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1. Agency Costs and Scarce Resources: Influences on Brazilian Franchising

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This paper revisits a traditional issue in literature on franchising: the contractual mix (i.e., the proportion between franchised and company-owned stores in franchised chains). We analyze 270 franchised chains in Brazil in order to better understand the Brazilian scenario. There are few studies focusing on this topic in Brazil, even considering the native literature. In our study, we stress the dynamics of this proportion over time, bringing to the analysis the perspective of monitoring costs and the difficulty of access to resources as possible explanations. Considering the moment of the Brazilian economy, it is pertinent and opportune to investigate the behavior of the chains in times of turbulence. Panel data covering the period 2011–2016 was analyzed with econometric tools. The results corroborate aspects related to monitoring and incentives advocated by the theory of the agency, that is: costs of monitoring in elevation due to the dispersion of the chain induce a greater proportion of franchised stores. In the study, the concept of dispersion is extended to capture socioeconomic aspects of the different regions occupied by the chains. Effects related to restriction to scarce resources are also noted, but in a less unambiguous way.

**2. Spatial Organization and Contractual Design in Franchising:
Evidence from Brazil**

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In franchise contracts, the royalty rate and the fixed entrance fee are the main monetary clauses defining the payment scheme between the franchisor and the franchisee. In the traditional agency view, the presence of distant outlets leads the franchisor to choose a payment mechanism designed to provide incentives to the franchisee; that is, a low royalty rate associated with a high fixed fee. Based on a unique panel dataset, we provide evidence that, in the Brazilian context, spatial dispersion has the opposite impact, with interesting practical and research implications.

3. The Franchise Model: How to Accelerate Circular Economy Implementation in the Recycling Sector

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Franchising is a powerful business model that creates and grows small and medium businesses and generates employment and wealth on a large scale. Emerging economic models such as circular economy (CE) disrupt the patterns of organization of value chains, and create new business opportunities. In this field, we observe the expansion of collecting and recycling businesses, the development of second life products markets, and the creation of independent structures that outsource and optimize the physical flow management. Initiatives may come from NGOs or social entrepreneurs worldwide. In this exploratory research, our objective is to demonstrate that the franchise model may be an effective accelerator of change that can help quickly and efficiently implement sustainable CE initiatives.

4. The influence of Relationship Networks on the Internationalization Process in Emerging Markets: a Case Study with a Brazilian Franchisor

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This paper investigates the influence of local relationship networks on the process of international expansion of a franchising system from an emerging country. In view of the scarcity of internationalized Brazilian franchisors, a two-step qualitative methodology was conducted: single-case study with a successful firm - iGUi Swimming Pools and in-depth interviews with franchise sector experts. This company is present in 40 countries and is one of the most internationalized Brazilian franchise systems. The partnerships established with local players influenced the choice of the governance mode in international markets. The combination of the firm's entry mode and business networks was an important factor for the firm's accelerated expansion in foreign markets.

5. Measuring Industry Globality and Firm Preparedness to Internationalize: A strategic framework

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This article investigates the internationalization process of 33 Brazilian franchisors according to a framework developed by Solberg (1997) to discuss the strategic behavior of firms in globalizing markets. The framework was developed based on the level of

internationalization of each industry on a global basis (industry globality) and the degree of preparedness of the firms to operate in this scenario. The secondary data used to analyze the Brazilian franchises were the number of units outside Brazil, the number of foreign countries where the firms operate, and the time of internationalization. The level of industry globality was measured based on an analysis of the top 500 internationalized franchises in Europe (Franchisedirect, 2017) and on inputs from a study by Oliver Wyman (2013). This study is justified because of the need to understand the strategies practiced by Brazilian franchises that already have international operations. As a result, the framework was used and slightly adapted to point out which strategies are more adequate to facilitate the expansion of these and other Brazilian firms.

