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1. **Applying the General Theory of Entrepreneurship to Franchising**
Jenni Torikka, University of Jyväskylä (Finland)

This essay takes an entrepreneurship viewpoint toward franchising and centres on the entrepreneurial process of franchisees. The applicability of the general theory of entrepreneurship presented by Shane (2003) is explored in the franchising context. Shane introduced a model of the entrepreneurial process in response to the failure of prior research to provide one. According to Shane, prior research has tended to look at only part of the entrepreneurial process, with the result that no general theory of entrepreneurship has been developed. Studies that consider franchising as a form of entrepreneurship are rare, as are studies on the entrepreneurial process of a franchisee. This conceptual study examines whether Shane's framework is applicable to franchising, and why. The proposals put forward here have implications for franchising researchers, franchisors, people interested in becoming franchisees, and for organisations planning to franchise their business.

2. **Cultural Convergence in Emerging Markets Through Franchising: The Case of Mcdonald's in China And India**
Hyo Jin (Jean) Jeon, The University of Oklahoma (USA)
Brinja Meiseberg, Institute of Strategic Management (Germany)
Rajiv P. Dant, The University of Oklahoma (USA)
Marko Grünhagen, Eastern Illinois University (USA)

This manuscript investigates cultural convergence of Chinese and Indian consumers through organizational socialization of a global franchise system, McDonald's. The authors examine whether the franchise system's universal culture and the values of egalitarianism and democratization enshrined in the system influence consumers' patronage of McDonald's in the world's two largest big emerging markets (BEMs). The findings are based on convenience sample surveys of 642 Chinese consumers and 450 Indian consumers in the capital cities of Beijing and Delhi. Using multiple group structural equation modeling, the authors empirically test how Chinese and Indian consumers' backgrounds (i.e., gender, age and educational level) shape their attitudes toward the culture of McDonald's and their patronization of this global brand. Both country-specific effects and cross-cultural effects are discussed, and we conclude the study with brand management implications of these effects.

3. **Knowledge of Restaurant Affiliation (Franchised Or Non-Franchised) and Restaurant Evaluation**
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Audhesh K. Paswan, University of North Texas (USA)
Francisco Guzman, University of North Texas (USA)
Joyce W. Young, Indiana State University (USA)

Existing studies comparing franchised versus non-franchised restaurants have yielded mixed results. We take the stance that both types of restaurants are equally likely to succeed and their success or failure depends on what consumers know about and how they evaluate these restaurants. Using data from a market area containing several fast food restaurants, we test the effect of consumer knowledge about the type of restaurant—franchised or non-franchised-on perceived restaurant quality on several dimensions: *food quality and service*, *consumer perception of healthiness*, *ambience*, *food-variety*, *affordability*, *context*, and *social gathering*. Findings indicate that being known as a franchised restaurant results in more favorable scores on *food quality and service*. However, being known as a non-franchised restaurant results in more favorable scores on the *ambience, food variety, affordability, context,* and *social gathering* dimensions. Finally, consumers gave the same score to both types of restaurants (franchising versus non-franchising) on the *perceived healthiness* dimension. The implications of these findings are discussed in detail in this study.

4. **A Transaction Cost View on the Allocation of Decision Rights in Franchising**
Nada Mumdziev, University of Vienna (Austria)
Josef Windsperger, University of Vienna (Austria)

The purpose of this paper is to develop an extended transaction cost approach of the allocation of decision rights in franchising networks. We examine the influence of environmental uncertainty, behavioral uncertainty, transaction-specific investments and trust as moderator on the franchisee's fraction of decision rights. Specifically, this study demonstrates that considering trust in transaction cost theory (TCT) supplements the explanation offered by the TCT on the allocation of decision rights in franchising networks. We found that behavioral uncertainty and transaction-specific investments have a positive effect on the allocation of decision rights to franchisees. These findings imply that franchisors tend to delegate decision rights to franchisees when they encounter difficulties in measuring franchisees' performance and controlling their behavior and when they are able to reduce formal control due to the bonding effect of franchisees' transaction-specific investments. In addition, we found that trust functions as moderator in the relationships between the transaction cost variables and franchisor's propensity to delegate the decision

making power to the franchisees. Overall, our study contributes to the literature by constructing and testing an extended transaction cost model to explain the structure of decision rights in franchising networks.

