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1. Beyond Entry: Examining McDonald's Expansion in International Markets

Francine Lafontaine, University of Michigan

David Leibsohn, University of Michigan

This paper examines the factors that affect not only entry but also the subsequent growth of retail chains in foreign markets. Specifically, we focus on McDonald's expansion around the globe. Arguably, McDonald's has introduced the American concept of fast food and franchising to many foreign markets. Moreover, this firm has by now expanded throughout most of the world. Thus it is of particular interest to examine the international expansion path that it chose to pursue. The pattern of entry into foreign markets and growth that we observe contradicts the notion that McDonald's expanded abroad only after saturating existing markets. Instead, we find evidence that is consistent with traditional profit maximization arguments for a multi-market firm as we see McDonald's allocating resources to achieve growth across many desirable markets, particularly favoring those with greater market potential (higher GDP per capita and population). More importantly, we find that some of the factors that affect expansion post-entry are different from those that affect entry. We interpret these results as evidence first that there are sunk costs associated with entry, and second, that the firm adapts its expansion pattern in response to changes in local market circumstances post entry.

2. Franchising in the New China: The Regulatory Environment for Foreign Investors

Andrew Terry, University of New South Wales

Zhiqiong (June) Wang, University of New South Wales

Since the "open door" policies adopted by China in 1979 ended 30 years of isolation, introduced massive economic and legal reforms, encouraged foreign investment and resurrected private enterprise, China has become the world's 7th largest and fastest growing economy. In these circumstances the development of franchising was inevitable. A range of economic, commercial and social factors have influenced the rapid growth of the Chinese franchise sector over the last decade but two factors have been particularly significant - the introduction in 1997 of administrative rules which have provided a framework for its development and the entry, and

example, of foreign franchise systems which have popularised the concept. This paper addresses the development of franchising in China, the liberalization under WTO accession commitments of access to the Chinese market for foreign franchise systems, and the new regulatory regime for franchising in China.

3. The Effectiveness of Contractual Self-Enforcement and Implications for the Governance Structure of Franchising Firms

Olivier Cochet, University of Münster

Thomas Ermann, University of Münster

We empirically tested the impact of contract duration and renewal provisions on two dimensions of the governance structure of franchising firms: the allocation of decision rights and the mix of company and franchised outlets. In light of legal constraints on (mid-agreement) termination and non-renewal, higher contract duration and the presence of renewal provisions render self-enforcement more costly to use. The governance structure was expected to accommodate the potential for franchisee moral hazard. While we found contract duration to affect the allocation of decision rights and the proportion company-owned as expected, renewal options did not systematically affect the governance structure.

4. Entrepreneurial Franchise ventures: US and European Failure, Strategic Perspectives and Empirical Investigation

Stevan Holmberg, American University – Washington

Kathryn Boe Morgan, IFA Educational Research Foundation

Because of the extent of franchising in the US and European economies, franchise failure represents a complex, critical area for scholars, franchisors, franchisees, and other stakeholders. Most franchisee failure research is confounded by varying failure definitions, measurement approaches, and the use of single year cross-sectional data. This paper presents a new strategic management franchisee failure framework, new US and UK franchisee failure longitudinal data, and survey results revealing current European franchise market size data. Resulting franchisee failure insights represent new and important information critical to understanding and mitigating US and European franchisee failure. European and US franchisee failure is a significant research area that merits further study and analysis.

5. IS and Business Excellence in Franchising

Julie Falls-Anderson, University of Canterbury, New Zealand

6. Location and Marketing Strategies: An Empirical Observation in the Hotel Industry

Rozenn Perrigot, University of Rennes I

Gérard Cliquet, University of Rennes I

The success of a retail store or a service outlet like a hotel depends on: “Location, location, location” according to many practitioners and authors (Jones and Simmons, 1990). But, the location science, and precisely the retail location, has never really sought to deepen the marketing bases of this precept. The purpose of this exploratory paper is therefore to highlight the links between the location characteristics and the marketing strategies of a store or a unit. The empirical study, which consists in an observation of the location variables, focuses on the hotel industry. Cluster analyses are implemented to constitute groups with similarities first in terms of marketing strategies, and second in terms of location characteristics. Two research questions are thus explored. The main one is: (1) “Do the hotels with the same marketing positioning have also the same location characteristics?” The secondary one aims at completing the research works establishing the differences between franchised units and independent units: (2) “Is there any main differences between franchised hotels and independent hotels as far as marketing and location strategies are concerned?”

