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Early-Stage Franchisor-Franchisee Relationships

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Abstract

The study investigates the relationship between the franchisor and the franchisee at the early-stage of the life of the franchisee contract. Earlier research suggests that this tends to be a fairly warm relationship based on the initial excitement, enthusiasm and hopes of the franchisee (Nathan 2004). Such a “glee” relationship was confirmed by our results. An ethnographic methodology was used to capture the voice of the parties in greater depth. Thus although the relationship was one of glee, there were issues that had to be worked through that may be missed in normal survey methods. The way the franchisees handled uncertainty and the work-home time balance are cases in point. Another major finding was the importance of the wider support network. This included the distant, figurehead role of the franchisor as an inspiration to franchisees and the more immediate and proximate peer support system. Implications were drawn for franchisors developing more effective relationship systems and a more effective business culture.

Introduction

The current study is part of a larger research project which explores the stages through which franchisees progress. Particular attention is paid to the relationship between the franchisee and the franchisor, with an emphasis on how that relationship evolves through the tenure of engagement.

This research involves a study of the *culture* of a franchise organisation. In order to study the organisation in depth, we adopted an *ethnographic* approach since ethnographies involve an examination of “culture, power and ... conflict” (Goulding, 2002, p.25). Although historically used by anthropologists (Patton, 2002), the technique is now adopted in a wide range of disciplines, including the study of management style (Goulding, 2002). Moreover, ethnographic research is particularly suited to the study of small business (Jack and Anderson, 2002; Ritchie and Richardson, 2004).

Methodology and Data Collection

Two franchisees at each of three different stages (glee, fee and we), as well as the franchisor and area manager, form the participant pool of the larger study (see also Nathan, 2004). This portion of the research is concerned with the two franchisees identified as being in the ‘glee’ stage of the relationship, followed up with interviews with the franchisor and area manager. By focusing on a sub-culture, we carried out a ‘micro ethnography’ (Goulding, 2002, p.26), which although small was still analysed holistically and was contextual in nature.

Aussie Pooch Mobile was chosen as the franchise system in our study for several reasons. Firstly, the franchisor was based locally, which provided easy access.

Secondly, it is a relatively low cost franchise that uses a simple operational system and is easily taught to new members. Thus, it is the type of franchise system that attracts many 'typical' franchisees who become first-time business operators. Finally, the research team already possessed a good knowledge of the franchise, having used them in research previously. It is common in ethnographic research to use judgemental sampling (Fetterman, 1998) in order to select the most appropriate participants. Participant names have been changed to protect their identity.

We studied two new franchisees over a period of time to determine whether any changes occurred in their development over this crucial beginning phase. Interviews were held in the field with each franchisee during a six-month period (Fetterman, 1998). We used the technique of participant observation to gather data; that is, a mixture of observation in the field and interviewing (Delamont, 2004). Since our aim was to discover what it is like to be a new franchisee in an established network, we needed to observe the participants at close range. Our participant observation involved interacting with the franchisees as they performed their work and discussing their day-to-day activities with them (Delamont, 2004). Thus our observation involved direct contact with the franchisees in their natural setting (Goulding, 2002).

It is regarded as essential for ethnographers to have a basic understanding of the culture they are observing and to be fluent in their language (Goulding, 2002). Our research team consisted of people with expertise in franchising and included a corporate psychologist who specialises in franchising relationships. Only one person observed and interviewed the franchisees, but by having a team of three researchers we were able to critically reflect upon the data collected and to offer alternative explanations for incidents that occurred. The participants were fully aware of the observer's role and were briefed on the goals of the research.

The data collection involved observation, interviews, recording conversations, keeping field notes, reflecting, analysing and finally, writing up the results (Delamont, 2004). We used a recursive interviewing technique, which encourages participants to offer information through informal conversations with the researcher, relying on conversational interaction and open questioning rather than an interrogative approach (Minichiello et al., 2004). The analysis was reflexive in character and included the franchisees' viewpoints (etic perspective) as well as our own outsider (emic) perspectives (Goulding, 2002). Ethnographic research does not occur in a linear pattern, but is iterative, with each step leading us to reflect upon and, where necessary, review earlier steps in the process (Delamont, 2004). We used one another as sounding boards in order to 'crystallize' our thoughts (Fetterman, 1998, p.108). By also interviewing the franchisor and area manager about their interpretations of the franchisees' experiences, we triangulated the data by testing one data source against another in order to 'strip away alternative explanations' (Fetterman, 1998, p.95).

