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1. For "Auld Lang Syne," Franchise vs. Non-Franchise Restaurant Attrition: Summary Statistics from Year-Five of a Yellow Pages Longitudinal Analysis: A Research Note

Wilke English, University of Mary Hardin-Baylor

Jo Willems, University of Texas-El Paso

For the previous four years, statistics have been presented to the Society of Franchising regarding attrition data from El Paso, Texas. Although the attempt to gather additional data on new restaurants now being placed into operation has been discontinued, it was desired to provide at least summary data regarding the establishments that this research has been tracking for the past several years.

2. Policies and Predispositions of Franchise Food Service Operators Toward the Use of Genetically Altered Foods

Ali A. Poorani, University of Delaware

Robert R. Nelson, University of Delaware

The use of genetically altered foods is an emerging issue that has major implications for franchise and multi-unit food service operators. This pilot study looks at where multi-unit/franchised food service operators stand on the issue of genetically altered foods and examines the complex web of issues surrounding applications of recombinant DNA technology in food products. Purchasing representatives from sixty-eight multi-unit/franchise restaurant companies were polled about whether they currently have any policies regarding the use of genetically altered food products. They were also asked about the likelihood that their companies will use genetically altered foods in the future. The findings of the study indicate that most multi-unit/franchise restaurant companies either have not considered the issues associated with genetically altered foods or are taking a conservative wait-and-see attitude toward these products.

3. An Empirical Examination of the Strategic Issue Interpretations and Responses of Franchise and Non-Franchise Firms

Scott D. Julian, Southern University

Robert T. Justis, Louisiana State University

J. Kay Keels, Louisiana State University

Peng S. Chan, California State University-Fullerton

4. Are Franchisees Actually Entrepreneurs? Some Exploratory Survey Findings

Wilke English, University of Mary Hardin-Baylor

Frank Hoy, University of Texas-El Paso

A question that has long-intrigued academics is whether franchisees, laboring under the stringent rules of the franchisor, are actually the independent, innovative business owners that entrepreneurs are usually touted to be. This exploratory effort investigated this issue by administering a survey instrument designed to measure a respondent's entrepreneurial quotient to a group of independent restaurant owners and to a group of franchise restaurant operators.

Although the small size of the two sample groups makes broad generalizations unwarranted, this research showed virtually no difference between the independents and the franchisees.

This paper also investigated the role of the multi-unit franchisor. The multi-unit franchisor, who is the norm in restaurant franchising, is arguably much more entrepreneurial than a single-unit franchisor. The increasing number of these multi-unit franchisees may force a major rethinking of the entire nature of the franchisee both psychologically and behaviorally.

5. A European Perspective on the Success of the Franchise Relationship

John Stanworth, University of Westminster

The growth rate of franchising in Europe since the late 1980's has been disappointing (Stanworth, 1994; Amoroso & Gandolfo, 1991: 66). After a period of fairly rapid expansion in the early 1980s, expectations for continued strong growth were high and franchising was widely regarded as virtually recession-proof. However, the reality of slow growth, or even shrinkage in recent years of recession, has had a somewhat sobering effect. This paper argues that the pessimism currently surrounding the field of franchising in Europe is misplaced and, as we come to understand more about franchising, will be replaced by a greater degree of optimism, albeit based on a more modest and sound basis than has been the case in recent years. The paper presents two main arguments. First that earlier unrealistic growth expectations of franchising in Europe were strongly influenced by misleading perceptions of franchise growth emerging from America. These were inflated largely by the American franchise industry and its trade association, the International Franchise Association (IFA). The industry in America has long recognized that it has a vested interest in generating a dynamic and buoyant image, both as an aid to persuading individuals to invest in the industry as franchisees, and also as a weapon for the IFA in its lobbying of politicians. A key interest here is that of combating pressures for franchise legislation by coaxing politicians away from possible 'interference' in an industry seen to be displaying substantial powers of wealth and employment generation. The second reason for the European franchise industry being taken unawares by the lack of growth in the late 1980s and early 1990s was a gross under-estimation of the risks associated with the development of new and developing franchise systems, particularly in times of recession. Failure rates amongst relatively young franchise systems are much higher than is commonly realized. This acts as a brake on growth rates for the industry as a whole, particularly in times of economic recession when the likelihood of success is likely to drop substantially. Empirical data based on a sample of 74 United Kingdom (Britain plus Northern Ireland) franchise systems are presented here.

6. An Exploration of Franchise Advisory Councils: Expectations and Relationships

Colin F. McCosker, University of Southern Queensland

Lorelle Frazer, University of Southern Queensland

Dominic Pensiero, University of Southern Queensland

The continuing growth of business format franchising in Australia has brought increased criticism that franchisees are being exploited by their franchisors. At the same time, recent surveys of franchises have confirmed the widespread adoption of Franchise Advisory Councils (FACs) or similar committees giving franchisees a voice in management.

