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Introduction

Hotel owners often contract hotel management companies to operate their properties (deRoos, 2010) in order, among other reasons, to generate higher profitability (Aissa & Goaied, 2016). This relationship is structured through hotel management agreements (HMA) which stipulate that the management company is paid a fee to operate and manage the hotel in the name and on behalf of the owner (Schlup, 2004). Restriction on owner involvement is often a contentious disagreement during HMA negotiations (Butler & Braun, 2014) and a lack of owner-operator goal congruency has been shown to negatively affect a hotel property's performance (Hodari, Turner, & Sturman, 2017). HMAs, however, often require that owners relinquish the right to involve themselves in most of their hotel's property-level decisions. That is, management companies generally insist that their HMAs require the hotel's owner not to seek to influence the hotel's General Manager (GM) except on a very limited number of agreed upon topics (Thadani & Mobar, 2014). Of course, what owners are *supposed* to do and what they *actually* do may be quite different. For example, although they are supposed to allow their management company to operate with complete autonomy, owners often hire professional hotel asset managers to specifically control and influence the management company's decisions (Singh, Kline, Ma, & Beals, 2012). While researchers have regularly acknowledged that management agreements set contractual limitations on owner involvement (deRoos, 2010; Eyster, 1988, 1997b), little is known about owners' *actual* involvement in hotel property-level decisions. This paper examines the degree to which owners influence the management of their hotels, particularly in cases when they are not "supposed" to do so.

Management companies generally do not want owner interference. They claim that they should have complete managerial control because hotel operations are their area of expertise and the reason for which they have been hired (Gannon, Roper, & Doherty, 2015). Their motivation for full autonomy may also stem from the fact that they do not want the performance bonuses on which their profits largely depend to be potentially hampered by owner interference (Goddard & Standish-Wilkinson, 2002). In contrast, owners contend that because management companies are not always incentivized to make decisions which are in ownership's best interest (Turner & Guilding, 2010), they have a vested interest in monitoring and controlling the GM's decisions. Furthermore, as owners carry most of the financial risk, they argue that they should be permitted a substantial role in influencing the hotel's management even - or especially – when engaging a management company's services (deRoos, 2010).

While researchers have periodically studied HMAs to determine the balance of power between owners and management companies (see Turner & Guilding, 2013), and some have noted the fluctuating rights of owners in property-level decisions (e.g., deRoos, 2010), there is little information about owners' actual involvement in their hotels' management. This includes specific functional areas which may attract different degrees of owner involvement, the impact of different ownership and management structures, and the potential use of specialized hotel asset managers, on an owner's ability to influence the hotel's GM. This study addresses this knowledge gap in several ways which should benefit both practitioners and researchers.

First, we investigate owner involvement across a variety of operational and financial issues in order to determine their relative importance to owners in terms of those on which they most (and least) seek to influence the GM. While there are changing hotel ownership models (Bender, Partlow, & Roth, 2008), as most owners are still private individuals or partnerships owning a small number of assets (Corgel, Robert, & Woodworth, 2011), such information could prove useful in HMA settings by helping owners to better negotiate involvement rights like those of larger owners. This is particularly important since giving up control over the property's management has long been noted as the primary risk of owners when signing a HMA (Eyster, 1988; Panvisavas & Taylor, 2006, 2008; Renard & Motley, 2003).

This study also compares involvement across several organizational structures, including independently operated hotels in which a GM is directly employed by the owner to manage the hotel, and those in which a management company is contracted to do so through a HMA. The findings may help to clarify the degree to which HMAs actually serve to limit owner involvement. This is an important question since if owners of hotels operated under a HMA demand greater influence than their peers who own independently operated hotels, it could suggest that they do in fact, even tacitly, acknowledge an agency problem (Eisenhardt, 1989) and to some degree mistrust their management company. On the other hand, less involvement in HMA hotels could suggest that owner input is in fact restricted by the HMA.

Many owners lack the expertise, experience, and/or time to closely monitor their properties, yet are demanding about the operating and real estate valuation performance of their hotel assets. As such, they may hire hotel asset management firms who specialize in monitoring and improving hotel performance for this purpose (Singh, et al., 2012). Given the additional complexity and potential goal incongruence between owners and management companies, we examine whether owners of HMA hotels are more likely to engage the services of an asset manager to help them with this complex relationship. Furthermore, we argue that asset managers should be particularly involved in the property's financial and operational decisions as this is not only that for which they were hired, but also the task at which they specialize (Jackson, 2012). We thus also investigate if the presence of an asset manager helps determine the level of owner involvement. This study provides empirical evidence about the relative impact that hiring an asset manager can have for owners; such information could prove useful for owners contemplating the choice of assigning property oversight to such individuals, especially in scenarios where the owners may perhaps not have as much influence as desired. Such knowledge would be useful given the lack of empirical research on the role and potential benefits of asset managers (see Singh, et al., 2012).

