24th Annual Conference
June 7-9, 2010
University of New South Wales
Sydney, Australia

1. **How Multi-Unit Franchising Impacts on the Four Franchising Imperatives – A Preliminary Investigation**
Kelli Bodey, Griffith University (Australia)
Scott Weaven, Griffith University (Australia)
Debra Grace, Griffith University (Australia)

The economic and social contribution of franchising is widely reported. However, little research has examined the factors influencing the achievement of the four franchising imperatives (i.e., unit growth, uniformity, local responsiveness and system-wide adaptation) within the context of multiple-unit franchising. This represents an *important gap* in the organizational choice literature. The purpose of this research was to identify those factors which may enable or hinder the achievement of the four franchising imperatives in plural franchising arrangements. A further intention of this study was to identify which of the multiple-unit forms are better equipped to realize the four strategic imperatives.
An exploratory convergent interviewing approach was used to collect data from a sample of 16 respondents. A series of 15 propositions derived from the qualitative stage of this research are presented for later quantitative testing. The results suggest that the four franchising imperatives are best achieved through the provision of rewards systems and business growth models, professional development training, timely communication with head office staff, and allowing informal flexibility beyond contract provisions. Key factors that may hinder the achievement the four imperatives include a lack of franchisor-initiated innovation and chain franchisee decision-making involvement, franchisee personality and costs of compliance.
Finally, in relation to identifying which of the strategic imperatives is better equipped to realize the four multiple-unit franchising forms, the results suggest that master franchising is more likely to realize the strategic imperatives of unit growth, system uniformity, system-wide adaptation and, partial support for local responsiveness. In addition, the results revealed that both master franchising and area development arrangements were found to enable system uniformity. Whilst, the results of this study reveal that neither incremental franchising nor area representative arrangements are a popular strategy, they were found to assist in realizing the strategic imperative of system-wide adaptation.

2. **The Simultaneous Use of Various Communication Means by Franchisors: Insights from the Subway Case**

Rozenn Perrigot, University of Rennes (France)
Guy Basset, University of Rennes (France)
Gérard Cliquet, University of Rennes (France)

Because the franchising industry is becoming more competitive, franchisors have to simultaneously use various communication means in order to attract prospective franchisees. The main objective of this paper is to explore the following question: "What kinds of communication means can be used by franchisors to attract and appeal prospective franchisees?" In this perspective, we propose an innovative approach for thinking about communication compared to the traditional one: media vs. non media communication. It deals with push communication, pull communication and communication relayed by influencers. Moreover, a special focus is made on the use of the Web 2.0. The case of *Subway*, one of the largest franchising chains in the world, specialized in sandwiches, serves to illustrate these various communication means and their complementarities. Managerial implications aiming to help franchisors to appear more attractive than competitors vis-à-vis potential franchisees are also discussed.

3. **The Structure of Decision Rights in Franchising Networks: Property Rights, Agency Cost and Transaction Cost Explanations**

Nada Mumdžiev, University of Vienna (Austria)
Josef Windsperger, University of Vienna (Austria)

This paper aims to explain the structure of decision rights in franchising networks by developing hypotheses from the property rights theory, agency theory and transaction cost theory. Under non- contractibility of assets, the structure of decision rights refers to the allocation of the decision making power between the franchisees and the franchisor regarding the use of intangible system- specific and local market assets in the network. The evidence is based on a sample of German franchise systems. The property rights hypotheses explain the allocation of decision rights by the importance of the franchisor's and franchisees' intangible knowledge for the generation of residual income. The data partially confirm the property rights hypotheses. In addition, the empirical results support the agency cost hypothesis which predicts a positive relation between monitoring costs and franchisee's fraction of residual decision rights. Furthermore, the data support the transaction cost hypothesis. Transaction specific investments of franchisees function as self-enforcement mechanism that reduces the requirement of the franchisor to transfer formal decision rights as incentive device to the franchisees. We also found that franchisors tend to increase control in the network as franchisees' fraction of decision rights increases. This result supports the complementarity view between decision and control rights in the network.

