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Franchising Research Frontiers for the Twenty-First Century

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Abstract

About four decades ago, during the formative years of the franchising industry, visionary authors like Oxenfeldt and Kelly (1968) and Ozanne and Hunt (1971) proposed a rich slate of research agenda which still continues to guide some of the contemporary scholarship in the franchising domain. This article (1) explicates some of the unique features of the franchising context that presumably inspired these pioneering authors, (2) discusses four established elements of ontology unique to franchising and isolates the remaining research gaps therein, (3) specifies a new slate of more contemporary research agenda for future scholarship, and (4) concludes with a brief discussion of the ten articles featured in this Special Issue of the *Journal of Retailing* dedicated to the theme of *Franchising and Retailing*.

Keywords: Franchising Research Agenda; Research Frontiers; Mixed Motives Context; Asymmetrical Power Setting; Twenty-First Century

Introduction

Modern franchising in USA dates back to at least the 1850s when Isaac Singer attempted to increase the distribution of his sewing machines by establishing a franchise system. Other examples of early American franchising include the franchising of soft-drink bottlers, automobile and truck dealerships and gasoline service stations. These latter sectors constitute what has been labeled as "product trade-name" or "traditional" franchising to distinguish it from the more recent emergent "business format" franchising (Baker and Dant 2008). The key differences lie in the complexity of relationships between franchisors and franchisees, and the modes of payments from franchisees to franchisors. In the product trade-name franchises, the franchisee functions virtually like an authorized dealer with some territorial exclusivity (e.g., Ford dealership, Shell Gas Station), and generally pays the franchisor based on gross margins realized from the sale of the branded merchandise. In business format franchises (e.g., Dunkin Donuts, Marriott's), on the other hand, the franchisee is expected to strictly follow a detailed operational regimen specified by the franchisor through an operations manual and pays franchisors through a variety of royalties and fees. The 1930s witnessed a period of rapid growth in business format franchising in the United States. During this time early American franchisors such as Howard Deering Johnson and Reginald Sprague began franchising their restaurant chains. The 1950s again saw a boom in franchising as massive numbers of fast food restaurants, diners and motel franchises opened up along the newly constructed interstate highway system. Some of the well-known franchises (and their inaugural years) include Kentucky Fried Chicken (1930), Dunkin Donuts (1950), Burger King (1954), and McDonald's (1955).

Today, franchising is big business, and there are over 3,000 franchise systems in the USA (Franchise Facts 2011). This count represents 901,093 franchisees employing approximately 18 million people, in turn generating an economic output of over \$2.1 trillion which equals about 40.9% of the U.S. retailing sector (see Table 2 and Appendix B discussed later). It is also an American invention that has been cited as one of the fastest growing U.S. exports to the world (House Committee on Small Business 1990); and it is arguably the fastest growing form of retailing in the world (Dant, Perrigot, and Cliquet 2008). Franchising is also somewhat unique from a public policy perspective in that it is a net net-foreign exchange earner. And since the franchisors' earnings are based on royalties (typically expressed as a percent of franchisees' sales) the franchising sector does not create future foreign competitors over time that come

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back to compete in the domestic economies à la the international product life cycle (IPLC)[3] phenomenon (Gillespie, Jeannet, and Hennessey 2007).

The rest of this paper is organized as follows. We begin with asserting certain self-evident characteristics of the franchising context. This is followed by a discussion of four well-known exemplars of ontology unique to the franchising context. Next we attempt to take a peek at the crystal ball and specify other research topics we fervently wish future franchising scholars will pursue. Finally, we briefly discuss the ten articles published in this Special Issue of *Journal of Retailing* dedicated to the theme of *Franchising and Retailing*.

Characteristics of the Franchising Context

Behaviorally the franchising industry represents a unique context for investigating inter-organizational precepts and phenomena. Not only does it exemplify an asymmetrical power setting within markets, it also symbolizes a mixed motive context where the franchisors (that usually also function as suppliers to their franchisees) directly compete with their own franchisees through the company-owned and operated units, making it an ideal setting for investigating constructs like power, dependence, conflict and relational bonding. Further the existence of varied governance formats (e.g., company-owned vs. franchised units, single-unit vs. multi-unit franchisees, area developers, master franchisees, passive ownership arrangements) within the franchising industry provides rich opportunities to explore myriad governance formats including nested hierarchical structures and the phenomenon of chains within chains, and a plethora of ensuing agency issues. Franchising scholars have attempted to investigate some of these issues principally using the lenses of (1) resource constraints or resource acquisition theory (cf. Oxenfeldt and Kelly 1968) with its roots in the resource-based view of the firm (Penrose 1959; Wernerfelt 1984) and resource dependence theory (Pfeffer and Salancik 1978), (2) agency theory (cf. Fama and Jensen 1983a,b), (3) transaction cost analysis (cf. Williamson 1985), (4) signaling theory (cf. Beggs 1992; Gallini and Lutz 1992; Gallini and Wright 1990), and (5) property rights theory (cf. Demsetz 1966; Hart and Moore 1990; Hart 1995; Maness 1996).

Franchises also differ in terms of the level of uniformity exacted by the franchisors from their franchisee partners, their receptivity to new product/service suggestions coming from their franchisees, and their practices associated with apportioning of territorial exclusivity, thereby making franchising an excellent setting for investigating a variety of issues including diffusion of innovations, knowledge transfer mechanisms, entrepreneurial orientation, turf issues, inter-organizational interdependencies and autonomy, loosely coupled inter-organizational formats and issues associated with exclusive dealing and territorial encroachment.

Further, the definition of business failure takes on a unique meaning within a franchising context since an outlet's de facto failure can be disguised by strategies like reacquisition of the dysfunctional unit by the franchisor and its subsequent sale to another party. In fact, this led Holmberg and Morgan (2003) to argue against the need to define franchise failure definitively, but rather to view the process comprehensively through their eight-step franchise failure model. Since franchisees are often compared and contrasted to independent entrepreneurial initiatives in terms of their survivability and rates of success, this contextual complexity makes such comparisons especially challenging. Hence, metaphorically, the franchising context can be fruitfully utilized to investigate the fundamental notions of business success and failure in all sorts of agency relationships.

Finally, we echo Dant (2008) in recognizing that franchising enterprise involves a trichotomy of domain actors comprised of the franchisors, the franchisees and their consumers. And yet the bulk of the franchising literature until recently was focused on franchisor-based studies. More recently there has been an emergent trend of franchisee-based studies. However, there continues to be a virtual absence of examining the franchising phenomenon from the perspective of its customers even though the franchising industry is accused of fostering homogenized tastes (e.g., Luxenberg 1985), thereby curbing local cultural diversity, a charge especially relevant in international contexts where chains like McDonald's have been accused of playing the role of a Trojan horse for American cultural imperialism. On the other hand we have some preliminary evidence that brands like McDonald's are fast getting assimilated in traditional societies like China (Grünhagen, Dant, and Zhu forthcoming). Hence, the net reality is that, to date, we have only anecdotal evidence of how the customers judge the value-added aspects of franchising and the trade-offs involved between guaranteed standardized quality and service and erosion of choices. Hence, from a distal macro perspective, the franchising context can be used to bridge the great divide between B2B and B2C scholarship which will permit us to view business enterprises from a holistic perspective.