Overall, given the lack of knowledge and untested assumptions about actual owner intervention, this study's findings can provide owners and management companies with a frame of reference to draw on during both a contract's negotiation and throughout its term. The latter is particularly important since espoused behavior stipulated in contractual clauses established prior to the agreement taking effect may be quite different from how owners (and management companies) actually act afterwards, especially if the hotel is not performing as well as had been forecasted.

Literature review

The evolution of hotel ownership and management

Historically, hotels were most commonly operated by their owners or by a GM employed by the owner (Lashley & Rowson, 2007). Although hotels were operated on a fee basis by professional management organizations as far back as the 1930's (Podd & Lesure, 1964), this has greatly increased over the past several decades. This is largely due to increased industry competitiveness which has strengthened owners' perception/acceptance that such companies provide necessary resources, experience, and scale economies (Panvisavas & Taylor, 2006). Hotel management companies typically claim to provide owners with a wide range of potential benefits, including marketing and distribution, superior bottom-line returns, and enhanced property values (O'Neill & Mattila, 2006; O'Neill & Xiao, 2006). The relationship between owners and management companies is formalized by the HMA. HMAs have become relatively widespread and are a driving mechanism behind the proliferation of many new institutional investor types acquiring hotels (deHaast et al., 2006), as well as the rapid portfolio growth of branded and independent hotel management companies (Roper, 2015). Such investors have, for example, been able to more easily invest in hotels as they do not need the skills to operate them as they can easily secure the services of a management company. Management companies, meanwhile, have been able to grow their portfolios without the risk and capital requirements commonly associated with real estate ownership.

While this separation of ownership and management allows each party to focus on its core skills, and to grow its portfolio in faster and more focused ways, a continual source of tension between the two sides has been their balance of decision-making power. HMAs have for the most part typically granted management companies full operational and financial decision-making authority (Beals & Denton, 2005). In other words, in exchange for their services, management companies have generally required owners to largely - but not completely - relinquish involvement in their hotel's day-to-day business.

Prior to the 1990s the relatively small number of management companies in relation to owners seeking their services meant that the balance of power rested firmly with the management companies (deRoos, 2010). As such, HMAs overwhelmingly provided management companies with full operational and financial control and severely restricted owner influence in related decisions (Eyster, 1997a). Virtually all HMAs gave the management company a "right of quiet enjoyment" (Feldman, 1995, p. 39).

This changed during the early 1990s as owners' desire for more influence in property-level decisions helped lead to a management agreement "revolution" in the United States and an ensuing increase in owner power (Eyster, 1997a, p. 14). According to Eyster, as goal misalignment between the two parties became more evident, owners began to demand the right for greater influence, regardless of what the management agreement stipulated. Simultaneously, dissatisfied with the additional supervisory and operational constraints owners forced upon them, many management companies tried to keep owners at bay by making it difficult for them to understand property-level issues (Feldman, 1995). In effect, they increased their information asymmetry (Saam, 2007) in order to make owner oversight more difficult.

Owners have strengthened their bargaining power in recent years (Beals & Denton, 2005; Turner & Guilding, 2013) and as such have increasingly been able to hold management companies accountable through performance-based clauses and guarantees (Bader & Lababedi, 2007). The risk associated with granting these firms full decision-making authority, however, has not abated, as evidenced by an important growth in the number of recent court cases in which owners have successfully sued for the right to terminate their management agreements due to their management company's poor or biased decision-making (deRoos & Berman, 2014; Renard & Motley, 2003).

Normative commentary (e.g., Bader & Lababedi, 2007; Gannon, et al., 2015) suggests that in order to reduce the risk associated with contracting out their hotels' management, hotel owners continually seek the right to influence, authorize, or even make key property-level decisions. However, whether or not they actually influence the GM's decisions remains a question.

