The influence of organisational structure on entrepreneurial orientation and expansion performance

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Keywords

Entrepreneurialism, Organizational structures, Decision making, Business development, Hotels

Abstract

This paper fills a gap in the research undertaken into the influence of organisational structure on entrepreneurial orientation and expansion performance. The expansion decision-making process of an international hotel group was investigated. In-depth interviews, observations and document analysis were used as the data collection techniques. Findings suggest that the concern about protecting and developing internationally recognised brands profitably caused the organisation to be remarkably centralised. A centralised decision-making structure, however, not only slowed down the decision-making process and limited international expansion, but also resulted in frustration and de-motivation among the market-based organisational members who were responsible for international expansion. The paper therefore concludes that organisations whose growth performance is highly dependent on having market-based organisational members in diverse host country environments need to structure differently and bring about a new way of thinking to the management.

Introduction

The entrepreneurial orientation of an organisation is described as a dimension of strategic posture represented by a firm’s risk taking propensity, tendency to act in a competitively aggressive, proactive manner and reliance on frequent product innovation (Bamber et al., 2002). Organisations are said to have entrepreneurial orientation when a group of innovator organisational members are working together, producing fresh ideas and they are provided with a prevailing atmosphere conducive to acting on those ideas (Miles and Arnold, 1991). An entrepreneurial organisation concentrates on encouraging creative behaviour among the employees and thus benefits by initiating development of new products, processes or systems to maintain and increase the presence in the market place. Creating an entrepreneurial orientation, however, has turned out to be a more multifaceted task for organisations than ever before. Simons (2000) advocates that as organisations become larger and more complex, they are challenged to find a way to nurture and empower innovative, opportunity seeking, entrepreneurial employees, whilst encouraging accountability. They therefore need to bring about a new way of thinking to the management of organisation.

Implementing an appropriate organisational structure has been highlighted as a prerequisite for accomplishing any of the various tasks of entrepreneurship, including recognising new opportunities and turning business ideas into realities (Covin and Slevin, 1990; Hostager et al., 1998). Covin and Slevin (1990) define organisational structure as the arrangement of workflow, communication, and authority relationships within an organisation and argue that all these can have a major impact on an organisation’s entrepreneurial activity. These two authors indicate that in order to be capable of adequately responding to the changes in the dynamic environment, entrepreneurial firms often adopt particular structural attributes that permit flexibility to react to changes quickly. Positive associations have been identified between decentralised structure and entrepreneurial orientation and these associations have been explained in terms of increased autonomy and control over resources, which enables organisational members to initiate and test more innovative ventures (Miles and Arnold, 1991; Russell, 1999). These authors claim that a decentralised and informal structure would assist in empowering lower level managers, initiating increased participation from team members and thus promising innovation.
A number of structural attributes that influence the entrepreneurial orientation of organisations have been identified (see Carrier, 1996; Sykes and Block, 1989; Zahra, 1993). However, empirical evidence to support particular positive and negative influences is limited. Previous research appears to have failed to explain more precisely in practice the circumstances under which entrepreneurial behaviour in organisations will benefit and will be supported by the organisation. This paper therefore aims to depict and evaluate the influence of organisational structure elements on entrepreneurial orientation and ultimately on the international expansion performance of an organisation. More specifically, this paper aims to evaluate the way development directors (DDs) are managed in the international expansion decision-making process and discusses the implications of this management structure to the entrepreneurial behaviour of the organisation. DDs are host country-based organisational members who are either local nationals or people who have lived long enough in the related country/region to know the local culture and the business context in different hotel markets. Their organisational entrepreneurial role in developing and implementing the international expansion strategy is key for the growth of international hotel groups within a designated geographic area (Altinay and Roper, 2001).

