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foundation: Case study evidence from Australia and New Zealand**

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**The Commitment-trust Theory as a Franchising Relationship
Foundation: Case Study Evidence from Australia and New Zealand**

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Abstract

This paper provides an in-depth qualitative investigation into the nature of the franchisee/franchisor relationship. The view that stable franchising relationships are formulated with the presence of trust and commitment is further enhanced and developed upon Morgan & Hunt's (1994) foundational commitment-trust theory. Primary research in the form of face-to-face interviews with franchisees from four franchise systems was conducted using within and across case analysis. This exploratory research attempts to enhance franchising knowledge by shifting traditional transactional marketing (TM) focus toward relationship marketing (RM). The emphasis on relationships as opposed to transactional exchanges within franchising not only extends existing franchising literature but provides practical insight into the importance of stable personal relationships between franchisors and franchisees.

Keywords: Trust, commitment, relationship marketing, exploratory, qualitative.

The Commitment-trust theory as a franchising relationship foundation: Case study evidence from Australia and New Zealand

1. Introduction

There is a need in today's globally competitive franchising environment to identify strategies that promote franchising success; one of these strategies is the identification of the need for the enhancement of commitment and trust in the relationship between the franchisee and the franchisor. Australia currently has over 900 business format franchise systems providing for an estimated 56 200 business format franchised units operating throughout Australia (Frazer, Weaven and Wright, 2006). Of these 900 franchise systems, twenty seven percent are currently franchising overseas with occupation in New Zealand being the most popular destination (76%) because of its similar geographical, cultural and political climates (Frazer, Weaven and Wright, 2006). These statistics show the magnitude of franchising in the Australian and New Zealand region. As the success of any franchise system is largely influenced by the relationship between the franchisee and the franchisor (Nathan, 2000), it is important to identify contemporary issues and extend research that relates to the franchising relationship. It is anticipated that relational dynamics within international retail franchising systems identified in this research could provide insight for practitioners and academics alike.

After conducting twenty face-to-face interviews with franchisees across four international retail franchise systems, significant relational dynamics within franchising relationship were identified and explored. A dominant question in the interviews was whether franchisees felt that the relationship with their franchisor was built on the foundations of trust and commitment. Franchising relationship issues were then further explored by asking probing questions structured around an interview protocol. This qualitative evidence was gathered and analysed resulting in the development of a conceptual model (see figure 1) significant in assisting practitioners as well as contributing to the academic franchising literature as it provides new insights into franchising relationship stability. There has been very little research that examines trust and commitment contextualized in

the franchising relationship. However, this relationship orientation is evident in existing marketing research of which the next section further examines.

2. Background

Borne out of economics, marketing became a distinct discipline at the start of the 20th century where a primary focus was placed on transactions and exchanges in the business environment (Sheth and Parvatiyar, 1995). This transactional marketing (TM) approach was largely influenced by McCarthy's (1960) 4P model whereby transactions with customers were achieved by actively manipulating the 4Ps (product, price, place and promotion). This short-term business focus in 'doing the deal' and 'disappearing' (Pathmarajah, 1993) provides for problems and limitations associated with this type of business exchange; for example, unnecessary conflict, lawsuits, and poor reflection on brand image. There has been a call in business managerial thinking for a paradigm shift from TM toward relationship marketing (Baker, Buttery, and Richter-Buttery, 1998). The emphasis on relationships as opposed to transactional exchanges redefines the domain of marketing (Sheth, Gardner, and Garrett, 1988).

There has been extensive academic research that contextualizes franchising within the TM paradigm; largely through the development of the resource constraints theory (Caves & Murphy, 1976; Norton, 1988; Ozanne & Hunt, 1971; and Rubin, 1978). Oxenfeldt and Kelly (1969) developed the resource constraints model which proposes the idea that organisations will utilize external resources, financial and human capital – provided by the franchisees so as to increase the rate of business expansion. This theory falls within the TM parameters as very little attention is given toward the relationships involved in the process. Thus, there has been very little research that explores the franchising relationship within the relationship marketing (RM) context (Doherty and Alexander, 2004).