7. Pizzas to Burgers: A Franchisee Diversifies

Patricia Bocanegra, University of Texas at El Paso

Frank Hoy, University of Texas at El Paso

After nine years as a manager for the Wienerschnitzel company, Kirk Robison purchased four Wienerschnitzel franchise stores. It is said that in franchising, you are in business for yourself, but not by yourself. Wienerschnitzel is the world’s largest chain of fast food hot dog restaurants. Robison took on three stores in El Paso, Texas and one in Las Cruces, New Mexico. All were rundown and unprofitable. Robison turned them around, bought more, then expanded by acquiring a Peter Piper Pizza franchise. He soon found pizza to be more profitable than hot dogs, and sold his Wienerschnitzel franchises to finance the opening of more pizza restaurants.

Over time, Robison grew his operation to the point where his company, Pizza Properties, Ltd., was actually larger in asset value than the franchisor. His stores covered large portions of Texas and New Mexico. He maintained corporate offices in El Paso in support of the geographically dispersed stores. He compiled a team of executives to provide the specialized expertise needed in a company producing sales volumes in the tens of millions of dollars.

For some time, Robison had been looking to grow his company through a second franchise operation, preferably a national or international organization. He knew it would be easier to finance growth if he bought a well-known brand. Unexpectedly, the president of Pizza Properties, John Hjalmsquist, learned that some Burger King units were available in Laredo, Texas. The management team moved quickly and negotiated the purchase. Representatives of Burger King were impressed with the track record Pizza Properties had achieved.

At the time of the case Robison and his team were considering adding and opening more Burger King outlets in New Mexico. Burger King, although the second largest hamburger restaurant chain, had been through several troubled years. The company was viewed in financial markets as having lost direction. There were many conflicts between franchisees and the franchisor. Per

store sales volumes had been in decline. These problems were combined with a general loss of market share by fast food hamburger chains to other fast food specialties. The decline was attributed to saturation of the hamburger market and to greater concern among the general public regarding health and nutrition. In a time when many Burger King franchisees were looking to leave the organization, why would Robison and his team seek to increase their hamburger units?

8. The El Paso Restaurant Attrition Study – Vol. 14

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9. New Directions in International Franchising Regulation

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10. A Comparison of Company-Owned and Franchised Fast Food Outlet Performance: Insights from Health Inspection Scores

Roy Beheler, Washington University

Seth Norton, Wheaton College

Kabir Sen, Lamar University

The success of a retail store or a service outlet like a hotel depends on: “Location, location, location” according to many practitioners and authors (Jones and Simmons, 1990). But, the location science, and precisely the retail location, has never really sought to deepen the marketing bases of this precept. The purpose of this exploratory paper is therefore to highlight the links between the location characteristics and the marketing strategies of a store or a unit. The empirical study, which consists in an observation of the location variables, focuses on the hotel industry. Cluster analyses are implemented to constitute groups with similarities first in terms of marketing strategies, and second in terms of location characteristics. Two research questions are thus explored. The main one is: (1) “ The secondary one aims at completing the research works establishing the differences between franchised units and independent units: (2) Location strategies, marketing strategies, hotel industry, observation method

11. Seven Years After: Turbulence in the Slovenian Franchising

Igor Pavlin, International Enterprise Center

Even before joining the EU, the Slovenian companies practicing franchising experienced turbulent times. Most franchise systems operate in the area of retailing that is confronted with international competition. Diversity of ownership forms and business formats makes it difficult to extract franchising from other approaches that companies apply. International networks are tempted to enter the small Slovenian market by using shortcuts, without proper pilot operations. As a result both domestic and international franchise networks do not differ in the rate of exits or

takeovers. The new phenomenon in the Slovenian franchising is an intermediary stage of voluntary chains, where domestic craftsmen and other small businesses enter, before such chains are converted into proper franchise operations. Slovenia as a transitional economy lacks the opportunity for gradualism, which has been possible to the developed economies of the “old Europe”. The parameters that were surveyed 7 years ago were incorporated into the recent research, and are included into the comparative analysis. At the outset we are still puzzled by which network does, or does not fit, into research sample / population as it does or does not fulfil the discriminatory criteria to be considered a franchise system.