4. **International Expansion Modeling: Application to US and Australian Franchising Firms**

E. Hachemi Aliouche, University of New Hampshire (USA)

Udo A. Schlentrich, University of New Hampshire (USA)
Lorelle Frazer, Griffith University (Australia)

The present study extends previous work of the authors in developing a comprehensive empirical International Franchise Expansion Model that can assist franchisors in planning their expansion strategies into foreign markets. The present study focuses on Step One of the model (macro-environmental assessment).
Using an integrated model of international expansion, this study develops separate rankings (in order of expansion attractiveness) of 143 potential target countries for US-based franchise firms and for Australia-based franchise firms. Based on a macro-environmental assessment that takes into account market opportunity (measured by market size, market growth, and purchasing power), market risks (political, economic, legal, and regulatory), and distance (cultural and geographic), the model ranks countries according to their opportunity/risk profiles.
The model predicts that the top five optimal target countries for international expansion and the bottom five countries are similar for U.S. and Australian franchise firms. However, the model also generates very different rankings of many countries as optimal expansion markets for U.S. and Australian franchise firms. The results of the model are contrasted to the actual practice of Australian franchise firms. In practice, New Zealand is by far the most important international expansion market for Australian franchise firms, accounting for the majority of the overseas franchise units of Australian franchisors. This is in sharp contrast to the results of the model which ranks New Zealand 37th out of a total 143 potential expansion countries. This, and other evidence, points to the fact that Australian franchise firms assign an overwhelming importance to distance in their international expansion activities in actual practice, contradicting their claims that market opportunity is the paramount determinant of international expansion for them. These results also may confirm the lack of a strategic approach to international expansion by many franchise firms.

5. **Competition and Coverage: A Cross Sectional Analysis of the Structure of Multi-Unit Franchisee Ownership in U.S. Markets**
Robert E. Stassen, University of Arkansas (USA)
Chris Newman, University of Arkansas (USA)

In the growing literature examining multiunit ownership in franchised distribution there is a need to examine the implications of concentrated ownership on coverage, or the number of establishments per person. This paper presents summary statistics on the multiunit structure of the two leading franchised concepts in the U.S., McDonald’s and Subway, and its effect on coverage in U.S. metropolitan markets. The study examines this effect through regression analysis, where market coverage of these two systems is regressed on measures of franchisee ownership, developed from over 28,000 restaurant locations in the U.S. The results show that measures of multiunit ownership are positively related to coverage across all market sizes in the study, in contrast to assumptions that high proportions of single- unit ownership increases market coverage. The effects of multiunit ownership are shown to be separate from market concentration, as the share of units within the largest franchisor is shown to be negatively related to coverage.

6. **Multi-unit Franchising: A Property Rights View**
   Dildar Hussain, University of Vienna (Austria)
   Josef Windsperger, University of Vienna (Austria)

This study investigates the franchisor's ownership strategy from the property rights perspective. We argue that multi-unit franchising is positively related with the franchisor's intangible system-specific assets and negatively with the franchisee's intangible local market assets. In addition, the positive impact of financial assets on the franchisor's tendency toward multi-unit franchising increases with non-contractibility of the local market assets. We also hypothesize that multi-unit franchising is positively related with the franchisor's control rights. The empirical study conducted in the German franchise sector provides partial support of the hypotheses.

7. **Correlates of Successful Franchise Performance**
   Hyo-Jin (Jean) Jeon, The University of Oklahoma (USA)
   Rajiv P. Dant, The University of Oklahoma (USA)
   Brent L. Baker, University of North Dakota (USA)

Surprisingly despite the large footprint of franchising in the retailing arena, not much is known about the primary drivers of performance in franchising systems. With some notable exceptions, much of the franchising literature on performance related issues has focused on either contrasting failure rates of independent small businesses and entrepreneurs with those of franchises and/or system survival issues. In addition, in the existing literature on franchising performance, most studies have restricted themselves to a single sector, usually, the fast food restaurant industry, since it is often perceived and portrayed as the archetypical franchise sector. In this study, we attempt a systematic assessment of the relative effects of a series of firm decision variables on performance drawing on the theoretical framework of organizational learning as manifested within the resource based view of franchising. We test a total of eleven hypotheses utilizing data from 506 franchise systems taken from the *Bond's Franchise Guide 2008* (Bond 2008). These systems tap all the franchising sectors in the economy. Results from this study provide empirical support for seven of our hypotheses. Franchisors' strategic plans on certain decision variables (i.e., advertising fee, experience of the franchisor, new projected units, provision of sub-franchising, total initial training, assistances provided to the franchisees, and geographic dispersion) emerge as the primary drivers of the successful franchise systems. We close with a discussion of implications for future research and managerial action.