Therefore, in order to fill a gap in the existing franchising literature, this paper explores the relationship between the franchisee and the franchisor conceptualised within the

relationship marketing paradigm. The franchising relationship has been classified as an agency relationship with Lafontaine and Slade (1997) highlighting agency theory as a motivation for franchising. Simply put, an agency relationship involves one party (the franchisor) delegating work to another (the franchisee) who carries out that work (Eisenhardt, 1989a). There is a significant focus within the agency theory literature on the formal control of this relationship (Fama and Jensen, 1983; Shane, 1996; and Stanworth, Price, Purdy, Zafiris, and Gandolfo, 1996). A contractual agreement between the franchisee and the franchisor is a common formal control method utilized to achieve goal congruence as well as monitor franchisees (Eisenhardt, 1989a; Lelebisi and Shalley, 1996).

Pizanti and Lerner (2003) identify this formal control as an aspect necessary for firm growth and survival, however, the goal of this paper is to extend traditional agency theoretical explanations of franchising toward a more relational approach. The use of agency theory in examining the franchisee-franchisor relationship is limited as it ignores relational complexity within the franchise system (Pizanti and Lerner, 2003). The RM approach views the building and development of relationships as an important cornerstone within the business environment (Baker, Buttery, and Richter-Buttery, 1998). Essentially, this paper shifts the focus from the 4P's of franchising as units of analysis toward "people, organizations and the social processes that bind actors together in ongoing relationships" (Webster 1992: p10). As Yau, McFetridge, Chow, Lee, Sin, and Tse (2000) recognise, relationship marketing is formalised through the development of social interaction by enhancing trust and commitment; a process deemed meaningless without trust and commitment that "cement(s) the relationship" (Doherty and Alexander, 2004: p1229).

Morgan and Hunt (1994) theorize the presence of commitment and trust within relationships as being integral to promoting efficiency, productivity and effectiveness. Commitment is defined in the literature as the continued need to preserve a relationship (Moorman, Zaltman, and Deshpande, 1992) being developed over time if partners perceive value in the relationship benefits (Sarkar, Cavusgil, and Evirgen, 1997).

Essentially, a franchisee is committed to their franchisor throughout their relationship; a relationship built on the foundation of mutual commitment and trust (Berry and Parasuraman, 1991). Simply put, trust occurs when one person can rely on the word and actions of another (Rotter, 1967) and has been suggested as the relationship mechanism that facilitates cooperation and generates relationship commitment (Morgan and Hunt, 1994). Trust is part of the *chemistry* that allows relationships to be fruitful (Inkpen and Birkenshaw, 1994) as well as instil the relationship with value (Madhok, 1995). In order to trust one another, actors in a relationship (i.e. franchisees and franchisors) must feel comfortable with each other (Rodriguez and Wilson, 2002) as trust involves elements of risk and doubt (Currall and Judge, 1995).

Thus this paper contributes to existing marketing literature by further exploring concepts that enhance or detract from the development of commitment and trust within franchising relationships (i.e. organisational culture, attitude, passion, respect etc.). Qualitative research is utilized to uncover this topic by gaining rich and meaningful data from case subjects as described in the following section.

3. Research Methodology

Data was gathered through the utilization of an exploratory qualitative multiple case study (Yin, 2003) within the interpretive research paradigm (Eisenhardt, 1989b; and Parkhe, 1993). Four major Australian franchise systems (table 1) were analysed by conducting confidential, face-to-face interviews with franchisees in each system (table 2). The choice of this methodology was deemed appropriate due to the need to further explore and develop the franchising relationship in the context of RM, with the need for commitment and trust as a relational foundation. As identified in the previous section, this phenomenon has received little attention in the academic literature, particularly from the perspective of franchisees. It was expected that the inductive process of data analysis would provide a greater and deeper understanding of franchising relationship dynamics.