12. Institutional Structure of Franchising Firms in Hungary

Maria Jell, University of Vienna

Eva Kocsis, University of Budapest

Josef Windsperger, University of Vienna

The aim of this paper is to analyse the institutional structure of franchising firms in Hungary. The institutional structure of franchising networks is characterized by three interrelated components: Distribution of knowledge assets and decision rights between the franchisor and the franchisees, structure of ownership rights, and design of knowledge transfer mechanisms in the franchising network. It is the first empirical study that examines the structure of franchising networks in Hungary. Although it was very difficult to collect data from the Hungarian franchising companies, because no published database is available about the existing firms in the Hungarian franchise market, we were able to collect data from 52 franchise systems.

13. Franchising and Intellectual Capital: A Franchisee’s Perspective

Anna Watson, University of Surrey

John Stanworth, University of Westminster

The reasons for franchising have been considered by a number of researchers. However, such studies have focused principally on the franchisors’ motivations for franchising, with only a few studies exploring franchising as a route to self-employment. This paper, seeks to provide a conceptual framework by which to examine the value of franchising to franchisees, employing an intellectual capital perspective. It is suggested that the (perceived) value of the franchise system is unlikely to remain static over time, and that the perceived benefits of franchise systems will vary according to both system and franchisee attributes.

14. The Spatial Expansion of Franchising Systems in the U. K.: An Exploratory Study

Juliet Cox, University of Surrey

Franchising is one of the most understudied areas of entrepreneurship despite its economic significance and international scale. This paper aims to redress this neglect by examining business format franchise systems in the UK. The paper focuses on two key questions, namely why firms franchise and how the network expands spatially. Forty in-depth interviews with franchisors across six different sectors of franchise activity have been conducted. The findings suggest that franchise firms undergo a four-stage spatial expansion life cycle: the initial (pilot), roll out, consolidation and maturity stages. Three strategies were used to achieve network growth: (i) a franchisor-led approach; (ii) a franchisee-led approach; and (iii) a hybrid approach (franchisor and franchisee-led). Methods of growth included utilising single, multi- unit and area operators. These expansion strategies illustrate the locational decision making processes of both the franchisor and the franchisee.

15. CRM and Franchise Systems

Audesh Paswan, University of North Texas

Adele Berndt, University of Johannesburg

Franchises as a business form require relationships for their success. Traditionally franchises are viewed and regulated from a contractual perspective and not from the relational perspective. CRM is appropriate within franchises due to the relationships that are developed between the parties involved. These relationships are not limited to customers, but include all other stakeholders who directly and indirectly affect the franchise.

The purpose of the article is to develop a conceptual framework with respect to the use of CRM within the franchise systems – both traditional and network. Specific focus is placed on the questions of information technology, franchise governance, the transaction specific investment and the environmental uncertainty. It is proposed that these factors affect the implementation and success of CRM programs within network franchises.

16. Three Years Hence: Case Studies of Franchise Ownership Change

John Clarkin, College of Charleston

Change seldom creates positive outcomes in businesses built on standardization and consistency. Arguably, one of the more substantive changes that can occur in any form of business is a change in ownership. In franchise systems, changes in ownership may occur at either the franchisor or franchisee level, potentially resulting in far-reaching effects. Ownership change at the franchisor level may result in dramatic changes in product offerings, marketing, or operational strategy, affecting all members of the system. While not as apparent and widespread as franchisor ownership changes, the effects of franchisee ownership change also have potential impacts that extend beyond confines of the franchise outlet.

Despite the ten-year term of most franchise agreements, not all franchisees maintain ownership of their outlets throughout the agreement's term. Business failure, acquisition, or a number of other factors may prompt franchisees to sell their business or otherwise terminate their franchise relationship before the end of their agreement. New owners of existing outlets include franchisors who convert previously franchised outlets to company-owned units, new prospects purchasing their first outlet, or existing multi-unit franchisees adding to their portfolio of businesses. Considering the wide range of expertise among new owners, it follows that the outlet performance may subsequently change, either in a positive or negative direction. Despite the potential for improved outlet performance after an ownership change, transfers and ownership changes at the franchisee level is generally perceived as detrimental to the system, and must be disclosed by franchisors.

Other than obvious financial considerations, reasons behind ownership changes of franchise outlets are not well understood. More specifically, how ownership change impacts the subsequent performance of franchised outlets and the system as a whole is largely unexplored. To better understand this aspect of franchising, this study explores change of ownership at the franchised outlet level.