Not surprisingly, then, this complex and unique inter-organizational form has generated a very large amount of multi-disciplinary research on franchising topics. Unfortunately, even though some of the foundational initial scholarly work in franchising was crafted within marketing (e.g., Oxenfeldt and Kelly 1968; Ozanne and Hunt 1971; Hunt 1972, 1973), in mainstream marketing journals, franchising has been used more as a context of empirical sampling (e.g., Anand and Stern 1985; Antia and Frazier 2001; Brown, Dev, and Lee 2000; Dant and Schul 1992; Mishra, Heide, and Cort 1998) and the theoretical issues or the ontology unique to this fascinating B2B inter-organizational structure have often been relegated to other

[3] As detailed in Dant et al. (forthcoming-a) and Dant, Weaven, and Baker (forthcoming-b), "The notion of IPLC describes an internationalization process wherein a local manufacturer in an advanced country (e.g., USA) commences with selling a new, technologically advanced product in its market, but over time, ends up with becoming a net importer of the product as this product is produced at a lower cost either by competitors in lesser developed countries or, if the innovator has developed into a multinational manufacturer, by its foreign-based production facilities. Since franchising revenues are based on contractually vested royalty remittals, there is no danger of franchise systems becoming victims of IPLC."

Table 1
Franchising Research Across Disciplines (2001–2011 Summer).[a]

Year	Discipline									
	Marketing		Management		Entrepreneurship		Finance		Economics	
	Franchising used merely for sampling/data context	Focused on issues unique to franchising ontology	Franchising used merely for sampling/data context	Focused on issues unique to franchising ontology	Franchising used merely for sampling/data context	Focused on issues unique to franchising ontology	Franchising used merely for sampling/data context	Focused on issues unique to franchising ontology	Franchising used merely for sampling/data context	Focused on issues unique to franchising ontology
	Five[b]		Six[b]		Two[b]		Ten[b]		Twenty-seven[b]	
2001	1	1	1	2	1	1			1	2
2002						2				1
2003	2	1	1	1	1	3		1		1
2004		1	1	3		2				1
2005						1			1	1
2006	1	2	2	1		3			1	2
2007	2			2		3			1	
2008	1	1		2	1	5				
2009	1	1		1		2			1	1
2010	1					1		1		2
2011				2		13			1	
Total	9	7	5	14	3	36	0	2	6	11
Percent of total	56.25%	43.75%	26.32%	73.68%	7.69%	92.31%	0.00%	100%	35.29%	64.71%

[a] The cell entries show raw counts of articles published in different years in each discipline's top journals (see Appendix A for a listing of these journals and references to these articles).
[b] Number of journals reviewed.

disciplines. In fact, marketing has been generous to a fault in carelessly and cavalierly abandoning some of the most interesting elements of its ontological repertoire to other disciplines with the result that its foundational domain is shrinking. We seem to have forgotten a fundamental premise of scientific investigation: you don't research it, you lose it. Franchising is a classic example of this sinister proclivity. We document a summary of this trend in Table 1.

Table 1 was created by reviewing the last ten years (2001 through 2011 Summer) of published research in 50 top journals across the disciplines of marketing, management, entrepreneurship, finance and economics (see Appendix A for details of journals reviewed and the listing of articles summarized in Table 1). A total of 93 articles were discovered, 77 of which (or 82.8%) were published outside of marketing journals. The picture becomes even bleaker when one considers the break-up of these articles into those where franchising was used merely for sampling or data context, and those focused on issues unique to franchising ontology. Across the five domains examined, marketing emerges as the sole discipline where a greater proportion of articles used franchising merely for sampling or data context (56.25% as opposed to 18.18% for the other four areas combined) and only 43.75% of the marketing articles were focused on issues unique to the franchising industry (the analogous number for the other four content areas being 81.82%). We now briefly discuss some well-established ontology unique to the franchising context.

Established Ontology Unique to Franchising

Ownership Redirection Thesis

The ownership redirection thesis within franchising governance research stream, originally proposed by Oxenfeldt and Kelly (1968), argued that successful, resource-flush franchise systems will ultimately tend towards becoming wholly company-owned systems due to opportunistic reacquisition activity by the powerful franchisors. For over forty years this dark prophecy has precipitated an intense research dialog between the supporters and detractors of this thesis (Baker and Dant 2008; Dant and Kaufmann 2003). As previously noted, this phenomenon has been investigated through the lenses of various theoretical frameworks including resource constraints theory, agency theory, transactions cost analysis, signaling theory, and property rights theory. What is needed is a phenomenological approach to investigating this thesis using combinative effects of multiple theoretical frameworks. It could be argued that due to the elaborate web of franchise laws passed in the U.S., most of them enacted after the publication of Oxenfeldt and Kelly's (1968) seminal article and Ozanne and Hunt's (1971) influential report lending empirical support for this thesis, these erstwhile opportunistic tendencies have been generally curbed within the domestic USA context. However, anecdotal evidence would suggest that in many countries, where franchising laws are either virtually non-existent or in nascent stages of development, the thesis is very much alive. What is needed, then, is a phenomenological approach to investigating this thesis using combinative effects of multiple theoretical frameworks and a clear specification of contextual conditions (including the legal contingencies) that foster or hinder the realization of this dark prophecy.

Stable Plural Forms Thesis

Dubbed the successor to the ownership redirection thesis (Baker and Dant 2008) and nested in the notions of tapered integration (Harrigan 1984), the stable plural forms thesis rejects the premise that franchise systems are headed in the direction of either pure company-owned or pure-franchised systems, and argues that a mixed system (i.e., composed of a strategic mix of company-owned and franchised units, or "plural form") is the likely ideal choice for efficiency minded systems seeking to reap the racheting advantages (Bradach and Eccles 1989) of both pure systems (Dant and Kaufmann 2003). A limited empirical verification of this thesis has been attempted (cf. Dant and Kaufmann 2003; Lafontaine and Kaufmann 1994). However as Baker and Dant (2008) note, the thesis needs to be systematically tested in alternative industries, cultural and country settings; it also needs new theoretical conceptualization and articulation as befitting a new scientific paradigm, to evaluate contingency variables under which the thesis is more or less likely to hold. So, for example, the level of competition in the marketplace, the extent of environmental uncertainty, the relative interdependence in the franchisor–franchisee relationships, and the characteristics of the regulatory environment could all be significant moderator variables to the focal premise of the thesis.

Multi-Unit versus Single-Unit Franchising

Multi-unit franchisees (i.e., franchisees that operate more than one outlet within a franchise system) represent a pervasive and even dominant form of franchise ownership in many sectors (cf. Grünhagen and Mittelstaedt 2005). However, much of the franchising literature has been developed with focus on single unit franchisees, and fundamental questions like the nature of motivational differences across these two categories of agents remain virtually unanswered despite the fact that proponents of multi-unit franchising tout the value of this organizational form in terms of economies of scale associated with monitoring expenses, rapid system growth, system-wide adaptation to competition, minimization of horizontal free-riding, a general reduction of system attrition rates, and the strategic delegation of price or quantity choices to franchisees (cf. Dant et al. forthcoming-a; Dant, Weaven, and Baker forthcoming-b; Kalnins and Lafontaine 2004; Kalnins, Swaminathan, and Mitchell 2006; Shane 2001). As already noted above, the existence of alternative forms of agency structures (i.e., single unit franchisees, multi-unit franchisees, area developers, master franchisees, passive owner franchisees) within the franchising industry provides rich platforms for exploring wide ranging complex agency issues.