The interpretive researchers' goal is to further understand meaningful social action - that is, to discover how people construct meaning in natural settings (Neuman, 2006). It is assumed that franchisee perceptions can to some extent represent the 'real world' (Hunt, 1990). These perceptions were digitally recorded during face-to-face interviews whereby probing questions were asked (Carson, Gilmore, Perry, and Gronhaug, 2001) which were developed around the themes of relational trust and commitment. The average interview lasted 20 minutes of which the conversation was transcribed to allow for reliable data analysis (LeCompte and Goetz, 1982). NVivo software allowed for the creation of a case study database with which to hold and analyse the interview transcripts which further established the reliability of this research (Lincoln and Guba, 1985). Data was analysed using analytical coding whereby dominant themes were coded into nodes. The nodes were then sorted into more specific categories, from which a more structured understanding of dominant themes being developed to aid in the creation of a conceptual model (figure 1).

4. Data

Data was gathered by conducting face-to-face interviews with twenty franchisees across two countries (Australia and NZ) within four franchise systems. The four systems were purposively selected primarily based on having: (1) both Australian and NZ operations and (2), conducting business operations within the food retailing sector. Five franchisees from each system in both the Australian and New Zealand operations were interviewed and coded appropriately – Franchisee A1 and A2 were franchisees in Franchise A's New Zealand operations. Franchisees A3, A4 and A5 all operated Franchise A systems in Australia. Further details of the franchisees interviewed are displayed in Table 2. Data gathered from these systems in no way promote a generalisation of the entire Australian and NZ food retailing franchising sector. Instead, this case based research allows for the identification of common themes among and across cases making it possible to enhance the “analytical generalisation” (Yin, 2003: p32) of contemporary franchising issues. Table 1 describes the four franchise systems selected for the research.

Table 1: Description of franchise systems

Franchise A	This franchise was founded in 1989 in Australia. The two founders still have an active part in the leadership of the now international company. This franchise first expanded internationally into New Zealand through a master franchising agreement in 2005. It now boasts an international portfolio of over 170 stores across Australia and New Zealand.
Franchise B	This franchise is a well-established business that has seen huge growth since its inception in 1975. During the 1980s as the franchise expanded through Australia it changed its brand to adopt a stronger Australian identity. A public offering in the 1990s saw the franchise chain grow from 51 stores to currently having over 300 stores across Australia and NZ.
Franchise C	The first franchised store in this system commenced operation in 1991. Three years later this franchise issued a master franchise license to cover the NZ market. The arrangement was severed in 1999 resulting in the dissolution of the NZ master franchise rights and a direct franchisee/franchisor relationship employed. There are currently over 45 stores in Australia and over 20 stores throughout NZ.
Franchise D	Originating in Canada, the concept was refined by a local Australian company, opening the first store in the QLD region in

1989. Five years later saw the expansion into the NZ market under the same local Australian company which today has control of over 150 Australian stores and 36 NZ outlets.

Source: Synthesised from company websites

Table 2: Description of Interviewees

Country	Code	Gender	Unit in same city as head office	Number of units owned	Time in current franchise
New Zealand	A1	Female	No	1	1 year
	A2	Male	No	1	Less than 1 month
	B1	Male	No	1	9 years
	B2	Male	No	1	8 years
	B3	Male	No	1	8 years
	C1	Male	No	1	3 years
	C2	Male	No	1	Less than 1 month
	C3	Female	No	1	1 year
	D1	Female	No	1	2.5 years
	D2	Male	No	3	8.5 years
Australia	A3	Male	Yes	3	5 years
	A4	Female	Yes	1	Less than 1 month
	A5	Male	Yes	2	6 years
	B4	Male	Yes	1	Less than 1 month

B5	Male	Yes	1	2 years
C4	Female	No	1	0.5 years
C5	Male	No	1	1.5 years
D3	Male	No	3	8 years
D4	Female	No	1	3 years
D5	Male	No	1	5 years

Source: Developed from this research

5. Results and discussion

5.1 The commitment-trust theory

The results indicate support for Morgan and Hunt's (1994) commitment-trust theoretical propositions with all of the franchisees interviewed identifying the need for trust and commitment with their franchisor. However, not all had the luxury of these social elements within their relationship; franchisee C3 and D4 stated that they did not trust or feel committed in any way to their franchisor. These two franchisees were considering leaving the franchise system due to this lack of personal connection with their franchisor, which directly influenced the stability of their franchising arrangement. Franchisee D4 stated "*There probably would be an element of trust if there was a relationship, but there is no relationship.*" The lack of trust made it difficult for this particular franchisee to commit to her relationship. This particular case is interesting because at the start of the relationship the franchisee did trust her franchisor, even though it may have been "*too much at the beginning*" (D4). However, this trust was slowly depleted through opportunistic actions by the franchisor giving franchisee D4 the perception that "*they don't care*" (D4).

