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The Choice of Governance Modes of International Franchise Firms — Development of an Integrative Model

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ABSTRACT

This paper examines the evolution of the international franchise research with special focus on the governance modes of the international franchise firm and develops a new model for the franchisor's choice of the international governance modes. International governance modes in franchising refer to wholly-owned subsidiaries, joint venture franchising, area development franchising and master franchising. Although many studies on the governance modes of the international franchise firm have been published in the last two decades, no prior study develops an integrative framework that investigates the determinants of the international governance modes by combining organizational economics and strategic management perspectives. Specifically, this study explains the governance modes of the international franchise firm by applying transaction cost theory, agency theory, resource-based and organizational capabilities theory and property rights theory.

1. Introduction

In the past two decades, researchers have tried to explain international franchising from different theoretical angles. International franchise studies can be classified into five research streams: studies that focus on franchise internationalisation compared to domestic operations (e.g. Alon et al., 2012; Elango, 2007; Eroglu, 1992; Fladmoe-Lindquist, 1996; Huszagh et al., 1992; Julian and Castrogiovanni, 1995; Kedia et al., 1994; Mariz-Pérez and García-Álvarez, 2009; Quinn and Alexander, 2002; Shane, 1996b), the host country conditions and the impact of international franchising (e.g. Aliouche and Schlentrich, 2011; Alon, 2006a; Alon and Banai, 2000; Alon and McKee, 1999a; Baena, 2012; Castrogiovanni and Vozikis, 2000; Grünhagen et al., 2010; Hoffman and Preble, 2001, 2004; Preble, 1995; Sanghavi, 1998; Welsh et al., 2006), the propensity to franchise internationally (e.g. Castrogiovanni et al., 2006; Contractor and Kundu, 1998a,b; Doherty, 2007; Dunning et al., 2007; Erramilli et al., 2002; Fladmoe-Lindquist and Jacque, 1995; Pak, 2002; Petersen and Welch, 2000; Picot-Coupey, 2006, 2009; Sashi and Karuppur, 2002), the cross-border franchisor–franchisee relationship (e.g. Altinay and Miles, 2006; Choo, 2005; Dant and Nasr, 1998; Doherty, 2009; Doherty and Alexander, 2004; Grewal et al., 2011; Kalnins, 2005; Lafontaine and Oxley, 2004; Paik and Choi, 2007; Pizanti and Lerner, 2003; Quinn, 1999; Quinn and Doherty, 2000; Szulanski and Jensen, 2006, 2008), and the choice of international franchise governance modes (e.g. Alon, 2006b; Brookes and Roper, 2011; Burton et al., 2000; Chan and Justis, 1990, 1992; Chen, 2010; Choo et al., 2007; Frazer, 2003; Garg and Rasheed, 2006; Hackett, 1976; Hoffman and Preble, 2003; Jones, 2003; Konigsberg and Rosenstein, 1991; Preble and Hoffman, 2006; Preble et al., 2000; Ryans et al., 1999; Walker and Etzel, 1973; Zietlow, 1995).

The aim of this study is to review the international franchise literature and develop an integrative model to explain the franchisor's choice of international governance mode. According to Konigsberg (2008), the most important governance modes of international franchise firms are wholly-owned subsidiary, joint venture franchising, area development franchising and master

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franchising. The research deficit in the franchise and market entry literature relates to the scarcity of theoretical explanations of the governance modes of the international franchise firm, as most studies are exploratory or descriptive. Only few studies apply different theoretical perspectives to explain the governance modes of the international franchise firm (e.g. Burton et al., 2000; Castrogiovanni et al., 2006; Contractor and Kundu, 1998a,b; Fladmoe-Lindquist, 1996; Fladmoe-Lindquist and Jacque, 1995; Grewal et al., 2011; Paik and Choi, 2007; Pizanti and Lerner, 2003; Quinn and Doherty, 2000; Sashi and Karuppur, 2002). Our study attempts to fill this gap by developing an integrative model to explain the governance modes of the international franchise firm using transaction cost theory, agency theory, resource-based theory, organizational capabilities theory and property rights theory. Specifically, this model defines the major generic governance modes of the international franchise firms, such as wholly-owned subsidiary, joint venture franchising, area development franchising and master franchising, and explains their determinants by deriving hypotheses from organizational economics and strategic management perspectives.

How do these modes differ from the governance modes of international firms in general and the franchise governance modes in domestic settings? Compared to the governance modes of international firms in general (e.g. Gatignon and Andersen, 1988; Hill et al., 1990; Malhotra et al., 2003), these modes are unique to international franchise firms. Although some of the modes, such as joint ventures and wholly-owned subsidiaries, are used by other international firms in the manufacturing and service sector, the specific control structures, ranging from master franchising, area development franchising, joint venture franchising to wholly-owned subsidiaries, distinguish international franchise firms from other international firms (Contractor and Kundu, 1998b; Konigsberg, 2008; Konigsberg and Rosenstein, 1991; Zietlow and Hennart, 1997). Under the dominant control mode classification in the international market entry literature (e.g. Anderson and Gatignon, 1986; Hashai et al., 2010; Welch et al., 2008) franchising belongs to the medium-control modes. This research stream however does not differentiate between the various governance structures within the franchise mode. Furthermore, the governance modes of the international franchise firms are different from the modes of the domestic franchise firms, although area development franchising (as multi-unit franchising) and master franchising are applied in domestic settings as well. However, contrary to multi-unit agreements in domestic franchising, area development agreements in international franchising typically involve the grant of exclusive rights "to develop franchise outlets within a specified territory" (Konigsberg, 2008: 142, 147). Consequently, the governance modes of international franchise firms have specific characteristics that deviate from the modes in domestic settings and of international firms in general.

What is the contribution of this study? This study provides a theoretical contribution to both the franchise and the market entry literature as it develops a new model of the franchisor's choice of the governance modes of the international franchise firm by integrating strategic management and organizational economics perspectives. The strategic management perspective (in particular the resource-based and organizational capability view) focuses on the choice of governance modes to gain competitive advantage by exploring firm-specific resources and organizational capabilities, and the organizational economic theories (transaction cost, agency and property rights theory) focus on the choice of governance modes to reduce transaction and agency costs or increase residual income, due to uncertainty/information asymmetry or non-contractibility of assets. Accordingly, governance modes are not only cost-minimizing mechanisms as argued in transaction cost and agency theory but simultaneously knowledge-creating mechanisms in order to gain competitive advantage as argued in resource-based theory and organizational capabilities theory (e.g. Madhok, 1997; Pitelis and Teece, 2009). Therefore, this study provides new theoretical insights by demonstrating how the combination of organizational economics and strategic management perspectives extends our understanding of the determinants of governance modes of the international franchise firms (Corely and Gioa, 2011; Whetten, 1989).

Overall, this study contributes to the recent call in organizational economics, strategic management and marketing for the integration of different theoretical perspectives to explain the governance structure of the franchise firm (e.g. Combs et al., 2004, 2011; Dant, 2008; Dunning et al., 2007; Hussain and Windsperger, 2010; Rindfleisch et al., 2010; Welsh et al., 2006; Windsperger, 2013). Similarly, Brouthers and Hennart (2007), Canabal and White (2008) and Morschett et al. (2010) argue that entry mode research benefits from the application of integrative frameworks to explain the different market entry modes. Furthermore, Cheng et al. (2011) argue that developing a new international business theory in general requires an interdisciplinary-based approach.

