>
<tr>
<th>Hotel rating</th>
<th>Hotel size</th>
<th>Innovativeness (EO)</th>
<th>Learning propensity (LO)</th>
<th>Hotel customization (MO)</th>
<th>Service differentiation (MO)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 star</td>
<td>24.00</td>
<td>0.43</td>
<td>0.26</td>
<td>0.43</td>
<td>0.18</td>
</tr>
<tr>
<td>2 stars</td>
<td>30.31</td>
<td>0.54</td>
<td>0.13</td>
<td>0.52</td>
<td>0.30</td>
</tr>
<tr>
<td>3 stars</td>
<td>40.38</td>
<td>0.70</td>
<td>0.22</td>
<td>0.68</td>
<td>0.58</td>
</tr>
<tr>
<td>4 stars</td>
<td>54.15</td>
<td>0.69</td>
<td>0.11</td>
<td>0.85</td>
<td>0.69</td>
</tr>
</tbody>
</table>

Table 4 presents the characteristics of hotels that achieve the defined performance (they have not reduced their clientele in years of economic crisis). Smaller hotels, having lower fixed costs to abate and being more flexible, seem to perform better. Being more aggressive in introducing innovations appears to positively affect hotel performance achievement. Hotel customization is another aspect that seems to positively affect hotel performance. Lastly, hotels with different ratings, learning propensities and number of customer services offered to the market do not seem to perform differently.

Table 4 – Average independent and control variables by Hotels performance achievement

<table>
<thead>
<tr>
<th>Hotel performance achievement</th>
<th>Hotel size</th>
<th>Hotel rating</th>
<th>Innovativeness (EO)</th>
<th>Learning propensity (LO)</th>
<th>Hotel customization (MO)</th>
<th>Service differentiation (MO)</th>
</tr>
</thead>
<tbody>
<tr>
<td>No</td>
<td>40.04</td>
<td>2.77</td>
<td>0.58</td>
<td>0.19</td>
<td>0.60</td>
<td>0.51</td>
</tr>
<tr>
<td>Yes</td>
<td>36.31</td>
<td>2.79</td>
<td>0.79</td>
<td>0.19</td>
<td>0.74</td>
<td>0.51</td>
</tr>
</tbody>
</table>

Notwithstanding that these results are very interesting and could provide some guidance for characterizing successful strategic choices, spurious relationships may arise. Caution should be exercised whenever univariate and bivariate analyses are interpreted. Regression models, on the contrary, can control for the effects of many variables at the same time, obtaining a “ceteris paribus” analysis. To test the hypotheses, before estimating the model, we apply natural logarithm
to the variable *Hotel size* to overcome the possible problem of heteroskedasticity. Furthermore, to achieve a better fit of the estimated model, the variable *Service differentiation* is translated in a battery of dummy variables, D *Service differentiation*, one dummy variable for each considered customer-based service.

Table 5 reports the results of the probit estimations for the binary dependent variable performance achievement. Rather than reporting the coefficient, we report the marginal effect, which is the change in the probability to achieve performance at the mean of the independent variables for an infinitesimal change in each independent, continuous variable and the discrete change in the probability for the dummy variable Innovativeness. Below the marginal effects, there are robust standard errors that correct for residual heteroskedasticity (Huber/White/sandwich variance-covariance estimator). At the end of Table 5, we reported diagnostic tests. The high significance of the regression tests points to the fact that these models explain the dependent variable, the probability of achieving the defined performance, fairly well.

<table>
<thead>
<tr>
<th>Hotel performance achievement</th>
<th>Marginal effect (Robust st. errors)</th>
<th>Marginal effect (Robust st. errors)</th>
<th>Marginal effect (Robust st. errors)</th>
</tr>
</thead>
<tbody>
<tr>
<td><em>Innovativeness</em></td>
<td>0.373***</td>
<td></td>
<td></td>
</tr>
<tr>
<td>&quot;</td>
<td>(0.082)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><em>Innovativeness</em></td>
<td></td>
<td>0.114***</td>
<td></td>
</tr>
<tr>
<td>* Log Number of rooms*</td>
<td></td>
<td>(0.033)</td>
<td></td>
</tr>
<tr>
<td><em>Innovativeness</em></td>
<td></td>
<td>0.118***</td>
<td></td>
</tr>
<tr>
<td>* Number of stars*</td>
<td></td>
<td>(0.042)</td>
<td></td>
</tr>
<tr>
<td>Learning propensity</td>
<td>-0.099</td>
<td>-0.093</td>
<td>-0.033</td>
</tr>
</tbody>
</table>

We tested several specifications here that are omitted for space reasons. Only parsimonious specifications are presented in the article. The results presented in Table 5 are robust to many specifications (significant variables mostly continue to be significant and with the same sign through different and more complete specifications). The results of these various model specifications are available from the authors upon request.

