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1. Survival Prospects of Franchised and Independently Owned Businesses: A New Look

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We explore whether businesses started by new single business owners as a franchise survive longer than those launched as independent businesses. This question has attracted much attention over the years in the trade press but also among academics interested in franchising and its role in the economy. We use the confidential Survey of Business Owners (SBO) datasets for 2002 and 2007, and the comprehensive Longitudinal Business Database (LBD) produced by the U.S. Census Bureau. The latter allows us to track over time the businesses surveyed in the SBO. After controlling for factors that affect both the tendency to franchise and firm performance, including industry fixed effects, we find that franchised startups of new single business owners survive longer than independently-owned businesses. The difference in the one-year survival rate is about five percentage points, and this gap remains for the two and three-year survival rates. However, conditional on remaining in business for a year, the franchise advantage is lower, around 2.5 percentage points, and this difference disappears for the conditional survival of businesses that already have survived two years in the 2007 cohort. Interestingly, despite different macroeconomic conditions faced by firms started in 2002 and 2007, the increased survival rates of franchised businesses is found in both SBO waves.

2. Survival of the Fittest: The Performance of Franchised and Independent Businesses During Economic Uncertainty

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This paper examines the survival of franchised and independently-owned small and medium enterprises (SMEs) in Australia during a specific period of economic stress, usually referred to as the Global Financial Crisis (GFC).

A qualitative approach was adopted to examine a broadly-stated research question. The qualitative research design describes Phase 1 of a three-phase, longer-term, Mixed Methods research programme. Within a collective, instrumental case study, 54 participants, in six cohorts, were identified by a multi-method sampling process. Semi-structured interviews were conducted with each participant and the recorded and transcribed interviews formed the basis of the data collected. This data were subjected to content and thematic analysis.

Nine themes contributing to SME survival emerged from data analysis. Comparisons were made between franchises and independent small businesses to determine if the franchise model exhibits different survival mechanisms. A model was developed to indicate the ways in which these themes contribute to SME survival. The research design affords limited generalisation, but the particularities of the findings build a compelling case for further mixed method research to quantitatively examine the nine themes and the developed model by developing an instrument to survey the two populations of interest, franchises and independent SMEs.

The GFC is held to be on-going. Research that can inform policy development and business planning and action within the small business community is valuable to SME survival and, because of the important contribution of SMEs to national economies, to societal economic well-being. Little extant research is found that specifically examines SME survival within the GFC, and even less can be found to inform franchises. This paper also comprises the first step of a research programme that will continue to provide valuable information to two important populations of interest at a critical period for most economies.

3. Corporate Chains versus Contractual Chains: Examining Competition and Store Development in the Case of the Auto Parts Retailing Industry

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Having an optimal number of retail outlets in a market is important to understanding the effectiveness franchised systems versus corporate systems. In traditional franchise systems, where the franchisor has shared incentives to increase sales with a franchised-retailer, overstoreing a market is avoided in that the wholesaler-franchisor shares in the cost of goods to the retailer franchisee, keeping the number of stores near optimal to maximize gross margins of both parties. This is in contrast to business format franchising, where the franchisor's sales to the franchisee are not a significant proportion of franchisor revenues when compared to royalties based on net sales. Attention is given here to the costs of a franchisee retailer's inventory investment, similar to a "lump-sum" investment in franchise systems. In wholesale franchisor systems, there are short-term incentives to overstore a market to increase initial sales to franchisees of inventory, and there may be cost advantages in inventory replenishment. Franchise systems, however, compete with wholly corporate systems, and there are no apparent reasons to overstore in systems with single, unified ownership. Evidence showing that the suppliers to the corporate systems are providing increasingly favorable financing of inventory, leading to a possible explanation as to why they too might have more stores than optimal, with strategies more comparable to franchise chains. This hypotheses is examined across competing chains in auto parts, and the response to coverage and saturation, stores per person and sales per store, respectively. The shares of the eight top auto parts chains in 448 U.S. markets are analyzed, and the results show significant differences in strategy among the company-owned chains and wholesaler sponsored, or contractual chains.