The paper is organized as follows: Section 2 provides an overview of the relevant international franchise literature. Section 3 discusses the different governance modes of the international franchise firm and introduces the concept of control. Section 4 develops the integrative model of governance modes of the international franchise firm based on transaction cost theory, agency theory, resource-based theory, organizational capabilities theory and property rights theory. Section 5 discusses the results and derives conclusions.

2. International franchise literature

The studies in international franchising can be classified into five major research streams. These are summarized in Table 1 and in Appendix A.

2.1. Domestic versus international franchising

One research stream investigates the factors that influence the tendency toward internationalisation of the franchise firm, which mainly belong to the firm-internal environment. Huszagh et al. (1992) and others (e.g. Alon et al., 2012; Eroglu, 1992; Fladmoe-Lindquist, 1996; Julian and Castrogiovanni, 1995; Kedia et al., 1994; Shane, 1996a) refer to firm characteristics, such as the age and size of the franchise firm, as well as tangible and intangible resources and capabilities (e.g. Julian and Castrogiovanni, 1995; Mariz-Pérez and García-Álvarez, 2009) of international franchisors, which support them in successfully expanding business operations.

Studies find that international franchisors, compared to domestic ones, possess large financial capital to absorb possible failure (Eroglu, 1992), increased reputation and brand awareness, superior experience (e.g. site selection, store layout, procurement, local adaptation of operational procedures), and economies of scale in monitoring and advertising to manage the physically and culturally distant franchise networks (e.g. Alon et al., 2012; Fladmoe-Lindquist, 1996). Furthermore, the top management's attitudes, such as the international orientation towards expansion, profitability and risk, are important determinants distinguishing domestic from international franchisors (e.g. Eroglu, 1992; Kedia et al., 1994).

2.2. Host country conditions and impact of international franchising

A second literature stream shows that beside firm-internal and strategic variables, which mainly focus on the franchisor's control or monitoring capabilities (Hoffman and Preble, 2001), macro-environmental factors are important for explaining international franchising (Alon and McKee, 1999a,b: p.77). Analysing different countries and regions, e.g. developed, emerging and developing countries (Aliouche and Schlentrich, 2011; Alon and Banai, 2000; Baena, 2012; Grünhagen et al., 2010; Hoffman and Preble, 2004; Preble, 1995; Welsh et al., 2006), these studies show that host country conditions, such as economic (e.g. disposable income level, economic growth rate, level of urbanization, development of infrastructure), financial (e.g. development of banking sector, monetary stability, level of interest and inflation), demographic (e.g. size of middle income class, population growth rate, female labour participation), political differences (e.g. governmental regulations, political stability, ownership restrictions, exchange rate controls, royalty repatriation, import restrictions), and cultural distance (e.g. Hofstede, 1991), strongly affect international franchising. Furthermore, this literature stream also analyses the "social, economic, cultural, political and marketplace" (Grünhagen et al., 2010: p. 1) impact of international franchising for stakeholders, e.g. local franchisees or consumers (Grünhagen et al., 2010; Welsh et al., 2006).

2.3. Propensity to franchise internationally

A third literature stream investigates the firm's propensity to franchise internationally compared to expand with company-owned operations. Based on the transaction cost theory and/or agency theory, these studies show that the franchisors have a higher propensity to franchise internationally when environmental uncertainty in the host country is high (i.e. under high political, economic and currency instability and cultural distance), in order to maintain flexibility, minimize investment risks and transaction costs, such as monitoring costs, adaptation costs and switching costs (Castrogiovanni et al., 2006; Contractor and Kundu, 1998a,b; Fladmoe-Lindquist and Jacque, 1995). In addition, based on the transaction cost theory, the impact of transaction-specific investments on the franchisor's level of control is analysed (Contractor and Kundu, 1998a,b; Fladmoe-Lindquist and Jacque, 1995).

Likewise Erramilli et al. (2002) analyse the different international market entry modes in the hotel industry, but exclusively from a resource-based and organizational capabilities perspective. They show that if tacit, imperfectly imitable knowledge, resources and capabilities are the main drivers of the international franchisor's competitive advantage in the host country, higher control modes are preferred. In line with this view, international franchisors have a dual strategic motivation of exploring new knowledge as well as exploiting host market opportunities (Dunning et al., 2007; Pak, 2002), resulting in different international governance modes. Finally, the research results indicate that the franchisor's strategic orientation of fast market entry through franchising, compared to company-owned units, finds no empirical support (Contractor and Kundu, 1998a; Dunning et al., 2007; Pak, 2002).

2.4. International franchisor–franchisee relationship

Deepening the agency-theoretical considerations, a fourth literature stream applies case study analysis to investigate the franchise contract terms used in international franchisor–franchisee relationships, such as pricing structure, restrictive performance schedules and unilateral cancellation clauses (e.g. Altinay and Miles, 2006; Choo, 2005; Doherty, 2009; Doherty and Alexander, 2004; Paik and Choi, 2007; Pizanti and Lerner, 2003; Quinn, 1999; Quinn and Doherty, 2000; Szulanski and Jensen, 2006). In addition, some quantitative work investigates the international franchisor–franchisee relationship (Dant and Nasr, 1998; Kalnins, 2005; Lafontaine and Oxley, 2004; Szulanski and Jensen, 2008). The findings show that exclusive reliance on formal control to monitor the international franchise networks is inadequate (Choo, 2005; Dant and Nasr, 1998). Therefore, alternative theoretical approaches, based on stakeholder theory, exchange theory and resource dependency theory are important (e.g. Altinay and Miles, 2006; Doherty and Alexander, 2004; Paik and Choi, 2007; Pizanti and Lerner, 2003; Quinn and Doherty, 2000), to explain informal, commitment-based behaviour (Doherty, 2009; Doherty and Alexander, 2004; Grewal et al., 2011).

2.5. International franchise governance modes

Finally, the last literature stream highlights the choice of different governance modes by international franchisors, such as wholly-owned subsidiary and company-owned outlets, direct franchising, area development franchising, master franchising and joint venture franchising. As one of the earliest works on international franchising, Walker and Etzel (1973) and Hackett (1976) summarize the different cross-border entry strategies, such as company-owned operations, direct franchising, area development franchising, master franchising and joint venture franchising, and illustrate the most significant problems and motivational

Table 1
Classification of the international franchise literature.