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4 We tested several specifications here that are omitted for space reasons. Only parsimonious specifications are presented in the article. The results presented in Table 5 are robust to many specifications (significant variables mostly continue to be significant and with the same sign through different and more complete specifications). The results of these various model specifications are available from the authors upon request.
As the regressions make clear, H1 and H3 are confirmed. EO (measured by Innovativeness) and MO (measured by Hotel customization and Service differentiation) significantly and positively affect a hotel’s market success. On the contrary, H2 is not validated by our model estimations. LO (measured by Learning propensity) does not significantly affect market success.

A further result of our analysis is that hotel size negatively affects performance achievement, whereas hotel rating does not seem to predict significant differences among performance achievement. However, by looking at the last two of the three (columns) presented models, we can also see that the positive effect of both EO and MO is amplified (positively moderated) by the variables representing hotel size and rating (H4a and H4b are therefore supported by our data). On the contrary, LO does not significantly interact with our moderator variables; therefore, the moderating terms were dropped from the model.

Regarding the magnitude of the results, we can see in the first model that hotels implementing any
innovative change within past two years have a 37.3% higher probability of achieving the defined performance. A 10% increase in the unitary index Hotel customization translates into a 2.55% increase in the probability to achieve performance. Finally, because Number of rooms is expressed as natural logarithm, the marginal effect of this variable is the semielasticity: a 10% increase in hotel size induces a 3.67% decrease in the probability of achieving performance.

Figure 2 and Figure 3 relate, respectively, to the second and third model of Table 5 and present the predicted relation of hotel size and hotel rating with performance achievement. These variables are interacted in the estimated (non-linear) models, and their predicted effect on hotel performance achievement changes with different values of the considered measures of EO and MO. The results indicate that the negative relation of hotel size with performance seems to ease up once a hotel increasingly adapts to customers’ needs and, even more, when the hotel manager has introduced new innovativeness strategies. Concerning the positive, but not significant, relation of hotel rating with performance achievement in the first model of Table 5, Figure 3 shows that, whenever a hotel manager introduced innovativeness strategies, higher levels of quality predicted hotel performance achievement. Hotel customization also has a positive effect but less significant.
Figure 2 – Contingency factor: Hotel size

Figure 3 – Contingency factor: Hotel rating
5. Discussion and conclusions

Recent progress in the understanding of SO, and its effect on business performance, confirms a positive relationship that researchers have suspected for some time. However, some aspects of this relationship remain puzzling, especially in the case of the hotel industry. In this paper, we address this issue. The results we found confirm, first of all, that the current competitive business environment in which hotels have to act calls for a continuous emphasis on both customers’ needs and innovativeness strategies which concern both the market and entrepreneurial dimensions of SO.

In particular, hotels have to be able to strengthen their MO when interacting with customers by offering a wide range of personalized services and by adapting to the external needs of customers. Moreover, they must be innovative in following a proactive EO. By using the balanced establishment of capabilities for developing new services and improving current service processes, a hotel that understands and commits to customer needs can maximize its results.

Contrary to what was hypothesized, our data uncover an insignificant influence of LO on hotel performance achievement (Anderson & Boocock, 2002). The insignificant importance of using external learning networks to acquire knowledge can be justified firstly by the scarce traditional attitude of collaboration among hotels (Lemmetyinen & Go, 2009; Novelli et al., 2006; Ramayah et al., 2011; Shi & Liao, 2013), particularly in Italy. Moreover, the external network of a hotel is mainly constituted by other small local hotels forming a network limited both in participation because it is circumscribed to industrial competitors, and in scope because it is focused on local firms (Macpherson & Holt, 2007). Thus, knowledge may become redundant, justifying the possibility that, despite intense exchange and relevance, the network stops contributing to the