8. **Entrepreneurial Orientation and The Franchise System: Organisational Antecedents and Performance Outcomes**
   Lola Dada, Lancaster University (UK)
   Anna Watson, University of the Arts London (UK)

The purpose of this paper is to understand the franchisor's perception of the role of entrepreneurial strategic orientation (EO)–innovative, risk-taking, and proactive actions–within the special case of franchised firms, given the opposing forces for standardisation/uniformity and system innovation/adaptation. A cross-sectional research design, involving a mail questionnaire survey, was employed to collect data from a sample of franchisors operating in the UK. The hypotheses specified in the study were tested using regression (including moderated regression) analyses. The results revealed that EO was significantly and positively related to the performance outcomes of franchise systems, both from financial and non-financial perspectives. In addition, both franchisor support and franchise contract clauses were positively and significantly related to EO. The external contexts of the franchise system–environmental hostility and environmental dynamism–were not found to be significant moderators in the relationship between EO and performance outcomes. This study extends our knowledge of the EO–performance outcomes relationship to the franchising context where the role of EO is presently underexplored.

9. **Social Capital Transfer and Performance in Franchising**

Brinja Meiseberg, Wilhelms-Universität Münster (Germany)
Thomas Ehrmann, Wilhelms-Universität Münster (Germany)

We examine the role of the entrepreneur's social capital with customers for the performance de- velopment of new ventures in franchising. Anecdotal evidence shows that under conditions of quality uncertainty, when a well-reputed seller leaves the firm and starts an entrepreneurial ven- ture, customers may choose to continue patronizing the seller rather than the seller's former firm. Sellers that can transfer customers from their former firm into their new business environment have a starting advantage, since their established customer base provides some "certain" sales and referrals. Like for other entrepreneurs, such customer capital may offer a head start for new franchisees as well. Based on panel data from 175 franchise outlets, our results show a strong connection between the franchisee's customer capital and short-term performance after system entry. The effect is even stronger if franchisees understand utilizing customer relationships as a source of information. However, benefits of transferred customer relationships cease over time as other system franchisees catch up in building a customer base and acquiring know-how.

10. **Do Disclosure Documents Signal Value to Prospective Franchisees? A Conjoint Analytic Approach**

Owen Wright, Griffith University (Australia)
Hume Winzar, Macquarie University (Australia)

This paper presents research that investigates and identifies attributes of franchised businesses and how those attributes are perceived by potential franchisees in the early stages of the business sale process. This research adopts a view of the nature and effectiveness of the franchise disclosure document and its usefulness in the franchise sales process to prospective franchisees. We apply a signalling-theoretic perspective of the value proposition of franchise opportunities with the goal of assisting key franchising stakeholders to design effective (generic) disclosure documents, within the context of mandatory regulatory framework, so as to minimise franchisor and franchisee goal divergence, conflict and (ultimately) franchise unit and system failure. We find that much of the required material has little value to prospective franchisees.

11. Good Faith in the Context of Franchising Agreements

Andrew Terry, University of Sydney (Australia)
Cary Di Lernia, University of Sydney (Australia)

A recent Australian report has concluded that while the prior disclosure obligations of Australia's regulatory instrument for franchising (the *Franchising Code of Conduct*) are for the most part adequately addressed, there remain concerns because of the 'continuing absence of an explicit overarching standard of conduct for parties entering a franchise agreement'. The *Opportunity not opportunism* report of the Parliamentary Joint Committee on Corporations and Financial Services (December 2008) recommended that the optimal way to provide a deterrent against opportunistic conduct in the franchising sector was 'to explicitly incorporate, in its simplest form, the existing and widely accepted implied duty of parties to a franchise agreement to act in good faith'. In November 2009 the Australian Government rejected this recommendation on the basis that it would 'increase uncertainty in franchising'.

This paper explores the challenges faced in grafting the civil law concept of good faith onto a common law system. It suggests that in Australia and other common law jurisdictions – and even in civil law jurisdictions – good faith is more an elusive ideal than a well settled commercial standard and that issues of definition, scope and application may frustrate its intended application in the franchising context.

12. Stakeholder Input into Franchise Inquiries: an Australian Exploratory Study

Jenny Buchan, University of New South Wales (Australia)
Jennifer Harris, University of New South Wales (Australia)

It is thought that evidence based policy is essential for making laws that serve the community best. The Australian Government has endorsed evidence based policy making. This paper reports the results of an exploratory study into stakeholder participation in government policy making within the context of the franchise sector in Australia. It is based on the South Australian Parliament's Inquiry into existing laws governing franchising of 2008. General themes that emerged from this study support the view that policy proposals from the SA inquiry do result from evidence-based research. The value of having all stakeholders participating is identified and it is concluded that final recommendations from the South Australian Inquiry are not drawn primarily from any particular category of stakeholders. Finally, additional areas that will be pursued in the fuller study being conducted during 2010 are noted.