	Source author	Year	Journal	Method[a]	Theory[b]	Data Source[c]	Sample size
Domestic versus international franchising	Huszagh S.M., F.W. Huszagh, F.S. McIntyre	1992	International Marketing Review	Quant.	Competitive strategy lit., theory of the firm	S	1967: 71 domestic & 46 international U.S. franchisors 1988: 173 domestic & 194 international U.S. franchisors
	Eroglu S.	1992	International Marketing Review	Conc.	–	N.A.	N.A.
	Kedia B.L., D.J. Ackerman, R.T. Justis	1994	International Marketing Review	Quant.	–	P	70 U.S.-based international & 72 U.S.-based domestic-only franchisors
	Julian S.D., G.J. Castrogiovanni	1995	Journal of Small Business Management	Quant.	–	S	1005 U.S. franchisors
	Shane S.A.	1996	Journal of Business Venturing	Quant.	–	S	815 largest U.S. franchisors
	Fladmoe-Lindquist K.	1996	Journal of Business Venturing	Conc.	AT, RBT, OCT	N.A.	N.A.
	Quinn B., N. Alexander	2002	International Journal of Retail & Distribution Management	Conc.	–	N.A.	N.A.
	Elango B.	2007	Journal of Small Business Management	Quant.	–	S	500 leading U.S. franchisors
	Mariz-Perez R., T. Garcia-Alvarez	2009	Journal of Small Business Management	Quant.	RBT, OCT	S	316 Spanish franchise chains
	Alon I., L. Ni, Y. Wang	2012	International Journal of Hospitality Management	Quant.	AT	S	17 U.S.-based hotel chains
Host country conditions & impact of international franchising	Preble J.F.	1995	Journal of Small Business Management	Quant.	–	P	13 franchise countries
	Sanghavi N.	1998	Management Research News	Qual.	–	S	N.A.
	Alon I., D. McKee	1999	Multinational Business Review	Conc.	–	N.A.	N.A.
	Alon I., M. Banai	2000	Journal of International Marketing	Qual.	–	S	N.A.
	Castrogiovanni G.J., G.S. Vozikis	2000	New England Journal of Entrepreneurship	Conc.	–	N.A.	N.A.
	Hoffman R.C., J.F. Preble	2001	Multinational Business Review	Quant.	–	P	24 franchise associations
	Hoffman R.C., J.F. Preble	2004	Journal of Services Marketing	Quant.	–	S	40 franchise countries
	Welsh D.H.B., I. Alon, C.M. Falbe	2006	Journal of Small Business Management	Conc.	–	N.A.	N.A.
	Alon I.	2006	International Journal of Emerging Markets	Quant.	–	S	20 emerging markets
	Grunhagen M., C.L. Witte, S. Pryor	2010	Journal of Consumer Behaviour	Qual.	Consumer agency	P	5 focus groups with 29 participants in 3 Egyptian cities
	Aliouche E.H., U.A. Schlentrich	2011	Journal of Retailing	Quant.	–	S	143 countries
	Baena V.	2012	International Journal of Emerging Markets	Quant.	TCT	S	63 Spanish franchisors, operating a total of 2836 franchisee outlets in emerging countries
Propensity to franchise internationally	Fladmoe-Lindquist K., L.L. Jacque	1995	Management Science	Quant.	AT, TCT	P	12 U.S. franchisors
	Contractor F.J., S.K. Kundu	1998a	Journal of International Marketing	Quant.	AT, TCT	P	723 global hotel properties
	Contractor F.J., S.K. Kundu	1998b	Journal of International Business Studies	Quant.	AT, TCT, OCT	P	720 global hotel properties
	Petersen B., L.S. Welch	2000	International Business Review	Qual. [d]	–	P	2 Danish clothing & footwear companies
	Sashi C.M., D.P. Karuppur	2002	International Marketing Review	Conc.	AT, TCT, Int. market entry lit.	N.A.	N.A.
	Erramilli M.K., S. Agarwal, C.S. Dev	2002	Journal of International Business Studies	Quant.	OCT	P	139 franchising and MSC entry modes
	Pak Y.S.	2002	Multinational Business Review	Quant.	–	P	60 U.S. & 12 U.K. international franchisors
	Castrogiovanni G.J., J.G. Combs, R.T. Justis	2006	Journal of Small Business Management	Quant.	AT, Resource scarcity theory	S	439 U.S. franchisors
	Picot-Coupey K.	2006	International Review of Retail, Distribution and Consumer Research	Qual.	–	P	6 French international retail chains
	Dunning J.H., Y.S. Pak, S. Beldona	2007	International Business Review	Quant.	–	P	12 international U.K. & 60 international U.S. franchisors

	Doherty A.M.	2007	International Journal of Service Industry Management	Qual.	–	P	6 U.K. international fashion retailers
	Picot-Coupey K.	2009	Recherche et Applications en Marketing	Quant.	–	P	43 questionnaires of French fashion retailers
International franchisor–franchisee relationship	Dant R.P., N.I. Nasr	1998	Journal of Business Venturing	Quant. [d]	AT	P	20 U.S. international franchisors
	Quinn B.	1999	International Marketing Review	Qual.	–	P	1 U.K. international retail company
	Quinn B., A.M. Doherty	2000	International Marketing Review	Qual.	AT, Marketing channel lit.	P	1 U.K. international retail company
	Pizanti I., M. Lerner	2003	International Small Business Journal	Qual.	AT, Exchange theory	P	1 domestic-only Israeli fast food chain and 2 U.S. international fast food chains
	Doherty A.M., N. Alexander	2004	European Journal of Marketing	Qual.	Relationship marketing	P	6 U.K. international fashion retailers
	Lafontaine F., J.E. Oxley	2004	Journal of Economics and Management Strategy	Quant.	AT	S	209 U.S. and Canadian franchise systems
	Choo Stephen	2005	Asia Pacific Journal of Management	Qual.	AT	P	1 U.S. and 2 Australian fast-food chains
	Kalnins A.	2005	Journal of Economics & Management Strategy	Quant.	–	S	142 international master franchise contracts by U.S. fast-food chains
	Altinay L., S. Miles	2006	The Service Industry Journal	Qual.	Stakeholder theory	P	1 U.K. multinational hotel group
	Szulanski G., R.J. Jensen	2006	Strategic Management Journal	Qual.	–	P	One Israeli master franchisor
	Paik Y., D.Y. Choi	2007	International Small Business Journal	Qual.	AT, marketing channel, resource dependency theory	P	5 U.S. international fast-food chains
	Szulanski G., R.J. Jensen	2008	Research Policy	Quant.	–	P	23 national master franchise networks
	Doherty A.M.	2009	Journal of Business Research	Qual.	–	P	6 U.K. international fashion retailers
	Grewal D., G.R. Iyer, R.G. Javalgi, L. Radulovich	2011	Entrepreneurship Theory and Practice	Conc.	AT, TCT, RBT, resource scarcity, signalling theory	N.A.	N.A.
Different international franchise modes	Walker B.J., M.J. Etzel	1973	Journal of Marketing	Quant.	–	P	70 U.S. international franchise systems
	Hackett D.W.	1976	Journal of International Business Studies	Quant.	–	P	85 U.S. international franchise firms
	Chan P.S., R.T. Justis	1990	Academy of Management Executive	Qual.	–	S	N.A.
	Konigsberg A.S.	1991	In: Gramatidis, Y./Campbell, D. (eds.), International Franchising: An In-Depth Treatment of Business and Legal Techniques, Deventer: Kluwer 1991.	Conc.	–	N.A.	N.A.
	Chan P.S., R.T. Justis	1992	Journal of Small Business Management	Qual.	–	S	N.A.
	Zietlow D.S.	1995	Illinois Business Review	Quant.	–	P	43 U.S. international franchisors
	Ryans J.K., S. Lotz, R. Krampf	1999	Marketing Management	Quant.	–	P	39 U.S. international franchisors
	Burton F., A.R. Cross, M. Rhodes	2000	Management International Review	Quant.	TCT	P	15 U.K. international franchise systems
	Preble J.F., A. Reichel, R.C. Hoffman	2000	International Journal of Hospitality Management	Qual.	–	S	3 international hotel chains & 2 fast food chains
	Jones G.	2003	International Journal of Retail & Distribution Management	Qual.	–	P	1 U.K. international retail company
	Frazer L.	2003	Journal of Asia Pacific Marketing	Qual.	–	P	9 Australian fast-food retail franchise chains
	Hoffman R.C., J.F. Preble	2003	Journal of Small Business Management	Quant.	RBT	P	72 North American franchisors
	Preble J.F., R.C. Hoffman	2006	Journal of Marketing Channels	Conc.	–	N.A.	N.A.
	Garg V.K., A.A. Rasheed	2006	International Journal of Entrepreneurship	Conc.	AT	N.A.	N.A.
	Alon I.	2006	Multinational Business Review	Conc.	–	N.A.	N.A.
	Choo S., T. Mazzarol, G. Soutar	2007	Asia Pacific Journal of Marketing and Logistics	Qual.	Resource scarcity theory	P	Five U.S. international food retail franchise systems
	Chen H.	2010	International Journal of Organizational Innovation	Qual.	AT	P	4 U.S. international food franchise systems
	Brookes M., A. Roper	2011	European Journal of Marketing	Qual.	–	P	1 U.S.-based hotel franchisor