Case studies of two franchisees are presented in this paper: one who acquired a second franchised outlet, and another who sold her outlet two and one-half years after purchasing it. Although a change in ownership is typically viewed as unconstructive, positive outcomes resulted from the ownership change for the both current and former franchisees. In both cases, increased sales under the new ownership of both territories also resulted from the change in ownership, suggesting that these changes in ownership also provided benefits to the franchisor.

The purpose of this study is to enhance an understanding of the complexity and dynamics present in the operational context of franchising by exploring change in ownership of franchised outlets.

17. An Exploratory Comparison of Dining Experience: Chain vs. Independent Restaurants

Joyce Young, Indiana State University

Faye McIntyre, State University of West Georgia

Chain restaurants in the United States now represent the majority of dollars spent in terms of overall sales when compared to independent restaurants. As a result, independents are beginning to struggle in the marketplace. This paper reports the findings of an exploratory study that was conducted to compare consumer perceptions toward the dining experience between chain and independent restaurants. The results clearly show consumers view dining experiences at chain units more favorably than dining experiences at independent units. Food quality has the greatest impact on satisfaction levels in terms of chain restaurants, whereas, server responsiveness is the driving force behind satisfaction as it relates to independent restaurants.

18. Entrepreneurial Autonomy, Incentives and Relational Governance in Franchise Chains

Olivier Cochet, University of Münster
Julian Dormann, University of Münster
Thomas Ehrmann, University of Münster

Franchisee autonomy fosters system-wide adaptability but also exacerbates agency problems present in franchisee-franchisor dyads. We advance the argument that franchisors counterbalance agency problems resulting from autonomy with relational governance mechanisms. The empirical results, based on a sample of German franchisee-franchisor dyads, provided strong support for a positive relationship between autonomy and relational governance. In addition, we found that relational governance becomes less important the closer franchisees' incentives are aligned with the franchisor. The moderating effects of five franchisee characteristics influencing incentive alignment were considered: multi-unit ownership, age of the relationship, geographic distance, economic success, and the level of perceived intra-chain competition.

19. Contractibility and the Ownership Redirection in Franchising: A Property Rights' View

Josef Windsperger, University of Vienna
Rajiv Dant, Clarkson University

This paper offers a property rights theoretical interpretation of the provocative ownership redirection hypothesis advanced by Oxenfeldt and Kelly (Oxenfeldt and Kelly 1968). In a nutshell, couched in resource dependence theory, the ownership redirection hypothesis argues that successful franchise systems will eventually become corporate owned systems because of the reacquisition of franchisee units by the more powerful, and resource-flush franchisors. We argue that the structure and dynamics of ownership patterns in franchising networks depends on the contractibility of the franchisor's system-specific assets and the contractibility of the franchisee's local market assets. Under the property rights view, ownership redirection will result from an increase in the contractibility of the franchisee's local market assets (local market information, financial resources and managerial capabilities) and the resultant increase of the franchisor's bargaining power during the contract period. We extend the franchise literature by arguing that informational, financial and managerial resource constraints are only relevant for the change of ownership structure if they are non-contractible. This hypothesis is evaluated using data collected from the Austrian franchise sector. The empirical results are partly supportive of the hypothesis.

20. Franchise Failure in Australia: Impact on Franchisees and Potential Solutions

Jenny Buchan, University of New South Wales

This paper is about franchisor failure in Australia and its impact on franchisees. First is an explanation of the insolvency regime in Australia; the second part will examine pre-purchase

period. The third part will consider the period from the time the franchisee enters the system to the time the franchisor fails. Next there will be an examination of the period after the franchisor fails. Lastly, the challenges franchisor insolvency poses for advisers, researchers and policy makers will be considered. Material will be drawn from a pilot study¹ the author is currently undertaking on the legal and economic impact of franchisor insolvency on franchisees in Australia.

21. Executive Insights: Analyzing Market Opportunities for Franchising in the Philippines

Ilan Alon, Rollins College

Mark Munoz, Rollins College

This article analyzes the franchising environment in the Philippines, an emerging market in Southeast Asia with close and long historical ties to the US market. As part of the exploration of the potential challenges and opportunities in the Philippine market, the authors peruse the environmental factors franchising from political, legal, economic, financial and social standpoints, the competitiveness in the franchising sector, the four marketing P's, and the modes of entry available to prospective market entrants. The research information provided is beneficial to academics and business people seeking to understand the franchising dynamics in a key emerging market in Southeast Asia, and provides the background needed for the creation of a country-specific international market entry plan for potential franchisors and franchisees wishing to operate in the Philippines.