Agency and control

Hotel owners' need to influence property-level decisions can be explained through agency theory (Eisenhardt, 1989; Jensen & Meckling, 1976). An agency theoretic lens views hotel owners as principals who contract agents, such as GMs and management companies, to make decisions on their behalf (Renard & Motley, 2003). Principals and agents often have very different and/or conflicting goals however (Stroh, Brett, Baumann, & Reilly, 1996), and thus may act in self-interested ways (Zhang, Lawrence, & Anderson, 2015). As a result, the separation of ownership and management can lead to 'agency problems' for owners since their best interests are not always captured in management's decisions. It is particularly challenging for principals to limit the agency problem when the agent has additional or superior information, as this makes it more difficult for the principal to accurately monitor or evaluate the appropriateness of the agent's decisions and actions (Lambert, Larcker, & Weigelt, 1993).

Principals thus often turn to behavior-based control systems (Eisenhardt, 1989), including intervening in their agents' activities (Bergen, Dutta, & Walker, 1992), to mitigate this information disadvantage and potential goal conflict. This in turn can reduce the agent's propensity and/or ability to act counter to the owner's interests (Stump & Heide, 1996). Thus, agency theory would posit that hotel owners (principals) may mitigate the risk associated with hiring a management company or GM (agent) by increasing their supervision and involvement in their agent's decisions. Agency theory also suggests that principals may seek to acquire additional expertise in order to restrain their professional agent (Sharma, 1997). Such client control implies employing a specialist who understands the business and can provide the principal with more thorough and meaningful analyses about the agent's performance. This allows principals to reduce their information asymmetric disadvantage and the potential for the agent to act opportunistically. Hotel asset managers increasingly serve owners in this capacity due to their greater experience and training in financial and operational areas. Asset managers have normatively been cited as being able to provide owners with improved influence and control over the GM and management company (Jackson, 2012).

Multiple agency

Agency theorists have almost exclusively investigated client and behavior-based control mechanisms within single agency settings. These involve scenarios with only one agent and one principal, such as when a hotel owner directly employs a GM (Panvisavas & Taylor, 2008). Hotel management agreements, however, create the rarer and less-studied multiple agency situation (Bernheim & Whinston, 1986; Child & Rodrigues, 2003; Shapiro, 2005) since not only is one principal (the management company) agent to the other principal (owner) (Dev, Thomas, Buschman, & Anderson, 2010), but also because the GM acts as agent to both principals (Hodari & Sturman, 2014).

In the majority of HMAs the management company is responsible for the explicit legal employment of the hotel's GM (Guilding, 2003). In this situation GMs could be inclined to act in their management company's best interests in order, for example, to facilitate career advancement through assignments to more prestigious properties, through promotions to multi-unit supervisory roles (Jones, 1999) and/or to corporate level positions (Yeung, 2006).

While owners of independent hotels are the GM's formal employer, hotel owners also implicitly employ GMs in HMA scenarios as they pay the GM's salary or reimburse the management company for this. They also often have approval rights on their management company's appointment of the GM (deHaast, Dickson, & Braham, 2005; Guilding, 2003). As such, GMs must be mindful to also act in an owner's interests when managing a HMA hotel in order to better secure positive performance evaluations necessary for future positions. This is especially true since as the management company's on-property agent they are largely responsible for ensuring a positive owner-management company relationship which is a primary objective for management companies operating lodging establishments (Guilding, Warnken, Ardill, & Fredline, 2005).

Given the existence of multiple principals and agents, hotel owners with a HMA are in a particularly complex and potentially vulnerable situation. One reason for this is that the two principals often have conflicting objectives in terms of goals, time horizons, return, risk, and value (Turner & Guilding, 2014; Xiao, O'Neill, & Mattila, 2012) which means that the GM, may be forced to favor one principal over the other. This is understandable given that agents serving the same principal (i.e., GMs and management companies serving the hotel owner) have been shown to often have competing interests with some perhaps less congruent with their principal than with the other agents (Shapiro, 2005). An additional reason is that the owner must monitor not one but multiple agents: the GM and the management company. The presence of agents at both the property (GM) and corporate levels (management company) implies multiple sets of control relationships, thereby increasing informational asymmetries and making the processes associated with monitoring and control more difficult (Shapiro, 2005). This suggests that the presence of multiple control relationships may make it particularly challenging for owners to influence or monitor managerial decisions.

