

The effect of ownership type on firm performance in the U.S. lodging industry*

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Abstract

In the hospitality industry, operating with different demands and cultural limits, based on the internalization theory and the resource-based view, the firm often has an impact on chosen business models, especially in the hotel industry. However, there is no empirical study on ownership type diversification in the hospitality industry. This study investigates the effect of each ownership type on firm performance for the U.S. lodging industry, and examines the effect of ownership type diversification on firm performance.

Keywords: ownership type, ownership type diversification, owned-operated, franchising, joint venture, firm performance

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I. Introduction

In recent years, market competition in the hotel industry is increasingly becoming fierce (Shea and Roberts, 1995). Now, considering that firms are exposed to strategic risks related to increased uncertainty in their economic, technological, and market environments, organizational survival becomes an ever more critical issue (Olsen et al., 1998). More and more hotel firms have changed their organizational models in order to improve their growth and development in the era of globalization.

Hotel ownership refers to the ownership of operators to conduct capital management, and the ownership of entrusted or leased entities to operate properties (Lee and Ahn, 1996). Hotel ownership classification can be roughly divided into owned-operated, franchising, and joint venture.

Generally speaking, an owned-operated ownership is operated by individuals, without any affiliation or contract with any others. The flexibility of the owned-operated hotel can quickly adapt to the rapid market change. But at the same time, its high risks may lead the enterprise into a crisis. Owned-operate ownership has the limitations for more efforts need to be made in hotel market expansion and technology development as overseas publicity fees, and other forms of required spending cause these hotels to experience greater financial burden (Kwon, 2008).

Regarding the current main cooperation strategy, chain hotels are aimed at expanding their international market by using franchising through signing contracts (Kwon, 2008). Franchising can be defined as: an operating mode where the franchisor, in a certain signing period, provides franchisee among other areas with its trade mark, marketing expertise, the interior design, operating system, and area rights.

A joint venture (JV) is one type of the strategic alliance that refers to two or more enterprises collaborating with each other in order to become partners, and sharing cooperation benefits through the investment of shares. In a joint venture, enterprises invest in one entity, co-operate, and share risks together. Such cooperation can reduce defaults risk and deceit among enterprises while also ensuring management among them.

Recently, diversification has been increasingly received an increasing attention as a core corporate strategy in the lodging industry. There are many empirical findings of firms that have generally adopted a diversified strategy in order to gain more competitive advantage (Chang and Wang, 2007). By considering diversification as the theoretical background, managerial research has indicated that with the development of market diversification the enterprise can reduce its competition, establish a dominant position and gain greater benefits, especially with respect to the interest in reducing risks (Sundaram and Black, 1992; Lintner, 1965; Markowitz, 1952).

Given that diversification generates strengths and weakness but there is no empirical study on ownership types diversification have an impact on a firm's performance in the Hospitality Industry. Despite the wide use of the term 'ownership' in the literature of concerning the global hotel industry, our actual understanding of what hotel ownership actually means remains only partial and fragmented (Canina, 2001; Field, 1995; Hanson, 2007), and there have been no empirical studies considering the ownership type diversification. However, research on the effect of ownership type diversification on firm performance relationship has no existed. In order to fill this gap and provide a more detailed understanding of what has previously been a weakness concerning past research in this field, this study investigates the effects of each ownership type on firm performance for the U.S. lodging industry, and examines the effect of ownership type diversification on firm performance.

II. Theoretical Backgrounds and Literature Review

2.1 Hotel ownership types

The selection of hotel ownership type is based on the characteristics and forms of the enterprise (Kyon, 2008). According to the operation characteristics, hotel ownership type was divided into owned-operated, franchising, and joint venture. Each of the ownership types has its own characteristics, with the hotel companies, according to their own resources and assets, deciding which type of the ownership could improve their company's business efficiency and reduce operational risks, and obtain the

greatest competitive advantages.