5. **Firm Value and Risk in Franchised Channels**
Liwu Hsu, Boston University (USA)
Patrick Kaufmann, Boston University (USA)
Shuba Srinivasan, Boston University (USA)

Publicly held franchisors need to understand how their various financing and investment decisions impact their goal of maximizing the firm's market value. In this paper, we provide evidence on how investors evaluate a firm's strategic emphasis between investments in intangible assets (e.g., brand) and tangible assets (e.g., plant and property). Our goal is to assess the link between a firm's strategic investment emphasis and shareholder value including the two risk components (i.e., systematic risk and idiosyncratic risk) within franchise systems. We use a panel-data model with secondary data from a sample of 79 firms and 108 individual franchise systems reported in popular franchise directories and augmented by the investment expenditures and firm values reported in their annual reports, CRSP, and COMPUSTAT. We find that a strategic emphasis on intangible assets is positively associated with stock returns and negatively associated with systematic risk. Moreover, we show that there is a significant curve-linear effect of strategic emphasis on idiosyncratic risk. Because an investment strategy focusing on tangible assets is typically associated with a move toward greater company ownership of individual units, this research provides a novel empirical examination of franchising economics and has significant managerial implications for franchising as well as traditional channel structures.

6. **Service Personalization VS. Concept Uniformity: The Case of Franchised Quick Service Restaurants**
Odile Street, Concordia College (USA)
Gérard Cliquet, University Rennes 1 (France)

A franchisor has the difficult task to balance concept uniformity and adaptation to local customer needs. In an attempt to improve their own competitiveness and profitability, franchisees are often tempted to resort to opportunistic behaviors, through deviations from brand standards. Since brand integrity is critical in business-format franchising this is a critical issue for franchisors. The purpose of this paper is to investigate an opportunity for franchisors to improve franchisees satisfaction and their commitment to core brand standards by granting them freedom to control the service aspect of the business. Peripheral by nature, services can indeed tolerate deviation from standards without concept infringement.
The empirical research in this article, verified through two different datasets, shows that service personalization is a viable option for franchisees in the quick-service restaurant (QSR) industry as a way to improve both customer satisfaction and customer loyalty.

7. **Antecedents of Early Adoption and Use of Social Media Networks for Stakeholder Communications: Evidence from Franchising**
Rozenn Perrigot, University Rennes 1 (France)
Manish Kacker, McMaster University (Canada)
Guy Bassat, University Rennes 1 (France)
Gérard Cliquet, University Rennes 1 (France)

The motivation for this paper arises from the importance of stakeholder communications for firms and the rapid emergence of social media networks as a means of such communications. Our purpose is to understand the early adoption and use of social media networks for such communications by firms. Specifically, we examine the use of Facebook (the most popular social networking site) by franchisors and focus on two questions: (1) antecedents of early adoption of Facebook by franchisors, mainly in terms of system age, size, organizational form, advertising royalty rates, industry, and internationalization, and (2) variations in use of Facebook (in terms of content) by these franchisors and the way these variations relate to the characteristics of the franchisors and their systems. Our empirical study covers 408 franchisors doing business in the French market. The analysis approach is quantitative, with the use of t-tests and Levene tests, Pearson chi-square tests and a logistic regression model, as well as a content analysis of the franchisors‟ Facebook pages. At the time we collected data, we found that only 21.3 per cent of the franchisors had a presence on Facebook. Several characteristics of the system (for example, percentage of company-owned outlets, advertising royalty rates, industry) influence whether a franchisor has a presence on Facebook as well as the nature of content on the relevant Facebook page. We draw on organizational theories (resource-based theory) and institutional economic theories (agency theory) to explain these results. These research findings can help the franchisors to better understand the role of social media networks for stakeholder communications.