**Literature review**

Reviewing the various antecedents and consequences of entrepreneurship, Covin and Slevin (1990) highlight organisational structure as a critical antecedent to entrepreneurship. These authors indicate that in order to be capable of adequately responding to changes in dynamic environments, organisations often decentralise decision-making authority, have minimal hierarchical levels or structural layers and adopt free-flow communication channels. These attributes permit flexibility and rapid decision-making and thus make a positive impact on an organisation’s opportunity seeking performance. Russell (1999) also claims that reacting to changes in the environment requires moving the decision-making authority away from centralised structure towards a decentralised authority. In an organisation where the management structure is centralised, decision-making power is concentrated at the top levels of the organisation and the virtues of centralization are discipline, standardisation, single mindedness and effective control (Mintzberg, 1979; Hall, 1991). Formal checks, controls and rigid structures, however, tend to inhibit entrepreneurial behaviour in organisations thereby limiting individual performance (Sinettar, 1985; Morris and Trotter, 1990; Morris et al., 1993). Such a management approach tend to prevent imaginative solutions to problems since centralised decision-making often translates into processes that run counter to the requirements of a creative environment (Ghoshal and Bartlett, 1998; Rule and Irwin, 1988).

Sykes and Block (1989) who identified common management practices which are entrepreneurial dysfunctional advocate that enforcing standard procedures to avoid mistakes blocks innovative solutions; avoiding moves which risk base business leads to missed opportunities and judging new steps from prior experience leads wrong decisions about competition and markets. Zahra (1993) holds a similar view and advocates that there should be abundant communication between the higher management and their subordinates and that excessive control would hinder the process of developing entrepreneurial spirit. Carrier (1996) expresses agreement with these views and argues that a decentralised organisational structure would facilitate horizontal and vertical flow of abundant communication thereby increasing the interaction between the higher ranks of management and their employees. Such a management structure would promote the entrepreneurial process, as employees would be able to vouch for their ideas without being hindered by unnecessary hierarchical levels. In addition, this structure would consequently mean a more informal relation between the top management and employees and enable a faster recognition of feasible ideas.

Caruana et al. (2002) who examined the effects of certain environmental variables and centralization on entrepreneurship and ultimately on performance in public sector entities found that public sector entities which seek to deliver better performance must consider their organisational structures and be willing to move away from centralised systems that involve higher levels of formality to organisational systems that facilitate higher levels of discretion. Simons (2000), on the other hand, cautions against the attempts to decentralise the decision-making structures in the organisations. This author argues that decentralizing decision making can often lead to a loss of control of employees at the lower levels of organisational hierarchy, resulting in dysfunctional behaviour and thus inefficient use of organisational resources. Simons (2000) proposes a framework entitled “levers of control” and attempts to solve the dilemma of having a certain degree of formality in the organisation whilst leaving room for
empathisation to nurture innovative, opportunity seeking, entrepreneurial employees (see Table I). According to this author, the control systems play an important role in the management of every decision-making process and those control systems used must balance empowerment and control in such a way that empowerment does not lead to control failure by, for example inhibiting innovative, opportunity seeking spirit, and correspondingly, control does not lead to an empowerment failure such as dysfunctional behaviour from the subordinates. This framework holds the assumption that successful implementation of these control systems owes itself to the leadership's ability to create an innovative and supportive culture that motivates organisational members to belong and contribute to purposeful organisations. The existing culture should create direction and momentum and it should also provide guidance and inspiration for individual opportunity seeking organisational members.

Looking at the role of leadership in creating an entrepreneurial environment in organisations, Hisrich and Peters (2002) argue that the entrepreneurial activity must be wholeheartedly supported and embraced by top management, both by their physical presence and by making sure that the personnel and the financial resources are easily available. These authors also propose that senior management must make a personal commitment to support innovation. More than any other group, senior managers must understand and communicate that new solutions are required, and that organisations are operating in a new environment where change is the key to success. Leadership should therefore undertake the role of creating a “positive culture” where new ideas are encouraged and supported. Covin and Slevin (1990) express agreement with these views and add that besides having a positive culture, entrepreneurs need to be appropriately rewarded by the leadership for all the energy, effort, and risk taking expended in the creation of the new venture. These rewards should be based on the attainment of established performance goals.

Overall, an evaluation of the extant literature has indicated that centralised decision-making structure inhibits entrepreneurial spirit in the organisations. Limited empirical research however seems to exist into the circumstances under which organisations centralise or decentralise their decision making. More specifically, it is still not known why organisations centralise/decentralise their international expansion decision-making processes. In addition, there seems to exist some literature about the implications of centralised/decentralised decision-making structure for the entrepreneurial orientation of the organisations. There is, however, no mention of the influence of centralised/decentralised decision-making structure on the international expansion of an