22. Regulating Franchising in Australia

Liz Spencer, Bond University

In recent years the regulation of services and industry has become the focus of increasing attention in government organizations and academic and research institutions. The potential synergies in regulatory instruments have been recognized in theory, but have not been fully incorporated into the design and practice of regulatory systems. Franchise regulation in Australia is an example. The country enjoys a mature and vibrant franchise sector, as well as a depth of experience in the regulation of franchising, yet there is no procedure in place to evaluate the mechanisms that regulate the function of the sector and as they interact and impact upon each other in the regulatory process. This paper outlines the menu of potential regulatory mechanisms. There is a need for further research to inform the development of a model that can better determine the optimal regulatory mix for the sector.

23. Effectiveness of the Finnish Franchisee Training: Findings from a Follow-up Study

Jenni Torikka, University of Jyväskylä

Mika Tuunanen, University of Jyväskylä

The Finnish franchisee training program is a unique training since it is provided to prospective franchisees by a third party and it is government financed. The training program aims to find people interested in becoming franchisees and to give them the essential skills and knowledge a franchisee needs. In total, more than 200 trainees completed the first ten programs held in 1999-2001. Those trainees comprise the initial sample of this follow-up study. The purpose of the follow-up study is to analyze the effectiveness of the franchisee training program as a part of the career decision-making process of the trainees. The study concentrates on those trainees who established a franchised business or started or bought a stand-alone business after the training program. The results are interesting and encouraging – the impact of the training program was positively associated with becoming a franchisee or a stand-alone business owner. Moreover, a logistic regression analysis showed clearly that measures pertaining to effectiveness of the training program predicted becoming a franchisee.

24. An Illustrative Application of Multi-Unit Site Selection Incorporating Unidentified Competition and Opening Delays

Pat Kaufmann, Boston University

Naveen Donthu, Boston University

Charles Brooks, Boston University

In this paper, we examine the impact of using Kaufmann, Donthu and Brooks' (2000) multi-unit site selection model that incorporates unidentified competition and opening delays. We use data from the actual introduction of a set of stores in a major metropolitan market to estimate the potential for improvement over a pure sequential expansion strategy. When compared to the sequential strategy actually used by the retailer, we estimate that performance could have been improved by 15.5% if a model that anticipated the delays in opening the stores and competition from secondary sources would have been used.

25. Earnings Claims: to Be or Not to Be, That is the Question

William Slater Vincent, Oglethorpe University

Frank Wadsworth, Indiana University-Southeast

The most important question asked by a prospective franchisee of a franchisor is the amount of money he or she can make if they purchase that particular franchise. Yet very few franchisors have chosen to provide earnings claims disclosures under Item 19 of the Uniform Franchise Offering Circular despite being allowed to do so by state and federal regulatory authorities for over 25 years. There has been much debate in the franchise community as to whether earnings claims of some sort should be made mandatory on the part of the franchisor under Item 19. So

what is a prospective franchisee to do in trying to answer the age old question of , “how much money can I make”?

In this paper, the authors take a two prong approach. Discussed first is a review of the research and literature already published on this issue. This review will encompass such topics, among others, as the present and proposed regulatory rules and regulations covering the making of an earnings claim.

Discussed second is an experimental design model with which to perform empirical research, results of which will be published in future articles. The purpose of the experiments is to examine the influence of certain factors on the completeness and accuracy of an individual’s knowledge of financial information presented in earnings claims and the ability of individuals to make the correct investment decision between two franchise systems.

26. The Internet and Conflict in Franchised Distribution Channels

C. M. Sashi, Florida Atlantic University

A conceptual framework is developed to examine the impact of the Internet on conflict, conflict resolution strategies, and outcomes in franchised distribution channels. Conflict has received much attention in interorganizational research especially in the context of distribution channels. The Internet has the potential to increase as well as decrease conflict in distribution channels both from a structural and a process perspective. We examine normative, rational/instrumental, and emotional reactions to the Internet that influence conflict and conflict resolution behavior in franchised channels of distribution. Propositions are developed that link franchisee reactions to the role of the Internet in the relationship with the franchisor in terms of benefits, fairness, and bonding to (1) perceptual and behavioral conflict, and (2) conflict resolution by using problem solving, persuasion, bargaining, and politics. The use of different conflict resolution strategies is in turn linked to the overall quality of the franchisor-franchisee relationship and channel performance.