[a] Conc. (Conceptual), Quant. (Quantitative), Qual. (Qualitative).
[b] AT (Agency theory), TCT (Transaction cost theory), RBT (Resource-based theory), OCT (Organizational capabilities theory).
[c] P (Primary data source), S (Secondary data source).
[d] As the paper contains both, a quantitative study and a qualitative study, it is summarized under its focal method.

factors perceived by U.S. franchisors with international franchising. Similarly, Zietlow (1995) investigates the different franchise entry modes used by international U.S. franchisors to expand into foreign markets. Konigsberg and Rosenstein (1991) develop a conceptual framework on the different international franchise modes and outline the influences of firm-internal factors and environmental conditions on the choice of direct franchising, such as single-unit franchising, area development franchising and franchising through the establishment of a wholly-owned subsidiary, indirect franchising such as master franchising, and joint venture franchising in an international setting.

Ryans et al. (1999) investigate the use of international master franchising by surveying its advantages and disadvantages from the perspective of U.S. international franchisors. In addition, Alon (2006b) provides a conceptual approach to analyse international expansion strategies with master franchising, by deriving hypotheses on the impact of economic (i.e. market size, intensity of competition, and demand variability), social (i.e. franchising acceptance/knowledge, entrepreneurial culture, and geographical and cultural distance) and political/legal (i.e. country risk, corruption, and legal framework) factors on the franchisor's choice of international governance mode.

Burton et al. (2000) analyse the choice of U.K. franchisors between direct international franchising and international franchising via intermediaries, i.e. master franchisors or area developers. They apply transaction cost theory, arguing that especially with the establishment of larger franchise systems in the host country, international franchising with an intermediary reduces some of the transaction costs inherent to direct international franchising. However, additional intermediary-related costs may arise under indirect franchising, for instance due to disagreements on turnover targets, corporate image, fee structures and profit redistribution.

Hoffman and Preble (2003) examine the conditions under which conversion franchising is more efficient than recruiting new franchisees. They argue that international franchisors more likely choose conversion franchising under economic (tight credit policies), market (restricted real estate market), competitive (saturated markets) and technological changes in the foreign markets. Confirming resource-based and organizational capabilities arguments, converting experienced franchisees provides the franchisors access to partners with high managerial capabilities, access to strategic locations, existing customer base and local market knowledge, such as consumer preferences, cultural values and location-specific marketing methods. Preble and Hoffman (2006) combine the three generic franchise modes (i.e. direct franchising, area development franchising and master franchising) with strategic approaches (i.e. first-mover, platform and conversion strategies) to develop a strategic choice framework. Based on the franchisors' experience and capabilities and various market conditions, the authors offer a contingency model on strategy formulation and implementation to franchisors.

Growing contribution on cross-border franchising with different franchise governance modes is provided by qualitative research, such as single and multiple case studies (e.g. Brookes and Roper, 2011; Chen, 2010; Choo et al., 2007; Frazer, 2003; Jones, 2003; Preble et al., 2000). Chan and Justis (1990, 1992) examine the challenges faced by U.S. franchisors, such as McDonald's, Kentucky Fried Chicken, Hilton Hotel system and Coca Cola, when entering the markets of East Asia and the European Community. Preble et al. (2000) describe the advantages of the different modes of franchising, in particular in hospitality and fast-food industries in Israel. Examples include Days Inns, Meridian Hotels, Domino's Pizza and McDonald's, which used conversion franchising, master franchising and direct franchising as successful entry modes into the Israeli market. Jones (2003) analyses the legal restrictions on foreign direct investments (FDIs) in the Middle East countries by conducting a single case study on the U.K. department store Debenhams, which established a franchise agreement with the partner M&H Alshaya to successfully enter the Middle East market.

Frazer (2003), Choo et al. (2007) and Chen (2010) focus on the Asian region and analyse the governance mode choice of U.S. or Australian fast-food franchisors, such as company ownership, area development franchising, master franchising and joint venture franchising. Frazer shows that Australian franchisors adapt their products to Chinese consumer preferences, but are reluctant to codify their systems and the marketing-mix of their products. Overall, the results indicate that expansion into China is involved with franchisors' difficulties in finding reliable partners and monitoring geographically and culturally distant franchisees. Consistent with resource scarcity theory, Choo et al. (2007) find that U.S. franchisors, when entering the Singaporean market, were highly dependent on their Singaporean franchisees' resources to establish the brand, such as financial capital, access to prime retail sites, human capital and market knowledge. Moreover, Chen (2010) explains the advantages of multi-unit area development franchising when compared to single-unit and sequential multi-unit franchising in Taiwan. Chen shows that U.S. franchisors benefit from the local area developer's financial resources, managerial and country-specific experience and good relationships with local governments. High investments of the Taiwanese area developers in the local multi-unit chain reduce agency problems and the franchisor's exposure to cultural and legislative hazards, such as brand hijacking.

Finally, Brookes and Roper (2011) examine the inter-organizational processes used to control international master franchise agreements from operational, relational and evolutionary perspectives. This case study is conducted in the international hotel industry investigating an international master franchise agreement between a US-based hotel franchisor and its European master franchisees. It identifies the specific interorganizational processes for quality and financial control, decision-making, co-ordination, and communication and how these change over time in master franchise relationships. It highlights that these processes are decentralised in the formation stage, centralised in the development stage and decentralised in the maturity stage. In addition, it provides empirical evidence that relational control acts as complement to formal control in master franchise agreements.

Overall we can conclude that only few studies apply and combine different theoretical approaches to explain the franchisor's choice of international governance. These are listed in Table 2.