The results of the study are presented below. Because the value of ethnography is found in its narrative (Chambers, 2000), the story reveals a culture that is constantly under construction. Whereas most ethnographies are often not developed beyond the level of thick description presented as informants' stories (Goulding, 2005), the discussion that follows offers our insights into the transformation that occurs as inexperienced franchisees adapt to their new environment.

Results

There were differences between the two franchisees in terms of their business backgrounds and business capabilities. Sally was much stronger on the administration and bookkeeping aspects, while Tom was stronger in self-confidence. There were similarities, with both recruited to franchising as ex-customers, not that common in franchising in general. Both were obsessed with dogs, not just simply owning dogs, but having pictures and books about dogs prominent in their homes.

If you don't like animals there is no point doing it- Tom.

Both interviewees were losing interest in their old jobs and needing a change in the lead up to becoming franchisees.

The first week or so in the franchise was very intensive, with a lot of new tasks to be learnt. Tom was well prepared, allowing extra time for each site to make sure that everything went to plan. He made sure that he was positive around the dogs. Given his newness to the business it was not surprising that there were some minor surprises, such as nippy dogs or someone other than the owner of the dog was there to greet him. Tom seemed to handle these surprises with relative ease. In contrast, Sally had more difficulty coping in the first week or two. Working out where the dogs were took a lot of time, as did the route planning to get there. Again there were unexpected surprises, as with Tom. In total, this was a stressful period for Sally. Phase two was the establishment of a routine and being comfortable with that. This seemed to take 4-6 weeks for both Tom and Sally. The routine included getting to know the dogs and their owners or minders. However it also included being comfortable with the paperwork. The operational side was more complex for Sally while for Tom the paperwork aspects were more difficult.

The main contact or relationship for Tom was with the Gold Coast Franchisor Area Manager, Trevor and to a lesser extent the Franchisor, Brisbane-based Penny. Trevor and Penny ran the local network meeting. Tom saw Trevor as a bit aloof in the first week or so, but then warmed to him. When Trevor was asked about this aloofness, he saw it as a way of dealing with Tom's conservative (quiet and cautious) personality. During the first two months there was periodic but infrequent contact between Trevor and Tom. Tom was more likely to approach Trevor if there were any "*curly or difficult questions*". In contrast, Sally had frequent contact with Trevor, especially during the very difficult first two weeks, but also for the following couple of months. This was additional to interaction during the network meetings. Although the contacts with the franchisor, Penny, were infrequent, this did not seem to matter. Sally held Penny in awe.

She started the business herself. She had a grooming salon and could see the need for a mobile service. So she put one trailer on the road, then another and it just went on from there. When I first met her in a crowded room, she said 'Sally how are things going? Like I could have been anyone but I had only met her just once so that blew me away.

Such "awe" is probably related to respect for anyone with the innovative skills to create a new franchise concept and the business acumen skills to maintain the business. The latter skills in particular were held in high esteem.

The relationship network can be extended when we consider the inter-relationships among the franchisee peers. The regular area network meetings were important for supporting each other as well as getting support from the franchisor. Tom said of his peer network meetings:

Great bunch of people...(they) help out with jobs ...(and) support each other.

However there were also inter-franchisee links outside the network meetings. For example, when Sally had a week's holiday, Tom looked after her business for her.

Another component of the web of relationships is the balance between home and work, especially when home is used as a base for the business. Support is needed from the partner. Tom had made a concerted effort to have an extra day off, learning from the mistakes of the previous franchisee. In contrast, Sally was striving for balance but achieving it was taking longer than desired.

In summary, *the sub-culture of early-stage franchisees* was found to be one of "glee", based on enthusiasm, optimism, some caution and a good working relationship with the area manager of the franchisor. Within the protective environment there was vibrancy and active learning about the business and its components. The rapid learning path was hectic, not just in terms of learning operational and other business skills, but also in terms of relating to customers and other entities. Relationships were not static but ebbed and flowed depending on the nature of support required. For Sally, the initial contact with the ex-franchisee was intense:

We were talking twice a day, whereas now I would be lucky to speak to him twice a week.