4. Trust, Transactions Costs and Contractual Completeness: The Case of Franchising

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The aim of the study is to explain the degree of contractual completeness in franchising by developing hypotheses from transaction cost and relational governance perspectives. Specifically, we complement the transaction cost view on contractual completeness by examining the impact of knowledge-based trust and general trust on the franchisor's choice of contractual completeness. First, we investigate the transaction cost determinants of contractual completeness. Contractual completeness is negatively associated with environmental uncertainty and franchisees' transaction-specific investments, and positively associated with the free-riding risk. Environmental uncertainty prevents the franchisor from setting up detailed contract terms and increases the need of ex-post adaptations and hence less specified contracts. Specific investments of the franchisees increase their motivation to behave cooperatively that requires less detailed contract terms. Franchisor's free-riding risk increases with the brand name of the system resulting in more detailed contract provisions to mitigate the relational risk. Second, we analyze the relationship between trust and contractual completeness by differentiating between general trust and knowledge-based trust. General trust of the franchisor reduces the franchisor's perception of relational risk and hence the necessity to control the network relationship by formal contract planning, and knowledge-based trust increases information sharing between the partners and hence the knowledge base for specifying more detailed contracts. The data from the German franchise sector provide support of the general trust, franchisees' transaction-specific investment and free-riding hypotheses.

5. Trust, Good Faith and Synergy within Franchising

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This paper contributes to existing franchising thought in three major ways. Firstly, synergy between the franchisee and the franchisor is achievable. Synergy occurs when the output of a group is greater than the sum of the individual effort. Secondly, the research reveals initial insight into how synergy can be achieved; synergy requires the essential elements of trust and good faith. Finally, the construct of good faith is compared with the construct of bad faith, compounded by the franchise culture. At one polar extreme, trust and good faith produce synergy. However, at the polar opposite, distrust and actions of bad faith result in dysfunction. Many authors have researched problems such as trust and distrust through the lens of agency theory (Jensen and Meckling, 1976) with the findings of this research building on existing thought. Qualitative data in the form of in-depth interviews with franchising experts. The overarching goal of this research is to gain further understanding of how the constructs fit together as well as provide managerial insight that can preempt franchising relationship failure and increase franchise synergy.

6. Investigating the Nomological Network Surrounding the Construct of Gratitude within a Franchising Context

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This paper is the first attempt at modeling the sentiment of gratitude, a critical nascent relationship construct, as a mediating the linkage between relational norms (as antecedents) and relationship quality constructs (as consequents). A self-report online survey was used in this research to collect data from a random sample of 439 franchisees drawn across 28 franchise sectors in Australia. Relational norms were captured using the well accepted taxonomy of solidarity, flexibility and mutuality and relationship quality was conceptualized in terms of constituent constructs of trust, commitment and relationship satisfaction. Structural equation modeling was used to test the six hypothesized relationships. The relational norms were found to significantly and positively affect the emergence of gratitude, and in turn, gratitude was found to significantly and positively influence the relationship quality constructs of trust, commitment and relationship satisfaction. Implications of these results are discussed.

7. A Multi-National Investigation of Dual Distribution Structures in Germany, Australia and South Korea

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Dual distribution, or “the plural form” of organization (the coexistence of franchised and company-owned outlets in franchise chains) is an essential strategic response to cope with the franchising “imperatives” of managing system growth, concept control, local responsiveness, and systemwide adaption. Accordingly, the topic has received considerable scholarly attention. However, much of the literature is based on theoretical perspectives and empirical evidence derived from the North American experience and previous studies have, almost exclusively, been single-country investigations. In consequence, past research underscores the need for understanding plural structures through the lens of data-driven multi-national investigations. Consequently, we explore country-specific idiosyncrasies of the plural form phenomenon across three continents based on recent data from 3,078 German, Australian, and South Korean franchise chains. We strive to integrate the empirical findings on observed similarities and differences across countries with central theories and paradigms in franchising research. Thereby, the paper provides an exploratory contribution to empirically-grounded investigations into the plural form of organization.