The application of different theoretical approaches and the empirical results from quantitative and qualitative studies lead to the conclusion that more than one theoretical perspective must be applied in explaining the different governance modes of international franchise firms (Combs et al., 2004; Eisenhardt, 1988, 1989). In order to tackle the complexity of understanding the franchisor's choice of international governance mode, a multi-theoretical framework needs to be developed. Therefore, the aim of this study is to develop an integrative model of the governance mode choice of the international franchise firm by deriving hypotheses from transaction cost theory, agency theory, resource-based and organizational capabilities theory and property rights theory.

Table 2
Major theories applied to international franchise governance modes.

TCT	AT	RBT.OCT
Fladmoe-Lindquist and Jacque (1995)	Fladmoe-Lindquist and Jacque (1995)	Fladmoe-Lindquist (1996)
Contractor and Kundu (1998a,b)	Fladmoe-Lindquist (1996)	Contractor and Kundu (1998b)
Burton et al. (2000)	Contractor and Kundu (1998a,b)	Erramilli et al. (2002)
Sashi and Karuppur (2002)	Dant and Nasr (1998)	Hoffman and Preble (2003)
Grewal et al. (2011)	Quinn and Doherty (2000)	Castrogiovanni et al. (2006)[a]
Baena (2012)	Sashi and Karuppur (2002)	Paik and Choi (2007)[b]
	Pizanti and Lerner (2003)	Choo et al. (2007)[a]
	Lafontaine and Oxley (2004)	Mariz-Pérez and García-Álvarez (2009)
	Choo (2005)	Grewal et al. (2011)[a]
	Castrogiovanni et al. (2006)	
	Garg and Rasheed (2006)	
	Paik and Choi (2007)	
	Chen (2010)	
	Grewal et al. (2011)[c]	
	Alon et al. (2012)	

[a] Complemented by resource scarcity theory.
[b] Complemented by resource dependency theory.
[c] Complemented by signalling theory.

3. Control and governance modes in international franchising

In this study, we apply the concept of control developed in the property rights theory (e.g. Baker et al., 2008; Grossman and Hart, 1986; Windsperger et al., 2009/10) to differentiate the various governance modes of the international franchise firm. Scholars in international business research have been studying control in international ventures for decades (e.g. Chalos and O'Connor, 2004; Choi and Beamish, 2004; Geringer and Hebert, 1989; Glaister, 1995; Groot and Merchant, 2000; Hennart, 1991; Jaussaud and Schaaper, 2006; Karhunen et al., 2008; Liu et al., 2013; Mjoen and Tallmann, 1997). However, in this research, control is a very heterogeneous concept, which does not provide precise criteria to define the various governance modes. According to the property rights theory, the governance structure of a firm refers to the structure of control rights consisting of two interrelated parts: ownership and decision rights (Baker et al., 2008; Hansman, 1996; Windsperger and Yurdakul, 2007). Applied to franchising, the governance structure of the international franchise firm refers to the structure of control rights (ownership and decision rights) allocated to the franchisor and the local partners in the foreign countries. Therefore, in our integrative framework, the various governance modes of the international franchise firm are differentiated according to the degree of control which is operationalized by the distribution of ownership and decision rights between the franchisor and her/his partners (i.e. joint venture partners, area developers, master franchisors including sub-franchisees) at the foreign markets (Konigsberg, 2008). This distinction between different international governance modes, based on ownership and decision rights, is compatible with the approach of Brown et al. (2003), who distinguish market entry modes by separating ownership and control. When the franchisor expects a high market potential and growth in the foreign market, the establishment of a wholly-owned subsidiary (WOS), located in the host country, may be an efficient governance form (Konigsberg, 2008: p.91ff). Under WOS, the franchisor will be able to exercise full control over the system know how, as well as how the trademarks, products and services are being used by franchisees in the foreign market. Area development franchising (ADF) – or multi-unit franchising[1] in domestic settings – is a direct franchise partnership, which compared to WOS provides considerable financial and managerial relief to the franchisor (Konigsberg, 2008: p.95ff). The franchisor (or foreign subsidiary) is granting the developer the right to own and operate franchise outlets within an exclusive territory (Konigsberg, 2008: p.127ff), in compensation for a substantial development (territory) fee, initial fees and ongoing royalty payments. Development agreements may either be granted to foreign developers directly from the franchisor's home country or from the foreign subsidiary (Konigsberg, 2008: p.94). The choice depends on the number of development agreements a franchisor intends to establish in a particular host country. The greater the developer's exclusive territory is, the more financial and human resources s/he must commit to the local franchise network expansion and the more control rights must be granted to her/him.

As an alternative to the establishment of a direct relationship with franchise partners in the host country, the franchisor can grant a third party the right to establish and operate the franchise system in the foreign country. Under a master franchise agreement, the franchisor assigns an exclusive right to the sub-franchisor (master franchisor). The master franchisor has the right and duty to establish the franchise system in the foreign country by opening company-owned outlets as well as granting franchises to foreign sub-franchisees. Under a master franchise agreement, the relationship between franchisor and foreign sub-franchisees is indirect. It is the foreign master franchisor who enters into a relationship with the foreign sub-franchisees by granting unit franchise agreements for each franchise outlet to be established in the foreign country. Since the master franchisor is exclusively responsible for the successful development, operation and marketing of the franchise network in the entire host country, s/he must be granted more residual decision rights.

Between high control modes with the establishment of WOS and lower control modes with ADF and MF lies joint venture franchising (JVF), where the franchisor enters into an equity relationship with a partner from the foreign country to set up a joint

[1] Multi-unit franchising is analysed, for example, in Kaufmann and Dant (1996), Burton et al. (2000), Grünhagen and Mittelstaedt (2000, 2001, 2002, 2005), Hoffman and Preble (2003), Alon (2006b), Garg and Rasheed (2006), Chen (2010), Hussain and Windsperger (2010, 2011, 2013) and Grewal et al. (2011).

venture company in the host market. In order to expand the franchise system to the host market, the franchisor enters into either a development agreement or, more typically, a master franchise agreement with the joint venture company, which will be granted the exclusive right to develop the franchise system in the foreign country. Therefore, it is the joint venture company who enters into a relationship with the foreign sub-franchisees. The franchisor can exercise residual control rights over the foreign sub-franchisees through her/his equity participation and voting rights in the joint venture company. However, s/he has to share these rights with her/his foreign venture partner (Konigsberg, 2008: p.235ff). Compared to ADF and MF, JVF provides the franchisor with more residual control rights (Anderson and Gatignon, 1986; Contractor and Kundu, 1998b; Erramilli and Rao, 1990), while at the same time sharing costs and benefits with the local joint venture partner.

To summarize, we can conclude that the degree of control increases from MF, ADF, and JVF to WOS because more ownership and decision rights are allocated to the franchisor. Compared to WOS, JVF and ADF, MF agreements do not allocate ownership rights but only decision and residual income rights between the franchisor and the master franchisor.

4. Integrative model of governance mode choice of the international franchise firm

4.1. Overview of the model

As explained in the previous section, the different governance modes of the international franchise firm are related to the franchisor's level of control, which is operationalized by the proportion of ownership and decision rights, which increases from MF, ADF, and JVF to the establishment of WOS. Fig. 1 gives an overview of the research model based on transaction cost theory (TCT), agency theory (AT), resource-based theory (RBT), organizational capabilities theory (OCT) and property rights theory (PRT).