13. A Global Survey of Relationship Laws for Franchising

Elizabeth Crawford Spencer, Bond University (Australia)

Information about patterns of regulation globally help to inform a better understanding of commercial regulation and to identify the most promising approaches to regulating the sector. This paper surveys legislation impacting upon the conduct of and exit from franchise contracts, referred to as 'conduct' or 'relationship' legislation. This legislation regulating the performance of the relationship establishes the rules that govern the franchisor - franchisee interaction after the contract has been signed. It alters the rights of parties, 'to freely contract among themselves, setting ground rules on aspects of the relationship such as termination, non-renewal, rights of franchisees to form associations, purchasing requirements, transfer rights, and system expansion.

14. **The Impact on the Regulatory Regime on Foreign Franchisors' Entry in China: The KFC and McDonald's Experience**

Zhiqiong June Wang, The University of Western Sydney (Australia)
Andrew Terry, University of Sydney (Australia)

The Open Door policy introduced by Deng Xiaoping in the late 1970s ended three decades of isolation and re-engaged China with the outside world. It also created an environment in which franchising could be used as a business expansion strategy. However, in addition to the normal commercial and cultural issues which challenge any franchise system in its international expansion, foreign franchisors proposing to enter China faced additional regulatory obstacles. Market entry, participation in particular business sectors and even the use of franchising as a method of business operation and expansion have all raised complex regulatory issues. This paper reviews the entry and expansion mode of KFC and McDonald's, and analyses the influence of the regulatory and legal environment on their strategies.

15. Acquisition of Local Knowledge by Franchisees: A Network Perspective

Evelien Croonen, University of Groningen (The Netherlands)
Maryse Brand, University of Groningen (The Netherlands)
Roger Leenders, University of Groningen (The Netherlands)

In recent years, several authors have used a knowledge or organizational learning perspective regarding business format franchising. These studies typically look at franchisors distributing their codified knowledge in the form of a business format to their franchisees. We argue that franchisees also need local knowledge to adapt the management of their units to local circumstances. Such local knowledge is often not codified and not possessed by the franchisor. Therefore, a relevant question is where and how franchisees acquire the local knowledge needed to achieve a local fit in their specific locations, and how this influences their units' performance. Since it is often argued that organizations can learn from the experience of others, this paper adopts a network perspective to develop propositions on how the network characteristics (i.e. tie similarity, tie volume, tie diversity, tie intensity and tie longevity) of individual franchisees influence the performance of their units. The paper concludes with a discussion regarding how these propositions can be tested empirically and some practical implications.

16. **Implementing Multi-Channel Strategies: Issues and Opportunities for Franchise System Websites**

Gérard Cliquet, University of Rennes (France)
Patrick Kaufmann, Boston University (USA)
Dale D. Achabal, Santa Clara University (USA)

Franchisors use the Internet to both manage the internal processes of their systems and as a new channel through which to reach the end user or consumer. This paper deals with the later use and examines the issues that opening up an on-line web channel raises for the system and for the franchisor's relationship with its franchisees. The distinction is made between franchisor websites that simply facilitate information flows from the franchisor to the consumer and those transactional websites that have the functional ability also to consummate sales to the end user. Two studies are conducted, one quantitative and one qualitative. Analysis of Study One focusing on the U.S. reveals that the greater the proportion of company owned stores in the system the more likely the franchisor will employ a transactional website. Study Two consists of two case studies that describe in some detail the use of franchisor websites by two large French retailers. Interestingly, their transactional websites are integrated into the companies' CRM systems and this has helped ameliorate the potential for franchisor/franchisee conflict arising from the introduction of this alternative channel. It is argued that the Internet provides franchisors with significant potential to optimize multi-channel systems as long as they are mindful of the competing interests and incentives of all the parties.