Some studies (Phillips and Sipahioglu, 2004) examined that the different type of ownership brings different resource needs and risks to the company. For example, the owned operation in hotel industry will demand multiple resources and bear high risks, because of the limitations for this operation model which needs to assume full responsibility for any debts or liabilities (Yiu and Makino, 2002). On the other hand, joint venture and franchising have a less risk than an owned-operated model. Contractor and Kundu (1998) observed that most international hotels often change their ownership operation in order to develop their business under the different corporate culture. As a result, in recent years, companies have gradually used one or two different types of organizations for operation, in order to enhance their operation, also accrued more new resources and new technologies for their business.

2.2 Effects of ownership type on firm performance

2.2.1 Owned-operated

The owned-operated hotels may have an investor or others with financial interest and operate as one person's or a company's name, where the profits belong to the owner who has autonomy in any management decisions, and also the biggest financial responsibility.

The ownership of an owned-operated company is controlled by owner, and because of the ability for rapid decisions, it can quickly respond to marketplace changes (Charke, Alan & Chen, 2007). According to the demands of the hotel market, owned-operated ownership type can better utilize their operating flexibility in order to solve the problem of customer requirements. On the other hand, the owned company also has fatal flaws, and some negative events may subvert the entire business model and make it bankrupt, which is fatal for the company (Contravtor and Kundu, 1998). Penrose (1995) observed that the maturation of an enterprise was limited by the speed at which it was able to expand its management capacity. If an enterprise will be limited to their business model, it will no longer survive in the current market.

In conclusion, owned-operated hotels with their own particular strengths and weaknesses, and some research studies supported that the owned-operated hotels can obtain the benefits, but it also can reduce the growth of the business (Holverson and Revaz, 2006).

2.2.2 Franchising

Franchising is a concept in the hospitality industry where a property is privately owned, but the owner pays an up-front fee to purchase the franchisee along with paying ongoing royalties. Moreover, the franchisor gains benefits from a rapid expansion of business (Shane, 1998) and earnings from a minimum capital outlay (Pirkul and Narasimhan, 1987).

Rubin (1978) observed that there were four advantages of franchising that make preferable as the first option for a company's ownership operation. First, franchising products seem to be valuable, so franchisees are willing to pay for something in order to sell these items. Second, the franchisors often give managerial advice to franchisees. Third, the franchisors usually provide capital to the franchisees in some form - by approving a bank loan or by actually buying the plant and renting it to the franchisees. Finally, to a certain extent, the franchisors are closer to the employees than the franchisees, and receive a large measure of assistance from the franchisees, thus probably reducing the human capital required for opening the business.

Given the success of franchising, many studies have proven that companies which use franchising can create more market value and economic value than companies that do not use a franchise (Aliouche and Schlentrich, 2009). In conclusion, there is a significant relationship between franchising ownership type and firm's performance, and the present study tests the effects of franchising on firm performance in the U.S. lodging industry.

2.2.3 Joint venture

A joint venture (JV) ownership type of business is an enterprise with two or more independent enterprises collaborating with each other, sharing cooperation benefits

mutually through the investment of shares (Geringer and Hébert, 1989). Actually, a company which is operated by way of joint venture needs to actively participate in all joint enterprises with decision-making and activities (Harrigan, 1986). Moreover, it is a long-term investment and partners, through a joint venture make their own, or share in contributions (Rothaermel, 2013). In a joint venture, the ability of a partner to obtain a return on investment depends on the economic success of the joint venture.

Additionally, the benefits of joint ventures are sometimes offset by their consumption costs. Although joint ventures have the advantage of reducing the threat of cheating, they do not eliminate all negative effects of the company. Therefore, there may be conflicts among the joint ventures and partners, Buckley and Casson (1976); Rugman (1981) researched that these conflicts were mainly present in three cases: First, the parent company transferred the unidentified or unprotected proprietary knowledge to the subsidiary company; Second, the parent company and the subsidiary company shared the same trademark; Finally, the foreign subsidiary company exported to the home market of the parent company, or the third country. In contrast, because the characteristics of a joint venture are different from other ownership types, several research studies indicated that the value of the joint venture depends on their characteristics (Harrian, 1988). However, research by Koh and Venkatraman (1991) produced the results that the revenue of joint ventures founded in the same and related complementary relationships were higher than other types of investment companies, and at the same time, the parent company's value that was gained in cooperation with related partners was bigger than with the unrelated partners; Finally, compared with the large partnership companies, a small partnership company can obtain more benefits.