27. Interstore and Intermarket Distances, Monitoring Costs and the Uses of Company-Owned Outlets in United States Franchised Restaurant Systems

Robert Stassen, University of Arkansas

This paper examines the relative importance of physical distance between outlets and the performance of these outlets on the ownership of retail franchised system by using within market and between market interoutlet distances wit. The proportion of company-owned outlets is currently substantially higher than reported in analysis of Brickley and Dark (1987), and widespread across states in the U.S. within the leading franchise restaurant chains. The research will clarify an interpretational difficulty in past studies by using sample indicator market data on

the number of outlets and their spatial separation as a link to the financial performance data available across states from the Economic Census and across restaurant systems. The study shows that spatial effects, both in terms of intramarket and intermarket distances are directly associated with the performance of outlets, with the direct effect on their ownership being mixed

28. The Attraction, Recruitment and Retention of Franchising Professionals to an Underdeveloped Region

Garret Ross, Delta State University

Jamye Long, University of Southern Mississippi

Much research has been conducted on the recruitment and retention of professionals to various regions around the world. The purpose of this paper is to ascertain information needed in the recruitment, attraction, and retention of franchising professionals to an underdeveloped region. The knowledge acquired from these studies will provide a clearer understanding of the recruitment and retention of franchising professionals in an underdeveloped region. Specifically, the results of the research will also provide a better understanding of the migration of franchising professionals to and from underdeveloped regions.

Underdeveloped areas must attract and recruit franchising professionals to the region and encourage them to remain by providing a pleasing environment of economic stability which will aid in the future substantiality of the region. By using the basis of theories of recruitment and retention established through the study of human resource management, this study will focus on the underdeveloped region's employment practices in the recruitment, attraction, and retention of the franchising professionals to the region.

This research addresses the following questions:

- (1) What techniques can be employed to recruit and attract franchising professionals to the underdeveloped region?
- (2) How will the recruitment of franchising professionals to the area benefit the underdeveloped region?

29. Exploring a Franchise Opportunity: A) Can This Idea Be Franchised? And B) Launching a Pilot Unit

Udo Schlenrich, University of New Hampshire

Hachemi Aliouche, University of New Hampshire

Margaret Naumes, University of New Hampshire

The case series describes the very early stages of entrepreneurship, from the time when a potential entrepreneur develops an idea (the A case) through evaluation of the viability of the new business opportunity (the B case). The cases were developed for an undergraduate course in Entrepreneurship or in Franchising. They should be taught very early in the course, as part of a module on identifying and evaluating business opportunities. No special understanding of franchising is necessary for these cases, however an exhibit on franchising is included in the Instructor's Manuals.

The (A) case was developed to give students the opportunity to evaluate a potential business opportunity from its very earliest stages. The case identifies an idea and gives background on the entrepreneur. Students are expected to develop a plan for researching the viability of the business concept, including identifying what information should be needed.

The (B) case was developed to give students the opportunity to evaluate a potential business opportunity. Students are asked to evaluate the information collected by the entrepreneur and her partner, and to make a decision on how to proceed. The case presents information on competition, suppliers, the entrepreneurs' concept for the stores, and franchising.

30. Franchising: The Entrepreneurial Paradox

Lola Ajayi-Obe, University of Surrey

David Kirby, University of Surrey

Anna Watson, University of Surrey

This paper presents a comprehensive review of the franchising and entrepreneurship literature, in an attempt to identify areas where the franchise and entrepreneurship concepts may be related. By providing a review of whether franchising is truly entrepreneurial, this study acts as a spur to further analyses of ways in which franchising research can be promoted in the entrepreneurship literature.

31. Are Churches Franchises?

Wilke English, University of Mary Hardin-Baylor

One of the more noticeable aspects of business format franchising is the consistency of offering. At McDonald's you know there will be a clown named Ronald, there will be Big Macs with three pieces of bread, there will be Happy Meals with a small toy, and space permitting, there will be a playground. At Wendy's the meat will be cut square, there will probably not be a playground, but you can buy a cup of chili, something you cannot do at McDonald's.

Church denominations are also very predictable. At a Baptist church, the pastor will be called 'brother'. He will not wear a robe, but will be dressed in a suit and tie, and every service will conclude with an altar call. Down at the Episcopal church, the pastor will be called 'father' and he will wear a robe. Young lads called acolytes will solemnly light several candles, something not done among the Baptists.