The very nature of franchising depicts the need for commitment as noted by franchisee C2 who stated that, "*you've got to be fully committed and your other half has to be fully committed*". As the franchisee/franchisor relationship can be construed as a business-to-business relationship, there is the need for formal commitment usually in the form of franchise agreements. Both parties have financial and legal obligations whereby all the

franchisees interviewed had the necessary contracts in place which ensured legal and financial commitment to the franchise.

An interesting finding that emerged from the interviews was that under the surface of the formal contract, it was found necessary to be committed on a personal level; similar to that which is found in a marriage situation. The level of commitment varied across the interviews with some of the more mature franchisees (B1, B2, B3, D2, and D3) showing less of an interest in staying fully committed whereas new franchisees (A2, A4, B4, C2, and C4) had a committed mindset. One franchisee found it essential that when he needed help it was important to know that *“they are (franchisor) going to be there for me”* (A5). Both parties have legal and financial commitments however after dissecting this aspect of the franchising relationship it was found that the majority of franchisees required commitment on a personal level. It was found this commitment on a personal level enhanced the professional nature of the franchising arrangement. One franchisee mentioned a situation that helped him commit to the franchise:

“The previous manager was good at taking it past the manager thing, like when I went up to Auckland he took me out in the boat for the day, we went sailing, we had a few drinks, so it was more a comradely, matey thing.”(B2)

Thus, franchise systems that were able to instil a friendly, positive organisational culture within the franchise system made it easier for franchisees to trust and commit to their franchisor.

5.2 Organisational Culture

As depicted in figure 1, the organisational culture can have either a positive or negative influence on trust in the franchising relationship. As *“an organisation (franchise) is only people at the end of the day”* (B1) the nature of both the franchisor and the franchisee were identified as largely influencing the overall relationship stability.

Nature of the franchisor. This section focuses on franchisee perceptions of the nature of their franchisor. Each franchisee had a unique perception of their franchisee. Franchisee D3 raised an interesting point in that,

“people have different views and often it depends on whether the business is successful or not as to what their view of the franchisor is.” (D3)

This sentiment was a dominant theme throughout the findings whereby those suffering in competitive business environment were generally negative toward their franchisor, as they tended to blame the franchisor for their misfortune. However it is still necessary in the franchising relationship for the franchisor *“to deliver...the personality behind it”* (A1). Thus, each case is analysed with the relevant franchisee perceptions of the nature of their franchisor identified below.

Franchise A received a strong positive perception of their behaviour from all franchisees. Out of all four franchise systems, this franchise seemed to have the most positive perception. When asked about the nature of her franchisor, franchisee A1 stated that,

“they always talk to you and address you very nicely, and their attitude is ‘it’s not a problem’.” (A1)

She also perceived her franchisor as having a focus *“beyond just money”* (A1) whereby the franchisor’s nature was,

“about seeing people succeed and not just the money behind it, and that’s where I see this one (as) different” (A1).

The franchisors in franchise A were also *“very professional, very organised, (and) very open”* (A4) whereby if a franchisee *“knocked on their door...they’ve always been there for (them)”* (A5). It was also important to franchisees that the franchisor did possess a level of **industry experience** which helps promote a positive perception of the franchisor knowing that they are not *“coming in blind”* (A1). From the franchise A interviews it is clear to identify a recurring positive perception toward the nature of the franchisor.

Franchise B had a less positive perception than those identified in Franchise A due to the majority of franchisees within this system having had negative experiences that tainted

their perception of the nature of their franchisor. In the initial stages of the relationship, franchisee B5 and his partner found the franchisor to be “*very intimidating ... (and)...very bullying*”.