Controlling management in a multiple principal / multiple agent situation thus poses owners with unique challenges which agency theorists have noted may not be addressed by research findings and recommendations stemming from single agency situations (Saam, 2007; Shapiro, 2005). For instance, principals likely need alternative ways to control their agent's behavior when a second principal is present (Child & Rodrigues, 2003). Hierarchy has been the usual means for achieving top-down operational control in single principal scenarios; in theory, it provides control through the specification of formalized and either centralized or delegated decision-making authority (Shapiro, 2005). Hierarchical lines are less clear and may provide less effective control, however, when an agent reports to multiple principals, especially when they have different incentives and agendas (Guthrie, Xiao, & Wang, 2008). Client and behavior-based control methods, and specifically involvement in business decisions (including by the asset manager), may therefore be particularly useful for owners in multiple principal / multiple agency scenarios.

Hypothesis development

Financial and operational decision-making

While GMs make both financial and operational decisions (Hodari & Sturman, 2014), owners may not necessarily seek the same influence in both areas. From an agency perspective, relatively high influence in financial decisions may arise because financial information can be considered more objective and more easily monitored. Similarly, although operational information may be of equal importance when conceptualizing strategic pursuits (Kaplan & Norton, 1992), strategic implementations tend to be controlled through financially-oriented information (Bhimani & Langfield-Smith, 2007).

Operational decisions, meanwhile, may attract less involvement. For example, GMs are frequently promoted to this position due to their strong operational skills (Harper, Brown, & Irvine, 2005). As a result of such expertise, there may be little perceived need to influence GMs' operational decisions. In addition, many hotels have standard operating procedures and/or brand standards, meaning that less influence might be sought since operational decisions are likely to be regulated according to what these dictate (Gannon, et al., 2015; Paraskevas & Saunders, 2012). Furthermore, as management companies are hired to 'operate' the hotel, its owner may recognize that this is best left to this specialized firm.

Owners may also pursue control over budgeting decisions since these have an ability to influence the property's overall profitability and strategic orientation (see Hesford & Potter, 2010) and play a powerful role in the overall control process (Butler & Braun, 2014). Furthermore, hotels are complex buildings that are costly to maintain and thus have a high proportion of capital intensive assets (Turner & Guilding, 2013). Owners may seek greater control of capital expenditure decisions because the GM, as the person most often responsible for developing capital expenditure proposals for an owner's consideration (Eyster, 1997b), can be incentivized to bias capital expenditure cash flow forecasts upward for those projects that benefit their self-interested goals (Turner & Guilding, 2012). In light of the preceding discussion, we hypothesize that:

H1: Owners influence financial property-level decisions to a greater extent than operational property-level decisions.

Single and multiple agency settings

The multiple principal situation inherent to management agreements results in GMs being responsible to, and influenced by, both owners and management company executives. In the multiple principal setting, the GMs' two principals can have conflicting objectives and priorities. As a result, the GM's decisions cannot be simultaneously in both their best interests. The hotel owner's agency problem is therefore greater in the multiple agency setting than in the single agency scenario due to the potential influence of the other principal's conflicting objectives on the GM's decision-making. Owners using HMAs (multiple agency setting) thus likely need, or believe they need, a greater level of involvement relative to owners of independently operated hotels (single agency setting) because they must minimize or counteract the management company's ability to influence the GM. As such they would most likely seek greater involvement.

The extent to which owners in the multiple agency setting 'actually' involve themselves in property-level decisions may, however, be restrained by the contractual terms originally negotiated into the HMA. These terms can be influenced by the power balance which existed between the owner and the management company at the time of negotiation (Turner & Guilding, 2013). HMAs might, for example, allow for owner approval rights thus permitting an owner to remain involved in certain decisions while restricting involvement in other areas (Bader & Lababedi, 2007). While HMAs often set contractual limitations on owner involvement (deRoos, 2010), some owners may not do as they are supposed to.

Involvement in property-level decisions could bring acrimony. Management companies, for example, often complain that if part of their management fee is contingent upon performance then "shouldn't they be given the right to manage the hotel free from the owner?" (Goddard & Standish-Wilkinson, 2002, p. 8). Excessive control and involvement by an owner can negatively impact a hotel's performance level through not only inferior decision-making but demotivation of the management company and/or GM (Panvisavas & Taylor, 2008).

We expect all this would be much less likely in the single agency setting. Consider owners of independently operated hotels; being in a traditional hierarchical arrangement means that there is less noise in terms of negotiation with their agent (GM). As a result, owners can better implement contractual control so as to align the interests of their agent with their own, relative to owners with HMAs. From the better alignment of interests, we expect that owners of independently operated hotels will have less of a need to involve themselves vis-à-vis owners with a HMA. The lack of contractual barriers to such involvement would enable these owners to be more involved than owners with a HMA. We thus hypothesize as follows:

H2: Owners of independent hotels are more likely to influence operational decisions to a greater extent than are owners of hotels operated under hotel management agreements.

