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# **The Interactions between Entrepreneurial Orientation, Firm Resources and the Performance of Tourist Accommodations in the Central Region of Ghana**

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**Abstract:** This study sought to find out the effect of entrepreneurial orientation and firm resources on firm performance. The lottery method of simple random sampling was used to select one hundred and thirteen respondents from a population of one hundred and forty two tourist accommodations in the Central Region. Regression analysis was used to test the hypothesized relationships. The results indicate that entrepreneurial orientation and firm resources separately influenced firm performance positively with firm resources emerging the better predictor of firm performance. It is recommended that lodging establishments in Central Region should strive to develop superior entrepreneurial orientation of their entire workforce, particularly top decision makers and also begin to invest in the acquisition and development of requisite resources, particularly in new and innovative areas hitherto unexplored.

## **1.0 Introduction**

Tourism is the largest and fastest growing industry globally. The sector continues to create new jobs, improve income levels, alleviate poverty and enhance the balance of payment position of many economies worldwide (WTTC, 2011). In Ghana, lodging facilities are the leading sub-sector of the tourism industry, accounting for a third of its revenues (GTA, 2011). The Central region, regarded as the tourism hub of Ghana, attracts huge investments particularly in lodging facilities to house its teeming tourists. The performance of these lodging facilities undoubtedly impacts on the economy of the Central region and the livelihoods of thousands who are directly or indirectly employed by them.

Two factors identified by researchers as influencing the performance of firms are entrepreneurial orientation and firm resources, both of which influence each other's relationship with firm performance (Chen, Tzeng, Ou & Chang, 2007). This implies that entrepreneurial orientation enhances the ability of firms to maximize their use of resources while the lack of resources renders it unlikely for entrepreneurial firms to achieve appreciable performance (Awang, Asghar & Subari, 2010). The applicability and generalization of findings and recommendations emanating from prior studies on these variables however remain questionable due to the following shortcomings.

Firstly, the formulation, testing and development of the entrepreneurial orientation, resource based theory and strategic adaptation models were mainly carried out in manufacturing related ventures located in developed North American, European and recently Asian countries. The implications of this are twofold. Globally, there is a dearth of research regarding the influence of entrepreneurial orientation and firm resources on the performance of service sector ventures including hospitality. Again, entrepreneurship and related management issues remain a largely understudied socio-economic phenomena in developing economies like Ghana. These implications are indicative of a clear setback given that industry type and national culture have been identified

as variables influencing the entrepreneurial orientation – performance relationship (Rauch et. al. 2005).

The second shortcoming is that most recent studies examining the entrepreneurial orientation - firm resource relationship and its influence on performance have focused mainly on capabilities as resources to the exclusion of other physical, human and financial resources. This paints an incomplete picture, limiting information on the effect of firm resources on entrepreneurial orientation and performance of firms.

Despite playing a vital role in the socio-economic development of Ghana, there is no systematic study in the literature, examining the effect of the relationship between entrepreneurial orientation and firm resources on the performance of tourist accommodation establishments. This indeed is a setback given the enormous socio-economic contribution of this key sub-sector of the hospitality industry to the Ghanaian economy. This study seeks to fill this gap by examining the effect of the relationship between entrepreneurial orientation and firm resources on the performance of tourist accommodation establishments in the Central Region of Ghana.

This paper has five sections. Section two reviews the theoretical, conceptual and empirical literature on firm resources, entrepreneurial orientation and firm performance. The third section follows by focusing on the methodology of the study. In section four, data obtained from the field is analysed and results discussed in accordance with the objectives of the study. The final section summarizes the findings and conclusions based on which recommendations are made.

## **2.0 Theoretical Framework**

Entrepreneurial orientation is a firm level phenomenon emanating from the strategy making process literature (Rauch et al., 2005). Specifically, it is grounded in the strategic choice perspective which asserts that new-entry opportunities can be successfully undertaken by purposeful enactment (Van de Ven & Poole, 1995). Defined severally by many researchers, entrepreneurial orientation has been described as the sine qua non of firms seeking to succeed in today's volatile and extremely dynamic business environment (Irava & Moores, 2010).

From a management perspective, entrepreneurial orientation refers to the strategy-making processes, methods and styles employed by key decision in enacting their firms' organizational purposes, sustain their vision and creating competitive advantage (Hart, 1992; Rauch et al., 2005). By so doing, it captures the intentions and actions of key players functioning in a dynamic generative process, aimed at creating a new venture and sustaining its vision and competitive advantages (Lumpkin & Dess, 1996). Similarly, the socio-psychological perspective, posits entrepreneurial orientation as a construct that addresses the set of personal psychological traits, values, attributes, and attitudes strongly associated with a motivation to engage in entrepreneurial activities (Naldi, Nordqvist, Sjöberg & Wiklund, 2007). Careful scrutiny of these and many other definitions conclude on entrepreneurial orientation it as reflecting a firm's commitment, capability and aspiration to pursue entrepreneurial activity and to see it succeed.

Rapid changes in firms' external environment coupled with intense competition have brought immense pressure on firms, making it imperative for them to adapt effectively to enable them survive and grow under such hostile environments (Nadler & Tushman, 1999). Strategic adaptation, according to Chakravarthy, (1982) is a firm's capacity to survive changes in its external environmental conditions. Such adaptation involves the full deployment of a firm's distinctive competencies, including entrepreneurial orientation in re-allocating organizational resources either in anticipation of or in response to changes in the external environment (Burgelman, 1991).