8. **Back of House Franchising**
Andrew Terry, The University of Sydney (Australia)
Cary Di Lernia, The University of Sydney (Australia)

The success of franchising is attributable to a number of factors, particularly the brand under which the business is conducted and the system under which the service or product is provided. The franchise grant includes *front of house* elements comprising the brand, the image, the standardised quality, the look and feel and appearance of the premises, and *back of house* elements comprising the system underlying the external manifestation of the chain including training, technology, support, operations manuals, site and fitout assistance, policies and procedures.
This paper suggests a role for a form of franchising which incorporates only the back of house elements – tried, tested and proven systems and procedures which are imperceptible to the customer while eschewing established brand names and visible manifestations of a standardised "one-size-fits-all" approach to small business product and service provision.

It proposes a form of quasi-franchising where brand and related front of house features are removed. The "franchisee" acquires the right, and the obligation, to use the "franchisor's" back of house system while retaining flexibility for entrepreneurial endeavour in building an idiosyncratic, eclectic and individualised business. It is suggested that in certain market niches this business strategy – conveniently but perhaps inaccurately referred to as "back of house franchising" – may be more attractive to consumers through not being associated with the standardised and formulaic uniformity which is the hallmark of business format franchising. This derivation of franchising indeed presents an opportunity for a fuller expression of entrepreneurship sought by many prospective business proprietors but not offered in traditional business format franchising due to the restrictive controls imposed by the obligations associated with maintaining a consistent brand name and image.

9. **Using Tournaments to Reduce Agency Problems: The Case of Franchising**
   William Gillis, University of South Alabama (USA)
   T. Russell Crook, University of Tennessee (USA)
   Ellen McEwan, University of Tennessee (USA)
   Steven C. Michael, University of Illinois (USA)
   *Accepted by the Journal of Business Venturing and appears only as a slide presentation in the ISoF Proceedings

10. **Dual Distribution and Double Marginalization in Franchise Systems: The Case of Coca Cola USA**
    Manish Kacker, McMaster University (Canada)
    Ruhai Wu, McMaster University (Canada)

In the late 1970s, the two major carbonated beverage concentrate manufacturers in the U.S. (Coca Cola and Pepsi) started increasing downstream vertical integration (Muris et al 1992, 1993). This shift towards captive distribution, with the trade name franchisor taking over (directly or through a subsidiary) franchisee bottlers continued apace in the 1980s. The prevailing rationale for these actions by the franchisors (presented by Muris et al 1992, 1993) is grounded in the idea of organizational efficiency. They posit that changes in the operating environment in the carbonated beverages industry made it more efficient for the franchisors to take over bottling and retail distribution functions from the franchisees. However, empirical evidence about the poor financial performance of the captive bottling organizations as well as the tapered nature of vertical integration (as opposed to complete vertical integration) raises concerns about the organizational efficiency rationale for the shift from fully franchised operations to dual distribution (defined as the joint use of franchised and vertically integrated channels of distribution). In this paper, we posit and demonstrate an alternate rationale for the shift to dual distribution that is consistent with empirical results of Muris et al (1992) as well as with institutional evidence that cannot be accounted for by the organizational efficiency explanation. The foundation for our approach is the notion that Coke (and Pepsi) undertook this shift to dual distribution to overcome the double marginalization problem (Lerner 1934, Spengler 1950), where a downstream franchisee (e.g., franchisee bottler with territorial exclusivity) charges a higher price and sells a lower volume in equilibrium than that sought by a profit- maximizing upstream franchisor (e.g., franchisor). We develop an analytical, game-theoretic model to evaluate and identify conditions where dual distribution is more profitable for a franchisor than using a completely franchised system or a fully vertically integrated system. Our results suggest that dual distribution is an optimal channel structure for moderate levels of intra- brand competition.

11. **Formula Pricing and Profit Sharing in Traditional Franchising**
Roger D. Blair, University of Florida (USA)

In traditional franchising, manufacturers of differentiated goods distribute their products through networks of geographically dispersed franchised dealers. Suppose that within each local market, there is room for only one distributor and, therefore, each franchisee is awarded exclusive rights. This means that each franchisee has a monopoly in the resale of the manufacturer's product locally. This gives rise to a market structure known as a successive monopoly, where we expect to find repeated marginalization at successive stages of production and distribution. It is well known that if such repeated marginalization occurs, the sum of the profits of the manufacturer and retailer is below the joint profit-maximizing level. This creates an incentive to vertically integrate. Vertical integration solves the successive monopoly problem by removing the second monopoly, and thus the second margin.