The Role of the Legal Environment

Franchising is a contractually anchored agency arrangement and much of the world lacks the elaborate, regulatory environment within which the franchising enterprise operates in the United States. Baker and Dant (2008) trace the evolution of franchise laws in the United States all the way back to the original anti-trust legislations (i.e., Sherman Act of 1890 and Clayton Act of 1914) which later led to the enactment of the first modern franchising statute in 1971. This was followed by the enactment of Federal Trade Commission (FTC) Franchise Rule 436 which attempted to control a franchisor's conduct by mandating various disclosures to prospective franchisees to facilitate informed purchase decisions by the latter. This in turn led to the creation of the alternative Uniform Franchise Offering Circular (UFOC) as developed by the North American Securities Administrators Association to make these requisite disclosures. In what can also be seen as a signal of the maturing of jurisprudence surrounding franchising in the US, the courts have transitioned from the once more onerous per se rule to the rule of reason.[4] However, as franchising gains popularity in overseas markets, there is urgent need to enact franchise laws to protect both trade partners. What is sorely needed are introspective (even ethnographic) legal studies that compare and juxtapose the enactment of franchising laws and the flourishing of franchising enterprise.

A Peek at the Crystal Ball

The following brief notes summarize what we see to be results of the sweeping changes occurring within the domain of franchising scholarship, and we extol franchising researchers to delve into these novel arenas of investigation. A total of nine topic areas are discussed which we believe to be grossly under-researched.

The International Imperative

It is matter of manifest observation that future explosive expansion of the franchising enterprise will probably occur outside of the United States since the domestic sector appears to be reaching a saturation point in several sectors. We attempt to document this pattern in Table 2 which compares and contrasts the USA with the four big emerging economies of the BRIC (Brazil, Russia, India and China) nations. We also include analogous numbers for Australia and Germany since some of the special issue articles utilized data from these two economies.

Certain patterns are especially noteworthy. The USA currently emerges as the dominant economy for the franchising enterprise in terms of number of systems, number of outlets, people employed, and the sheer magnitude of the economic impact of franchising on the economy. There are two ways of interpreting these statistics: using the 80–20 principle, one could argue that the US represents the market with the greatest potential (after all, the Australian numbers show that franchising can surpass the 50% mark as franchising's share of the total retailing sector whereas the current USA number is still 40.9%). An alternative perspective to adopt may be to see major growth potential in countries where franchising is still a small portion of the total retailing sector. From this vantage point, India, China and Brazil represent the greatest potential. The cases of India and China are particularly notable since both these countries only recently liberalized their economies. What is needed, then, is a concerted effort at investigating franchising issues in different countries and cultures from an organic, emic perspective since much of the extant franchising literature has been developed within the North American context.

Ownership and Control Pattern

Although the governance structure of franchise firms refers to ownership and control patterns, most of the studies in franchising since Oxenfeldt and Kelly (1968) have focused on ownership issues. However, especially in non-equity alliances (cf. Brown, Dev, and Zhou 2003), such as franchising networks, the assignment of control or decision rights may deviate from the structure of ownership rights. For instance, the use of direct and master franchising in international business is mainly a question of allocation of decision rights and less of ownership rights between the franchisor and the international franchise partners (cf. Mumdžiev 2011). Therefore, the relationship between ownership and control patterns in franchising needs to be theoretically and empirically investigated.

Franchising the Great Leveler

Franchising has long been touted to play a significant role in providing business opportunities to women and minorities (Ozanne and Hunt 1971; Hunt 1976) and McDonald's counted more than 25% of its franchisees as women and minorities (Dant, Brush, and Iniesta 1996). The intuition behind such an expectation is that customers patronize a franchise due to its brand reputation in the marketplace and the implicit promises of standardized product or service offering regardless of who the operator of a specific franchised outlet might be. Some sample based studies have yielded inconsistent and inconclusive evidence on the issue of women being especially suited for franchises within certain distinctly "female" sectors like children's products, clothing, beauty aids, and so forth (Naisbitt 1985; Hoffman and Preble 2003). These patterns need to be empirically documented in a systematic manner using economy wide data not just within the USA but cross-culturally as well.[5]

[4] The rule of reason is a doctrine developed by the US Supreme Court which states that only contracts *unreasonably* restraining trade are subject to actions under the anti-trust laws, and that possession of monopoly power is not illegal *per se*.

[5] Regrettably, within USA, the systematic gathering of this information was last published in the Characteristics of Business Owners (CBO) Report developed by the U.S. Department of Commerce and published in 1997 (U.S. Census Bureau 1997). These data themselves were the result of a survey mailed to a representative sample of small businesses that were part of the 1992 Economic Census (U.S. Census Bureau 1995) where the respondents were asked to indi-

Table 2
Comparative Table on Economic Impact of Franchising in the Economy.[a]

Country	Number of systems	Number of outlets	People employed	Economic impact on the economy	Percent of retailing sector
USA	3,000	901,093	18 million	USD 2.1 trillion	40.90%
China	2,600	200,000	5 million	USD 63 billion	3.00%
India	1,150	70,000	850,000	USD 4 billion	1.60%
Brazil	1,643	79,988	478,000	USD 36 billion	15.65%
Russia	595	28,044	327,426	*Not available*	*Not available*
Australia	1,025	69,000	690,000	USD 138.8 billion[b]	52.80%
Germany	980	65,500	463,000	USD 79 billion	32.00%

[a] See Appendix B for a listing of data sources used to compile this table.
[b] Exchange rate converted on July 21, 2011.

Growth Versus Downsizing

A fundamental premise we generally assume away in business scholarship is the presumption of growth. In fact, much of the focus in franchise research over the past four decades has looked at franchising as an almost “unstoppable” engine of growth in the U.S., and increasingly so, in the global economy. But, in light of the most recent global recession, pressure has increased on many business formats to consider periods of stagnation, downsizing and retrenchment. However, given the unique context of the business model of franchising, the operationalization of this shrinkage takes on a more complicated meaning (cf. Grünhagen, Flight, and Boggs 2011). The relationship between franchisor and franchisee is not one of employer and employee, and hence, traditional forms of “layoffs” do not apply. Moreover, many franchise contracts entail periods of ten or even 20 years, so that short-term measures of periodic downsizing are not feasible. Recent anecdotal evidence from the automobile dealer market suggests that a period of recession may even be beneficial to franchise networks that have over-expanded in the past. Challenging economic times have forced some franchisees that are simply not able to survive to close their units. The latter units may have continued to struggle for years under existing franchise agreements, as existing contracts make it almost cost-prohibitive for franchisors to terminate the agreements. In other words, economic downturns may have an unintended beneficial “cleansing” effect on franchise systems, despite other quite detrimental consequences (e.g., Langfitt 2008). The franchise industry needs to consider alternative creative ways to respond to market downturns, and franchise researchers have a new opportunity to investigate the “flip-side” of the traditional “franchise = growth” model during economic downturns.

Empowerment of Franchisees

The generally accepted hierarchy of power balance in a franchising context has traditionally been franchisor reigning supreme surrounded by weak multi-unit operators, and even weaker single-unit franchisees. However, anecdotal evidence suggests that the tide may be turning slowly, that is, that franchisees are gaining traction in their efforts at increasing their “countervailing power” (Galbraith 1954) in the relationship with their franchisors (cf. Grünhagen and Mittelstaedt 2005). For example, in some systems franchisees now have to be consulted on material changes to the brand and hold some veto power; some have negotiated caps on their wholesale purchase costs; and still others have won decision rights over who takes over their business when they retire (Gibson 2006). Similarly, franchisees in some systems have increased say in both the pricing of menu items and the duration of special deals (e.g., Chun 2011), thus slowly building an “arsenal” of measures that they may use to tilt the power balance, at least occasionally, in their favor. We strongly encourage franchise scholars to investigate these new trends and scientifically evaluate their merits as means to ameliorate the traditional power imbalance favoring the franchisors.