17. **The Impact of Service Personalization of Business-Format Franchises**

Odile J. Streed, Concordia College (USA)

Concept uniformity is a pillar in business-format franchising. Consistency from store to store is important for brand equity, however it is cumbersome and costly to maintain in a franchised structure since the franchisor somewhat lacks the authority to enforce the rules. Moreover, the current trend toward individualization of customer needs may represent a drastic threat to concept uniformity: franchisees may be facing increasing pressures to maintain their local competitiveness by diverging from the norms. The purpose of this research is to investigate a way to satisfy all parties, customers, franchisees, and franchisors by allowing franchisees to adapt peripheral attributes of the concept so that they can fulfill individual and/or local needs. Research has demonstrated that modifying peripheral attributes such as services, layout or décor, from store to store does not jeopardize brand integrity, while it is critical to maintain consistency on core attributes such as brandname or logo in order to protect the brand. Therefore it was intriguing to verify whether peripheral attributes such as services would have a significant impact on customer satisfaction and that their personalization would increase customer satisfaction level. Using the service personalization framework developed by Surprenant and Solomon (1987) this theory was tested by surveying over 600 quick-service restaurant (QSR) customers across four different chains: it appears that personalizing services is an effective way to increase customer satisfaction. Significant interactions and compensatory effects among service components

and also between service attributes and other product and service components were identified. Additionally, significant differences among customer segments emerged, stressing the importance of adopting a segmented strategy in a service personalization approach.

18. HRM Challenges Facing the Franchise Sector

Mohammad Ali Zolfagharian, University of Texas (USA)
Audhesh Paswan, University of North Texas (USA)
David E. Omholt, The Entrepreneur Authority LLP, Texas (USA)
Ann Jordan, University of North Texas (USA)

This study investigates a relatively unexplored but crucial aspect of franchising, namely Human Resource Management (HRM). Given the paucity of research in this area, we employed a qualitative approach to develop an initial understanding of HRM challenges facing the franchise sector. We identify six propositions to be corroborated in future research: (a) there is an inverse relationship between the general state of the economy and HR available to the franchise sector; (b) this inverse effect is subject to a time lag; (c) HR in the franchise sector suffer from lack of motivation and skills; (d) the farther a prospective franchisee is from the ideal mix of autonomy and risk-aversion, the more likely the network will experience psychological and financial distress; (e) franchisee employees exhibit the poorest motivation and skills; and (f) relative to independent entrepreneurs, franchisees have lower HRM skills and provide less incentive and training to their employees. Implications for research and management are also provided.

19. **Conceptualising Franchisee-Based Brand Equity: The Role of Brand Relationship Management & Franchisor Competence**

Munyaradzi W. Nyadzayo, Monash University (Australia)
Margaret Matanda, Monash University (Australia)

Building brand equity is viewed as an important strategic issue that can enhance economic performance of most organisations. The last decade has witnessed substantive growth in the retail franchising businesses and emphasis on building retail brands. However, despite the increased focus on retail branding, limited attention has been paid to the concept of retail brand equity and specifically to brand equity within the franchising retailing context. This paper provides a conceptual framework of the role of brand relationship management (BRM) and franchisor competence in enhancing brand equity in the franchising context - thereby proposing the term *'franchisee-based brand equity'*. Further, the paper proposes that the franchisees' relationship with the franchise brand is moderated by the length of the franchisor-franchisee relationship. The paper extends the retailer's perspective of brand equity and introduces the concept of franchisee-based brand equity and argues that as a special form of retailing businesses, franchises need separate models and theories from those used in conventional buyer-seller relationships. The paper explores the behavioural aspects of the franchise relationship from the franchisee's perspective as brand

representatives in the franchise channel. Research propositions, proposed methodology, research implications, limitations and areas for further research are provided.

20. **A Preliminary Investigation of Organisational Structure Characteristics and Brand Within Franchises**
    Ken Billot, Griffith University (Australia)

This paper examines a possible tension between identified characteristics of the organisational structure of franchises and characteristics of the franchise brand. The paper arises from an examination of how brand is understood within New Zealand (NZ) franchises, completed as part of doctoral research that remains to be submitted for examination. This paper seeks to answer the question:
Do identified characteristics representative of the organisational structure of a franchise act to inhibit the understanding of brand within franchises?