<table>
<thead>
<tr>
<th>Table I Four levers of control</th>
<th>Specifications</th>
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<tr>
<td>Diagnostic systems</td>
<td>Focus attention on goal achievement for the business and for each individual within the business. Give the opportunity to the managers to measure outcomes and compare results with preset profit plans and performance goals.</td>
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<tr>
<td>Interactive systems</td>
<td>Give managers tools to impose consistency and guide creative search processes. Managers use one system interactively, such as profit planning systems that report planned and actual revenues and expenses and the intelligence systems that report information about social, political, and technical business issues. Tactical day-to-day actions and creative experiments can be connected into a cohesive pattern that responds to strategic uncertainties.</td>
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<td>Belief systems</td>
<td>A belief system is the explicit set of organisational definitions formally communicated by senior managers through mission statements and credos that give basic values, purpose and direction. It tells how the organisation creates value, the desired level of performance and how to manage internal and external relationships. Management’s vision, expressed in the mission statements and credos, motivates organisational participants to search for and create opportunities to accomplish the overall mission of the organisation. These systems motivate the organisational members to belong and contribute to purposeful organisations, create direction and momentum. Also provide guidance and inspiration for individual opportunity seeking.</td>
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<td>Boundary systems</td>
<td>These systems ensure that organisational members’ activities fall within the acceptable domain of activity. For example, these systems ensure that business activities occur in defined product markets at acceptable level of risk. Without boundary systems, creative opportunity seeking behaviour and experimentation can dispel the resources of the organisation.</td>
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Source: Adapted from Simons (2000)
organisation. This paper discusses the influence of an organisation’s management structure on its entrepreneurial orientation and on international expansion and as such contributes to filling some of these gaps in previous studies.

Research design

A case study approach was chosen for this study as it allows the researcher to develop theoretical insights when theories need to be developed or the existing theories are inadequate and incomplete (Otley and Berry, 1994; Yin, 1994). It was thought that this approach would provide the opportunity to generate new theoretical insights into the international expansion decision-making process of a hotel organisation. Moreover, this approach would provide the opportunity to explore the decision-making dynamics within an organisation, as case study research is a strategy which focuses on detailed understanding of the dynamics present within single settings (Eisenhardt, 1989).

In order to collect primary data, over 45 in-depth interviews (Dutton and Duncan, 1987) were conducted with relevant organisational members both at host country and corporate levels. The research sample was comprised of seven DDs (responsible for a number of countries or regions such as Germany, France, Benelux, Turkey, the UK, Spain, Italy, Central Europe and Middle East and Africa), business support managers, legal counsels, franchise managers, operations managers, technical services managers and other senior people who are involved in the international expansion process.

It was, however, essential to check if these data accurately reflected the real time experience of participants involved in the process. Therefore, observation and participant observation were particularly important methods used to support the interview data (Schein, 1996). A total of 12 meetings were attended at host country and corporate levels in a number of countries (for example, the UK, Belgium, Germany and France). Shadowing a number of key informants (Yin, 1994) was a particularly appropriate strategy to get close to the phenomenal world of the key actors. Document analysis was also used as a complementary data collection method. Data analysis techniques used included “coding analysis” which allowed for constant examination of conceptual interactions and relationships, and the conditions under which they occur (Strauss and Corbin, 1990). A coding scheme was also derived from the literature, which reflected the research framework highlighting key elements that emerged. This coding scheme was used as a “set of lenses” through which to view the collected data.

General context

The case study firm

The hotel group acting as a participant in this research was owned by a conglomerate, which is a publicly listed company on the London Stock Exchange. The original founder of the hotel division was the inventor of the hotel franchise concept and as a result the company brought mass accommodation to America. The hotel company has global representation now, its portfolio of over 2,000 hotels are located in more than 98 countries worldwide. It is structured into three geographical divisions: the Americas, Asia Pacific and EMEA (Europe, Middle East and Africa). Since access was facilitated into the latter division, this research focuses on the situation in the Europe, Middle East and Africa region. This region appears to offer enormous opportunities for franchising with around only 24 per cent of the industry operating branded hotels compared to 60 per cent in the USA (see Table II). Having recognised this, the organisation recently set itself the target of becoming established as a major force in Europe without incurring significant mid-market investment and using franchise and management contract arrangements. It is, however, worthwhile to note that markets in this region tended to lack a “franchising culture” which has hindered the growth of some hotel groups. Particularly in Europe, convincing family-run companies of the logic of a franchise or management deal is likely to prove far from easy (Finnie et al., 1999). This research project investigated the franchising activities of the Holiday Inn Brand of the organisation. The Holiday Inn brand is the quintessential mid-scale (with food and beverage) brand with broad representation across the USA and, albeit on a smaller scale, internationally. The original founder of this brand was the inventor of the hotel franchise concept and as a result the company brought mass accommodation to America (Clark, 1993).