Based on the transaction cost theory, there is the impact of the joint ventures on the benefits and costs for a company. However, there is a significant relationship between owned ownership type and firm's performance. And focus on this study will test the effects of joint venture on firm's performance in the U.S. lodging industry.

2.3 Ownership type diversification

In recent years, an increasing number of companies began to choose the diversification strategy in order to obtain more competitive advantage (Barney and Hesterly, 2008) and improve their economic value in today's volatile markets. When a business commences at the same time in a number of industries, the firm carries out an implementation of the corporate diversification strategy (Barney and Hesterly, 2008).

In fact, the 500 largest companies in the U.S. and the world's 500 largest companies are almost wholly operated through the product or geographical diversification (Lichtenberg, 1992). Actually the U.S. is not the only country with the largest number of diversified corporate activities as previous research indicated that large companies in Canada, Japan, the U.K., and other developed countries have diversified their operations in order to improve the economic value of their businesses (Gaves et al., 1980; Goto, 1981; Goudie and Meeks, 1982).

There have been many research findings concerning diversified companies as being more complex and their need to face different market rules, organizational behavior, cultural diversity and other factors (Egelhoff, 1982; Hitt et al., 1994; Jones and Hill, 1988). Handling these factors can greatly increase the monetary value of internal transactions, and result in a negative impact on corporate performance due to diversification. However, some hotel companies choose to focus on only one ownership type in order to ensure the stability of their business operations. For example, based on the development of the European hotel market, most hotels are mainly small and medium-sized owned companies, in order to cater to their special nature. In Europe, 60% of the hotels are chain hotels, while 70% are in the U.S.'s major cities (Marvel, 2003).

Consequently, the other hotel companies use ownership diversification to decentralize their ownership in order to gain more competitive advantage through multiple channels. Compared with other service industry, the hotel industry is characterized by high capital intensity, which means expansion strategies in the hotel industry need to take into account the firm and country-specific factors (Contractor and Kundun, 1998). Contractor and Kundun (1998) provided the evidence that 28% of the international

hotels in Europe were franchised; 35% were full equity and 37% were operated under management agreement. However, in North America, franchising was a dominant model. As a result, the firm can focus on one ownership type in order to obtain more benefits. However, in large companies, in order to acquire more resources and reduce the risks of the market economy, the firms need to use two, or more than two ownership types in order to operate, especially in the Hospitality Industry. Consequently, it can be concluded that ownership type diversification has an impact on business performance (positive or negative) in different environments or industries. This study examines if there is a significant relationship between ownership type diversification and firm's performance.

III. Methodology

3.1 Samples

The main purpose to examine in this research is to explore the relationship between ownership type (owned, franchising, and joint venture) and firm performance in U.S. lodging firms. The time frame covers the years from 1993 to 2017 and approximately 300 observations will be sampled for this study, based on the NAICS (North American Industry Classification System) code, 721110, which pertains to publicly traded U.S. lodging firms.

The data for ownership type diversification, for example properties for lodging firms and properties for each ownership types, and all of other financial data, for example, firm performance (ROA) and control variables (SIZE and LEVERAGE) will be collected from each firm's 10-K reports located in the EDGAR (Electronic Data Gathering, Analysis, and Retrieval system). Tobin's Q data (stock price) will be collected from the Yahoo Finance. Further explanation of these data will appear in later sections of this research.

3.2 Models and hypotheses

In order to glean a fuller description of what enterprise performance entails, each

model adopts Tobin's Q and ROA as the measure of a firm's performance. The Berry Herfindahl Index is the major measurement for diversification regarding the U.S. lodging industry. Simultaneously, each model contains relevant control variables that are based on the diversification literature and theoretical justifications of control variables for use with hospitality industry factors.