Similarly the frequency of contact with the area manager moved from intense to moderate. In contrast, links with peer franchisees seemed to strengthen over time, moving from almost zero at the start to a cautious first area network meeting to more frequent and trusting relations.

Discussion and Implications

In summary, the findings suggest that the relationship between the franchisee and franchisor is more complex than a dyad between the two parties. Certainly the relationship between the franchisee and the franchisor area manager was a central relationship and reflective of the ongoing operations of the franchise. However, in addition there was *a wider web of influence and connections* that included the franchisee's home partner or spouse, the master franchisor, franchisees in the formal network meetings and informal links with selected franchisees. The wide array of support is important in light of the rapid learning curve that new franchisees have to go through. It is not just a matter of learning to run efficient and effective operations, marketing and associated back office functions; it is also *learning a culture* of how to do business. Culture is rarely portrayed or presented as something clearly labelled on the shelf. Rather culture is learnt and the matrices of relationships that are woven together become the training ground to learn the culture. Ironically, culture and sub-culture were the basis of our ethnographic methodology, but equally became a central content of a business process model. Effective business relationships within a franchise system contribute to more effective franchise systems.

The key finding that the wide web of relationships is an appropriate way of viewing relations with the franchisee has important implications for the way the franchisor manages the system. The existing system that places a high weight on the role of the area manager for ongoing support makes sense. The area manager is someone the franchisee knows well, trusts and relies on to answer questions. There was scope to improve the existing arrangements. For example, Tom felt that the area manager could do more follow-up of Tom's work, to say how he was going. Giving sufficient feedback may be a common challenge facing many area managers. Conversely, even though Sally received a lot of feedback, she was not sufficiently empowered to become self-sufficient quickly, so the feedback given proved ephemeral. Notwithstanding the generally good job of the area manager in guiding the franchisees, it is important for the franchisor to recognise the wider web of influence, symbolically from the founder, from the local network meetings and particular connections across peers of franchisees. It is even more helpful if the franchisor gets insight into the role of the *aggregate* of support and relationship influences as *builders of the franchise culture*. This culture-building capability needs to be understood and nurtured by the franchisor. One way to start this process is to map out the story of the founder as a symbol of success and post it on a Web site and in brochures for prospective franchisees. This will help the recruitment of future franchisees, but also provides symbolic support and inspiration for the early-stage franchisee. It is also possible to push the peer support model more. For example, even though Tom and Sally supported each other well, neither fully understood the capabilities of the other. To give an instance, Sally was strong on book keeping skills and Tom was weak on them, but Tom did not appreciate the book keeping skills of Sally enough to ask for help from her as a peer.

Another key finding is that franchisees are diverse in their backgrounds, capabilities and needs. We have explained that Sally was stronger on book keeping skills and Tom was stronger on operational skills. Although this was more obvious after a month or two of being a franchisee, the franchisor did not seem tuned in to it at the very start of the life of the franchisee. Moreover while Tom did seem more confident on operations, he was an introverted, quiet average performer who was unlikely to take much initiative. He was waiting, quietly, for more feedback, but perceived by the area manager to be performing satisfactorily and not really needing a lot more feedback – a classic disequilibrium of internal service delivery. Again there are important implications for the franchisor in the fact that people (franchisees) are heterogenous. There is no one relationship-model that fits all situations. In other words, franchisors and their agents, the area managers, have to work harder to understand exactly what franchisees want in a relationship. There is a need to factor in the different capabilities of franchisees from the start and to widen the role to include advice on better managing the work-home time balance. This is not to say that it is simply a matter of giving, say, more feedback to the franchisee because there are resource implications of over-servicing franchisees. However thinking smarter in how to develop the skills of the franchisee and the relationship would involve more attention to transferring knowledge to the franchisee and empowering the franchisee. The current study provides meta-knowledge to the franchisor, namely insight about the heterogenous capabilities and needs of franchisees and progression to a smarter and more progressive way that relationships can be managed.

The paper contributes to theory development in the spirit of Dubois and Gadde (2002), in that the emphasis on networks was the result of unanticipated empirical findings. The original design of the research focused on just a dyadic relationship.

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