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<tr>
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<th>Branded (%)</th>
<th>Unbranded (%)</th>
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<tr>
<td>Americas</td>
<td>60</td>
<td>40</td>
</tr>
<tr>
<td>Europe/Middle East/Africa</td>
<td>24</td>
<td>76</td>
</tr>
<tr>
<td>Asia-Pacific</td>
<td>15</td>
<td>85</td>
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Source: Knabe et al. (2000, p. 8)
**International expansion decision-making process**

In this organisation, the expansion process at first sight seemed rational: decision makers followed a specific path and made the final decision based on the company's strategy, procedures and standards (see Table III). That was, stages and guidelines provided a framework for the decision-making process. This ordered process, however, was only one facet of organisational activity. Although there appeared to be an ordered process in this organisation, decisions were not simply the result of a logical step-by-step sequence of events. The process was more dynamic than this. Company strategy, procedures/standards and different people with conflicting perceptions and interpretations contributed to the expansion decision-making process and gave shape to the final decision. Human dynamics took place not only inside the organisation but also outside in the market (see Figure 1).

The interactions, both among the organisational members and between the organisational members and potential partners were particularly important in terms of developing a meeting of minds and making the expansion happen. Potential partners were the individuals or organisations who were known as “clients” in the company, they included:

- real estate development companies;
- individual and institutional financial investors;
- bankers;
- intermediary consultants;
- hotel owners; and
- hotel management companies.

They proposed projects to DDs either as a piece of land with architecture plans, half-built projects or as a building that could be converted into a specific brand of the company. Issues regarding expansion proposals were discussed, interpreted and processed at different levels, company divisional and host country levels by different parties.

DDs, based in these host country environments, were considered to be the “owners” of the process within the company. They tended to be either local nationals or people who have lived long enough in the related country or region to know the local culture and the business context. The latter could vary in their territorial responsibility from one country to several countries. The primary responsibilities of the DDs included:

- Establishing and expanding a network of productive contacts, closely involved with real estate development companies, individual and institutional investors, hotel owners, hotel management companies, municipalities and governmental development bodies.
- Identifying decision makers who were potential franchisees and owners of hotels interested in management contracts and

<table>
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<th>Table III Decision-making criteria</th>
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<tr>
<td><strong>Strategic rationale</strong></td>
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<td><strong>The market</strong></td>
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<td><strong>Deal structure</strong></td>
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<td><strong>Financial analysis</strong></td>
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<tr>
<td><strong>Details on the business partners</strong></td>
</tr>
<tr>
<td><strong>Property overview/key milestone sheet</strong></td>
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Source: Adapted from company documents
selling the company’s brand concept and operational abilities.

Although DDs seemed to have an obvious role in assessing international expansion projects confined to their geographical region, people from the development group and from other departments were often required to assess the relative merits of projects for the long-term success of the whole company. The commitment of the entire development group to each project was a significant factor in order for projects to be approved in the company. Therefore, DDs co-operated with the senior DD and vice president development and investment in order to gain guidance in setting the deals up and seeking approval for them at higher levels in the company. People from the marketing, sales and services discipline ensured that the proposed project contributed to what a specific brand wanted to achieve in the long run in a particular market. Operations managers got involved in the process early enough to make sure that the projections of the expansion project seemed sufficiently profitable. Business support managers ensured that the proposed project was financially viable, that the risk associated with the project was reasonable and that it contributed to the shareholder value. Technical services assessed the physical condition of the hotels and covered any safety issues. The legal department ensured that the legal structure of the partnership was set properly.