H3: Owners of independent hotels are more likely to influence financial decisions to a greater extent than are owners of hotels operated under hotel management agreements.

Agency, owners and asset managers

As previously noted, owners sometimes contract asset managers to gain access to their greater experience, expertise, and time. We argue that having an asset manager enables such owners to better influence the GM due, in large part, to reduced information asymmetry. Although owners in both single and multiple agency settings can engage the services of an asset manager, those who work for owners of HMA hotels must oversee both the management company and the GM, as opposed to only the GM in the single agency setting. Fundamentally the asset manager is needed even more by owners in the multiple agency setting. Given the additional complexity and potential for the agency problem in multiple agency scenarios, owners may rely even more on asset managers in these situations. As such, we hypothesize that:

H4: Owners of hotels operated under management agreement are more likely to engage the services of an asset manager than are owners of independently operated hotels.

Hotel asset managers have significant expertise in both operational and financial areas. They are trained to work with both owners and management companies and often have spent considerable time in property-level management roles. As such, they likely have greater credibility than most owners in the eyes of GMs and management company executives and should thus be able to more effectively provide input, thereby significantly helping owners to influence the property and corporate-level agents. Furthermore, their mandate is to specifically control and improve both the operational and financial performance of the hotels they oversee. We thus hypothesize that:

H5: Owners with an asset manager are more likely to influence property-level operational decisions to a greater extent than are owners without an asset manager.

H6: Owners with an asset manager are more likely to influence property-level financial decisions to a greater extent than are owners without an asset manager.

Method

Sample

A questionnaire was administered to GMs as they are responsible or directly involved in their hotel's financial and operational decisions (Hodari & Sturman, 2014). Furthermore, GMs within the management agreement setting are at the nexus between the owner and management company (Guilding, 2006). They are therefore well-positioned to observe the different parties' involvement in property-level decisions. Recent research conducted within the setting of HMAs has similarly relied on questionnaire surveys to ascertain GMs' information on hotel owners (e.g., Hodari & Sturman, 2014; Turner & Guilding, 2013).

The online questionnaire was sent to 1,227 hotel GMs in the United States and Europe. A total of 499 usable responses were gathered, representing an overall response rate of 40.67%. Of these, 300 noted that the hotel owner oversaw the hotel while 199 identified that the owner had contracted an asset manager. Also of the 499 responses, 311 reported that a management company operated the hotel under a HMA, whereas 188 were independently operated.

Measures

Hotel owner influence on property-level decisions was measured across 11 areas which were divided into two categories: financial and operational. Each of the 11 items included were based on prior studies (e.g., Eyster, 1997b; Hodari & Sturman, 2014) as well as expert interviews with hotel owners and GMs during preparation and pilot testing of the questionnaire instrument. Financial items included: capital expenditures; budgeting; control accounts receivable; cash flow forecasting; profit and loss forecasting; and allocation to FF&E reserves. Operational items included: staffing and compensation; compliance with brand standards; market segmentation analysis; operating procedures; and distribution channel optimization. The study's GMs were asked to identify the level of their hotel owner's influence on the 11 items. Response options ranged from 1 (no influence) to 4 (strong influence).

In order to confirm our expectations that involvement was different with regard to financial issues compared to operational issues, we conducted a confirmatory factor analysis (CFA). We compared the model with the 11 items loading on a single factor (our null model) to the hypothesized two-factor model.

Based on the recommendations by Bollen (1989) and Hu and Bentler (1999), we evaluated the appropriateness of the fit of our models using the comparative fit index (CFI), the non-normed fit index (NNFI), and the root mean square error of approximation (RMSEA). Generally, values equal to and greater than .95 are considered good for CFI and NNFI, while RMSEA below .10 indicates good fit. Furthermore, we used the χ^2 difference to compare the hypothesized two-factor model to the one-factor model.