The represented models for this analysis are as follows:

Model 1: (For the effect of ownership type on firm performance)

$$\text{Tobin's } Q = a_0 + a_1OW + a_2FR + a_3JV + a_4SIZE + a_5LEV$$

$$ROA = a_0 + a_1OW + a_2FR + a_3JV + a_4SIZE + a_5LEV$$

Model 1 observes the relationship between each ownership type such as Owned; Franchising; or Joint venture and the firm's performance. OW represents the degree of the Owned ownership type; FR represents the degree of the Franchise ownership type; and JV represents the degree of the Joint Venture ownership type;

Model 2: (For the effect of ownership type diversification on the firm's performance)

$$\text{Tobin's } Q = a_0 + a_1OTD + a_2SIZE + a_3LEV$$

$$ROA = a_0 + a_1OTD + a_2SIZE + a_3LEV$$

Model 2 observes the effects of the ownership type diversification on the firm's performance. And OTD represents the degree of the ownership type diversification.

3.2.2 Hypotheses

The present study is designed to test the effects of each type of ownership on the firm's performance and presents the following hypotheses.

H1: The effect of owned-operated type ownership on firm performance is significant and negative.

H1-1: The effect of owned-operated type ownership on Tobin's Q is significant

and negative.

H1-2: The effect of owned-operated type ownership on ROA is significant and negative.

H2: The effect of franchising type ownership on firm performance is significant and positive.

H2-1: The effect of franchising type ownership on Tobin's Q is significant and positive.

H2-2: The effect of franchising type ownership on ROA is significant and positive.

H3: The effect of joint venture type ownership on firm performance is significant and positive.

H3-1: The effect of joint venture type ownership on Tobin's Q is significant and positive.

H3-2: The effect of joint venture type ownership on ROA is significant and positive.

H4: The effect of ownership type diversification on firm performance is significant and positive. That is, as a hotel firm diversifies ownership type, firm performance increase.

H4-1: The effect of ownership type diversification on Tobin's Q is significant and positive.

H4-2: The effect of ownership type diversification on ROA is significant and positive.

3.3 Diversification measure

In this study, The Berry-Herfindahl index ($1 - \sum S_i^2$), has been considered to be the most common measure of diversification (Gollop and Moahan, 1991), because it combines the number of substances with the weight of each substance. Another measure for the degree of diversification is the entropy index ($\sum S_i \ln(1/S_i)$), which also reflects the number of entities and the level of dispersion between entities (Amit

and Livnat, 1988). Since the entropy index is highly correlated with the Berry-Herfindahl Index, in this current research this index is drawn upon to measure the degree of diversification. The indicator is calculated by subtracting the Herfindahl index model index from 1. Thus, in this study, the measure of ownership type diversification, S_i represents the number of properties per organization type divided by the total number of properties.

3.4 Dependent variables

This research aims to explain the relationship between diversification on a firm's performance and to determine which type of ownership is better for hotel firms. Indeed, the main measure of firm performance in this study employs Tobin's Q and ROA. Wernerfelt and Montgomery (1988) make a strong case for Tobin's Q, which as a measurement of a firm's performance. In previous research Tobin's Q has been used to explain some diversified business phenomenon (Jose, Nichols, and Stevens, 1986), and the relationship between a firm's value and their stock equity management (Morck, Shleifer, and Vishny, 1988).

The calculation of Tobin's Q which was proposed by Chung and Pruitt (1994) is as follows:

$$\text{Tobin's } q = (MVE + PS + DEBT) / TA$$

where the MVE represents the ratio of the market value; PS represents the preferred stock; DEBT represents the short-term assets plus long-term debt; TA represents of the total assets

3.5 Independent variables

The central question to be examined in this study is to apply the degree of impact of the three main ownership types on a firm's performance. The independent variables in this study are the degree of the three ownership types. In this study, each type of ownership has its own impact on a firm's total properties. OW represents the degree of the Owned ownership type, which is measured by the numbers of owned-operated

properties divided by the total properties of the company; FR represents the degree of the Franchise ownership type, which is measured by the numbers of franchising properties divided by the total properties of the company, and JV represents the degree of the joint venture ownership type, measured by the numbers of joint venture properties divided by the total properties of the company; OTD represents the degree of the ownership type diversification, measured by Berry-Herfindahl index.