Incorporating Personality Variables

Much of the extant franchising literature has adopted an inter-organizational or B2B framing to understanding significant issues in franchising, with franchisees being portrayed as disembodied automatons involved in the pursuit of organizational goals, and in so doing, truncating theory development by not considering the role of individual dispositional personality traits on franchisee decision-making and franchise relationship quality (Dant et al. forthcoming-b). Not only would this make the theoretical development holistic and realistic, it would also signal a marriage of B2B and B2C perspectives to examining the franchising phenomena.

Social Responsibility and Ethics

A green bandwagon is sweeping all aspects of business enterprise. Emergent evidence would suggest that green initiatives are not just morally and ethically sound but because they demonstrate the social responsibility fervor of the firms engaging in them, they have the salutary effect of raising the corporate reputation of the firms practicing them that may in turn improve the bottom line of these firms. Many of these initiatives (e.g., using energy saving light bulbs, use of recyclable or recycled

cate their gender and race as well as whether the business they were reporting on was a franchise or not. However, such data may be available in other countries.

materials, giving hotel guests the options of not having their towels and bed sheets each night, paperless billing) also represent considerable savings for businesses. Many of the firms adopting these socially responsible initiatives are franchising firms and it is an idea whose time has come to be incorporated into the smorgasbord of franchising ontology.

New Approaches to Gathering Data

Increasingly, to earn a spot in a top journal today, we forecast a trend towards a two pronged research methodology. The researcher would start with a lab experiment to carry out rigorous psychometric assessment of one's instruments and internally validate the nomological network under investigation. And then s/he would follow up with a field based study to garner evidence of external validity for the theory under test. Currently, there is a virtual absence of experiment based franchising research and almost all of the research seems to be based on surveys or secondary data.

Usual Clarion Call Issues

Needless to say, one should continue to explore new theoretical frameworks for investigating franchising phenomena. Some examples of theories rarely used in franchising research are lay theories, equity theory, and tournament theory. Some of these can even be used to set up powerful strong-inference[6] oriented hypothesis tests since they make opposite predictions (e.g., equity theory and tournament theory) much like agency theoretic versus resource constraints theory's explanations of franchising. Finally, this section would be incomplete without a call for (1) longitudinal research, (2) cross-cultural research, and (3) investigating multiple franchising sectors beyond the fast food industry.

The Contents of this Special Issue

Review Process and the Review Team

A total of 56 manuscripts were submitted to this Special Issue. Each paper was initially reviewed by all three special issue co-editors. Fourteen of these were desk rejected based on this initial screening for considerations like quality, lack of fit, and so forth. The remaining 42 manuscripts were subjected to the double-blind review process. Of these another 32 manuscripts were rejected based on subsequent consensus of opinions from their review teams and the editors, leaving the 10 manuscripts that are being featured in this special issue (an approximately 17.8% acceptance to submission ratio).

As one may imagine, this publication would have been impossible without the generous assistance from a total of 99 scholarly reviewers drawn from 16 different countries. These distinguished individuals are:

E. Hachemi Aliouche, University of New Hampshire
Ciarán Mac an Bhaird, Dublin City University, Ireland
Brent L. Baker, University of North Dakota
William E. Baker, San Diego State University
Jerome Barthelemy, ESSEC Business School, France
Mark E. Bergen, University of Minnesota
Markus Blut, Technical University of Dortmund, Germany
Michael L. Boorom, Eastern Illinois University
James R. Brown, West Virginia University
Lowell Busenitz, University of Oklahoma
Gary J. Castrogiovanni, Florida Atlantic University
James G. Combs, University of Alabama
Larry Compeau, Clarkson University
Russell W. Craig, University of Oklahoma
Evelien P.M. Croonen, University of Groningen, The Netherlands
Lola Dada, Lancaster University, UK
Carolin Decker, Freie University of Berlin, Germany
Abe de Jong, Erasmus University Rotterdam, Netherlands
Tirtha Dhar, University of British Columbia, Canada
Antony Dnes, Hull University Business School, UK
Naveen Donthu, Georgia State University
Hughes E. Douglas, Michigan State University
Jay Ebben, University of St. Thomas
Thomas Ehrmann, Westfälische-Wilhelms-Universität Münster, Germany
Heiner Evanschitzky, University of Strathclyde, Scotland
Cecilia M. Falbe, SUNY Albany
Richard L. Flight, Eastern Illinois University
Lorelle Frazer, Griffith University, Australia
Andreas Furst, University of Erlangen, Germany
Jule Gassenheimer, Rollins College
Claire Gauzente, Institute of Political Sciences Rennes, France
Tansev Gaylani, University of Pittsburgh
Manuel Gonzalez-Diaz, University of Oviedo, Spain
Nina Gorovaia, Frederick University, Cyprus
Debra Grace, Griffith University, Australia
Stephan Grzeskowiak, University of St. Thomas
Gregory T. Gundlach, University of North Florida
Chuan He, University of Colorado
George Hendrikse, Earsmus University Rotterdam, Netherlands
Stevan Holmberg, American University
Li-Tzang Hsu, Kansas State University
Bo Huang, HEC Paris, France
K.J.M. (Kuno) Huisman, Tilburg University, Netherlands
Shelby D. Hunt, Texas Tech University
Hyo-Jin (Jean) Jeon, University of Oklahoma
Manish Kacker, McMaster University, Canada
Patrick J. Kaufmann, Boston University
Renata Kosova, Cornell University
Karen L. Koza, Western Connecticut State University
Francine Lafontaine, University of Michigan
Stefan Leitmannslehner, University of Vienna, Austria
Benoit F. Leleux, IMD, Lausanne, Switzerland
Yong Li, University of Buffalo
Zhan G. Li, Saint Mary's College of California
Begoña Lopez-Fernandez, University of Oviedo, Spain
Francesca Lotti, Bank of Italy, Italy
Laura Lucia-Palacios, University of Zaragoza, Spain
Robert Maness, Texas A&M University
Richard G. McFarland, Kansas State University
Brinja Meiseberg, Westfälische-Wilhelms-Universität Münster, Germany
Thomas Mellewigt, Freie University, Germany
Steven C. Michael, University of Illinois at Urbana-Champaign
Robert A. Mittelstaedt, University of Nebraska-Lincoln

[6] Strong inference refers to an inductive-reasoning based scientific inquiry approach (Platt 1964) that recognizes the limitations of scientific inquiry grounded in single hypotheses (Chamberlin 1897) and the acknowledges greater strength of falsification (rather than verification) as a basis for the advancement of scientific knowledge (Bacon 1620). It is especially useful when one can have rival hypotheses each grounded in different theories.

Summaries of the Ten Articles

As the foregoing summaries amply illustrate, the ten articles featured in this issue cover a very broad swath of topics.

The study by Chabowski, Hult and Mena, titled "*The Retailing Literature as a Basis for Franchising Research: Using Intellectual Structure to Advance Theory*," provides a comprehensive meta-analysis of 1,718 articles from 40 different journals and 67,073 citations, revealing the indisputable impact the retailing literature has on studies related to franchising. They develop a typology based on extant as well as emergent franchise-related topics to set the stage for franchising research in the future.

Lawrence and Kaufmann utilize theories of identity in their qualitative study of the role of franchisee associations in franchise systems in their article "*Identity in Franchise Systems: The Role of Franchisee Associations*." Franchisee associations are shown to play a critical role in the management of tension between franchisees and franchisor through their distinctive adaptive organizational identity. The study challenges several long-held assumptions about the franchisor–franchisee relationship as well as the franchisor's stability.