The one-factor model had generally poor fit (CFI = 0.92, NNFI = 0.90, RMSEA = .16). The fit of the two factor model was good on certain indices (CFI = 0.96, NNFI= 0.95), and was significantly better fitting than the one-factor model ($\Delta\ \chi^2$ = 237.259, df = 1, $p < .0001$); however, the RMSEA was greater than the generally desired cutoff (RMSEA = 0.11). Examination of the model's modification indices suggest that error terms among some of the items may be correlated. However, we did not want to capitalize on empirically-driven manipulation of the model, as our main purpose was to determine if indeed the construct about financial variables was distinct from the construct of operational variables. Therefore, no further manipulation of the model was undertaken.

Given some uncertainty with the model, we did not pursue further structural equations modeling of the results; nonetheless, the evidence does support the proposition that issues associated with financial decisions are perceived as separate from issues associated with operational decisions. Examining each set of questions then as a averaged measure, the Cronbach alpha of the resultant measures were 0.86 and 0.90 respectively, thus indicating an acceptable level of internal consistency for the operational and financial factors (Hair, Anderson, Tatham, & Black, 2006). All subsequent hypothesis tests were thus conducted examining the operational and financial measures as separate constructs.

Results

Descriptive results

Before delving into our hypothesis tests, it is worth considering in some detail the nature of GMs' responses to the questions regarding owner involvement. Table 1 provides information about the distribution of both operational and financial involvement. In addition to the mean and standard deviation, the table also provides information on the distribution of GMs' responses. Specifically, the table reports the frequency of GMs reporting "no influence" (where the subject rated "1" on all items of the measure), "low influence" (which we defined as the measure being above 1 but less than 2), "moderate influence" (from 2 to 3), "high influence" (from 3 up to 4), and "strong influence" (where the subjected rated "4" on all items of the measure).

---Insert Table 1 about here---

As the table shows, GMs report a wide variety of owner involvement. While not surprisingly most GM's report levels of involvement along the four-point continuum, a notable minority of responses included those reporting both "no influence" (all 1's) and others reporting "strong influence" (all 4's). It is also interesting to note that overall and in every subgrouping, over 50% of GMs report a high level of involvement (average ratings above 3) of owners regarding financial matters, whereas it is closer to 25% regarding operational issues. While we will examine these differences statistically to test our hypotheses, these descriptive results do suggest that a sizable number of owners are involved in their hotels' operational and financial issues.

Hypothesis tests

A summary of the hypothesis tests are presented in Table 2. To test hypothesis 1, we used a paired t-test to compare the mean difference between the degrees of owner involvement on financial issues versus operational issues. Paired sample t-tests revealed that the mean of the financial factor (2.91) was significantly higher ($p < .0001$) than the mean of the operational factor (2.16) in both single and multiple agency settings. This provides support for hypothesis 1, which stated that hotel owners influence financial property-level decisions to a greater extent than operational property-level decisions.

Hypotheses 2 and 3 were tested by comparing the level of involvement for independently operated hotels and hotels operated under a HMA. For the operational items (Hypothesis 2), we found that the mean for owner influence in independently operated hotels (2.23) was marginally significantly more ($p <.10$) than the mean for owners of HMA hotels (2.12). For the financial measures (Hypothesis 3), however, there was no significant difference ($p = .96$) between the mean for independently operated hotels (2.91) and HMA hotels (2.91). As such, we contend that there is weak support for hypothesis 2 regarding operational involvement, but hypothesis 3 regarding financial involvement is not supported.

The test for hypothesis 4 demonstrated that owners of hotels operated under a HMA are significantly ($p < .0001$) more likely to hire an asset manager than are owners of independently-operated hotels. Nearly 49% of hotels with a HMA had an asset manager, whereas this was the case in only 26% of independently-operated hotels.

Hypotheses 5 and 6 tested differences in owner involvement based on the presence of an asset manager, both with respect to operational (H5) and financial (H6) decision making. No significant difference in means ($p = .62$) was found between owners with (2.15) and without (2.17) an asset manager for operational involvement, thus failing to support Hypothesis 5. For financial involvement, however, the mean for owners with an asset manager (3.04) was significantly greater ($p <.001$) than that for owners without an asset manager (2.83), thus indicating support for Hypothesis 6.

Note that the interpretation of the results was the same when (1) the presence of an asset manager and (2) whether the hotel was run by a management company were considered simultaneously. That is, using multiple regression, owner involvement in hotels with a HMAs was marginally lower (B = -.11; s.e. = .085; $p < .10$) even after controlling for the effects of an asset manager being present (no significant effect for the asset manager). Whereas owner involvement in financial issues was higher when there was an asset manager present (B = 0.22; s.e. = 0.074; $p < .01$) even after controlling for the presence of a HMA (non-significant effect).