Regarding the analysis of the contingent variables’ effects, this study has many interesting implications. First, hotel size has a significant negative influence on hotel performance achievement. This result is very strange because it points to the fact that small hotels perform better in the context of Rimini. Differently from mainstream theory suggesting the importance of growth in size (Falk & Hagsten, 2015), our results stress the importance of being innovative and following a market approach instead of an internal growth approach (Presutti et al., 2015). Only the hotels able to introduce many innovations and follow a customer-approach are able to contrast the negative impact of size on hotel performance achievement. Otherwise, large hotels face competitive disadvantage in terms of performance. In summary, to sustain large hotels, managers are compelled to forcibly pursue MO and/or EO. The empirical results suggest that by creating innovative ideas and understanding customers’ needs, hotels are able to maximize their economic benefits and overcome limited resources caused by their limited size.

Regarding the second contingent variable, which is hotel rating, our results confirm that this variable alone is unable to influence hotel performance achievement. As previously found for the size of hotels, hotel rating significantly reinforces performance when it is sustained by a strong interest to invest in EO and/or MO strategies. Thus, proper management of both EO and MO can indeed render hotel quality a useful variable for strengthening performance.

5.1. Implications, limitations and future directions of research

In turn, this research discloses several fundamental topics that deserve further attention from international entrepreneurship scholars interested in tourism and the hotel industry in particular.
First, our results show the importance of a multidimensional approach to SO when studying hotel performance, providing hotel managers with more understandable guidelines on specific entrepreneurial, learning and market activities. We verify that, to improve performance, managers and owners in the hotel industry should encourage EO and MO. This aspect is particularly important when hotels perceive innovativeness in terms of openness to new solutions as an integral part of their corporate strategy. Evidence from this study also suggests the importance of creating an internal business environment conducive to innovative activities, focusing on the needs of the customer. Finally, this study confirms the importance for a hotel to be flexible in satisfying the external needs of its customers by adopting a differentiation strategy. In summary, it is reasonable to conclude that EO and MO represent a promising area for building a cumulative body of relevant knowledge about entrepreneurship in the hotel industry, suggesting some recommendations for how future SO research should be conducted.

The second important contribution of our research is related to the significant influence of contingent factors on the relation between SO and hotel performance. Along this direction, we provide many interesting and critical points to be analysed in future research. First, we can suggest that “small is beautiful” because hotels that are limited in size score better in performance achievement. This result is very relevant and conducive to a positive view of the Italian context, where small hotels represent the most diffused example of entrepreneurship in the hotel industry. Variables other than the mere quantitative aspects of growth can be considered important for increasing the final performance. Second, to ensure continued success by investing in increased capacity and quality of services, increasing EO and MO at the same time is paramount. Hotel managers should address customer fidelity by heavily investing in customer-oriented service innovations. They should formulate an intense, long-term strategy with high levels of both EO and
MO to achieve performance in larger and higher quality hotels. This result suggests the need to combine EO and MO with a qualification strategy aimed at obtaining higher levels of stars to increase performance.

We cannot complete the panorama on managerial implications without considering LO. The hypothesis concerning the positive influence of external networks to acquire knowledge on performance was not validated by our data. Two different implications follow. Firstly, because the Rimini area is a mature touristic context knowledge is redundant and relevant learning cannot be obtained by simply relying on external networks. Secondly, the scarce traditional attitude of collaboration among Italian hotels has to be overcome to capsize this negative result. To envisage an effective industrial policy, we have to better understand the reasons for the lack of influence of external networks on hotel performance. Simple incentives designed to establish collaboration among the hotels of a highly competitive area do not actually improve the acquisition of new knowledge and performance. This result merits deeper analysis for also considering the internal learning mechanism useful for acquiring knowledge.

Our findings suggest that our partition of EO, LO and MO should be further discussed, and other measures of SO could be tested to check if our results are robust to alternative specifications. In particular, developing different and improved measures of LO is mandatory if future SO research in the hotel industry sector is to be pursued. Future research on LO should capture the interaction between internal and external learning sources for acquiring knowledge. Other measures of performance should also be examined. Our research could also be refined with a more rigorous sampling frame. In particular, the relationship between SO and performance should be investigated under different conditions. In results not reported in this article, we were not successful in finding
meaningful relationships between performance and the age of the hotel and the geographical localization (Presutti et al., 2013). However, we deem it important to also investigate different hotel localizations and/or stages of the hotel life cycle, with a particular interest in the difference between hotel start-ups and established hotels.
**References**