In some situations, discussed further below, ownership integration may not be an attractive or even a feasible option. But there is still a powerful profit incentive to achieve the economic results of vertical integration. In analyses of the bilateral monopoly problem, where the downstream firm is not only a local monopolist, but also a monopsonist for the upstream firm's product, it has been typical to assume that the bilateral monopolists understand that cooperation is in their best interest, and that they will find a way to achieve the joint-profit maximizing level of output. Similarly, there is no reason to suppose that the firms in a successive monopoly will fail to recognize that cooperation is in their mutual interest. To this end, in this paper, we characterize a contractual agreement that provides results that are very close to those obtained under ownership integration in the successive monopoly situation. This agreement specifies a profit sharing rule, or, equivalently, a formula that determines the franchisor's wholesale price as a function of the final output price and the average costs of production at both the upstream and the downstream stages.

12. **The Plural Form From the Inside: A Study of Franchisee Perceptions About the Existence of Company-Owned Outlets Within Their Network**
Rozenn Perrigot, University of Rennes 1 (France)
Olivier Herrbach, University of Rennes 1 (France)

Most franchisors rely on the plural form to develop and manage their network, that is, they have both franchised and company-owned outlets coexisting. The academic literature has provided both theoretical justification and empirical studies about the relevance of such an organizational form for franchisors. However, research about franchisee perceptions of the plural form has been scarce. The present paper therefore used a qualitative approach to investigate the perceptions of a sample of franchisees about the existence of company-owned outlets within their network. The interviews show that franchisees generally perceive the advantages of the plural form in terms of network development and management, but some franchisees highlight problems related to the plural form in terms of network cohesion.

13. **Manifest Conflict in Franchise Systems and the Impact of Residual Conflict**
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Chris Manolis, Xavier University (USA)
Patrick J. Kaufmann, Boston University (USA)
Vishal Kashyap, Xavier University (USA)

In this paper, we examine the effects of both contemporaneous and prior episodes of critical manifest conflict within a large business format franchise system. We develop and test hypotheses relating to the consequences of both manifest conflict and residual conflict (represented by the gradual decay of manifest conflict) on the relationship characteristics of relational opposition, satisfaction, and likelihood of compliance. Our research highlights the debilitating effects of both manifest and residual conflict on franchise relationships, and suggests that episodes of significant manifest conflict have enduring harmful effects that are extremely difficult to resolve. In the next section we review the literature on distribution channel conflict and conflict episodes. We then develop a model and several testable hypotheses. We describe the data, the analytic methodology, and our findings. Finally, we discuss these results in the context of franchise system and channel relationship management.

14. **Lost in Translation? The Prevalence and Performance Impact of Corporate Social Responsibility in Franchising**
Thomas Ehrmann, Westfälische Wilhelms-Univerität Münster (Germany)
Brinja Meiseberg, Westfälische Wilhelms-Univerität Münster (Germany)

Corporate social responsibility (CSR) is much discussed by researchers and executives and often occupies a prominent position on corporate Internet sites. Yet, little systematic is known about the prevalence and the performance impact of CSR *in franchising*, although there are significant organizational differences between wholly-owned firms and franchised chains due to the dispersed structure of ownership in franchising. First, while a wholly-owned chain can centrally fund and implement CSR initiatives according to the management's preferences, in franchised chains, the system center needs to secure franchisee cooperation for funding and implementing such initiatives. Second, initiatives can either be designed as system-wide stan- dardized projects, or build on franchisees' decentralized knowledge and support local pro- jects, which may have varying implications for potential gains from CSR activities. Using data from 76 franchise systems, this study explores the degree to which franchise systems behave socially responsible and tests performance effects of CSR initiatives in franchising.