Discussion

Financial versus operational decision-making involvement

Consistent with hypothesis 1, the GMs reported that hotel owners influence financial decisions to a greater extent than operational ones; this held true in both single and multiple-agency settings. To the best of our knowledge this relationship had not been the subject of any prior empirical survey-based research examination. It does conform, however, to normative views espoused in prior research (e.g., Eyster, 1997b; Panvisavas & Taylor, 2008), and thus a higher level of involvement in financial decisions was not unexpected. Indeed, it is claimed that as the hospitality industry becomes ever more dynamic, competitive and complex, GMs are under increasing pressure to improve their level of expertise in the area of accounting and financial management, especially so as to communicate these results to their hotel owners (Kim, Schmidgall, & Damitio, 2017).

Our finding on owner's financial involvement lends support to previous research which suggests that principals must actively work to decrease their information asymmetry in order to reduce their agents' propensity to distort the firm's performance (Dunk, 1993). In terms of operational decisions, it is notable that GM bonuses (Woods, Rutherford, Schmidgall, & Sciarini, 1998) and HMA termination clauses (deRoos, 2010; Panvisavas & Taylor, 2008; Turner & Guilding, 2010) are often linked to the hotel's performance, and since this is most often evaluated through financial achievements, owners may assume that operational decisions are only important inasmuch as they lead to a financial result (Turner & Guilding, 2010).

Influence in single and multiple agency settings

Owners of independently operated hotels involve themselves marginally more in operational decisions vis-à-vis owners of hotels operated under management agreement; there was no difference for financial items. With regard to operational decisions, the finding supports previous research which suggests that management contracts restrict owner involvement. Of course, HMAs may in fact be aligning owner and management company objectives and thus the agency problem in this multiple agency setting may not be as great as theory would suggest, thus reducing the need for owners of HMA hotels to involve themselves. This may be because contract control (Eisenhardt, 1989) is in effect as HMA incentive fee clauses align the two principals' objectives. The extent to which this may be the case, however, remains questionable. Management agreement fee structures are often noted for failing to align owner and management company interests (see Turner & Guilding, 2010) and hotels often fail to generate incentive fees for the management company (Rivera, 2011).

We also demonstrate that the common assumption that HMAs largely prevent owner involvement in operational decisions is clearly not true. In fact, according to Table 1 only 15% of HMA owners had no influence on operational decisions (only slightly more than the 13% of owners of independent hotels with no influence). Furthermore, the fact that over 50% have moderate to strong influence suggests that HMAs are either not written to restrict owner involvement, thereby contradicting much of the normative literature, or management companies are simply unable or uninterested in fully enforcing these clauses. This would suggest that owners have become more powerful and are able to influence decisions even when supposedly contractually prevented from doing so.

Asset managers and influence differentials

Owners of hotels operated under a HMA were found to be significantly more likely to hire an asset manager. This may be because owners in the multiple agency setting recognize the potentially specific and substantial agency problem they face in a HMA scenario due to the presence of agents at both the property and corporate level who control most relevant information and may take self-interested decisions at the owner's expense. As discussed, the information asymmetry disadvantages can be particularly detrimental to HMA owners who, as have been found in this study, are unable to exert as much influence as owners of independently operated hotels. Hiring an asset manager, however, provides such owners with a specialist who has the necessary skills and experience to fulfill their mandate to act as an intermediary with the management company in order to improve the hotel's performance. It appears as if HMA owners, whose potential for input is restricted by the management agreement, may in fact hire asset managers to (at least partially) overcome these restrictions.

The above appears to be further supported through the finding that owners with an asset manager do in fact have greater input (in financial though not operational decisions) than owners who do not engage an asset manager. Although these asset managers would appear to be just as restricted as the owners for whom they work, we suggest that due to their specific expertise and experience they are better able to communicate with, and provide input to, the hotel management firms. This may be because they are industry professionals who command a certain level of inter-peer respect, rather than real estate investors who may not understand the hotel business as well. Thus, just as owners of HMA hotels are more likely to hire asset managers due to the perceived need to control the management company's decisions, the skills and abilities that appeal to such owners may also help such owners to influence the management companies' important financial decisions.

