

## **Agency Theory Explanations of Firm Exit in Hospitality and Tourism: The Role of Family Ownership and Franchising**

### **Abstract**

There is a scarcity of research pertaining to hospitality and tourism firms' reasons for success (and failure). Given the prominence family firms and franchises in this industry, we draw upon Agency Theory to explain how family ownership and franchising can influence firm exit. We hypothesize that both family firms and franchise form of organization will reduce the likelihood of firm exit in hospitality and tourism. Moreover, franchise form of enterprise is hypothesized to increase the propensity to exit among family firms in this industry. We test our hypotheses on a sample of more than 41,000 hospitality and tourism firms. Results of our analyses support posited hypotheses. We conclude that both family ownership and franchising help reduce agency cost, which in turn increases the probability of staying in business.