**Findings and discussion**

Since expansion was a “cross-discipline” process, the organisation drew on the knowledge of a wide array of experts and each individual from different functions participated according to the knowledge he/she could bring to the decision. The power over the decision-making process tended to rest at the level where the necessary information could best be accumulated. At first sight therefore the organisation seemed to benefit from the advantages of delegating power to the people who have different areas of expertise. This, however, did not mean that it relied on a decentralised form.
of coordination. In this organisation, “decentralisation” gave people at the higher levels of organisational hierarchy the authority to run a “centralised show”. For example, projects that evolved from the market had to go through a well-designed “rational-legal” process, which comprised overlapping stages and sophisticated rules and procedures. Moreover, although the projects were discussed, interpreted and processed at different levels by people in different functions, a project proposal still had to be approved by a committee. It was both observed and stated by informants that this committee discussed areas that would have already been investigated or debated both inside and outside of the organisation in the process. Additionally, within the process, one discipline got into the area of responsibility of another, and as one of the informants stated, in the company the same details of the deal are reviewed at each level.

Power and authority also remained very centralised, in that everyone knew that the corporate level could, and would, control and override decisions made by the DDs. Indeed, although DDs were believed to be essential for the expansion and are also considered to be the “owners” of the process, limited authority was given to these members. As one of the informants stated, they always worked within a “framework”, while another one noted that they were not “decision makers”. Moreover, the words such as a “messenger boy” used to define DDs clearly served to exemplify the limited level of the autonomy and the authority given to these organisational members. The tendency to centralise decision-making at the higher levels of the organisational hierarchy and exert control over DDs was witnessed in senior management’s attempts to standardise the former’s work. One control mechanism asserted by the participant organisation was standardising the decision-making criteria for the DDs. This was well captured in the statements of several informants. As the VP of the Express Brand stated, investment vehicles are identified for the DDs according to the market, therefore: “Development directors know themselves what type of investment vehicles they can go and look for in that market place”.

Moreover, DDs work in the field with some autonomy but they have to negotiate within the financial parameters set for them. One of the senior informants stated: “If they [DDs] build a deal that is worth less than this they will never get approval”. Another piece of evidence pointing to control is the employment of the destination analysis that provides guidelines concerning the organisation’s priorities. Destination analysis indicates the countries and/or cities in which the organisation primarily seeks expansion. These control mechanisms in Simons’ (2000) terms are called “strategic boundary systems” which ensure that the organisational members’ activities fall within the acceptable domain of activity. The organisational hierarchy wanted to set a standardised picture for the DDs, in order to reign them in, and keep them focussed and ensure that they work for the long-term interests of the organisation.

On the other hand, in order to facilitate the expansion, DDs were encouraged to identify expansion opportunities on behalf of the organisation through the financial incentives they received on completion of projects. In addition, the company set personal business objectives for each DD, against which his/her performance was measured. These are “diagnostic control systems” which allow senior organisational members to measure outcomes and compare results with preset goals and targets (Simons, 2000). Through setting objectives and giving incentives, senior development people focused attention on goal achievement for expansion within a region/country and for each DD within the expansion activity in the related region/country.

Findings also indicated that a great deal of formal and informal communication took place between DDs, senior development people and people from other disciplines. For example, formally, the screening of conference calls was undertaken in order to give direction to the DDs as to “whether they should pursue the opportunity or not and how they should pursue it”. The strategic rationale and financial viability were two of the important issues assessed during these conference calls. During these informal and formal communications different disciplines and senior development people addressed different criteria set for the expansion decision-making process. These interactively driven control activities can be aligned with Simons’ (2000) “interactive control systems”. Consistent with the purpose identified by Simons (2000), senior development people and people from other disciplines used selected areas interactively in order to be able to impose consistency and guided the activities of the DDs. Simons (2000) stated that managers use one system interactively, such as profit planning systems that report planned and actual revenues and expenses and the intelligence systems that report information about social, political, and technical business issues, when there is significant uncertainty concerning changes in regulation and government policy. Findings, however, showed that neither of these systems was used interactively.
in the participant organisation. Instead, decision-making criteria acted like a system used interactively by the senior development people and the people from other disciplines. These decision-making criteria, however, only constituted a general context for the interactions between the DDs and the other people. They addressed the areas about which knowledge is required in order to assess the proposed expansion projects effectively. Whilst decision-making criteria were used interactively, new contingent boundaries were set for the DDs according to certain conditions such as; the location of the project, market conditions, or risk rate unique to the expansion project.