6. Performance Outcomes of Organizational Choices in French Franchising

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Muriel Fadaïro, Univ Lyon, France

Frédéric Perdreau, Univ Lyon, France

This empirical paper deals with two organizational choices related to the following questions when a retail outlet enters a new market: where to locate, and how, i.e. under which organizational form - for example franchised or independent outlet, not related to a branded network -? The outlet performance depends on the answer to these two questions. Addressing this issue, this paper deals with the French case. We measure the outlet performance with the turnover growth and the economic return. Consistent with the analytical analysis, our empirical results highlight the impact on firm's performance of the outlet affiliation to a branded network. We also show the advantages of operating in a central location rather than in a remote geographical area.

7. Franchise Education in the United States: A Content Analysis of Syllabi from U.S. Business Schools

Denise Cumberland, University of Louisville, United States

Jenny Buchan, UNSW Sydney, Australia

Benjamin Litalien, University of Maryland University College, United States

This study presents findings from a content syllabi analysis of 16 stand-alone franchising courses offered in business schools across the United States. The aim of the study was to determine common institutional, course, and instructor characteristics, as well as better understand the objectives and content of these courses, pedagogical approaches, and provide recommendations that could benefit course instructors or business school curriculum developers. Findings suggest that these courses are taught in both public and private universities that are not listed in the well-known business school rankings. Typically, schools offer one franchising course and it is primarily at the undergraduate level. Faculty teaching franchising courses are less likely to hold terminal degrees. There is high variability in the choice of texts used, with two-thirds of the texts published before 2010. Content covered in these courses was organized into themes. Results show there is a common tendency to cover the basics of franchising in these courses. Despite similarity in learning

objectives, however, there is departure in the content with respect to what is specifically taught. Some courses focus more on the franchisor equation, while others focus on the franchisee. A few courses have a broader small business lens indirectly linked to franchising.

8. Bound by Bias? Franchisees' Cognitive Biases

Robert Emerson, University of Florida, United States

Ordinarily, franchisors have more power and information than their franchisees have. The disparity between these parties is often exacerbated by the franchisees' psychological dispositions. Many franchisees are biased to the extent that they cannot effectively evaluate the information that franchisors present to them. The franchisees' sound judgment may be undermined by biases such as anchoring, confirmation bias, the bandwagon effect, and escalation of commitment. To gather data specifically about potential cognitive biases in the franchising context, this article incorporates a survey of franchisees. It provides further empirical evidence of the limited perspective and flawed decision-making of most persons who buy a franchise. The article concludes by exploring potential reforms intended to enhance the franchise bargaining process. There are legal frameworks as well as business practices, both domestic and international, that offer promise as the means to combat franchisees' cognitive biases. That, in turn, should lead to more evenhanded contracts and to better long-term franchise relationships.

9. FRANCHISE PARTICIPANTS AS PROPER PLAINTIFFS: WALKER PROCESS CLAIMS

Robert Emerson, University of Florida, United States

Franchisee parties may be patent infringement defendants. And franchisees may be direct purchasers from a patent holder or have similar antitrust injuries. This article discusses which franchise party can sue, and who can be sued, in the franchising and licensing context. A Walker Process claim not only has some benefits for individual franchise parties, such as combatting patent trolling and sham litigation, but the benefit could also extend to the franchise network as a whole. Also, principles may apply beyond the patent law regimes for use in other areas of value to license owners and even to customers or suppliers.

10. Evolution of Dynamic Capabilities for Replication: Field Study of a Nascent Chain

Vinay Garg, Missouri State University, United States

In recognition of the growing importance of chains to economies and that of replication to creation and growth of chains, this field study is focused on capabilities for replication. The evolution of substantive and dynamic capabilities is explained in the context of a nascent casual dining chain in India. Thus, this paper aims to expand the understanding of dynamic capabilities beyond the domains of product development and manufacturing, which have dominated this literature. It is shown here that the development of dynamic capabilities is a

multifaceted endeavor, in which executive choice plays a crucial role and thus, change in the executive team results in developing new capabilities. Findings are interpreted in the light of a few dominant themes in replication and dynamic capabilities literatures. Results indicate that achieving a cogent set of capabilities for replication is a challenging endeavor. A multi-faceted perspective is offered to illustrate the intricacies involved in that endeavor. Implications of the study for research and practice are discussed.