As the title of the contribution by Blut, Backhaus, Heussler, Woisetschläger, Evanschitzky and Ahlert, "*What to Expect after the Honeymoon: Testing a Life Cycle Theory of Franchise Relationships*," suggests, the authors investigate the evolution of interorganizational relationships in a franchising context. They identify four distinct stages, based on U-Curve theory as well as cooperation variables, dependence variables, and relationship variables. Their findings indicate that in the stages following the "honeymoon", opportunistic behavior and switching become likely. Their findings suggest enhanced vigilance and proactive striving for high levels of stability on the part of the franchisor to pre-empt operational realities of the relationship over time.

The article by Mellewigt, Ehrmann and Decker, titled "*How Does the Franchisor's Choice of Control Mechanisms Affect Franchisees' and Employee-Managers' Satisfaction*?" distinguishes different types of control mechanisms by the franchisor (behavior vs. outcome-control) that lead to varying degrees of satisfaction by franchisees versus employee-managers. Based on data from the largest German franchise system the study shows specifically that franchisors' choice of outcome control leads to higher satisfaction among franchisees and employee-managers, while behavior control enhances employee-managers' satisfaction. Further, outcome control is related to greater satisfaction among more experienced franchisees, while behavior control enhances both highly and lowly experienced employee-managers' satisfaction.

Hendrikse and Jiang, in their contribution "*An Incomplete Contracting Model of Dual Distribution in Franchising*," look at dual distribution in franchising from an incomplete contracting perspective. They model cooperative (dual distribution) franchising as an organizational form, in addition to wholly owned, wholly franchised, and dual distribution franchise systems. Their results show that a more competitive franchise system may well be a (dual distribution) cooperative franchise system, particularly when highly specific, non-contractible local assets are most important for the creation of value of the franchise. Managers of franchises may therefore facilitate shifting the balance of power in a franchise in order to give the franchisees confidence that they can recoup the costs of investment. The article's findings also have significant implications for the ownership redirection thesis (Oxenfeldt and Kelly 1968).

Aliouche and Schlentrich develop a first global index of international franchise expansion that ranks 143 countries according to their attractiveness to US-based franchise firms in their contribution "*Towards a Strategic Model of Global Franchise Expansion*." Through a quantitative model that integrates academic research as well as insights from practice, the resulting country ranking represents an innovative tool that may serve as an initial "yardstick" for franchisors in their efforts of targeting foreign countries for expansion.

The article by Grace and Weaven, titled, "*An Empirical Analysis of Franchisee Value-In-Use, Investment Risk and Relational Satisfaction*," empirically tests the dimensions of value that influence franchisee perceptions of risk and relationship satisfaction. Among other findings, the study reveals that those quality perceptions, positive feelings and monetary value all significantly reduce one's assessment of investment risk associated with franchising in general. However, only emotional value and monetary value affect relationship satisfaction associated with their current franchising exchange. These results may assist franchisors in their delivery of greater value to their franchisees.

In the study "*Strategic Debt in Vertical Relations: Evidence from Franchising*" by de Jong, Jiang and Verwijmeren, the strategic use of debt in franchise organizations is investigated. The study reveals that the franchisor's leverage is significantly related to the maximum leverage that the franchisor permits the franchisee to have. As franchisors impose limits on franchisees' debt levels, franchisors can raise more debt and therefore capitalize on resulting tax benefits. This effect is found to be particularly pronounced in chains with greater proportions of franchised outlets.

The contribution "*Intellectual Property Securitization and Growth Capital in Retail Franchising*" by Nisar examines an innovative approach to raising finances, intellectual property (IP) securitization, which allows companies to account for intangible assets such as intellectual property, royalty and brands and realize their full value. Using a property rights approach, the study shows that IP securitization allows firms to raise funds against such assets. A case study based on Domino's Pizza provides evidence that this approach may be used more widely to help fund retail franchise growth and expansion.

In the article "*Franchising and Firm Financial Performance Among U.S. Restaurants*" Madanoglu, Lee and Castrogiovanni examine the risk-adjusted financial performance of franchising versus non-franchising restaurant firms from 1995 to 2008, showing that franchised restaurant firms outperformed their non-franchising counterparts on every dimension investigated. Hence, the study offers convincing evidence why franchising is chosen by so many restaurant chains as the preferred business model.

Concluding Comments

Editing a special issue on the theme of Franchising and Retailing for the *Journal of Retailing* was indeed a rare honor, especially since the last time the *Journal of Retailing* featured a special issue on the theme of franchising was 43 years ago which was edited by Alfred R. Oxenfeldt. We of course live in a very different world today. The landscape of a nascent industry that Oxenfeldt and Kelly were writing about has given way to a maturing industry that has gone global. We all know the seminal impact his co-authored article titled "Will Successful Franchise Systems Ultimately Become Wholly-Owned Chains?" (published in that same issue) has had in shaping the research trajectory of franchising scholarship. Here is hoping this special issue too will impact franchising research in this brave new twenty-first century.

Appendix A.

Listing of Discipline-Wise Journals Searched and Articles Summarized in Table 1.

Discipline: Marketing
Journals Searched

Journal of Retailing
Journal of Marketing
Journal of Marketing Research
Journal of the Academy of Marketing Science
Marketing Science

Category: Franchising Used Merely for Sampling/Data Context

1. Achrol, Ravi S. and Michael J. Etzel (2003), "The Structure of Reseller Goals and Performance in Marketing Channels," *Journal of the Academy of Marketing Science*, 31 (2), 146–163.
2. Antia, Kersi D. and Gary L. Frazier (2001), "The Severity of Contract Enforcement in Interfirm Channel Relationships," *Journal of Marketing*, 65 (October) 67–81.
3. Arya, Anil, Brian Mittendorf, and David E. M. Sappington (2007), "The Bright Side of Supplier Encroachment," *Marketing Science*, 26 (5), 651–659.
4. Chen, Xinlei, George John, Julie M. Hays, Arthur V. Hill, and Susan E. Geurs (2009), "Learning from a Service Guarantee Quasi Experiment," *Journal of Marketing Research*, 46 (October), 584–596.
5. Hennart, Jean-Francois (2010), "Transaction Cost Theory and International Business," *Journal of Retailing*, 86 (3), 257–269.
6. Iyer, Ganesh and J. Miguel Villas-Boas (2003), "A Bargaining Theory of Distribution Channels" *Journal of Marketing Research*, 40 (February), 80–100.
7. Liu, Yuping (2006), "The Long-Term Impact of Loyalty Programs on Consumer Purchase Behavior and Loyalty," *Journal of Marketing*, 71 (October) 19–35.
8. McGuire, Timothy W. and Richard Staelin (2008), "An Industry Equilibrium Analysis of Downstream Vertical Integration," *Marketing Science*, 27 (1), 115–130.
9. Thomadsen, Raphael (2007), "Product Positioning and Competition: The Role of Location in the Fast Food Industry," *Marketing Science*, 26 (6), 792–804.

Category: Focused on Issues Unique to Franchising Ontology

1. Burkle, Thomas and Thorsten Posselt (2008), "Franchising as a Plural System: A Risk-Based Explanation," *Journal of Retailing*, 84 (1), 39–47.
2. Dant, Rajiv P. and Patrick J. Kaufmann (2003), "Structural and Strategic Dynamics in Franchising," *Journal of Retailing*, 79 (2), 63–75.
3. Kalnins, Arturs (2004), "An Empirical Analysis of Territorial Encroachment within Franchised and Company-Owned Branded Chains," *Marketing Science*, 23 (4), 476–489.
4. Kaufmann, Patrick J. and Rajiv P.Dant (2001), "The Pricing of Franchise Rights," *Journal of Retailing*, 77 (4), 537–545.
5. Nair, Suresh N., Surinder Tikoo, and Shuguang Liu (2009), "Valuing Exclusivity from Encroachment in Franchising," *Journal of Retailing*, 85 (2), 206–210.