As little research had been carried out on FACs and considerable divergence was apparent in the ways they operate, a survey of franchisors and franchisees was undertaken. Data were sought on such matters as the background to the decision to establish a FAC or not, its membership structure, operational organisation, powers and perceived effectiveness, with a view to obtaining insights into means of increasing their efficiency and effectiveness.

Two-thirds of respondent franchisors were found to have a FAC or similar committee, with one-half of the remainder planning to establish one at a later date. Responses were analysed for relationships between various aspects and to compare perceptions of franchisors and franchisees. FACs were found to be more prevalent where firms had been operating longer, franchising longer and where there was a higher number of franchised outlets. It was also noted that franchises with FACs exhibited greater expansion. Although there were some significant differences between responses, in both groups there were indications of overall satisfaction with involvement in their FACs. However, it was also evident that while FACs were assisting the franchisor-franchisee relationship, in some respects they were not living up to expectations.

Nevertheless it would appear that FACs playing a vital part in improving the franchisor-franchisee relationship in many franchises and have the potential to assist others likewise.

7. A Comparison Between African-American Franchise and Non-Franchise Entrepreneurs in Terms of Enhancement and Support Strategies

Charles J. Murphy, Howard University

Black business development and business success has grown consistently over the past decade. Despite the many problems experienced by black entrepreneurs in areas such as experience, capital formation, training and attitudes (Hisrich and Brush, 1986), some black companies have excelled. These successful black companies which include franchise and non-franchise companies have been chronicled by Black Enterprise Magazine and samples from this source are included in this study. The successful black business strategists were divided into four groups: a) long-term successful franchisees, b) short-term successful franchisees, c) long-term successful non-franchisees and d) short-term successful non-franchisees. Each group responded to a survey instrument designed to illicit information on the number and type of support and enhancement business strategies selected and used. The results show that in general the patterns of selecting those support strategies are different between franchisees and non-franchisees. Also patterns of support strategies are different within the non-franchise entrepreneurs. The data and interpretations are tentative due to small sample sizes.

8. Women in Franchising: Some Preliminary Estimates

Rajiv P. Dant, Boston University

Candida G. Brush, Boston University

Francisco P. Iniesta, Boston University

Despite the increasing presence of women as business owners, their activities in the field of franchising have not been systematically studied. This is an important gap. Franchising has long been touted as a means of providing opportunities to minorities and women. However, little documentation is available regarding the extent to which this early promise of franchising has been fulfilled. We attempt to evaluate this question by probing four issues related women in franchising: (1) *What is the overall pattern of participation of women as franchisors?*, (2) *How is the pattern of participation of women related to the male/female image of the business sectors?*, (3) *How is the pattern of participation of women related to the industry sectors?*, and (4) *How is the pattern of participation of women related to the size of the franchise systems?* Our results are based on a database containing records of 2,592 franchise systems in North America.

9. Franchising in Brazil

Allen Josias, University of Mississippi

Faye S. McIntyre, University of Mississippi

10. Franchising in India: An Introduction

Audhesh K. Paswan, University of South Dakota

Rajiv P. Dant, Boston University

This is an exploratory study of the franchising industry in India. Recent economic policy changes have made this market extremely important. This study also examines whether the notion of franchising in fact exists in the Indian market. The definitional aspects of franchising are examined to reconcile differences in the meaning of franchising in the American and Indian markets. Finally, a framework for understanding the franchising industry in an international context is suggested along with future research directions.

11. Franchising in Indonesia

Peng S. Chan, California State University-Fullerton

Robert T. Justis, Louisiana State University

Indonesia represents one of the highest potential markets for U.S. franchisors today. It has witnessed some of the most dynamic franchising activity in Asia in recent years. This study is a pioneering attempt to investigate the climate for franchising in Indonesia and the perception of local Indonesians toward franchising in this country. Such perception is compared to that of U.S. franchisors toward the benefits of international franchising as elaborated in a previous study.

12. Retail Franchising in Denmark - Strategic Overview

Nitin Sanghavi, Manchester Business School

13. Total Quality Management: The Deming-Franchising Connection

Steven A. Schulz, Fort Hays State University

Robert J. Masters, Fort Hays State University

Quality management with a consumer orientation has become a key issue in franchising. Although Total Quality Management has been discussed, little work has been done on how this concept could be formally integrated with franchise systems. This paper integrates Deming's approach to Total Quality Management with franchising.