15. Emerging Consumer Perspectives on American Franchise Offering: Variety Seeking Behavior in China

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Rajiv P. Dant, The University of Oklahoma (USA)
Mingzia Zhu, University of International Business and Economics (China)

Chinese consumers had been historically restricted to limited variety with regards to consumer goods and services offerings since the days of Mao Zedong's founding of the People's Republic of China in 1949. The realities of a planned economy restricted the choices available to those provided through domestic producers, while limited trade with the outside world did not provide significant alternatives. From the early 1980s, however, through the opening of China's economy by Deng Xiaoping and his successors, Western companies have started to gain access to the Chinese market. Their products not only became sought-after alternatives by Chinese consumers, but even market-leaders for choice-starved consumers. This article reports the results gleaned from recent consumer survey data collected in Beijing which investigated the attitudes and behaviors of Chinese consumers in their patronage of McDonald's restaurants. A total of four hypotheses were tested regarding the influence of *Variety Seeking* proclivity amongst Chinese patrons of McDonald's on their sentiments of *Desire for Unique Products, Democratization, Ethnocentrism* and *Traditionalism*. The emergent evidence suggests that Chinese consumers are reverting back to choosing Chinese brands as an expression of their variety seeking efforts and, in a broader sense, of rising consumer power. Chinese brands have reached a level of quality perception that has allowed them in recent years to take back market share from Western market leaders. The findings of this study suggest that a reversal of consumer preferences toward now- competitive domestic Chinese alternatives is underway.

16. Internationalization of Brazilian Franchisors: Profiles and Strategies

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Adriana Beatriz Madeira, University Presbyterian Mackenzie (Brazil)
Thomas G. Brashear, University of Massachusetts Amherst (USA)

This study presents a view of international franchising from a big emerging market, Brazil. The international geographic expansion of Brazilian franchisors is tested based on hypotheses derived from psychic distance theory. Our results reveal that the choice of country is influenced by: geographic distance, linguistic distance and market size. The presence of a Brazilian population in a country affects the country decision, signaling that companies are following expatriates. Furthermore, Brazilian franchisors with international

operations are, on average, have larger networks, are older in years of operation and been franchising longer, than firms that are not internationalized.

17. **It's Complicated: Analysis of the Economic Downturn on an Established Franchise**
Lorelle Frazer, Griffith University (Australia)
Scott Weaven, Griffith University (Australia)
Debra Grace, Griffith University (Australia)
Frances Asha, Griffith University (Australia)

This research investigates the effect of the Global Financial Crisis (GFC) on a single franchise system. Faced with declining sales, franchisors and franchisees are under pressure to reduce costs and stimulate consumer interest in their products in order to survive the economic downturn. This paper reports the findings of a single case study which examines how the franchisor and franchisees of a large food retail franchise in Australia have coped during a period of economic instability. By comparing high performing franchisees in the system with those who are struggling or who have recently exited, the research reveals a number of themes that may impact upon franchisee success. Fifteen personal interviews were conducted, comprising five franchising experts, the franchisor and a consultant (contracted by the franchisor to provide strategic advice), three high performing franchisees, three struggling franchisees and two former franchisees who had recently exited the system. By comparing the characteristics and strategies of the high performing franchisees with those who were struggling, several key differences were revealed. Both the franchisor and franchisee play a role in a franchisee's level of success. Franchisee related factors include those within the franchisees' control, such as level of debt, and those in the external environment or the personality of the franchisee. Franchisor related factors influencing franchisee success include the franchisor's commitment to the franchise, quality of communication with franchisees and degree of self interest. These emerging themes provide a tentative explanation of franchisee success which will be explored in further research.

18. **The International Society of Franchising: A Review of Conference Papers Across its First 25 Years**
Joyce A. Young, Indiana State University (USA)
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As the International Society of Franchising (ISOF) celebrates its twenty-fifth anniversary, it is quite appropriate to take a look backward and examine the contents of the twenty-four pervious conference Proceedings to document the research activities of its members. The overall objective of this paper is to broadly document the research activities of ISOF franchising researchers over the last eleven years (2000-2010) as they pertain to the Proceedings of the ISOF, and to compare and contrast the findings with an earlier review of the first thirteen years of the ISOF (1986,1988-1999). Results show that across the two time

segments, ISOF members as a collective have been relatively consistent in relation to this paper's examination. Only one finding differs dramatically from the earlier investigation. Empirical papers using international samples now represent the majority of all empirical papers, a complete reversal from the first thirteen-year time frame when U.S. based samples dominated the research. Thus, the significant impact of the global base of ISOF members is clearly shown in the last eleven years of the Proceedings.