11. A Qualitative Exploration of Multi-Brand, Multi-System and Multi-Role Franchising in Brazil

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Dildar Hussain, Rennes School of Business, France

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Industry reality indicates that franchisees often engage beyond a single brand or system. Multi-brand, multi-system and multi-role franchising are an extant reality of contemporary franchisees' portfolios, yet an understanding of franchisee motivations behind these constellations remains unexplored. We conducted a set of 23 exploratory interviews with franchisees in one of the largest emerging markets globally, Brazil, in an effort to elucidate the reasoning and realities of franchisees who are engaged with multiple brands and systems, and in multiple roles. Our novel findings reflect the realities of Brazil as an emerging economy: A franchise relationship is not necessarily seen as a long-term commitment, but rather a short-term resource to be exploited before a franchisee moves on as an independent entrepreneur or as a franchisor. Franchisees frequently take a short-term view of franchise contracts as true commodities. The study concludes with implications for franchise practice and research.

12. Separate the Tares from the Wheat? Organizational Design and Signaling Issues in Brazilian Franchising

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Muriel Fadaïro, University of Lyon, France

Vivian-Lara Silva, University of São Paulo, Brazil

Signaling theory suggests that, in a context of informational asymmetries, entrepreneurs develop specific organizational forms as a signal, to provide relevant information to targeted receivers. This analytical framework is appropriate to study the case of new franchisors with a profitable but not yet known business concept. Organizational strategies can be developed to signal the quality of the concept to potential franchisees, the goal being to attract them and widen the franchised network. This framework finds in Brazil an exciting empirical context of interest, considering the relative youth of the local franchise system, its consequent non-saturation, and its rate of growth. In such context, with the daily supply of new franchising options, not yet tested, thus without reputation and credibility, asymmetries of information characterizing the franchise relationship are increased. Then signaling, via organizational forms, can be a relevant entrepreneurial choice. Based on recent Brazilian

data, we perform Bayesian model averaging, and provide evidence that new local franchisors with a profitable concept use the contractual design to signal their type to potential franchisees. This signaling strategy differs from what has been observed so far in developed countries.

13. Decay and Renewal of Corporate Routines: A Longitudinal Assessment of Franchisee Compliance

Benjamin Lawrence, Georgia State University, USA

Brett Massimino, Cornell University, USA

Corporate social responsibility programs in the form of checkout charity campaigns are becoming a common retail practice. In this paper we contribute to the literature on compliance by examining how decay and renewal effects may be moderated by an outlet's location and age. We contribute to both the literature in franchising and organizational routines by leveraging objective, longitudinal secondary data on checkout charity performance levels for each outlet to test our hypotheses, leveraging instrumental variables to control for residual endogeneity in our analyses. First, we empirically investigate the role of corporate attempts to inject intended instability into their outlets' routines and "renew" adherence with these routines. Second, we parse the decay in performance which follows a renewal into two constituent forms, immediate and protracted. Last, we address open questions of whether and how a location's contextual operating conditions may exacerbate or mitigate decay and corporate renewals.

14. The Structure of Franchise Contracts: Insights from Austrian Franchise Systems

Nada Mumdziev, Webster Vienna Private University, Austria

Josef Windsperger, University of Vienna, Austria

The existing literature on franchise contracts has mainly focused on studying few most important contractual provisions and characteristics, particularly the incentive structure and monitoring issues of franchise relationship. This study extends this literature by examining the complete structure of the franchise contracts as a system of interrelated contract provisions, consisting of residual income rights, decision rights, and ownership surrogates (resale price maintenance, exclusive customer clauses, tying arrangements, lease control rights, buy back and approval rights, exclusive dealing clauses, alienation rights, non-competition clauses and exclusive territory clauses). The study is based on a unique dataset of 205 contracts from the Austrian franchise sector, published by the Austrian Cartel Authority. The analysis implies relatively unbalanced relationship between franchisors and franchisees, as contracts allocate substantially higher portion of decision-making authority and ownership surrogates to franchisors. The difference between distribution and service franchising reflects in the residual income rights, where service franchise systems have both royalties and initial fees higher than distribution franchise systems.