Through these variables this research examines the relationships between each ownership type on a firm's performance, in order to determine how to allocate ownership type to reach a more competitive advantage in the current market.

3.6 Control variables

Firm size (SIZE), in a study that examines the size of the firm is measured by its past performance and may carry implications for its future performance (Ben-Zion and Shalit, 1975). However, Size can also represent the degree of information asymmetry between managers and investors, as large companies may have greater transparency of information (Farrar and Tucker, 1999). Marsh (1982) and Timan and Wessels (1988) concluded that the large firms carry less risky than small firms, and lead to the creation of a higher degree of efficiency.

In this current research, a firm's leverage (LEV) is measured with a debt-to-equity ratio. McConnell and Servaes (1990) defined the leverage as a control for benefits and costs. Accordingly, the leverage is an important factor in considering a firm's equity risk. That is, the large firm's debt cause a high risk of default, and the low equity.

3.7 Data analysis

In order to verify the hypotheses, in this study the collected data was generated by the SPSS 22.0 statistical analysis program through The Multiple Regression Analysis in order to conduct research analysis.

IV. Results

4.1 Descriptive statistics

Table 1 summarizes the descriptive statistics of the sampled data. Tobin's Q shows the mean value of 1.141, ranging from 0.010 to 4.025 with the standard deviation of 0.680. ROA shows the mean value of 0.100, ranging from -0.022 to 0.275 with the standard deviation of 0.053. OW shows the mean value of 83.617 with the minimum (maximum) value of 1 (162), and the standard deviation of 47.164. FR has the mean value of 74.44, the minimum (maximum) value of 1 (156), and the standard deviation of 46.21. JV shows the minimum (maximum) value of 1 (57) with the mean value of 16.01, and the standard deviation of 11.21. OTD has the mean value of 0.365 with the minimum (maximum) value of 0.002 (0.651), and the standard deviation of 0.4683. SIZE has the mean value of 7.33, ranging from 3.95 to 10.18 with the standard deviation of 1.57. LEV has the mean value of -8.31, ranging from -879.5 to 179.3 with the standard deviation of 98.35. All variables appear to have sufficient levels of variations for valid regression analysis.

〈Table 1〉 Summary of Descriptive Statistics^{*}

| Variable | N | Mean | S.D. | Minimum | Maximum |
|----------|-----|--------|--------|---------|---------|
| TOQ | 170 | 1.1417 | 0.6807 | 0.0104 | 4.0257 |
| ROA | 170 | 0.1006 | 0.0531 | -0.0227 | 0.2757 |
| OW | 170 | 83.617 | 47.164 | 1 | 162 |
| FR | 170 | 74.447 | 46.214 | 1 | 156 |
| JV | 170 | 11.217 | 16.010 | 1 | 57 |
| OTD | 170 | 0.3658 | 0.1919 | 0.0026 | 0.6517 |
| SIZE | 170 | 7.337 | 1.579 | 3.959 | 10.187 |
| LEV | 170 | -8.311 | 98.350 | -879.54 | 179.34 |

^{*} TOQ: Tobin's Q; ROA: Return on Asset; OW: Owned ownership; FR: Franchise ownership; JV: Joint Venture ownership; OTD: Ownership type diversification; SIZE: Firm's size; LEV: Firm's leverage.