In Simons’ (2000) framework, belief systems such as mission statements and credos were also identified as one lever of control. There were, however, no indications in the findings that the organisation uses credos or mission statements to communicate the belief systems for guidance and inspiration to the DDs, apart from the “decision-making process” proposed projects should go through. Working for the right progression of the internationally recognised brands constituted a source of pride but it was too vague to use as a standard by which to measure performance. The concern about protecting and developing brand profitability, however, rendered the organisation to be remarkably control-oriented, or in other words, tightly controlled. Indeed, in the participant organisation, the integrity of the brand became a major preoccupation of organisational members at higher levels of the organisational hierarchy. They were increasingly concerned about placing a value on these immensely valuable, intangible assets which were highly regarded in this organisation. Getting the brands right was increasingly seen as the difference between the organisation’s life and death. The widespread belief was that the organisation should have made sure that the proposed project had value in the long run, in terms of what the company wanted to achieve for the brand in that particular market. As one of the committee members noted, people at the higher levels of the organisational hierarchy always wanted to make sure that there is a brand element in the deal. Another senior informant stated that the organisational members should work for the right progression of the brands in different markets. Concern about the brand was also reflected in the company documents as one of the decision-making criteria, and it was stated that the decision makers always wanted to see the extent to which the proposed project will give the brand a competitive advantage. This control-oriented tight mode aimed to protect the brand integrity as brand symbolizes specific attributes of the products and services among international customers.

When the implications of this tight control oriented management structure were investigated on the expansion performance of the organisation, it was found that such an approach not only limited the organisation’s ability to react to the opportunities arising in the market but also created de-motivation and frustration among the DDs. For instance, boundary systems warranted that expansion activities occurred in defined markets, according to the identified expansion tools and within the pre-determined financial criteria. These strategic boundaries, however, limited the areas in which DDs could look for opportunities and commit the organisation’s resources. DDs argued that these boundaries did not leave them enough room for innovation. The common view among the DDs, was that since the company mainly relies on someone else’s money by developing through the franchise and management contract routes, expansion would be limited if they do not chase the opportunities in the market. This was well captured in the phrase “opportunistic international expansion is essential” used by one of the DDs who then went on to state that: “…If you are relying on other peoples’ money, which is what basically we are doing, then you have to go with the flow in a sense otherwise you cannot develop any hotels”.

These findings provide support to Sykes and Block (1989) and Covin and Slevin (1990) who argued that imposing standard procedures to avoid mistakes limits innovative solutions and avoiding moves which risk base business leads to missed opportunities. The findings of this study, however, go further and reveal that the nature of the international expansion does not allow the organisation to standardise the strategy and to take solely corporate driven decisions with regard to international expansion. DDs and people from the development team stated that international expansion is market-driven and therefore “opportunistic”. One of them explained the nature of the business as: “…I have yet to see any international expansion plan that basically says ‘I am going to have these hotels in the market, in this city in the next five years’ and it is achieved. Unfortunately, international expansion is opportunistic”. Setting strict boundaries therefore limited the organisation’s ability to bring its resources into the alignment with the changing environment and created frustration among its organisational members. All these decelerated international expansion and closed doors to wider market coverage.
The organisation’s attempts to benefit from the interactive control systems were particularly influential because these control systems increased the interactions between the DDs and the senior organisational members. In line with the arguments of Hisrich and Peters (2002), through these interactions top management demonstrated that DDs’ entrepreneurial activities were highly supported and embraced. More importantly, consistent with the claims of Carrier (1996) and Zahra (1993), these interactions gave DDs the opportunity to vouch for their ideas without going through unnecessary hierarchical levels and also created a sense of belonging to the organisation. However, contrary to the arguments of Carrier (1996), these interactions did not mean a more informal relation between the DDs and the others and neither it enabled a faster recognition of ideas.

In this organisation, one could see that overlaps occurred during these interactions and senior development people and representatives of the other disciplines always saw themselves as advisors to DDs. It was also observed that they assessed the projects as if they were the protectors of the organisation’s benefits and they were there to assist the DDs in their activities by taking care of some of the routine work. These are all signs of the limited autonomy given to the DDs and the senior members’ approach to manage interactions increased bureaucracy in the process. Increase in bureaucracy slowed down the decision-making process and limited the organisation’s ability to compete in different country markets. It was stated by the informants from the development group that when the organisation was slow to take decisions with regard to particular projects and the locations, competitors, particularly the local hotel chains, which were quicker to react “steal” the opportunities from the company. These findings support the arguments of Caruana et al. (2002) who argue that in order to perform better organisations need to move away from centralised systems to organisational systems that facilitate higher levels of discretion. Otherwise, as Russell (1999) indicates and also illustrated by the research findings, organisations cannot respond quickly to the changes in the dynamic environment.