19. **Why Do Entrepreneurs Use Franchising as a Financial Tool? An Agency Explanation**
    Manuel Gonzalez-Diaz, University of Oviedo (Spain)
    Vanesa Solis-Rodriguez, University of Leon (Spain)
    *Accepted by the Journal of Business Venturing and appears only as a slide presentation in the ISoF Proceedings

20. **Market Structure and Compliance: Why Janitorial Franchising Leads to Labor Standards Problems**
    David Weil, Boston University (USA)

21. **Parent Company Scope and Franchise Chain Performance**
    Renáta Kosová, Cornell University (USA)
    Francine Lafontaine, University of Michigan (USA)
    Bo Zhao, University of Michigan (USA)

Most franchised chains are owned by a parent company that owns nothing else. However, some parent companies own several chains. Well-known examples include Choice Hotels International, which owns Comfort Inn, MainStay Suites, Econo Lodge and several other chains; Yum! Brands Inc., the largest fast-food restaurant company in the world, with brands such as KFC, Pizza Hut, Taco Bell, and others; and finally Service Brands International, owner of Molly Maid and Mr. Handyman. In this paper, we examine how chain scale and parent company scope affect chain performance. After controlling for chain unobserved heterogeneity via fixed effects, we find robust evidence of positive scale effects within a chain. For parent company scope, however, which we measure by the number of other chains of the parent, we find no effect on sales per outlet, and a negative effect on the number of outlets in the parent company's chains. Finally, a change in parent company for a chain – through merger or acquisition or spin off - has no effect on sales per outlet in the chain, but reduces the numbers of outlets of the target chain in the following years. We conclude that multi-chain parents are not as aggressive in the development of each of their chains as single-chain parents. One interpretation of this result is that parents with several chains engage in "rationalization" to reduce competition among their chains/products.

22. **Franchise Mediation: Confidentiality or Disclosure: A Consumer Protection Conundrum**

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Gehan Gunasekara, University of Auckland (Australia)

The benefits of the confidentiality of mediation are well recognized. What is less often discussed are the disadvantages of the level of confidentiality that exists in franchise mediation. Our motivation in conducting our research was to identify the benefits of confidentiality and to weigh them against the competing consumer protection benefits of disclosure.

The current level of pre-contract disclosure provided to franchisees in Australia excludes information about mediations within the franchise system. This results in incoming franchisees being denied access to accurate information about the level of dispute within a franchise system, the franchisor's attitude to resolving disputes, and, ultimately devalues the pre-contract disclosure process by omitting key information that is impossible to obtain on any terms and for any price as part of an intending franchisee's due diligence.

In Part I we briefly trace the path that led to mediation, as opposed to conciliation or arbitration, becoming a mandatory part of the dispute resolution landscape for franchises in Australia. In Part II we discuss the competing arguments for confidentiality and integrity of process, versus consumer protection and information disclosure. We review the writing of mediators currently active in commercial and franchise mediation in Australia. Specifically, we examined what they had to say about the need for confidentiality and integrity of the mediation process, and, about the competing interests of consumer protection and information disclosure. In Part III we identify the information about franchise disputes that is currently available to franchisees in Australia. The four Australian actual and potential sources of generic franchise mediation data are the biannual survey of franchising in Australia conducted by Griffith University, witness testimony to Government reviews conducted into the franchising sector, reported cases and, finally the currently untapped potential for data being captured from data emanating from Clause 30A of the Franchising Code of Conduct.

In Part IV we explore aspects of mediation, confidentiality and data raised in two Australian government inquiries. These are the Economic and Finance Committee, Government of South

Australia, inquiry into the existing laws governing franchising' that culminated in Economics and Finance Committee, Parliament of South Australia, *Franchises* Final Report, and the 'Corporations and Financial Services Joint Committee (Australian Commonwealth Government) inquiry into franchising' that culminated in Joint Committee on Corporations and Financial Services, Australian Senate, *Opportunity not opportunism: improving conduct in Australian franchising*.