6. Srinivasan, Raji (2006), “Dual Distribution and Intangible Firm Value: Franchising in Restaurant Chains,” *Journal of Marketing*, 70 (July) 120–135.
7. Windsperger, Josef and Rajiv P. Dant (2006), “Contractibility and Ownership Redirection in Franchising: A Property Rights View,” *Journal of Retailing*, 82 (3), 259–272.

Discipline: Management
Journals Searched

Academy of Management Journal
Strategic Management Journal
Journal of Management
Organization Science
Research Policy

Category: Franchising Used Merely for Sampling/Data Context

1. Kalnins, Arturs (2004), “Divisional Multimarket Contact within and between Multiunit Organizations,” *Academy of Management Journal*, 47 (3), 117–128.
2. Kalnins, Arturs and Wilbur Chung (2006), “Social Capital, Geography, and Survival: Gujarati Immigrant Entrepreneurs in the U.S. Lodging Industry,” *Management Science*, 52 (2), 233–247.
3. Knott, Anne Marie (2001), “The Dynamic Value of Hierarchy,” *Management Science*, 47 (3), 430–448.
4. Knott, Anne Marie (2003), “The Organizational Routines Factor Market Paradox,” *Strategic Management Journal*, 24 (10), 929–943.
5. Szulanski, Gabriel and Robert J. Jensen (2006), “Presumptive Adaption and the Effectiveness of Knowledge Transfer,” *Strategic Management Journal*, 27(10), 937–957.

Category: Focused on Issues Unique to Franchising Ontology

1. Azoulay, Pierre and Scott Shane (2001), “Entrepreneurs, Contracts, and the Failure of Young Firms,” *Management Science*, 47 (3), 337–358.
2. Barthelemy, Jerome (2008), “Opportunism, Knowledge, and the Performance of Franchise Chains,” *Strategic Management Journal*, 29 (13), 1451–1463.
3. Combs, James G. and David J. Ketchen, Jr. (2003), “Why Do Firms Use Franchising as an Entrepreneurial Strategy?: A Meta-Analysis,” *Journal of Management*, 29 (3), 443–465.
4. Combs, James G., Steven C. Michael and Gary J. Castrogiovanni (2004), “Franchising: A Review and Avenues to Greater Theoretical Diversity,” *Journal of Management*, 30 (6), 907–931.
5. Combs, James G., Steven C. Michael, and Gary J. Castrogiovanni (2009), “Institutional Influences on the Choice of Organizational Form: The Case of Franchising,” *Journal of Management*, 35 (5), 1268–1290.
6. El Akremi, Assaad, Karim Mignonac, and Rozenn Perrigot (2011), “Opportunistic Behaviors in Franchise Chains: The Role of Cohesion among Franchisees,” *Strategic Management Journal*, 32 (September), 930–948.
7. Kalnins, Arturs and Kyle J. Mayer (2004), “Franchising, Ownership, and Experience: A Study of Pizza Restaurant Survival,” *Management Science*, 50 (12), 1716–1728.
8. Mitsuhashi, Hitoshi, Scott Shane, and Wesley D. Sine (2008), “Organization Governance Form in Franchising: Efficient Contracting or Organizational Momentum?” *Strategic Management Journal*, 29 (10), 1127–1136.
9. Shane, Scott, Venkatesh Shankar, and Ashwin Aravindakshan (2006), “The Effects of New Franchisor Partnering Strategies on Franchise System Size,” *Management Science*, 52 (5), 773–787.
10. Sorenson, Olav and Jesper B. Sorensen (2001), “Finding the Right Mix: Franchising, Organizational Learning, and Chain Performance,” *Strategic Management Journal*, 22 (6/7), 713–724.
11. Szulanski, Gabriel and Javier Gimeno (2007), “Growing Through Copying: The Negative Consequences of Innovation on Franchise Network Growth,” *Research Policy*, 37(10), 1732–1741.
12. Vroom, Govert and Javier Gimeno (2007), “Ownership Form, Managerial Incentives, and the Intensity of Rivalry,” *Academy of Management Journal*, 50 (4), 901–922.
13. Winter, Sidney G., Gabriel Szulanski, Dimo Ringov and Robert J. Jensen (2011), “Reproducing Knowledge: Inaccurate Replication and Failure in Franchise Organizations,” *Organization Science*, Published online doi:10.1287/orsc.1110.0663.
14. Yin, Xiaoli and Edward J. Zajac (2004), “The Strategy/Governance Structure Fit Relationship: Theory and Evidence in Franchising Arrangements,” *Strategic Management Journal*, 25 (4), 365–383.

Discipline: Entrepreneurship
Journals Searched

Journal of Business Venturing
Entrepreneurship Theory and Practice
Journal of Small Business Management

Category: Franchising Used Merely for Sampling/Data Context

1. Ciavarella, Mark A. and Allen C. Amason (2001), “Nawkaw, Inc.: Changing the Color of Masonry,” *Entrepreneurship Theory and Practice*, 26 (2), 77–93.
2. Galbraith, Craig S. (2003), “Divorce and the Financial Performance of Small Family Businesses: An Exploratory Study,” *Journal of Small Business Management*, 41 (3), 296–309.
3. Michael, Steven C. and James G. Combs (2008), “Entrepreneurial Failure: The Case of Franchisees,” *Journal of Small Business Management*, 46 (1), 73–90.