15. The Mediating Role of Customer Satisfaction and the Effect of National Culture in Global Fast-Food Restaurants

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In a cross-national study on a sample of globally known fast-food restaurant customers in nineteen different countries, we propose and show that the positive effect of brand reputation on customers' word-of-mouth intentions and commitment is mediated by customers' level of satisfaction. A favourable reputation can enhance customers' word-of-mouth intentions only through their satisfaction with a brand, while it directly and indirectly increases both customers' satisfaction and commitment. Our empirical results also show that individualism and uncertainty avoidance have a limited moderating effect on the proposed relationships. These results expand our understanding of how a global franchising brand drives customer satisfaction, word-of-mouth intentions, and commitment using its reputation beyond the national boundaries.

16. Exploring Cultural Factor Contribution to International Competitiveness of Middle Eastern Retail Food Franchises – Cases from Lebanon and UAE

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Pablo Collazo Yelpe, Vienna University of Economics and Business, Austria

This research explores the local factors which drive competitiveness of Middle Eastern food service franchises at international markets. Most previous research about franchising is concerned with the success and competitiveness of American and Western franchises at various global markets. The Middle East is barely referred to in franchising literature, despite its high importance as a franchise market, especially with the fast transformation process undertaken by oil-producing countries towards oil-alternative economies. If at all academic research mentions this region, it often presents it as receptive to foreign franchises, and overlooks the experience of local businesses of this region which adopted franchising as a strategy for international expansion. A qualitative case study methodology is followed by studying cases of prominent food service franchises from each of Lebanon and UAE. The cases highlight real experiences of success and failure at specific regional and international markets, and suggest a possibility that the association of the franchise with a specific culture might have contributed to the competitiveness of Middle East franchises internationally. Managerial implications for theory and practice are presented. With the small number of Middle East franchises, and the exploratory nature of the research, background is laid for future research recommended in this direction.

17. Qualitative Insights in the Franchisor-Franchisee Relationship: Exploring the Role of Contractual and Relational Governance

Swati Panda, University of North Texas, United States
Lou E. Pelton, University of North Texas, United States

Building on economic and social exchange theories, this study investigates the different roles transactional and relational mechanisms play in hindering opportunism and improving cooperation in a franchisor-franchise relationship. The study adopts a qualitative research methodology, providing rare insights from both the franchisor's and multiple franchisees' perspectives within a franchise system. In-depth interviews were conducted to attain a dyadic perspective of governance in the franchisor-franchisee relationship. The results suggested that both transactional mechanisms (i.e. franchise agreements) and relational mechanisms (trust, commitment and relational norms) are important in curtailing opportunism and improving cooperation in franchisor-franchise relationships. However, both system and unit performance impact the extent to which relational and transactional mechanisms are used by the franchisor to govern the relationship. While franchises are contractual vertical marketing systems, the franchisors' propensity to use relational governance is greater among high-performing franchisees.

18. Franchisee Performance: A Signaling Perspective

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This paper examines the relationship between various signals put out by franchisors and franchisee performance. These signals include franchisor characteristics such as ownership percentage of franchisors, franchisor size and experience, and expectations from franchisees such as total investment, royalty rate and initial franchise fees. Using cross sectional data for 221 US based franchise systems, we find that franchisee revenue is positively associated with franchisor's ownership percentage, network size, and total investment required of franchisees; but negatively associated with the royalty rate. These findings have interesting implications for franchisors and prospective franchisees.