Conclusion

This study has answered calls for empirical studies to investigate the control of agency problems in multiple agency settings and the monitoring of agents through client and behavior-based systems (e.g., Child & Rodrigues, 2003; Gomez-Mejia & Wiseman, 2007). At a more practical level, it has addressed the need for more research about hotel owners and their impact at the property-level (Turner & Guilding, 2014; Xiao, et al., 2012), the role/impact of asset managers (Jackson, 2012; Singh, et al., 2012), and the managerial consequences of HMAs (Hodari & Sturman, 2014; Turner & Guilding, 2013). The results have numerous implications for both practitioners and researchers alike.

Managerial implications

For owners, a greater understanding about their peers' involvement in property-level decisions may encourage them to become more active owners. For example, the results support owners who claim that they should have the right to be more involved in financial decisions in HMA hotels since owner input here is not significantly less than in independently operated hotels. On the other hand, management companies may be able to demonstrate to their owners who demand excessive operational influence that their peers generally recognize that this is best left to the management companies. This would thus lend support to many management companies who often complain that if part of their management fee is contingent upon performance then "shouldn't they be given the right to manage the hotel free from the owner?" (Goddard & Standish-Wilkinson, 2002, p. 8).

Thus, the results support owners who seek greater input into financial decisions and management companies that wish to restrict such input in operations. An improved mutual understanding of the appropriate roles and levels of owner influence may help to reduce the frequently acrimonious relationships between hotel owners and management companies (Renard & Motley, 2003; Turner & Guilding, 2013).

The findings would seem to justify the value of asset managers with regards to influencing GM decisions; and as intermediaries between owners and management companies. Owners would thus appear to be justified in hiring asset managers to further mitigate the potential agency problem, particularly in the more vulnerable multiple agency scenario.

Overall, however, the results suggest a substantial degree of owner involvement is in force, including in HMA hotels, which begs an important question about the fundamental objective of entering a HMA. HMAs are supposed to enable owners to adopt a hands-off approach to the operation of their hotel because the management company has been appointed to do so based on their managerial know-how. This, in theory, allows HMA owners to focus on the real estate side of the business. Thus if owners are in fact concerned about the agency problem, as would appear to be the case from this study's findings, one wonders if HMAs are in fact aligning owner and management company interests as much as might be possible. This study's results suggest that savvy owners might well come to the HMA negotiation table better equipped to seek greater involvement rights.

Future research recommendations

Future studies might usefully be conducted on the level of hotel owner influence in connection with different management agreement contractual clauses. This may be warranted, for example, given our findings that HMA contractual clauses appear to decrease owner involvement in operational decisions but not nearly as much as has been assumed in the extant literature. An improved understanding of the link between contractual clauses and owner influence may serve to improve HMAs through better alignment of owner and management company goals.

It may also be worthwhile to examine the performance implications of hotel owner involvement. While increased involvement can reduce the owner's information disadvantage, it is unclear whether such involvement would enhance decision quality and/or hotel performance. Some hotel owners (especially those who contract a management company) may not be particularly experienced and/or knowledgeable about hotel operations; their involvement in property-level decisions may actually have a negative impact on their hotel's performance (Panvisavas & Taylor, 2008), especially as some hotel owners can be oriented by ego where 'emotive' elements can override sound financial decisions (Guilding, 2006).

It may thus be worth exploring for differences in owner involvement based on hotel ownership structures. For example, real estate investment trusts, institutional owners, real estate developers, high net worth private investors, and unitized/strata-titled owners have distinct investment objectives (Turner & Guilding, 2014), which may impact on the level and type of involvement they seek in their hotels. The performance of lodging real estate investment trusts, for example, is said to often be strongly linked to financial indicators such as average daily rates (ADR) and revenue per available room (RevPAR) (Jackson, 2009). In addition, while the study found that owners who engage asset managers have greater influence on financial property-level decisions, researchers could examine asset manager's ability to improve goal congruency between the different parties and/or the impact on hotel performance.

Additional studies could also help to better explain the managerial implications emanating from other multiple principal situations. They could, for example, examine the interaction between the various principals and how goal conflicts may impact the performance of both agents and their hotels.

Limitations

As with any research our study's results should be interpreted with a degree of caution. This study is subject to the limitations generally associated with social scientific research based on questionnaire survey data. Some of the items used in our study had to be developed due to negligible prior attention directed toward the constructs of interest. This signifies that some of the measures do not carry the benefit of extensive prior validation. Although there is no strong reason to suggest that the measures have failed to adequately measure the intended constructs, the possibility of this occurring is acknowledged. In light of the study's relative novelty, further research directed towards replicating and extending aspects of the work contained within is welcomed.

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