This consistency of offering gives question to other aspects of franchising and to what extent churches fit the official definition of franchising.

32. Market Orientation in Franchise Networks: A Top-Down Analysis

Claire Gauzente, University of Angers

Market and customer orientation is considered as key to organisational survival and performance. Recent researches in the domain indicate that it contributes to the overall performance of channels. This paper investigates the perception of customer orientation in franchise networks; Based on a dyadic sample of 27 franchisers and 720 of their franchisees, the study examines how franchisers and franchisees perceive customer orientation and to what extent their perceptions are concordant views. The underlying hypothesis is that a common view of the network orientation facilitates co-ordination and performance.

33. A Longitudinal Peek at Assessing the Correlates of Performance in Franchised Channels of Distribution

Rajiv Dant, Clarkson University
Manish Kacker, Tulane University
Anne Coughlan, Northwestern University

Jamie Emerson, Clarkson University

34. Conceptual Framework for the Performance of Franchising Networks

Nina Gorovaia, Cyprus College, Nicosia

The paper combines economic rationalism and social embeddedness theories to develop a conceptual framework for the performance of franchising networks. Dependence on only one of the approaches is inadequate: Firstly, franchising networks are for-profit organisations and have to be efficient and effective, which is best explained by the economic rationalism perspective. Secondly, franchising networks have to adapt to a particular social, cultural and legal environment and make the franchise concept transferable. The second argument is best explained by the social embeddedness approach. The framework shows that two approaches are not at odds with each other. Franchising networks adopt “actionable” characteristics that are diverging in various environments. Those characteristics determine the key “drivers of performance”: flexibility, ability to exchange information and capacity to innovate.

35. The Perception of Korean-American Entrepreneurs: An Analysis of Problems and Reasons for Change

Yang Huo, Utah Valley State College

The purpose of this study was to examine the perception of Korean-American entrepreneurs on franchising. The results indicated that the lengths of operations and ages of prospective franchisees were the most important factors related to current operations, and gaining the

competitive advantage and minimizing the risk were most important reasons to be franchised. Organizations such as consulting firms, franchisers, and management firms could utilize these findings as a tool to determine and identify the value of their prospective clients. Furthermore, they could develop strategic marketing tools to capture, retain, and expand their markets.

36. Exploratory Strategic Failure Management Process Model: Franchisee Failure Path-Dependency and Empirical Evidence

Stevan Holmberg, American University

Kathryn Boe Morgan, IFA-ERF

Progress in explaining new venture failure requires a theoretical model that examines the evolutionary path of failure and the strategic choices that facilitate failure mitigation. This paper develops a new path-dependent strategic failure-management process model. This exploratory model, grounded in the strategic management process and entrepreneurship franchise failure literatures, expands the research scope to include both external and internal contexts; applies the failure process model to franchisees presenting theoretical constructs and empirical evidence; and develops comprehensive, strategic franchisee failure management process research propositions. Failure is not an event, as often perceived by prior research studies, franchisees/small business owners and external stakeholders. This paper's exploratory strategic failure-management process model views failure as a path-dependent process with multiple stages occurring over time. This new failure process model extends business failure analysis, an important research topic, by more effectively identifying, understanding and mitigating business failure and providing a thoughtful consideration of all failure process stages and internal as well as external contexts. New franchisee failure data is presented for almost 900 U.S. franchisors representing more than 340,000 franchise units. Similar failure-management process models may be useful for non-franchisee business failure analysis.

37. The Efficiency of an Organizational Form: The Case of Franchising

Steven Michael, University of Illinois

Interorganizational forms are pervasive in the modern economy. In this paper we examine the performance of one interorganizational form, franchising. As has been established in previous research, franchise chains have difficulty coordinating the marketing mix of product quality, promotion and advertising, price, and placement. This failure of coordination is likely to make marketing efforts less productive for franchise chains. Using stochastic frontier estimation, a technique from empirical economics, we show that marketing spending yields less sales for franchised chains relative to owned chains. Implications for theory and practice are discussed.

38. Network as an International Enterprise Strategy

Anna Wróbel, Warsaw School of Economics

The paper is a continuation of the author's research on 'Franchising As A Modern International Growth Strategy'. This time we adopt a broader view – encompassing network enterprises in general. Nevertheless the scope of the paper is limited to competitive advantages of such enterprises as far as current global business environment is concerned.