8. A Good Faith Solution to Franchise Relationship Issues Down Under: the French Lesson

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Recent Australian inquiries into franchising have recommended the introduction of an obligation of good faith in the Franchising Code of Conduct, Australia's mandatory regulatory instrument. The most recent report – Review of the Franchising Code of Conduct 2013 (the Wein Report) – concluded that despite there being 'many compelling arguments both in favour of, and against, the introduction of an explicit obligation [of good faith] the weight of opinion supports the inclusion of such an obligation in the Franchising Code of Conduct'. Because of a change of government, this initiative was not consummated and the new government's attitude is not yet clear. Good faith is nevertheless back on centre stage in the Australian franchising milieu and, if not legislated at this stage, will inevitably be a prominent issue in future inquiries.

This paper reviews recent developments in relation to good faith as a convenient device to restrain opportunistic conduct by franchisors and franchisees. Given the civil law heritage of the concept of good faith, this paper also considers the influence of the underlying obligation of good faith under Article 1134 of the French Civil Code on the franchisor-franchisee relationship and any possible lessons therefrom for the Australian franchise sector.

9. Emergence of Local Retail Food Franchises in the Middle East: The Influence of Foreign Franchises – Focus on Saudi Arabia & United Arab Emirates

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The purpose of this research is to answer the basic question "How did foreign retail food franchises imported to the Middle East contribute to the creation of local retail food franchises?" Research about franchising in the Middle East is minor, and is mainly concerned with retail franchise developments caused by imported foreign franchises. Emergence of local franchises, food and non-food, and reasons and circumstances which accompanied their emergence, were hardly addressed in literature. This research proposes that foreign franchises contributed to the creation of local ones by being a benchmark for them at various business functions being competition, strategy, marketing and operations, as by effect of founders' backgrounds characterized by extensive contact with and exposure to foreign franchises. The research deals with the research question by a further proposition that setbacks which faced certain foreign franchises in the region contributed to the establishment of local franchises based on avoiding these setbacks. Qualitative case study methodology was applied and a case of prominent local retail food service franchise has been selected from each of the Kingdom of Saudi Arabia and United Arab Emirates. The research reaches to the conclusion that proposed causes of contribution are in close relevance to the research question. In the cases studied, foreign franchise backgrounds of local entrepreneurs did inspire them to start-up their own local food franchise concepts.

Foreign franchises were a benchmarking reference for local entrepreneurs in all four of the above proposed business functions against which they established their local food franchises. Additionally, this research concludes that setbacks and difficulties which faced foreign franchises, in some cases not successfully overcome, were a significant factor that led to creating local franchise counterparts. Further research findings and implications for theory, practice and future research are brought in the research.

10. Franchisors on LinkedIn: Determinants and Outcomes of Adoption and Use of a Multipurpose Social Media Network

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Social media networks play a key role in organizational strategies pertaining to social commerce. In this paper, we investigate determinants and performance outcomes of organizational adoption and use of social media networks by studying franchisors' presence on LinkedIn. We draw on resource-based theory and institutional economic theories of incentives and externalities as well as the multidisciplinary literature of organizational adoption and use of innovations to develop hypotheses that (i) link franchisor characteristics and partnering strategies to the adoption and extent of use of LinkedIn and (ii) the extent of use of LinkedIn by a franchisor to the performance of its LinkedIn page. We empirically assess these hypotheses using data on 500 U.S. franchise chains from Entrepreneur's Annual Franchise 500 list for 2011 and a content analysis of LinkedIn pages for 317 franchise chains. One key finding is that franchisor adoption of LinkedIn is positively influenced by franchise chain size, franchising fees, franchisor marketing communications and franchisor qualification expectations for prospective franchisees as well as negatively affected by franchise concept complexity. A second important finding is that, among franchisors who adopt LinkedIn, the extent of use of LinkedIn is positively impacted by franchise chain size, franchising fees and negatively affected by franchisor age. A third notable finding is that the performance of franchisors' LinkedIn pages is positively impacted by the richness of information about franchise chain and recruitment. Taken together, our findings shed light on how franchisor characteristics and partnering strategies impact franchisor adoption and use of LinkedIn and how franchisor's use of LinkedIn influences the performance outcomes associated with its LinkedIn page.

