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# Hotel Middle Managers and Corporate Entrepreneurship

*Cathy Burgess, Oxford Brookes University, UK*

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## Introduction

Hotels are very complex in structure and organisation, with differing ownership patterns as well as a variety of styles, sizes and locations. With several operating departments and differing guest profiles and behaviours, the inter-relationship of products and services require individual approaches to management, even if branded and part of a chain (Burgess, 2007). In hotels, middle managers are those reporting to the General Manager within the operating unit. Often known as the Executive team, their key responsibilities are to follow senior management directives in managing their areas to optimise profitability (Burgess, 2007). Therefore, they need to have a thorough knowledge of the business and the various factors that impact on sales, costs and profitability to meet the needs of stakeholders.

These expectations have driven organisations to find new ways of doing business (Kuratko *et al.*, 2007), and corporate entrepreneurship (CE) has emerged as key strategy for management to improve innovation in products and services. CE is a 'cascading yet integrated set of entrepreneurial activities at different levels' of the organisation (Hornsby *et al.*, 2009), improving performance (Kuratko *et al.*, 2007; Seborá *et al.*, 2010), profitability and thereby market value (Nicolau and Santa-Maria, 2013) to meet stakeholder expectations. It is a proactive whole-organisation approach of 'organisational renewal' (Ribeiro-Soriano and Urbano, 2010) that, to be effective, requires the commitment of all levels of management. Although senior management (those in senior positions based at a corporate office) instigate innovation at a strategic level, it is middle managers' expertise and understanding of the business that enables them to identify opportunities for improvements

and innovation, which may be in systems and processes, customer service or by increasing revenues or reducing costs (Hancer *et al.*, 2009). They undertake various roles as part of this entrepreneurial activity, as shown in Figure 5.1.

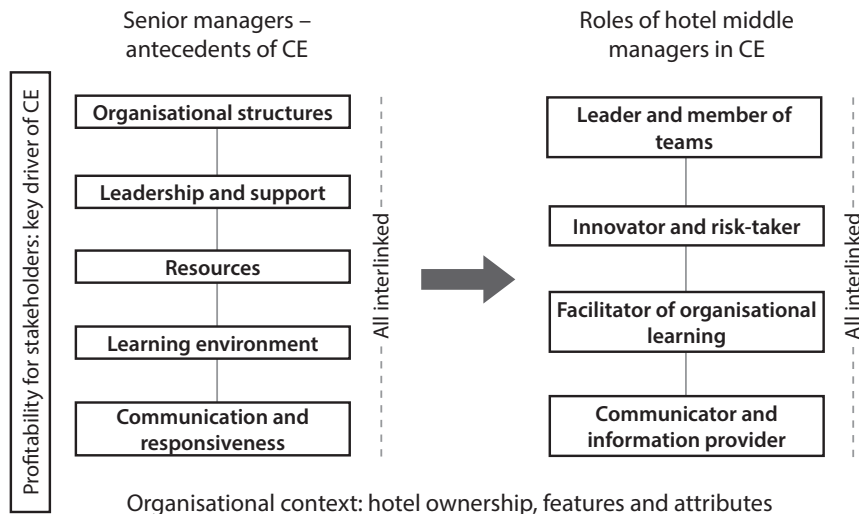
In CE, the industry context is important (Zahra *et al.*, 2014), with factors relevant in one industry not appropriate in others. Within hotels, the service elements are paramount for all managers, dominating all aspects of the business. Although there is extensive generic literature in the area of CE, there is only limited evidence of the importance of hotel middle managers to the implementation of CE in this complex, inter-linked industry.

The overall purpose of this chapter is to identify the key factors that encourage or inhibit CE, so you will be able to:

- Identify the inter-related antecedents needed for effective implementation of CE;
- Identify the key roles of middle managers in undertaking CE;
- Comprehend the role of senior management in facilitating these antecedents.

## Antecedents and barriers of CE and the influence of senior management

Profitability is a key driver of entrepreneurial activities but, in order for middle managers to undertake these, certain antecedents must be enabled by senior management. A range of authors (Ireland *et al.*, 2009, for instance) discuss different antecedents and emphasise their inter-dependence (Goodale *et al.*, 2011). Figure 5.1 demonstrates these antecedents.



**Figure 5.1:** Factors affecting middle managers' ability to contribute to corporate entrepreneurship. Adapted from Burgess (2015)

## The influence of organisational structures on CE

Changes in hotel ownership structures, with the separation of property, operating company and brand, have resulted in complex reporting networks and multiple stakeholders (Whittaker, 2006). These stakeholders all have different levels of interest and power (salience) within the organisation, requiring various amounts of interaction with both senior and middle management (Altinay and Miles, 2006). When very profitable, there may well be little contact from stakeholders, such as owners, banks and senior management, and managers will be allowed to take decisions themselves. However, stakeholders' involvement in the operation and expectations of information increases in times of economic difficulty (Burgess, 2012). Their demand for information requires much time and effort from middle managers and impacts on their other activities, including CE (Boesso and Kumar, 2009). These relationships can be made more difficult if stakeholders lack comprehension of the inter-relationship of different aspects of hotel operations (Burgess, 2012), resulting in a lack of effective decision-making from owners that can impact on future investment in the property.

Within hotel units, the growth of branding (Whitla *et al.*, 2007) has enabled more standardisation of products, services and systems to meet the needs of customers, managers and owners. A consequence has been increased centralisation of many functions, facilitated by improvements in technology (Burgess, 2012). This has reinforced traditional, hierarchical management structures with top-down decision-making by senior management. Although centralisation and standardisation can minimise the potential for errors (Burgess, 2012), they can also 'stifle' innovation (Hisrich *et al.*, 2005:58). Middle managers in such structures may have less opportunity to be innovative, despite the expectations of senior management (Burgess, 2012). Therefore senior managers need to find ways of encouraging a more entrepreneurial culture within the confines of standard structures and systems, and of removing potential barriers to CE.

## Senior management leadership and support

Senior management need to demonstrate leadership (Goosen *et al.*, 2002), not just in decision-making but also in ensuring that the various antecedents are established to facilitate the effective implementation of CE. The role of senior managers is to take decisions and give directives (Ireland *et al.*, 2009; Mongiello and Harris, 2006) but there have been criticisms that they can be 'very short-termist' (Burgess, 2011), with a lack of strategic planning and an emphasis on short-term cost-cutting to boost profitability. Senior management need to have vision and to understand the impact of their decisions, taking advice from unit-based middle management.