In our integrative model, the following variables influence the franchisor's choice of the international governance mode: Environmental uncertainty, behavioural uncertainty, transaction-specific investments (based on TCT and AT), and the system-specific assets, local market assets and financial assets (based on RBT and OCT) and intangibility of assets (based on the PRT). In addition, environmental uncertainty moderates the impact of behavioural uncertainty, transaction-specific investments, local market assets and financial assets on the level of control. Furthermore, the intangibility of assets moderates the effects of system-specific assets, local market assets and financial assets on the franchisor's level of control. In the following, first we will explain the main hypotheses, and second the moderator effects of environmental uncertainty and intangibility of assets.

4.2. Transaction cost theory and agency theory

Based on TCT and AT (Blair and Lafontaine, 2005; Brickley et al., 1991; Hennart, 1993, 2000, 2010; Jensen and Meckling, 1976; Klein et al., 1978; Lafontaine, 1992; Rubin, 1978; Williamson, 1975, 1985), the franchisor's choice of the international governance mode depends on the following variables: environmental uncertainty, behavioural uncertainty and transaction-specific investments.

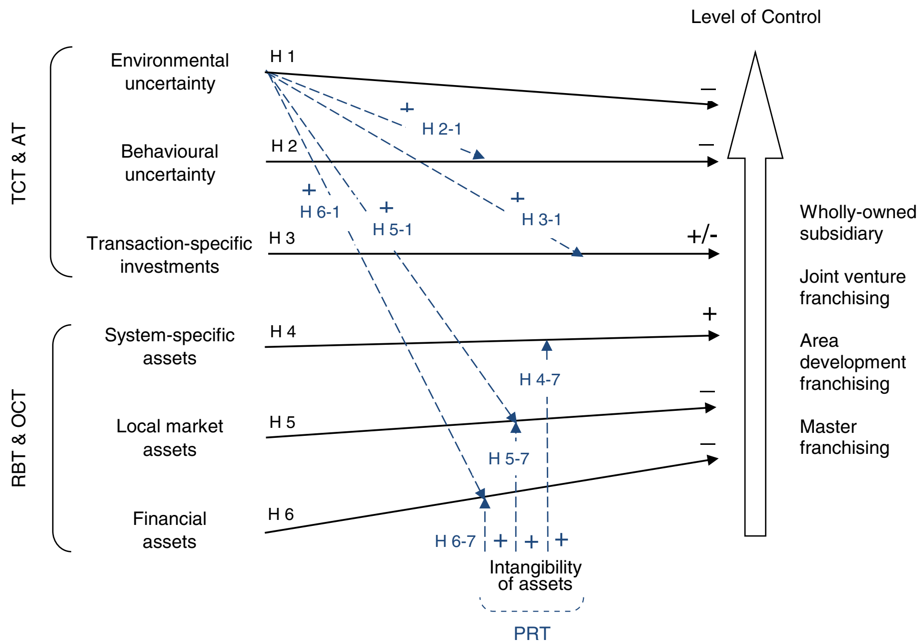

Fig. 1. The governance mode choice of the international franchise firm: An integrative model. Fig. 1 gives an overview of the integrative model of the governance mode choice of the international franchise firm. The integrative model derives hypotheses from transaction cost theory (TCT), agency theory (AT), resource-based theory (RBT), organizational capabilities theory (OCT) and property rights theory (PRT).

4.2.1. Environmental uncertainty hypothesis

Environmental uncertainty in the foreign markets increases the firm ex ante and ex post transaction costs, especially search, information processing and adaptation costs (e.g. Williamson, 1991). Environmental uncertainty can be distinguished according to three dimensions, i.e. institutional uncertainty (e.g. Alon, 2006c; Williamson, 1991), economic uncertainty (e.g. Alon, 2006c; Kor et al., 2008; Sánchez-Peinado and Pla-Barber, 2006) and cultural uncertainty (e.g. Alon, 2006c; Contractor and Kundu, 1998a, b; Erramilli et al., 2002; Fladmoe-Lindquist and Jacque, 1995; Julian and Castrogiovanni, 1995; Kedia et al., 1994; Quinn, 1999; Sashi and Karuppur, 2002). Institutional uncertainty refers to changes in political, regulatory and judicial rules and policies. Economic uncertainty refers to the unpredictability of the demand and competition in the host country, and cultural uncertainty results from the lack of knowledge of the foreign culture (Miller, 1992, 1993), such as language, business practices, gender role, ideology, religion and work ethic (Hennart et al., 1998).

Environmental uncertainty requires local responsiveness and adaptation of the standardized franchise business format to the specifics of the foreign market environment. Based on the information processing view of organization (Simon, 1947; Williamson, 1975) higher environmental uncertainty, due to the franchisor's lack of information to evaluate the sociocultural, economic and institutional peculiarities of host countries, requires more local information processing capacity by delegating coordination tasks to local partners. Hence franchisors can effectively reduce the challenges of environmental uncertainty in host countries by transferring residual control rights to the local partner. Consequently, franchisors will choose a lower control mode, such as ADF or MF, due to the partners' higher local information processing capacity of dealing with human capital, suppliers, customers, competitors and regulatory authorities and their higher flexibility to adapt to environmental changes (e.g. Burton et al., 2000; Contractor and Kundu, 1998a,b; Fladmoe-Lindquist and Jacque 1995; Grewal et al., 2011; Sashi and Karuppur, 2002). Overall, under high environmental uncertainty due to cultural, economic and institutional differences between home and host countries, the franchisor will choose governance modes with a lower level of control (see Fig. 1):

H1. The higher the transaction costs due to environmental uncertainty, the higher the franchisor's tendency to use lower control modes.

4.2.2. Behavioural uncertainty hypothesis

Agency problems arise from behavioural uncertainty, due to shirking and free-riding, especially when market conditions are not easily predictable and information asymmetry is high (e.g. Bergen et al., 1992; Doherty and Quinn, 1999; Eisenhardt, 1988; Jensen, 1983; Jensen and Meckling, 1976). In an international setting, agency costs due to behavioural uncertainty are exacerbated by geographic distance (e.g. Alon and McKee, 1999b; Brickley and Dark, 1987; Brickley et al., 1991; Castrogiovanni and Justis, 1998; Castrogiovanni et al., 2006; Caves and Murphy, 1976; Combs and Castrogiovanni, 1994; Fladmoe-Lindquist and Jacque, 1995; Hopkinson and Hogarth-Scott, 1999; Lafontaine, 1992; Lal, 1990; Martin, 1988; Mathewson and Winter, 1985; Minkler, 1990; Norton, 1988a,b; Rubin, 1978; Sen, 1993; Thompson, 1992). Agency costs can be reduced by increasing monitoring and/or creating stronger incentives for the network partners. Franchisor's investing in monitoring systems to reduce opportunistic behaviour (Eisenhardt, 1988, 1989; Minkler, 1990) results in high monitoring costs, especially under high environmental uncertainty. Compared to company-owned outlets, franchising reduces monitoring costs through better goal alignment between the franchisor and her/his local partners. The local partners are residual claimants and face high-powered incentives to maximise effort in maintaining high service and product quality thereby reducing agency costs (e.g. Fladmoe-Lindquist, 1991; Rubin, 1978). Particularly, lower control modes, such as international multi-unit (area development) franchising and master franchising, may mitigate the agency problems, such as adverse selection, free-riding, inefficient information sharing, and through long-term goal alignment between the franchisor and local partners (e.g. Chen, 2010; Garg and Rasheed, 2006; Shane, 1996a). Consequently, the monitoring cost-increasing effect of behavioural uncertainty increases the franchisor's propensity to choose lower control modes, such as ADF and MF (see Fig. 1).