14. Internal Environment, Organizational Form, and Their Impact on Financial Performance of Hotel Chains

Yang H. Huo, Roosevelt University

The primary objective of this study was to investigate the relationship between internal environment, organizational form, and financial performance in hotel chains. Using a contingency framework, this study investigated the match between internal environmental factors--such as capital scarcity, monitoring cost, and asset specificity--and organizational form--such as company owned, franchised, or combination of both--in an attempt to distinguish between high and low performing hotel chains.

The key findings of this study indicate that hotel chains which showed a "match" between the monitoring cost of their internal environmental factors and organizational form performed better than if those elements did not match. The other finding of this study indicates that hotel chains operating under different organizational forms, such as company-owned, franchised, and combination of both, did not differ in their financial performance levels which were measured in terms of return on investment and growth in unit sales.

This study contributes to the body of knowledge in the lodging industry by introducing the contingency theory in investigating the interrelationship between internal environment, organizational form, and financial performance. In other words, this study utilized internal environmental factors such as capital scarcity, monitoring costs, and asset specificity as moderators in order to measure their impact on organizational forms and financial performance relationship. Specifically, this study provides unique ways to measure the internal environmental factors, organizational form, and financial performance: (1) capital scarcity was measured using financing activities data included in the statement cash flows, (2) organizational form of the firm was categorized into company-owned, franchised, and combination of both, and (3) financial performance was measured using return on investment (ROI) and growth in unit sales.

From the industry point of view, the findings of this study will aid in recognizing organizational form in conjunction with internal environment and financial performance. This study provides empirical support with regard to the relative models in predicting appropriate organizational form that will show better financial performance. In other words, the firm that evaluates and analyzes its internal environmental factors could have the adequate organizational form that generates high profitability.

From the theoretical point of view, this study provides a body of knowledge in franchising by providing empirical findings with regard to internal environmental factors in explaining the relationship between organizational form and financial performance. Furthermore, this study contributes to the existing agency theory literature in franchising by providing empirical research to the evaluative contingency theory.

15. Organizational Effectiveness and Communicator Style in First-Stage Franchises

Robert L. Perry, University of Maryland

Two decades of research have shown a link between an organization's life cycle stage and its effectiveness. Organizations in different life cycle stages also may practice different communicator styles. However, little if any research has focused on the relationship among organizational communicator style, the entrepreneurial or first stage in an organization's life cycle, and organizational effectiveness. This study of founding executives of 59 first-stage franchises theorized a correlation between dominant communicator style and organizational effectiveness. The results showed only a weak to moderate *negative* correlation between three of eight effectiveness criteria (communication, support and goal fulfillment) and two of five dimensions of the dominant style variable (forceful and monopolizing). Among other research avenues, these results suggest additional research into eight other communicator style variables to discover whether any relationship exists between effectiveness and communicator style within entrepreneurial organizations.

16. Sequential or Global Site Selection: A Simulation and Comparison

Patrick J. Kaufmann, Georgia State University

Naveen Donthu, Georgia State University

Charles Brooks, Georgia State University

This paper deals with one of the most critical issues in franchising, site selection. Current theory and practice has adopted the position that global market site selection, i.e., the *ex ante* and simultaneous selection of a complete market array of n sites, will provide the optimal solution for a retail chain entering a market. In other words, algorithms which locate the entire expected number of units simultaneously will satisfy the greatest total demand, and thus provide the greatest total revenue. This method has been preferred to the alternative of selecting the optimal first site, fixing that site, and then sequentially selecting the next best site given the existence of the first, and so on until all n sites are located. In fact, if all of the sites were not just selected but also opened simultaneously at time $t=0$, the global site selection process would indeed yield the optimal array of n stores for the market area. The assumption that all of the units are opened simultaneously, however, does not adequately reflect reality. Using a simulation, we demonstrate that the superiority of a global optimization approach over sequential optimization is dependent upon discount rate and planning horizon assumptions.

17. Within Market Price Dispersion in Franchised Chains

Francine Lafontaine, University of Michigan

18. Scale Economies, Experience, and Demand Potential in the Valuation and Performance of a Franchise

Robert D. Winsor, Loyola Marymount University Chris Manolis, Loyola Marymount University

19. Ownership Structure in Franchising: The Effects of Transaction Costs, Production Costs, and Strategic Considerations

Shirish P. Dant, St. Louis University

This paper explores the determinants of ownership structure in business-format franchising from the perspective of an expanded economizing framework that builds on transaction cost analysis. We hypothesize that variations in ownership structure in franchising are affected by transaction costs, production costs, and strategic considerations. Based on a sample of 179 franchises in the United States, our results suggest that strategic considerations are important, and production costs are at least as influential as transaction costs in explaining observed patterns of ownership structure in franchising.

20. Comparison of Business Discontinuations in States With and Without Franchise Termination Laws

Darrell Williams, University of California-Los Angeles