Franchise C had franchisees with mixed opinions whereby one franchisee (C5) had a negative ***first impression*** with his franchisor, because of an incident during one of the first training sessions. The franchisee voiced his disdain for the franchisor’s (a founding member) behaviour, which occurred at the start of a training day whereby the group of franchisees was ignored by this franchisor who was sitting on the other side of the room. This franchisor chose not to introduce or welcome any of the new franchisees. This lack of ***emotional involvement*** on behalf of the franchisor resulted in a negative perception of their nature as perceived by the respective franchisee.

Franchise D received positive ratings from both NZ franchisees (D1 & D2) and a mature Australian franchisee (D3). However, the two remaining franchisees interviewed (D4 and D5) both had very negative perceptions of the nature of their franchisor based on similar experiences experienced by franchisee C5 whereby the franchisor conducted them selves in such a manner that was off-putting toward the franchisees. These actions caused negative perceptions, which are usually difficult to reverse whereby franchisee D5 states that,

“ever since then, that guy (the franchisor) I’ve had absolutely no time for. I’ve never missed an opportunity to slag him off; I never miss an opportunity to tell that story to whomever.”

That story was essentially an instance where the franchisor abused his power and position by embarrassing a member of the franchisees staff based on a trivial matter.

Nature of the franchisee. It is clear that the franchisees interviewed have “*different personalities and people have different ways of doing things*” (C3) and every franchisee had a different perception on how they conducted themselves in the franchising environment. As conceptualised in the franchising relational dynamics model (figure 1),

four elements were found to influence the nature of the franchisee: attitude, passion, dependence, and respect.

Franchisee A5's *attitude* was that of always trying to “*stay positive*” whereas franchisee B5 “*tend(ed) to abide by the rules (and) play the game*”. A dominant theme found throughout the interviews was the franchisees ability to choose their attitude toward the relationship with their franchisor,

“I think it helps to like them, I think you make yourself like people if you’re going to shovel out some money don’t you, because you want it to work.” (B2)

Franchisees that were “*willing to be open-minded*” (D1) in any situation provided opportunities to resolve conflicts within the relationship that will always go “*through ups and downs*” (D2) and can sometimes be a “*love/hate relationship*” (D3). The majority of franchisees had a positive attitude.

Passion was identified as a construct associated with the nature of the franchisee that contributed toward a stable franchising relationship. A passionate franchisee was usually more willing to focus on the bigger picture as opposed to the small issues that would always arise in a relationship. When asked about passion, franchisee B5 said,

“Yeah I’m a baker by trade so probably baking’s a passion for me, rather than just a lifestyle. Like anyone can buy this franchise, do a ten week course and then they’re a baker. But for me it’s a passion. A lot of people at the top have been there for 30 years so their passion is bread as well so I feel that anything we do impacts the business as well.” (B5)

Passion from both the franchisee and the franchisor had a positive influence on relationship stability in that it provided that extra motivation in which to carry out the daily grind of running a labour-intensive business.

A multiple-unit franchisee expressed his opinion on this matter whereby his passion not only influenced the relationship with his franchisor but also the relationship with his own staff, something essential for successful business operations:

“I’ve been doing this for 5...years and I do it with passion still and I have 80 people who are extremely passionate about it as well and they follow my lead” (A3).

It was found that each franchisee varied in the level of *dependence* placed on their franchisor, an element associated with the nature of each individual franchisee. That is, one franchisee stated they “*don’t actually like depending on people*” (C3). This particular franchisee also had very little trust and commitment within her franchising relationship. Another independent franchisee said,

“I don’t have any problems with anyone, I say what I think, they can say what they think to me you know, everyone’s entitled to their opinion.” (C4)

It was also clear in the findings that not only did every franchisee possess different levels of dependence on their franchisor but that the franchisees new to the system (A2, A4, B4, C2 and C4) were generally more dependant on the franchisor than more mature franchisees (B1, B2, B3, D2, and D3). However, regardless of the time spent in the franchise, an important aspect necessary in the franchising relationship was franchisees being “*strong enough to advocate (themselves)*” (D2) so as to avoid being “*dictate(d)*” (C2 and C3) to by the franchisor. However, one franchisor had the mindset of believing “*that the franchisor has the right advice for me and whatever advice they give me I just do it.*” (A5). This statement provides for a positive linkage between dependence and trust whereby a dependant franchisee usually has a high level of trust within the relationship.