H2. The higher the monitoring costs due to behavioural uncertainty, the higher the franchisor's tendency to use lower control modes.

4.2.3. Transaction-specific investments hypothesis

Transaction-specific assets include tangible assets, such as equipment and facilities, as well as intangible assets such as training (Anderson and Weitz, 1986), which are tailored to the partnership (Klein et al., 1978; Williamson, 1979, 1985). Depending on the (I) symmetry or (II) asymmetry of transaction-specific investments between the franchisor and her/his local partners, the franchisor will choose either more lower- or higher-control modes.

4.2.3.1. Ad (I). The partnership between the franchisor and franchisees requires dedicated bilateral investments in transaction-specific assets to realize the rent-yielding potential of firm-specific assets (Ghosh and John, 1999; Madhok and Tallman, 1998). These bilateral transaction-specific investments lock the local franchise partners into a relationship with the franchisor in the host market (Anderson and Gatignon, 1986; Rokkan et al., 2003), thereby creating mutual dependency, which results in more cooperative behaviour to realize the relationship-specific rents (e.g. Brown et al., 2000; Rokkan et al., 2003).

The franchisor provides the efficient transfer of the relevant system-specific assets, i.e. the franchise package to the local partners. The franchisor may invest in transaction-specific training, operational manuals, communication systems and other standardized features of the franchise package to guarantee an efficient transfer of system-specific assets, such as the brand name capital of her/his products and services and sales as well as marketing strategies, to the local partners. Furthermore, the franchisor may provide site-specific start-up and implementation support, as well as adaptation services of the standardized franchise package. Through these investments, the franchisor guarantees that the franchise partners will be able to maintain high quality standards and prevent brand name degradation with the transfer of system-specific assets to the host market. Similarly, the franchise partner is required to invest in transaction-specific assets, such as trademarked furnishing, fixtures and equipment, customer relationship building and supplier networks (Carney and Gedajlovic, 1991; Heide and John, 1988) as well as specific activities to develop the brand name in the host market. As a result, high bilateral transaction-specific investments of the franchisor and the foreign partners, i.e. joint venture partner, area developer and master franchisor, may influence the international franchisor's choice of governance mode by using a lower level of control.

4.2.3.2. Ad (II). Under conditions of strong brand name value and high system-specific assets, the franchisor must commit substantial financial and human resources in dedicated activities to facilitate value creation with the transfer of the franchise package across firm boundaries (Madhok and Tallman, 1998: p.332). In this case, the franchisor's high transaction-specific investments may result in high relational risk because the local partners may free-ride or shirk due to their lower degree of dependency under relatively lower transaction-specific investments. For example, when the risk for brand name degradation through free-riding is high, an increased tendency to enter markets with higher control modes is observed (Fladmoe-Lindquist and Jacque, 1995). Consequently, the international governance structure decision depends on the extent of transaction-specific investments by both the franchisor and the local partners. Hence the following hypotheses on the impact of transaction-specific investments on the level of control can be formulated (see Fig. 1):

H3a. The higher the franchisor's transaction-specific investments relative to the franchise partners' investments, the higher the franchisor's tendency to use higher control modes.

H3b. The higher the franchise partners' transaction-specific investments relative to the franchisor's investments, the higher the franchisor's tendency to use lower control modes.

4.3. Resource-based theory and organizational capabilities theory

In contrast to the coordination and agency cost-minimization of TCT and AT, RBT and OCT explains the governance mode by focusing on the value creation through system-specific know how and brand name assets as well as local market assets (Madhok, 1997; Meyer et al., 2009; Pitelis and Teece, 2010). Due to the heterogeneity and embeddedness of the franchisor's system-specific assets (e.g. Barney, 1991; Kogut and Zander, 1992; Teece et al., 1997), codification and transfer of know-how and assets across firm boundaries are constrained (e.g. Conner, 1991; Foss, 1993; Kogut, 1988; Rumelt, 1984; Teece, 1977). Therefore, the distribution of critical assets between the franchisor and the local partners, which determines the competitive advantage of the network, influences the franchisor's choice of international governance mode. In franchising, we can distinguish three critical assets, i.e. the system-specific assets of the franchisor as well as the local market and financial assets of the network partners.

4.3.1. System-specific assets hypothesis

The franchise system's specific assets, know-how, resources and capabilities (we name them 'system-specific assets'), such as proprietary know-how, communication system, store layout, customer competence, marketing and R & D capabilities, advertising and promotion, site location, and monitoring techniques (e.g. Kacker, 1988) have a high rent-yielding potential for the franchise firm, because they are difficult to codify and transfer across firm boundaries and hence cannot be easily imitated (Sarkar and Cavusgil, 1996). Erramilli et al. (2002) show that the greater the competitive advantage generated by imperfectly imitable capabilities (such as the franchisor's organizational competence and quality competence), the higher the firm's probability of choosing a higher control mode, such as management service contracts relative to franchising becomes. Accordingly, based on the RBT and OCT, the franchisors will choose higher control modes (such as JV or WOS) as an international governance form when high monitoring and knowledge transfer capacities are required to ensure efficient implementation and deployment of the system-specific know how in the host countries. Hence, the following hypothesis can be formulated (see Fig. 1):

H4. The more important the franchisor's system-specific assets for value creation, the higher the franchisor's tendency to use higher control modes.

4.3.2. Local market assets hypothesis

In cross-border franchising, a franchise package may only be successfully implemented if it is adapted to the requirements of the foreign market, such as different local tastes, preferences, income, media habits and cultural values. In particular in the service industry, where inseparability of production and consumption of services suggests close buyer–seller interactions, the need for local market knowledge is specifically important (Blomstermo et al., 2006; Erramilli and Rao, 1993). Therefore, competitive advantage can only be realized, if the franchisor efficiently combines local market know-how with system-specific know-how.

The local market assets refer to "knowledge of the particular circumstances of time and place" (Hayek, 1945: p. 521) and result in efficient location-specific know how regarding advertising, marketing, sales, customer relations, quality control, human resource management and product innovation. Due to the firm specificity (i.e. heterogeneity and embeddedness) of local market assets, they are difficult to acquire by the franchisor. Several empirical studies in international franchising (Contractor and Kundu, 1998a,b; Doherty, 2007; Erramilli et al., 2002; Sashi and Karuppur, 2002) show that the greater the rent-yielding potential of the local market assets of the foreign partners, the higher the franchisor's propensity to use lower control modes becomes, such as ADF and MF (Chan and Justis, 1990; Choo et al., 2007; Dunning et al., 2007; Jones, 2003; Pak, 2002; Preble et al., 2000). In conclusion, integrating the local market assets of the foreign partners with the franchise business format will increase the competitive advantage of the network in the host country. Hence the following hypothesis on local market assets can be formulated (see Fig. 1):

H5. The more important the franchise partners' local market assets for the value creation of the network, the higher the franchisor's tendency to use lower control modes.