11. Critiquing the Traditional Economic Analysis of Good Cause Statutes: An Empirical Perspective

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One of the most vital debates in franchise law focuses on whether state or federal law should adopt good cause statutes (GCSs), which require franchisors to show "good cause" before terminating contractual relations with a franchisee. The traditional law and economics analysis suggests that GCSs are inefficient. This inefficiency argument is based

upon one central hypothesis: GCSs increase franchisee free riding since they limit the franchisor's ability to terminate the franchise contract easily. The free riding hypothesis has been significantly influential in the development of franchise law, as is evident in state and federal statutory regimes . To date, the majority of states and the Federal government have refused to adopt GCSs.

Surprisingly, however, there has been little direct empirical investigation of the free riding hypothesis underlying the conventional economic analysis of GCSs. This paper aims to fill that void. Examining a sample of 3,442 franchised hotels, this paper compares free riding by franchisees subject to GCSs to those where 'at will' termination applies. The results, assessed along multiple dimensions of quality and customer satisfaction show no significant differences in the level of free riding between the two groups, thus casting significant doubt on the validity of the traditional economic analysis of GCSs.

12. China's Intellectual Property Protection in Franchising

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Since the concept of franchising was introduced into China, the franchising sector has witnessed a spectacular growth in the last decade. China today is the most franchised country in the world in term of number of systems. The value and success of most franchising concepts are often substantially based on intellectual property – primarily trademarks, trade names, copyrights, trade secrets, and patents. If a franchisor is to capitalize on the exclusivity of its unique intellectual property to provide it and its franchisees a competitive advantage, legal protection of these valuable assets is essential in China and contemplated business. The tremendous development of franchising has inevitably brought forth different kinds of problems such as the franchise contract disputes, intellectual property infringement disputes, etc. The strong growth of domestic and international franchising urges the great importance of protecting the intellectual property rights (IPRs) in China today.

This paper addresses the legislative of Chinese franchising law and intellectual property law, analyzing the enforcement and protection of intellectual property law in China today in combination of some judicial cases judged by the courts. With more and more serious situation of intellectual property infringements in China it is crucial for the intellectual property rights to be maintained and safeguarded, some suggestions were put forward to protect the IPRs from the franchisors' perspective.

13. Linking Price and Performance with Satisfaction in Franchised Outlets

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Research examining business networks has begun to explore the performance implications of service triads. Specifically, past research from supply chain management, business

service outsourcing, channel research, and other fields find that intermediary third party service providers acting on behalf of a buying company create important structural links that impact customer satisfaction and firm performance. The effect of these structural links on the value of service and brand equity is important yet under-studied. In this article, we empirically test the effect of a triadic service structure on pricing and overall performance by controlling for customer satisfaction and brand equity. Using a paired dataset from the U.S. hotel industry, we test a series of linear regression models to isolate the structural effect of triads on pricing and performance. We find that the relationship between satisfaction and ADR is strongest for corporate chain managed properties (branded dyad) and weakest for franchised outlets (branded triad). We conclude that service providers in triads free-ride on the brand and therefore overcharge and deliver lower satisfaction and value than their dyadic counterparts. These results have important implications for effective outsourcing, contract design and performance evaluation for a wide range of service industries. This article suggests both managerial implications and future research opportunities related to service triads.