In Part V, drawing on the information privacy regime in New Zealand, we propose a solution that would partially redress the current information asymmetry surrounding mediation conducted within franchise networks.

We conclude that whilst the arguments in favour of confidentiality may outweigh those favoring transparency and disclosure for some parts of the mediation process, mediation is a multi-part process and the interests of confidentiality do not justify complete secrecy of all aspects of mediations conducted within franchise systems in Australia.

23. The Demise of Notice and Cure Rights for Franchisees, and Possibly Franchisors
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This paper will explore a similar situation in the context of a franchise arrangements governed by the common law in various jurisdictions within the United States--specifically, the conflict between default provisions that grant notice and cure rights to a defaulting party, presumably to give it protection from surprise terminations, and language that specifies that the delineation of defaults and the grant of cure rights is not intended to eliminate the possibility that the non-defaulting party has the option to a declare a “material” breach and thereby avoid the procedural rights of notice and cure, notwithstanding clear, agreed upon contractual language that ostensibly protects the defaulting party from such a surprise. While this paper focuses almost exclusively on United States law, that is not to say that this issue might not arise in other jurisdictions, especially those that follow the common law.

24. The Franchise Relationship: The Role of Entrepreneurial Orientation
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The purpose of this paper is to understand how the entrepreneurial strategic orientation (EO) of franchised firms, may impact franchisor-franchisee relationship quality, given the opposing forces for standardisation/uniformity and franchisee desire for autonomy. A cross- sectional research design, involving a mail questionnaire survey, was employed to collect data from a sample of franchisors operating in the UK. The hypotheses specified in the study were tested using regression (including moderated regression) analyses. The results revealed that EO was significantly and positively related to relationship quality (as perceived by the franchisor). In addition, the recruitment of entrepreneurial franchisees was found to have a positive impact on relationship quality. The support structures used by franchisors to control and monitor franchisee entrepreneurial activities were not found to moderate the relationship between EO and relationship quality. The results suggest that systems with EO and entrepreneurial franchisees may enjoy better relations. The results highlight the need for future research to explore further some of the key issues raised.

25. Antecedents and Consequences of Entrepreneurial Franchisee Behavior
Evelien Croonen, University of Groningen (The Netherlands)
Eelko Huizingh, University of Groningen (The Netherlands)
Maryse Brand, University of Groningen (The Netherlands)

Franchisees need to follow franchisor procedures, but they may also have room to develop their own entrepreneurial strategies that may influence the performance of their units.

However, very few studies have systematically and empirically investigated the extent of such entrepreneurial franchisee behavior, its antecedents, and its consequences. This paper fills a knowledge gap in the franchising literature by defining the concept of entrepreneurial franchisee behavior and by developing propositions on the antecedents and consequences of such behavior. We discuss the following three groups of antecedents of entrepreneurial franchisee behavior within a franchise system: the franchisee's personal characteristics, the franchisee's satisfaction with the franchising environment, and the franchisee's local business environment. We finally discuss how franchisee entrepreneurial behavior may affect unit performance.

26. **Typology and Characterization of Franchisees' Entrepreneurial Profiles: An Exploratory Study of the French Franchising Industry**
Jacques Boulay, ESSCA School of Management (France)
Valentina Stan, ESSCA School of Management (France)

This article has two main objectives: first, to identify the various profiles of franchisees' entrepreneurs within franchise systems; second, to understand if a specific profile can be explained by the franchise system characteristics (franchise system age, size of the system, term of franchise agreement, franchise fee, cash liquidity requirements, total investment, ongoing royalty fee rate and sectoral differences) as it could help franchisors to better manage the selection of potential franchisees. Overall, the qualitative study leads to identify three main entrepreneurial profiles – *system-developer franchisees, in-store craftsman franchisees and opportunistic-investor franchisees* – which present entrepreneurial qualities varying in intensity. It also suggests that the selection of a specific profile by a franchising network is linked to its characteristics. The quantitative research carried out within 90 French franchising networks establishes that the term of the franchise agreement and the sector are linked to the selection of specific profiles. Managerial implications are drawn from these results and recommendations made for franchisors willing to improve their selection processes.