Conclusions

Entrepreneurial orientation is seen as an important organisational characteristic in both entrepreneurship and in the international management literatures (see Bamber et al., 2002; Miles and Arnold, 1991; Simons, 2000). In spite of its importance, literature on the conditions which support or hamper entrepreneurial behaviour and its implications on the organisation’s performance continues to be vague and incomplete. Previous studies have identified a number of variables that influence the entrepreneurial posture in the organisations (Covin and Slevin, 1990; Hisrich and Peters, 2002). They however appeared to have failed to provide empirical evidence with regard to the management of these variables and implications of these management styles to the entrepreneurship spirit. This paper enables a deeper understanding of the influence of a specific management approach both on the entrepreneurs in the organisation and on the organisation’s international expansion performance.

This paper suggests that the management of the entrepreneurial spirit in organisations involves a great deal of human dynamics. In the case study organisation, there was ongoing communication and interaction between the organisational members who were experts in different areas. They were delegated different levels of authority and power. This gave the impression of a decentralised form of coordination in the organisation. However, in fact, the organisation remained very centralised. Although expansion was very much owed to the entrepreneurial and salesmen characteristics of the market-based DDs, they were given limited decision-making authority and different types of control mechanisms were imposed on these organisational members. Boundaries set interactively appeared to be the most commonly used control systems leading to a “tight” organisational form and the tendency to give direct supervision and assert strict control on the activities of the DDs increased bureaucracy in the process. This not only slowed down the decision-making process and limited the international expansion, but also resulted in frustration and de-motivation among the DDs. Although a centralised, tight decision-making approach aimed to preserve the system integrity and protect the brand reputation, at the same time such a management approach resulted in isolating innovative, opportunity seeking, entrepreneurial DDs from the mainstream of the organisation. It can therefore be concluded that organisations whose growth performance is highly dependent on having market-based organisational members in diverse host country environment need to structure differently and bring about a new way of thinking. They have to think about the control systems that can be brought to bear on these market-based organisational members and the
extent to which decision making can be de-centralised.

Earlier studies (Caruana et al., 2002; Covin and Slevin, 1990; Hisrich and Peters, 2002) which depicted organisational system elements that relate to the entrepreneurial behaviour seldom discuss circumstances under which entrepreneurial behaviour in organisations will benefit and will be supported by the organisation and they thus generally avoid serious linkage to the rationale behind a specific management style and its implications for the entrepreneurial behaviour and for the organisation’s performance. The paper clearly demonstrates an organisation’s approach to international expansion and particularly the way market-based organisational members are managed and thus captures the linkage between the rationale behind an organisation’s choice of a particular management structure and its implications for the entrepreneurial posture with regard to international expansion. It particularly illuminates the challenges organisations face in their determination to grow internationally and highlights the management options that they may consider as part of their growth strategies. The findings of this study demonstrated that international expansion takes place within the context and influence of both internal and external environments of the organisation. Elements from both these environments influence and give shape to the perceptions and the interpretations of organisational members. Different organisational members were influenced by different elements of the organisation’s environment. Corporate decision-makers were driven by the strong desire to protect the core competences to meet the expectations of international customers. On the other hand, being influenced by the host country conditions and more specifically by the opportunities in the market DDs looked for different ways of doing things in country-level hotel markets. It can therefore be concluded that international expansion takes place under the pressure of the organisational tension stemming from the influence of these different sets of environmental drivers.

The success of organisations whose growth performance is highly dependent on having market-based organisational members in diverse host country environments therefore will be dependent on the ability of top management to face up to some of the issues, including the establishment of clearer linkage between themselves and the different country markets and the organisational members operating in those markets. For example, market based organisational members can be trained in order to develop a better understanding of the strategic priorities of the company, and top management can be encouraged to socialize more in the market to increase their local knowledge and awareness. In addition, to pursue corporate entrepreneurship successfully, top management must demonstrate the willingness to suffer some loss of control, give more ownership to their representatives in different country markets and link rewards to market performance but tie together more closely personal and corporate strategies.

References