19. Application of Multilateral Stakeholder Perspective to Opportunism in Franchise Systems

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Josef Windsperger, University of Vienna, Austria

In this study, we tackle opportunism in franchise systems through a multilateral stakeholder perspective, thus relaxing the traditional dyadic perspective assumption. By employing the stakeholder salience framework and upper echelons theory, we argue that incorporating a stakeholder perspective in the franchisor's decision making can substantially mitigate franchisee opportunistic behavior. Specifically, the more the franchisor pursues a stakeholder orientation, the more support it provides to franchisees and the greater the openness of communication is encouraged between them, both resulting in less franchisee

opportunism and, hence, higher relationship efficiency. Through structural equation modeling using data from four European countries, our empirical results provide evidence for our projections. Overall, this study offers new insights on the nature and efficiency of relationships in franchise networks by applying a multilateral stakeholder perspective.

20. Learning and Development in the Franchising Sector Within the Context of Business Performance

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Scott Weaven, Griffith University, Australia

The focus of this study is in investigating solutions to known problems associated with poor levels of participation and engagement in franchisor initiated Learning and Development activities that have impacted Australian franchise system performance. Learning and Development research in the franchising sector has been lacking however, this study extends research conducted in the Small to Medium Sized Enterprises (SMEs) context on barriers to participation and engagement with training. We used a qualitative case study approach, targeting 34 players across one business format franchise system in Australia that has been franchising since the early 1980s. Three subsequent case studies with business format franchising system in the same industry will be completed before the findings from this research study are finalised however, the results from this case study provide the foundations for an integrative framework of knowledge transfer in franchising relationships, providing actionable insights to the franchising sector and human resources fields.

21. A Review: The Corporate Governance of Franchising

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Martin Ludvigsson-Wallette, Linnaeus University, Sweden

Ola Nilsson, Linnaeus University, Sweden

Corporate governance could be a factor explaining the success or failure of franchising firms. In this paper, we present, for the first time a review of articles at the interface of corporate governance and franchising. For this structural review, we create four categories, each with a different relationship to corporate governance, to enable a more profound analysis of current research in the field. We find, surprisingly, that the literature largely ignores the traditional view of corporate governance when examining, for example, the structure of franchising, the internationalisation of franchising and the performance of franchising. We also conclude that franchising researchers have mainly focused on corporate governance issues when examining governance modes. Altogether, our findings open a promising future for research that incorporates corporate governance into studies of franchising.

22. The influence of an entrepreneurial personality on franchisee performance: A cross-cultural analysis

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Through an empirical study of 413 franchisees in three European countries – the UK, France and Spain – this research examines how the franchisee's entrepreneurial personality trait of proactivity affects the financial and relational performance of franchise units. Whilst there is agreement that franchisee characteristics are important for successful franchise networks, there is little research evidence on how (and which) franchisee characteristics influence franchise unit performance. This study focuses particularly on franchisee proactivity, given the longstanding debate within the franchise literature as to the status, and indeed desirability, of franchisees as entrepreneurs. The results suggest that franchisee performance, in terms of both financial performance and relationship quality, are enhanced by franchisee proactivity, enabling them to engage in entrepreneurial behaviors. Interestingly, these results are more pronounced in France and Spain (relative to the UK).

23. Franchisees and Independent Contractors: Are They Satisfied?

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Two popular entrepreneurship channels of distribution are franchising and direct selling. This paper explores satisfaction of entrepreneurs that enter the marketplace by affiliating with existing product or service companies either as independent contractors or franchisees as an entrepreneurial growth strategy. Independent samples were collected in 2013 by the respective professional organizations: 21,386 independent sales representatives and 20,938 franchisees. The study found that the profiles of those that go into franchising and direct selling differ in terms of gender, age, and investment requirements. Above average reported levels of satisfaction of direct sellers and franchisees were noted, as measured by ratings of the job, the company, or willingness to recommend their activity. Results showed that job flexibility and system support from headquarters are important considerations for both franchisees and direct sellers. Direct seller satisfaction is clearly linked to system benefits as well as potential financial benefits. Implications for franchise and direct selling recruitment and retention are discussed.