4.2 Main analysis

Table 2 summarizes the results of main analyses, in which model (1) shows the effects of Owned, Franchise, and Joint Venture ownership type on firm performance,

〈Table 2〉 Summary of the Results from Main Analysis^{*}

| Model | (1) | | (2) | |
|--------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Dependent variable | TOQ | ROA | TOQ | ROA |
| OW | 0.0045 (0.0027) | 0.0003 (0.0003) | | |
| FR | 0.0042 (0.0022) | -0.00004 (0.0002) | | |
| JV | 0.0147** (0.0045) | 0.00006 (0.0005) | | |
| OTD | | | 0.0031** (0.0011) | -0.00003 (0.0001) |
| SIZE | -0.5480** (0.0956) | -0.0464** (0.0105) | -0.5096** (0.0997) | -0.0429** (0.0100) |
| LEV | 0.00008 (0.0002) | -0.00002 (0.00002) | 0.00009 (0.0002) | -0.00002 (0.00002) |
| Constant | 4.5354** (0.8732) | 0.4340** (0.0968) | 4.4143** (0.9263) | 0.4024** (0.0930) |
| Observations | 167 | 170 | 168 | 170 |
| F-value | 12.22** | 7.63** | 11.41** | 7.85** |
| Adj. R-squared | 0.7716 | 0.6623 | 0.7495 | 0.6606 |

^{*} * and ** denote the 5% and 1% significance level, respectively. Standard errors are provided in the parentheses. TOQ: Tobin's Q; ROA: Return on Asset; OW: Owned ownership; FR: Franchise ownership; JV: Joint Venture ownership; OTD: Ownership type diversification; SIZE: Firm's size; LEV: Firm's leverage.

model (2) shows the effect of ownership type diversification on firm performance. As presented in Table 3, all models present appropriate levels of goodness-of-fit, which are significant at the 1% level of significance.

The results of model (1) show a positive and significant effect of JV on TOQ. However, according to the result, there are no significant effects of OW and FR on TOQ. In addition, there are no significant effects of OW, FR, and JV on ROA. Therefore, the results support hypothesis 3-1, but fail to support hypotheses 1-1, 1-2, 2-1, 2-2, and 3-2. Among control variables, SIZE shows a negative and significant effect on firm performance at the 1% level of significance.

The results of model (2) show a positive and significant effect of OTD on TOQ. That is, ownership type diversification improves firm performance measured by Tobin's Q. However, there is no significant effect of OTD on ROA. Therefore, the results support

hypothesis 4-1, but fail to support hypothesis 4-2. In model (2), SIZE shows negative and significant effects on firm performance at the 1% significance level, and LEV shows no significant effect on firm performance.

V. Discussion and Limitations

5.1 Discussion

This study investigates the effects of ownership type on firm performance in the U.S. lodging industry. Moreover, this study examines the effect of ownership type diversification on firm performance to explain the relationship between the ownership diversification and firm performance more comprehensively in the U.S. lodging industry.

The result of this study shows that all independent variables (OW, FR, JV, and OTD) don't significantly affect ROA, but only joint venture (JV) and ownership type diversification (OTD) significantly affect Tobin's Q. That is, while the joint venture, independently, has a significant and positive effect on a firm's performance market-based performance, the firm also can increase financial market-based firm performance by diversifying its ownership types.

According to the result of the analysis, both H2-1 and H2-2 were not accepted, indicating that there is an insignificant effect of franchising on firm performance in the U.S. lodging industry, which is contrary to the results of some previous studies founding that the firm can benefit from franchising with a more sustainable competitive advantage (Lam, Cho and Qu, 2007), and reduce financial risk in the market (Sorenson and Sørensen, 2001).

There are possible reasons that explain this study's result. First, hotel firms, compared to firms in other industries, need more considerable capital allocation when implementing franchising. For example, at the initial stage, franchisors provide substantial amounts of related resources to franchisees, which influence the original costs, which remains the critical detriment to financial performance till the end. Second, the lack of control on franchisees and the difficulties in monitoring the franchisees because of complex operations of hotel properties in the context of

idiosyncratic value chains in each local market may generate greater, more problematic agency problems in the hotel industry than other industries. This leads to inferior market value of hotel firms when expanding franchising, compared to firms implementing franchising in other industries. Examinations of most previous studies that found the positive effect of franchising are conducted in the restaurant industry context, which requires less initial costs and a lower degree of operational complexity regarding the implementation of franchising.