14. Best Fit, Best Practice, or Stuck in the Middle? The Impact of Unit Ownership on Unit HR Performance

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Franchising is a very important business model in many retailing and service industries. Since Human Resource Management (HRM) is a critical factor in such industries, it is important to understand how franchisees deal with HRM in their units and how this ultimately affects performance at the unit level. However, the very few studies linking franchisee HRM behaviors to performance have not included multi-unit franchising (MUF) as a type of unit ownership. Given the ever-increasing popularity of MUF and the unique characteristics of MUFs, this represents an important knowledge gap. We aim to fill this gap by building a theoretical framework on how the type of unit ownership affects unit HR performance within franchise systems. Building on agency, resource and entrepreneurship perspectives, we propose that units owned by single-unit franchisees (SUFs) and small MUFs (i.e., franchisees with a very small number of units) adopt a 'best fit' system regarding HRM, whereas company-owned units (COs) and units owned by larger MUFs (i.e., franchisees with a large number of units) typically adopt a 'best practice' system. Each system has its own advantages and disadvantages, which results in two contrasting propositions regarding their effects on unit performance. Moreover, we expect the units owned by medium-size MUFs to have the lowest performance since they are 'stuck in the middle' regarding their HRM system.

15. Exploring the Roles of Franchise Advisory Councils: A Theory-Based Approach

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The use of franchise advisory councils (FACs), typically composed of franchisees and franchisor representatives, is common practice in domestic and international franchise systems as a mechanism to bolster system performance. Limited empirical data on the roles associated with FACs is available yet a good deal of time, money and energy is spent on these quasi-governing bodies. This exploratory research study included a series of interviews with 14 franchise advisory council members, both franchisees and franchisors from different organizations. To develop a richer and deeper understanding of FACs, two case studies were conducted, incorporating 15 additional interviews, plus observation of meetings and conference calls over a twelve-month time period. The results identified four core role-sets that FACs perform and borrows from corporate and nonprofit board literature to identify the theoretical assumptions associated with these roles. Furthermore, differences were found between franchisor and franchisee perspectives on certain functions performed by FACs. A grid framework is proposed that identifies the role-sets in a practitioner-friendly manner that franchise organizations could use to assess what roles their FAC emphasizes. Finally, this research suggests a road map for future research on understanding how FACs may contribute to the dynamics of the franchisor- franchisee relationship.

16. Managing Corporate Social Responsibility in Franchise Systems

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This research represents an initial attempt at uncovering specific potential underlying mechanisms which drive the impact of corporate social responsibility (CSR) on firm profitability. We conduct our research within a franchise systems context, an incontrovertibly valuable and yet often overlooked area of the national and global economy. By examining variables such as visibility, legal filings, and the installation of a CSR strategy and their effects on stock prices over time, the results herein speak to the importance of properly managing a company's CSR initiatives. We concentrate on the oil and gas distribution industry, which operates both in the franchise context as well as within an industry that receives heavy attention from the popular press regarding environmentally impactful actions. Results support hypotheses, demonstrating a salient need for managers to properly execute their CSR strategies, and responses to potentially damaging publicity, such as the filings of an EPA suit.

17. An Associative Network of Franchising Brand

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Franchising is a well- established and accepted retail format, and has attracted lots of attention from researchers. However, only a few have investigated the notion of branding in a franchising context. Using the data for top 100 Global Franchise brands from Franchise Direct this study attempts to understand the associative network of franchise brand. The results indicate that the brand image of a franchise firm is positively associated with the age and size of the franchise firm, and the extent to which they offer financial assistance to franchisees. In comparison, franchise firms that have high franchise fee tend to ranked lower on a brand image scale. In return, a strong brand image not only helps in future expansion, franchise firms with better brand image are also likely to have stronger bargaining power in the market place.