Similar to that of a marriage, it was found that *respect* significantly influenced the relationship stability. Franchise A1 realised that respect in her relationship improved her performance,

“I think you do better for them because you want to do well for them as much as you because you’ve got that respect.” (A1)

Franchisee D4 had a completely opposite perspective, as there was no respect in her relationship. She did not want to do well for her franchisor based on the franchisor’s prior behaviour. Respect often has to be earned, in that the actions of A1’s franchisor allowed the fostering of mutual respect. However, where there was none or very little respect (D4, D5), there were generally negative perceptions toward the franchisor.

5.3 Goal Congruence

As depicted in agency relationship situations, a direct result of having two parties is that each “*human will have its own agenda*” (C2). A selection of franchisees identified their personal agenda as being naturally inline with their franchisor (A2, A3, A5, B1, B2, and C4). The majority of the rest of the franchisees (A1, A4, B4, B5, C1, C2, C5, D1, D2, and D3) had to mould their goals around that of their franchisor so as to achieve goal congruence. Even though this adjustment did not compromise any ethical or personal values, from a business point-of-view franchisees realised the necessity to “*read off the same page*” (B1) as their franchisor.

It was evident throughout the interviews that the franchisees were aware of the franchisor’s vision and how that affected the relationship. Franchisee A3’s vision and the vehicle the franchisor was offering matched perfectly. Franchisee A4 “*aligned*” her vision with that of the franchisors.

It is evident that the respondents involved are aware of having shared values and goals in common, but there is that element of self interest which will always be present and can give rise to *opportunistic behaviour*. Although none of the respondents were willing to announce any personal opportunistic acts, they did identify instances whereby they felt other franchisees had acted opportunistically. These situations included serving half-portions of food, buying franchisor supplied products from an alternative cheaper supplier, conducting local advertising campaigns, and making additions to the standardised menu. These were identified as acts of opportunism as it involved doing “*something outside the acceptable norms of... (the) franchise system.*” (A3). The point emphasised by franchisee A4 was that franchisees were generally allowed to adapt the standards, “*you (just) run it past them (the franchisor) and nine times out of ten, they’ll say sure.*” The franchisees also established the need to view opportunistic acts on behalf of the franchisor whereby,

“(The franchisor) make(s) changes and they stick to it. There’s a certain amount that they dictate to us, I kind of anticipate that that goes with the turf.” (C2)

It was clear from the interviews that franchisees were in situations whereby there will always be an element of opportunistic behaviour. However, extensive opportunistic acts can damage the stability of the franchising relationship as well as having a negative impact on franchisor-franchisee goal congruence.

5.4 Stable personal relationship

The final element in the conceptualised model (figure 1) developed from these findings is the presence of a stable personal relationship. The majority of franchisees had strong, positive personal relationships with their franchisor, a luxury that makes franchising “*a lot less stressful*” (A2). A dominant finding was the idea the “*it is better having a good relationship with them (franchisor) than not*” (A5) whereby a stable personal relationship had the effect of “*fine tuning*” (A2) the franchising arrangement.

When asked about his perception on personal relationships, franchisee D3 answered,