An economic web is a set of companies self-organized around a common platform (e.g. a product, a technology solution). A web interconnects companies, goods and services to innovate new products, rapidly spread both positive and negative feedback and leverage small investments. network participants can capitalize on their partners' best resources. However, this kind of partnering will only come to fruition if success factors are in place and, most essentially, if participants make sure to secure their success strategically while performing in accordance with the rules of a network organization.

39. Improvement of the Franchising Management of Petroleum Products

Paul Alexandrou, University of Quebec

Ion Stancioiu, University of Bucharest

40. Does Franchising Create Value? An Analysis of the Financial Performance of U. S. Public Restaurant Firms

Hachemi Aliouche, University of New Hampshire Udo Schlenrich, University of New Hampshire

It is commonly believed that the franchising method of distribution provides strategic and operational benefits to the companies that adopt it. These benefits should result in superior financial performance as compared to that of firms that do not use franchising. Yet, the empirical evidence of the effects of franchising on financial performance is sparse and mixed. The purpose of this paper is to further examine the empirical evidence of the impact of franchising on a firm's financial performance by using performance metrics (Economic Value Added and Market Value Added) that are extensively used in corporate finance. This study focuses on the US public restaurant sector. The results provide some evidence that franchising firms create more market and economic value than do non-franchising firms.

41. Explaining Franchisors' Choices of Organizational Forms within Franchise Systems

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When franchisors pursue different priorities, different agency problems become relevant that in turn drive the franchisors' choices from among different franchising organization forms. We use archival and key informant data from a multi-industry sample of 94 franchisors in examining franchisors' choices of organization forms based on their goals for growth, uniformity and local responsiveness. Our results indicate that franchisors emphasizing high growth are more likely to use multi-unit rather than single-unit franchising and, within the multi-unit franchising form, they are more likely to use area development rather than incremental franchising. Further, franchisors emphasizing uniformity instead of growth are more likely to use area development franchising, but those emphasizing local responsiveness are more likely to use incremental franchising. We discuss the implications of these results for franchising research and practice.

42. The Effect of Plural Form on the Innovation Climate of Store Networks: The Mediator Role of Mutual Learning

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The main purpose of this study is to demonstrate the effect of the plural form associating franchise and company arrangements on the innovation climate of store networks. This paper examines how the degree of mix chosen by network operator can influence the innovation climate, which is considered as one of important criteria for evaluating innovative organization. It is hypothesized that the effects of the plural form on the innovation climate are mediated by the mutual learning between franchise and company-owned outlets. An empirical test is based on a questionnaire survey to 352 French networks. Results support our mediation hypothesis and provide evidence that equilibrium between the proportion of franchise and company sector is related to a high level of mutual learning and therefore a high level of the network climate for innovation.

43. Drivers and Barriers to International Expansion by Australian Franchisors

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The widespread growth in business format franchising as an international business model is widely reported. This paper reviews the status of international franchising by Australian franchisors. A comprehensive survey of the population of Australian franchisors was conducted to examine the motivational incentives and barriers to offshore expansion. In particular, data was gathered on preferred international locations, international franchising strategies and modes of entry, pre-internationalisation activities and factors impeding the overseas expansion. Consistent with previous research, results show that larger and more experienced franchisors seek to grow their organisations through expanding to host countries. Master franchising and joint ventures are preferred modes of entry, and many franchisors locally adapted systems and processes in transferring their business concepts to different cultural and regulatory environments. In opposition to recent research, Australian franchisors placed lesser emphasis on macroeconomic influences upon the decision to internationalise.

44. Strategy and Docility in Franchise Organizations

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Robert Justis, Louisiana State University**

Strategy, according to Herbert Simon, is an artifact interfacing the outer and inner environments of the business. A sound theory of strategy shall explain the empirical phenomena observed in both environments and help design the interface adapting to the evolving environments. In this paper, we focus on Docility, an important aspect of strategy empirically grounded in the inner environment of organizations. As a significant contribution, the paper provides a theoretical foundation for studying the franchisor/franchisee relationship in franchise organizations. Specifically, we study two principal kinds of organizational influences among the franchisor and the franchisees: organization routines and organizational attention. An emerging information system, titled “Digital Coach Technologies”, is introduced to show how it helps manage docile organizations in franchising.