

THREE ESSAYS ON AGGLOMERATION, STRATEGIC  
ORIENTATION, AND ORGANIZATIONAL FORM

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**ABSTRACT**

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33 This dissertation consists of three essays, trying to fill a gap in the literature  
43 by exploring the interaction of agglomeration, ownership structure, and strategic  
50 orientation. Much research has been focused on each perspective of issues, but little  
51 work has been done on the outcomes from the interaction.

67 The first essay examines how franchising affects the performance of hotel segments  
68 across all identifiable hotel chain locations in the United States. I examine the effect  
76 of franchising in the aggregate, controlling for brand quality, or service level, as well  
77 as each individual quality tier. In addition, I estimate the effect both with and  
77 without controls for the endogeneity of the franchise treatment decision. First, the  
78 findings indicate that franchised-ownership is associated with higher performance  
06 among hotels both with or without controlling the endogenous selection. Second,  
06 my results imply that franchising and multi-unit franchising have different benefits  
07 based on the product quality attributes of the lodging establishment, and suggest  
07 that previous research examining franchising way have overlooked these differences.

07 The second essay presents the joint choice of geographic location and product mar-  
08 ket positioning in the Texas lodging industry. The literature on the two-dimension  
09 Hotelling model concludes that firms choose to maximally differentiate on the dom-  
09 inant characteristic and minimally differentiate on the dominated characteristic. I

argue, assuming a geographic location is the dominant characteristic and brand is the dominated one, that the model implies that multi-unit owners will structure their portfolio of establishments to be geographically differentiated while choosing less differentiated brands. Alternatively, I argue, if product branding is the dominant characteristic and location is the dominated one, that the model implies that outlets will locate near one another in a geographic space while choosing highly differentiated brands. My empirical findings indicate a max-min equilibrium, which provides insight into the strategic motivations of multi-unit operators and the relative dominance of place versus market position in those decisions.

The third essay analyzes how product differentiation and ownership structure influence the evolution of the cluster. Using the data from the Texas Comptroller of Public Accounts from 2010 to 2016, I focus on how the joint effects of product market strategies and ownership structures shape industry dynamics and ultimately the spatial distribution of hotels. The literature on agglomeration claims that the agglomeration effect is heterogeneous among hotels and this effect is based on product heterogeneity between entrants and incumbents nearby. In addition, the choice of an ownership structure of entrants might substantially change the competitive environment of the market. I propose that multi-unit owners who operate a bundle of product portfolio can extract more benefits but neutralize more threats from agglomeration. My results show that multi-unit owners will establish a new high-end hotel in a market characterized by high counts of low-end hotels. Moreover, I also show that multi-unit owners who operate multiple cross-tier/same-chain hotels will neutralize the negative externality from agglomeration. My results imply that the

owner of high-end hotels may find it beneficial to control nearby incumbents.