21. **Franchising During Times of Economic Recession: A Longitudinal Analysis of Automotive Service Franchises**
    Marko Grünhagen, Eastern Illinois University (USA)
    Richard L.Flight, Eastern Illinois University (USA)
    David J.Boggs, Eastern Illinois University (USA)

This study represents an effort to shed light on how franchise companies weather periods of recession in contrast to growth periods, based on firm-specific factors in contrast to exogenous influences over a twenty-one year period. Specifically, the analysis in this study focused on the 1984-2004 time period of franchise businesses in the automotive services sector, compiled from the *Franchise Annual* from 1985 through 2005. In contrast to previous studies, this investigation examined a period of over twenty years, including three distinct periods of economic expansion (Pre-1984–1990; 1991–2000; 2001–Post-2005) and two periods of economic contraction (1990– 1991; 2000–2001).
The most significant finding of this exploratory study is that generalist-type franchise systems, i.e., those that offer a broad range of automotive services, tend to have greater longevity than specialists during periods of economic recession. This finding is consistent with and finds support in the "population ecology" literature. Population ecology is a perspective that has only rarely been used in a franchise context. It has demonstrated that general organizational characteristics such as size and age are positively correlated with organizational survival, and dynamic environmental influences impact the survival characteristics of organizations. A challenging (or "coarse", in the language of population ecologists) environment, as represented by economic recessions in this study, appears to "flush out" franchise systems that are highly specialized, while firms with a broader, more differentiated array of service offerings increase their survival chances.
A related significant finding is that the number of services offered by franchisors expands and contracts in a counter-cyclical manner relative to broad economic indicators. Larger firms in this sample tended to offer more services during challenging economic times. In other words, the trend appeared to be for bigger franchise systems to weather economic

downturns by becoming generalists. Further, older firms were more generalist in nature. Larger firms were found to have greater longevity rates, presumably based on their cumulative successful experience over time and the correlation between age and size, thus lending support to other studies in the economics literature. In addition, more generalist systems charged higher franchise fees, as did larger systems, which also required higher total investments. Finally, longevity of automotive-services franchisors was associated with higher GDP and car registration numbers and lower unemployment and inflation, consistent with the expectation that positive economic conditions should increase survival probabilities for automotive service franchises as well as for businesses across the economic spectrum.

22. **A Comparison of Retail Franchises, Independent Businesses and Purchased Existing Independent Business Startups: Lessons from the Kauffman Firm Survey**
Dianne H.B. Welsh, The University of North Carolina (USA)
David E. Desplaces, College of Charleston (USA)
Amy E. Davis, College of Charleston (USA)

Franchising is a major economic powerhouse. While research has been conducted on franchising from multi-disciplinary viewpoints, no study has compared retail franchises, independent businesses and purchased existing independent businesses in the startup phase. Rather, most research has compared franchised businesses and has lumped all other business types into a "non-franchised businesses" catch all category. By delineating the different forms of non-franchised businesses, it may be possible to determine if one form has an advantage over the other in the start-up phase, which might increase the chances of business survival. This study utilized data from the U.S.-based Kauffman Foundation Firm Survey and examined major variables that would more likely influence survival-business type, ownership, owner-operator combinations, total revenue, labor intensity, profit and loss, and prior ownership experience. Similarities as well as significant differences were found on all variables but prior ownership experience, although results varied between the three types of businesses. Our findings indicate that
franchises differ considerably from new, independent businesses in most respects but are similar to purchased existing independent businesses. Franchises do not provide a straightforward financial advantage over purchased or new independent businesses in the first year of operation. Franchisees were less likely to be profitable than both purchased existing and new independent businesses, had equal labor intensity expenses to both new and purchased existing independent businesses, and although had higher revenues than new independent businesses, had considerably (although not significantly) lower revenues than purchased existing new businesses.
These preliminary results confirm prior studies that have found that franchises have some impediments that may affect their survival in the first year of operation and that some of the advantages of choosing a franchise over another form of business that have been sighted by the industry may not be completely valid. Our results suggest that those considering purchasing a franchise may want to consider the purchase of an existing business that has

lower costs in the start up phase and may offer a higher chance of survival in the early years. Further analysis is needed past this preliminary study between the three types of businesses, particularly between purchased existing businesses and franchises and the survival rates over time. Worldwide data sets also need to be analyzed for similarities and differences to the U.S. sample.

23. **Going Down Under: Risk in Franchising**
Frank H. Wadsworth, Indiana University Southeast (USA)
K. Chris Cox, Indiana University Southeast (USA)

Drawing from information and data available in the UFOC, this paper constructs an investment risk index of franchise systems. The index may serve as a starting point for prospective franchisees in evaluating the relative riskiness of different systems. The index may also be used to identify factors more strongly linked to business/investment risk. Finally, the index highlights limitations in the data and information available in the UFOC as it relates to evaluating a franchise investment opportunity.