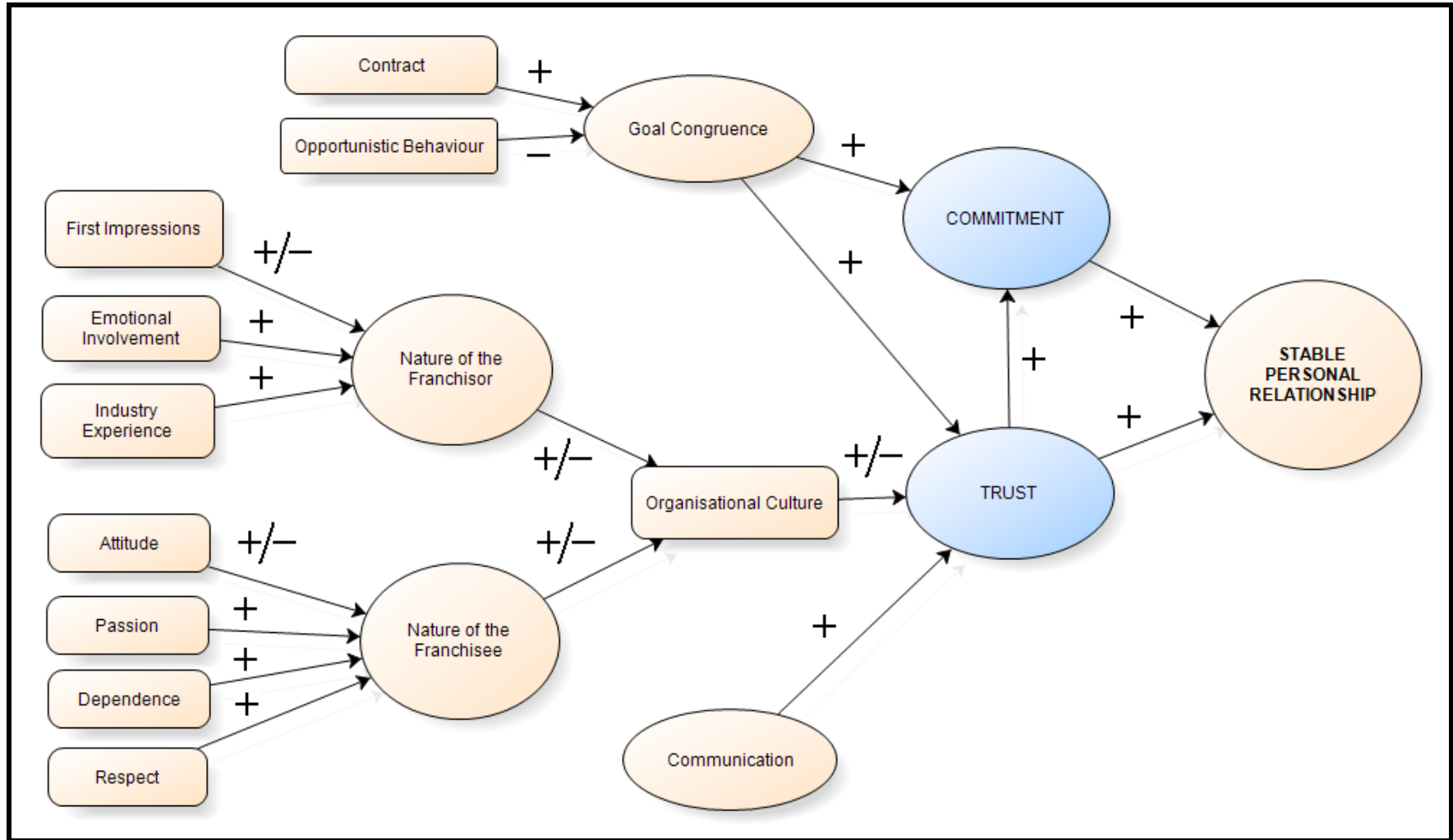
“I think in any relationship you are going to have disagreements. We do with our staff, we do with our franchisor, but you need to have that personal touch to heal that afterwards.” (D3)

This provides for a personalised approach to franchising whereby relational difficulties are overcome because of the presence of a personal franchisee-franchisor relationship. Four franchisees (B3, C3, D4, and D5) stated that they did not have a stable personal relationship with their franchisor. These franchisees were already leaving or considering leaving the franchise system. These findings establish the importance of stable personal relationships between franchisee and franchisor in any franchise system.

After analysing the different franchisee perceptions and how they were influenced by the unique franchise system dynamics, a conceptual model was developed. Largely influenced by Morgan and Hunts (1994) Commitment-Trust theory, the relational dynamics model (figure 1) identifies antecedents to, and the constructs of, trust and commitment.