Category: Focused on Issues Unique to Franchising Ontology

1. Alon, Ilan (2001), "The Use of Franchising by U.S.-Based Retailers," *Journal of Small Business Management*, 111–122.
2. Barthelemy, Jerome (2011), "Agency and Institutional Influences on Franchising Decisions," *Journal of Business Venturing*, 26, 93–103.
3. Brand, Maryse J. and Evelien P.M. Croonen (2010), "Franchised and Small, the Most Beautiful of All; HRM and Performance in Plural Systems," *Journal of Small Business Management*, 48 (4), 605–626.
4. Castrogiovanni, Gary J., James G. Combs, and Robert T. Justis (2006), "Resource Scarcity and Agency Theory Predictions Concerning the Continued Use of Franchising in Multi-outlet Networks," *Journal of Small Business Management*, 44 (1), 27–44.
5. Castrogiovanni, Gary J., James G. Combs, and Robert T. Justis (2006), "Shifting Imperatives: An Integrative View of Resource Scarcity and Agency Reasons for Franchising," *Entrepreneurship Theory and Practice*, 30 (1), 23–40.
6. Castrogiovanni, Gary J. and Robert T. Justis (2002), "Strategic and Contextual Influences on Firm Growth: An Empirical Study of Franchisors," *Journal of Small Business Management*, 40 (2), 98–102.
7. Chiou, Jyh-Shen, Chia-Hung Hsieh, and Ching-Hsien Yang (2004), "The Effect of Franchisors' Communication, Service Assistance, and Competitive Advantage on Franchisees' Intentions to Remain in the Franchise System," *Journal of Small Business Management*, 42 (1), 19–36.
8. Chirico, Francesco, R. Duane Ireland, and David G. Sirmon (2011), "Franchising and the Family Firm: Creating Unique Sources of Advantage through "Familiness"," *Entrepreneurship Theory and Practice*, 35 (3), 483–501.
9. Cochet, Olivier and Vinay Kumar Garg (2008), "How Do Franchise Contracts Evolve? A Study of Three German SMEs," *Journal of Small Business Management*, 46 (1), 134–151.
10. Cochet, Olivier, Julian Dormann, and Thomas Ehrmann (2008), "Capitalizing on Franchisee Autonomy: Relational Forms of Governance as Controls in Idiosyncratic Franchise Dyads," *Journal of Small Business Management*, 46 (1), 50–72.
11. Combs, James G., David J. Ketchen, Jr., and Jeremy C. Short (2011), "Franchising Research: Major Milestones, New Directions, and Its Future within Entrepreneurship," *Entrepreneurship Theory and Practice*, 35 (3), 413–425.
12. Croonen, Evelien P. and Maryse J. Brand (2009), "Dutch Druggists in Distress: Franchisees Facing the Complex Decision of How to React to Their Franchisor's Strategic Plans," *Entrepreneurship Theory and Practice*, 34 (5), 1021–1042.
13. Dant, Rajiv P. (2008), "A Futuristic Research Agenda for the Field of Franchising," *Journal of Small Business Management*, 46 (1), 91–98.
14. Dant, Rajiv P., Rozenn Perrigot, and Gerard Cliquet (2008), "A Cross-Cultural Comparison of the Plural Forms in Franchise Networks: United States, France, and Brazil," *Journal of Small Business Management*, 46 (2), 286–311.
15. Davies, Mark A. P., Walfried Lassar, Chris Manolis, Melvin Prince, and Robert D. Winsor (2011), "A Model of Trust and Compliance in Franchise Relationships," *Journal of Business Venturing*, 26, 321–340.
16. Elango, B. (2007), "Are Franchisors with International Operations Different from Those Who Are Domestic market Oriented?," *Journal of Small Business Management*, 45 (2), 179–193.
17. Gillis, William E., Ellen McEwan, T. Russell Crook, and Steven C. Michael (2011), "Using Tournaments to Reduce Agency Problems: The Case of Franchising," *Entrepreneurship Theory and Practice*, 35 (3), 427–447.
18. Grewal, Dhruv, Gopalkrishnan R. Iyer, Rajshekhar G. Javalgi, and Lori Radulovich (2011), "Franchise Partnership and International Expansion: A Conceptual Framework and Research Propositions," *Entrepreneurship Theory and Practice*, 35 (3), 533–557.
19. Gonzalez-Diaz, Manuel and Vanesa Solis-Rodriguez (2011), "Why Do Entrepreneurs Use Franchising as a Financial Tool? An Agency Explanation," *Journal of Business Venturing*, Forthcoming.
20. Grünhagen, Marko and Michael J. Dorsch (2003), "Does the Franchisor Provide Value to Franchisees? Past, Current, and Future Value Assessments of Two Franchisee Types," *Journal of Small Business Management*, 41 (4), 366–384.
21. Grünhagen, Marko and Robert A. Mittelstaedt (2005), "Entrepreneurs or Investors: Do Multi-unit Franchisees Have Different Philosophical Orientations?," *Journal of Small Business Management*, 43 (3), 207–225.
22. Guillox, Veronique, Claire Gauzente, Michel Kalika, and Nathalie Dubost (2004), "How France's Potential Franchisees Reach Their Decisions: A Comparison with Franchisers' Perceptions," *Journal of Small Business Management*, 42 (2), 218–224.
23. Hoffman, Richard C. and John F. Preble (2003), "Convert to Compete: Competitive Advantage through Conversion Franchising," *Journal of Small Business Management*, 41 (2), 187–204.
24. Holmberg, Stevan R. and Kathryn Boe Morgan (2003), "Franchise Turnover and Failure: New Research and Perspectives," *Journal of Business Venturing*, 18 (3), 403–418.
25. Hoy, Frank (2008), "Organizational Learning at the Marketing Entrepreneurship Interface," *Journal of Small Business Management*, 46 (1), 152–158.
26. Ketchen, David J., Jr., Jeremy C. Short, and James G. Combs (2011), "Is Franchising Entrepreneurship? Yes, No, and Maybe So," *Entrepreneurship Theory and Practice*, 35 (3), 583–593.
27. Kidwell, Roland E. and Arne Nygaard (2011), "A Strategic Deviance Perspective on the Franchise Form of Organizing," *Entrepreneurship Theory and Practice*, 35 (3), 467–482.

28. Kidwell, Roland E., Arne Nygaard, and Ragnhild Silkoset (2007), “Antecedents and Effects of Free Riding in the Franchisor-Franchisee Relationship,” *Journal of Business Venturing*, 22 (4), 522–544.
29. Kistruck, Geoffrey M., Justin W. Webb, Christopher J. Sutter, and R. Duane Ireland (2011), “Microfranchising in Base-of-the-Pyramid Markets: Institutional Challenges and Adaptations to the Franchise Model,” *Entrepreneurship Theory and Practice*, 35 (3), 503–531.
30. McCrea, Elizabeth A. and Gladys M. Torres-Baumgarten (2011), “Mail Boxes Etc. or The UPS Store? A Decision from a Franchisee’s Perspective,” *Entrepreneurship Theory and Practice*, 35 (3), 595–613.
31. Mariz-Perez, Rosa and Teresa Garcia-Alvarez (2009), “The Internationalization Strategy of Spanish Indigenous Franchised Chains: A Resource-Based View,” *Journal of Small Business Management*, 47 (4), 514–530.
32. Meek, William R., Beth Davis-Sramek, Melissa S. Baucus, and Richard N. Germain (2011), “Commitment in Franchising: The Role of Collaborative Communication and a Franchisee’s Propensity to Leave,” *Entrepreneurship Theory and Practice*, 35 (3), 559–581.
33. Michael, Steven C. (2002), “Can a Franchise Chain Coordinate?” *Journal of Business Venturing*, 17 (4), 325–341.
34. Mumdžiev, Nada and Josef Windsperger (2011), “The Structure of Decision Rights in Franchising Networks: A Property Rights Perspective,” *Entrepreneurship Theory and Practice*, 35 (3), 449–465.
35. Tracey, Paul and Owen Jarvis (2007), “Towards a Theory of Social Venture Franchising,” *Entrepreneurship Theory and Practice*, 31 (5), 667–685.
36. Welsh, Dianne H. B., Ilan Alon and Cecilia Falbe (2006), “An Examination of International Retail Franchising in Emerging Markets,” *Journal of Small Business Management*, 44 (1), 130–149.

Discipline: Finance
Journals Searched[7]

Review of Finance
Journal of Corporate Finance

Category: Franchising Used Merely for Sampling/Data Context

None.

Category: Focused on Issues Unique to Franchising Ontology

1. Bubna, Amit and Bhagwan Chowdhry (2010), “Franchising Microfinance,” *Review of Finance*, 14 (3), 451–476.
2. Dnes, Antony W. (2003), “Hostages, Marginal Deterrence and Franchise Contracts,” *Journal of Corporate Finance*, 9, 317–331.