The result of this study shows that hypothesis H3-1 was accepted, but H3-2 was not. That is, there is a positive effect of joint venture ownership type on financial market-based firm performance (Tobin's Q) in the U.S. lodging industry, while an insignificant effect on accounting-based measure of firm performance exists.

Through the implementation and operations of joint venture, hotel firms can create synergies by sharing resources with learning from partners, which appropriately supplements the lack in capabilities and knowledge (Geringer and Hébert, 1989). In addition, hotel firms can successfully enter a new marketplace by cooperating with a joint venture. In particular, multinational hotel firms in developed countries can easily access and settle business operations in a local market in underdeveloped countries through effective cooperation with a joint venture partner that have required knowledge and networks in a specific local market. Moreover, through the joint venture, through the joint venture, hotel firms can reduce the intensity of the throughout the markets they engage in by allying with powerful partners and generating effective mutual forbearance from extensive multi-market contacts. Exploiting such benefits, hotel firms creating relevant joint ventures can increase firm value, while those effects are not reflected yet in ROA that is based on the past accounting data since most benefits actualize in the future, which properly affects Tobin's q.

Finally, diversification is one of the common strategic choices in the hospitality industry (Basham and Kwon, 2009), although there is no empirical study on ownership type diversification in this field. The results of this study show that H4-1 was accepted but H4-2 was not. This result suggests that the degree of ownership type diversification increased financial market-based firm performance of U.S. lodging firms.

Considering that the market competition in the hotel industry has been more fierce (Shea and Roberts, 1995), diversification strategy can make firms improve firm performance, obtaining more competitive advantage (Barney and Hesterly, 2008). The positive effect of ownership diversification implies that the hotel firms choose different, customized ownership type to adapt to diverse regions with different culture, regulations, and environments, which reduces operational and financial risks of the firm and lessens competition throughout the market with increased market power. Further, the U.S. lodging firms, by diversifying ownership type, may share resources and knowledge among different type business units, which creates core competency for operating optimal portfolio of ownership type (Chang and Wang, 2007).

Given that each ownership type generates specific advantages and disadvantages, ownership diversification strategy may neutralize the disadvantage of each type, creating a more balanced and favorable competitive environment. Such benefits seems to sufficiently outweigh costs from diversifying ownership type, such as increased organizational complexity and information processing demands, which leads to enhanced firm performance.

There is an avenue research on franchising or joint venture in the hospitality literature, suggesting that both of them can create benefits for the firm. However, comprehensive examinations of the relationship between each ownership type and firm performance, and especially, the effect of the ownership type diversification on firm performance have not existed in the current literature. This study used the publicly traded U.S. lodging firm's 10-k reports to investigate the relationship between ownership type and firm performance. All hypotheses for effects of ownership types on ROA were not accepted, because most of the hotel firms operated need a lot of investment and management costs, which does not generate net income sufficiently. However, the result shows that a higher degree of joint venture and the ownership type diversification lead to greater Tobin's Q. From the result of this study, joint venture is one of the best ways for hotel firms to enhance firm value evaluated in financial market reflecting the prosperity of the firm's future and the hotel firms need to utilize ownership type diversification to reduce the operation risks and generated

distinctive core competency, creating competitive advantage in the U.S. lodging industry.

5.2 Limitations and suggestion for future studies

The study results may not be generalizable. Samples of this study were only consisted of publicly traded U.S. lodging industry firms. It is generally known that the development of the hotel industry in the U.S. is much better than other countries (Basham and Kwon, 2009), which means the results obtained from this study were not generalizable enough. In order to ensure the research is more valuable, the samples need to collect with different countries and locations.

In addition, the samples of this study, were used the second data, which based on the 10-K reports located in the EDGAR (Electronic Data Gathering, Analysis, and Retrieval system). Finally, there were only 170 data has been used. Because many hotel companies do not clearly provide for the joint venture in their 10-k reports. Therefore, using the first data, as much as possible enlarge the sample size will be better to get more accurate results in future research.

Finally, this study selected the three most common ownership type as the main research, but for the hotel company, the common ownership type has many limitations. Future research that to ensure the classification of ownership type needs to be more accurate to ensure a better result.

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