Thus, Morgan and Hunt's (1994) commitment-trust theoretical explanation within the relationship marketing paradigm is consistent and relevant within the franchising relationship. Franchisees desire and appreciate the need for a stable relationship with their franchisor; a relationship highlighted by the presence of trust and commitment. Managerial and academic implications arise as a result of this finding, both of which are discussed below.

Figure 1: Franchising relational dynamics model



Source: Developed for this research following convergent interviews with franchisees

6. Managerial Implications

This research provides both franchisors and franchisees with a better understanding of the relational dynamics that contribute toward a stable franchising relationship. It is of great importance in the franchising arrangement, from the franchisor's perspective, to form positive personal relationships with both domestic and international franchisees. Franchisors heading large international franchise systems will learn that business relationships are not purely driven by economic and material benefits (Rodriguez and Wilson, 2002) but are also influenced by social exchanges. Thus, relationships between the franchisor and the franchisee should have solid foundations of trust and commitment with ongoing, effective communication instigated throughout the relationship. It is also essential for franchisors to have continued representation toward their franchisees. This is usually guided by the organisational culture whereby the nature of franchisors and franchisees has an impact on the perceived culture of the franchise. Out of the four franchise systems, franchise A was deemed to have the most positive organisational culture: largely due to the presence of "*friendly*" and "*professional*" people (A1) involved within the organisation, consistent in both the Australian and New Zealand operations.

It is essential for franchisees to understand the nature of their franchisor and the organisational culture. This understanding can only be gained through experience and time within the franchise. Of the twenty franchisees interviewed, the more mature (A3, A5, B1, B2, B3, D2, D3, and D5) franchisees were generally more appreciative of the franchisor and had been through the emotional cycles identified by Nathan (2000). It is important for franchisees to appreciate the relational challenges associated with the management of a large franchise organisation whereby they may not have their every need met or every goal obtained. However, by committing to the franchising relationship they receive the associated benefits of a stable personal relationship with their franchisor that had a positive impact on the daily operations of the business.

This emphasis on stable personal relationships as opposed to purely transactional exchanges between the franchisee and the franchisor provides for a shift in business managerial thinking within franchise systems resulting in more efficient, productive and effective operations (Morgan and Hunt, 1994).

7. Academic Implications

This paper provides significant evidence supporting the need to shift current academic franchising research from transactional marketing thought toward contextualisation within the relationship marketing paradigm. Emphasis on relationships as opposed to transactional exchanges not only redefines the domain of marketing (Sheth, Gardner, and Garrett, 1988) but, as found in this paper, extends current franchising research. This paper supports Sheth and Parvatiyar's (1995) argument which calls for more interactive relationships between marketing actors as opposed to the arm's length relationships found within the transactional orientation. By contextualising the research within the franchising phenomenon, this paper identifies the need for stable, interactive relationships between the two major franchising actors: the franchisor and the franchisee. Mutual interdependence and cooperation (see Sheth and Parvatiyar, 1995) as well as mutual trust and commitment (see Morgan and Hunt, 1994) between the franchisee and the franchisor create a higher franchise value offering when viewed within the relationship marketing paradigm. It is therefore important to consider contextualising franchising research within the relationship marketing orientation as opposed to the transactional marketing orientation.

8. Conclusion

The goal of this paper was to extend traditional agency theoretical explanations of franchising toward a more relationally focused approach. This required the contextualisation of the franchisor/franchisee relationship into business-to-business markets within the relationship marketing paradigm. Doherty and Alexander (2004) laid the foundations of this paradigm shift through identification of a need to develop successful franchising relationships.

This paper contributes to franchising knowledge by developing franchisee perceptions from which a conceptual model was developed giving a greater understanding of trust and commitment antecedents – goal congruence, organisational culture, and communication – as well as the qualitative outcome; an interactive, stable personal relationship.

A limitation of this paper is associated with the research design whereby only franchisee perspectives were gathered and analysed. As the franchising relationship is dyadic (although considered asymmetrical) it is necessary to consider the opinions of the other relationship partner; the franchisor.

As this paper has been formulated around a qualitative case-study design there is need for future research to be undertaken developing a more generalisable model. This paper provides a strong foundation whereby contemporary relational issues have been further explored and uncovered prompting further research to extend the implications identified.

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