Discipline: Economics
Journals Searched[8]

American Economic Journal: Microeconomics
Journal of Business and Economics Studies
Journal of Law and Economics
Journal of Law, Economics, & Organization
Journal of Economic Behavior
European Economic Review
Journal of Economic Behavior & Organization
Journal of Economic Literature
Pacific Economic Review
RAND Journal of Economics
Economics Letters
Journal of Economics & Business

Category: Franchising Used Merely for Sampling/Data Context

1. Arrunada, Benito, Luis Garicano, and Luis Vazquez (2001), “Contractual Allocation of Decision Rights and Incentives: The Case of Automobile Distribution,” *The Journal of Law, Economics, & Organization*, 17 (1), 257–284.
2. Ellman, Matthew (2006), “Specificity Revisited: The Role of Cross-Investments,” *The Journal of Law, Economics, & Organization*, 22 (1), 234–257.
3. Etro, Federico (2011), “Endogenous Market Structures and Contract Theory: Delegation, Principal-Agent Contracts, Screening, Franchising and Tying,” *European Economic Review*, 55, 463–479.
4. Jin, Ginger Zhe and Phillip Leslie (2009), “Reputational Incentives for Restaurant Hygiene,” *American Economic Journal: Microeconomics*, 1 (1), 237–267.

[7] A total of the following ten prestigious Finance journals were searched: *Journal of Finance, Journal of Financial Economics, Review of Financial Studies, Journal of Financial and Quantitative Analysis, Journal of Financial Intermediation, Review of Finance, Journal of Corporate Finance, Financial Management, Journal of Financial Markets,* and *Journal of Accounting and Economics* even though the search yielded only two articles for the reviewed period.

[8] A total of the following twenty-seven prestigious Economics journals were searched: *Econometrica*, *American Economic Journal*, *Microeconomics*, *American Economic Review*, *Journal of Political Economy*, *Journal of Economic Theory*, *Journal of Econometrics*, *Quarterly Journal of Economics*, *Econometric Theory*, *Review of Economic Studies*, *Journal of Business and Economic Statistics*, *Journal of Business and Economics Studies*, *Journal of Law and Economics*, *Journal of Law, Economics, & Organization*, *Journal of Monetary Economics*, *Games and Economic Behavior*, *Journal of Economic Perspectives*, *Journal of Economic Behavior*, *Review of Economics and Statistics*, *Economic Theory*, *International Economic Review*, *European Economic Review*, *Journal of Economic Behavior & Organization*, *Journal of Economic Literature*, *Pacific Economic Review*, *Economics Letters*, Journal of Economics & Business and *RAND Journal of Economics* even though the search yielded only seventeen articles straddling twelve journals for the reviewed period.

5. Lafontaine, Francine and Kathryn L. Shaw (2005), “Targeting managerial Control: Evidence from Franchising,” *The RAND Journal of Economics*, 36 (1), 131–150.
6. Lafontaine, Francine and Margaret Slade (2007), “Vertical Integration and Firm Boundaries: The Evidence,” *Journal of Economic Literature*, 45 (3), 629–685.

Category: Focused on Issues Unique to Franchising Ontology

1. Brickley, James A. (2002), “Royalty Rates and Upfront Fees in Share Contracts: Evidence from Franchising,” *The Journal of Law, Economics, & Organization*, 18 (2), 511–535.
2. Brickley, James A., Sanjog Misra, and R. Lawrence Van Horn (2006), “Contract Duration: Evidence from Franchising,” *Journal of Law and Economics*, 49, 173–196.
3. Chaudhuri, Ananish, Parikshit Ghosh, and Chester Spell (2001), “A Location Based Theory of Franchising,” *Journal of Business and Economics Studies*, 7 (1), 54–67.
4. Chu, Chuh-Ning and Wai-Man Liu (2010), “General Equilibrium Analysis of Hold-Up Problem and Non-Exclusive Franchise Contract,” *Pacific Economic Review*, 15 (5), 674–684.
5. Dnes, Antony and Nuno Garoupa N (2005), “Externality and Organizational Choice in Franchising,” Journal of Economics & Business, 57, 139–149.
6. Hennessy, David A. (2003), “Property Rights, Productivity, and the Nature of Noncontractible Actions in a Franchise System,” *Journal of Economic Behavior & Organization*, 52, 443–468.
7. Kalnins, Arturs and Francine Lafontaine (2004), “Multi-Unit Ownership in Franchising: Evidence from the Fast-Food Industry in Texas,” *The RAND Journal of Economics*, 35 (4), 747–761.
8. Lafontaine, Francine and Fiona Scott Morton (2010), “State Franchise Laws, Dealer Terminations, and the Auto Crisis,” *Journal of Economic Perspectives*, 24 (3), 233–250.
9. Mookherjee, Dilip (2006), “Decentralization, Hierarchies, and Incentives: A Mechanism Design Perspective,” *Journal of Economic Literature*, 64(June), 367–390.
10. Windsperger, Josef (2001), “The Fee Structure in Franchising: A Property Rights View,” *Economics Letters*, 73, 219 – 226.
11. Zaranone, Giorgio (2009), “Vertical Restraints and the Law: Evidence from Automobile Franchising,” *Journal of Law and Economics*, 52, 691–700.

Appendix B.

Sources for Comparative Data Presented in Table 2.

USA

Number of systems

Franchise Facts (2011), *Capturing the Franchise Experience: Franchisee Satisfaction Survey: Annual Report 2010* http://www.franchisefactsusa.com/pdfs/Franchisee_Satisfaction_Survey_Annual_Report_2010.pdf. Accessed May 7, 2011.

Number of outlets

PricewaterhouseCoopers (2009), *2010 Franchise Business Economic Outlook*, http://www.franchise.org/uploadedFiles/Franchise_Industry/Resources/Education_Foundation/2010%20Franchise%20Business%20Outlook%20Report_Final%202009.12.21.pdf. Accessed May 7, 2011.

People employed

International Franchise Association (2011), http://www.franchise.org. Accessed May 7, 2011.

Economic impact on the economy

International Franchise Association (2011), http://www.buildingopportunity.com/ Accessed August 14, 2011.

Percent of retailing

Murphy Business & Financial Corporation (2011), http://www.murphybusiness.com/franchise-sales/franchise-facts. Accessed August 14, 2011.

CHINA

Number of systems and number of outlets

Wang, Zhiqiong June, Mingxia Zhu, and Andrew Terry (2008), “The Development of Franchising in China,” *Journal of Marketing Channels*, 15 (2/3), 167–184.

People employed

CNTV CCTV’s News Channel, Official Voice of China http://news.cntv.cn/20110507/102792.shtml. Accessed July 25, 2011.

Economic impact on the economy

BRIC Spotlight Report (2011), http://www.thomaswhite.com/explore-the-world/bric-spotlight/china-retail.aspx. Accessed July 25, 2011.

Percent of retailing

United States Commercial Service (2007), *China: Franchising Industry*, The JLJ Group: 1–23.

INDIA

Number of systems and number of outlets

FRANCHISING IN INDIA, http://www.franchiseindia.net/franchising-in-india.php. Accessed July 21, 2011.

Appendix B (*Continued*).

People employed
http://www.linkedin.com/groups/FRANCHISING-GENERATES-85-LAKH-JOBS-3463936.S.55059884?qid=b60c9fc1-e14c-4312-b45b-0b09d08566bf&goback=.gmp_3463936. Accessed August 14, 2011.
Economic impact on the economy
FRANCHISING IN INDIA, http://www.franchiseindia.net/franchising-in-india.php. Accessed July 21, 2011.
Percent of retailing
Poston, Toby (2007), http://retailsectorinindia.blogspot.com/. Accessed July 21, 2011.

BRAZIL
Number of systems and number of outlets
Rodrigues, Paulo (2011), "US Commercial Service: Brazil Franchising" http://www.globaltrade.net/international-trade-import-exports/expert-service-provider-p/US-Commercial-Service-Brazil-Trade-Promotion.html. Accessed August 11, 2011.
People employed
http://www.thenewage.co.za/Detail.aspx?news_id=13722&cat_id=9. Accessed August 14, 2011.
Economic impact on the economy
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Percent of retailing
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