4.3.3. Financial assets hypothesis

In addition to operational resources and capabilities, local partners' financial resources may help to overcome the franchisor's financial constraints when s/he expands to foreign markets (Caves and Murphy, 1976; Gonzalez-Diaz and Solis-Rodriguez, 2012; Oxenfeldt and Thompson, 1969). International franchise firms can more easily and less expensively finance the system growth when they have access to the local partners' financial resources. In this situation, the foreign partners' financial assets support the internationalisation and successful implementation of the franchise business format in the host country. Therefore, from a resource-based perspective, franchisors that are constrained by financial resources to expand their business in the foreign market will favour lower control modes, such as JVF, ADF and MF. The following hypothesis on financial assets can be derived (see Fig. 1):

H6. The higher the financial resources required for implementation of the franchise concept in the foreign market, the higher the franchisor's tendency to use lower control modes.

4.4. Moderator analysis

An integrative model on the choice of governance modes of international firms, based on organizational economics and strategic management perspectives, requires the inclusion of important inter-theoretical interaction effects (e.g. Slangen and Hennart, 2007). In the following, we extend our framework on the choice of governance modes of the international franchise firm by analysing the moderator effects of environmental uncertainty and intangibility of assets (see Fig. 1). Environmental uncertainty and assets intangibility function as moderators because both increase the impact of the transaction and agency cost variables 'behavioural uncertainty and transaction-specific investments' and the resource-based variables 'local market assets, system-specific assets and financial assets' on the franchisor's level of control.

4.4.1. Environmental uncertainty as moderator

Environmental uncertainty moderates the impact of behavioural uncertainty, transaction-specific investments, local market assets and financial assets on the franchisor's level of control (see Fig. 1).

Environmental uncertainty results from changes of economic and institutional factors, such as market conditions, technological innovations and political systems and regulations, leading to unpredictability and information asymmetry (Bergen et al., 1992). The franchisor may find it difficult to evaluate whether differences in performance are due to agents' opportunistic behaviour or to unforeseen changes in the environmental conditions (Mathewson and Winter, 1985). The challenge of performance monitoring under a highly uncertain business environment can be mitigated through local partners, who are residual claimants and face high-powered incentives to provide the specific knowledge at the local market. Consequently, the franchisor's propensity for using lower control modes to mitigate agency problems increases with environmental uncertainty.

H2-1. Environmental uncertainty positively moderates the impact of behavioural uncertainty on the franchisor's tendency to use lower control modes.

Under high environmental uncertainty, high transaction-specific investments require coordinated adaptation by the network partners. They result in high sunk costs in the case of contract termination (e.g. Rindfleisch and Heide, 1997; Shelanski and Klein, 1995; Williamson, 1991). Under increasing environmental uncertainty, the impact of transaction-specific investments on transaction costs, such as renegotiation, haggling, adaptation and safeguarding costs, and hence on the level of control depends on the extent of transaction-specific investments by the franchisor relative to the local partners. If the franchisor's transaction-specific investments are high relative to the local partners, the franchisor's hold-up risk increases with increasing environmental uncertainty resulting in a higher tendency toward using higher control modes. Conversely, if the franchise partners' transaction-specific investments are high relative to the franchisor, the franchisor's hold up risk decreases due to the franchise partners' higher switching costs and hence the higher dependency under increasing environmental uncertainty. In this case, the tendency toward lower control increases. Consequently, depending on the extent of transaction-specific investments by the franchisor and her/his foreign partners, environmental uncertainty increases the impact of transaction-specific investments on the tendency toward higher or lower control modes (see Fig. 1).

H3a-1. Under high transaction-specific investments of the franchisor relative to the local franchise partners, environmental uncertainty positively moderates the impact of transaction-specific investments on the franchisor's tendency to use higher control modes.

H3b-1. Under high transaction-specific investments of the franchise partners relative to the franchisor, environmental uncertainty positively moderates the impact of transaction-specific investments on the franchisor's tendency to use lower control modes.

Expanding into foreign markets requires specific knowledge regarding the cultural, institutional and local market environment. Under high environmental uncertainty, local market knowledge and adaptation of the standardized business format to the foreign market environment becomes more important for the creation of competitive advantage through transferring residual control rights to local partners (Paik and Choi, 2007; Pizanti and Lerner, 2003; Szulanski and Jensen, 2006, 2008). As a result, environmental uncertainty increases the impact of local market assets on the franchisor's use of lower control modes (see Fig. 1).

H5-1. Environmental uncertainty positively moderates the impact of local market know how on the franchisor's tendency to use lower control modes.

An increased environmental uncertainty will lead to higher information asymmetry between the franchisor and the external suppliers of capital. This results in greater importance of the local partners' financial resources for the implementation of the franchise business in the host market. Therefore, environmental uncertainty increases the importance of the local partner's financial assets for successful implementation of the franchise network in the host country. This interaction effect can be summarized as follows (see Fig. 1):

H6-1. Environmental uncertainty positively moderates the impact of financial assets on the franchisor's tendency to use lower control modes.

4.4.2. Intangibility of assets as moderator

According to the property rights theory, non-contractibility due to intangibility of assets influences the allocation of residual rights of control (e.g. Foss and Foss, 2005; Grossman and Hart, 1986; Hart, 1989; Hart and Moore, 1990; Kim and Mahoney, 2005, 2006; Maness, 1996). Contractibility of assets refers to the extent to which the franchisor and franchisees' assets can be codified and transferred to the local partners. The impact of non-contractibility on the choice of the governance modes of the international franchise firm has not been examined in the franchise literature yet. Based on the property rights view, we can formulate the following proposition: The higher the intangibility of assets (system-specific assets, local market knowledge assets and financial assets), the higher is their rent-yielding potential in the network, and the stronger is their influence on the franchisor's governance mode decision.

As argued above, firm-specific resources and capabilities are the basis for the franchise firm's competitive advantage by realizing strategic rents. The higher the intangibility of the system-specific assets, the more control is required by the franchisor to successfully implement the system-specific know how at the local markets, and the greater is the effect of system-specific assets on the tendency toward using higher control modes.

H4-7. The intangibility of system-specific assets positively moderates the impact of system-specific assets on the franchisor's tendency to use higher control modes.

In order to adjust to the foreign market environment, the adaptation of the franchise business format requires specific local market know how as exploration and exploitation capabilities (e.g. innovation, human resource management and marketing capabilities) (March, 1991). Therefore, the franchisor will transfer more residual control rights (i.e. ownership and decision rights) to the network partners, when the local market assets are highly intangible and hence non-contractible. Franchisor's use of lower control modes will increase the rent-yielding potential of the network by creating high-powered incentives for local partners to explore and deploy the outlet-specific knowledge, such as developing new offerings, modifying existing routines and finding solutions to system-wide problems (Kaufmann and Eroglu, 1999; Sorenson and Sorensen, 2001). Consequently, the intangibility of exploitation and exploration capabilities of the foreign local partners increases the impact of local market assets on the franchisor's propensity to use lower control modes.

H5-7. The intangibility of local market assets positively moderates the impact of local market assets on the franchisor's tendency to use lower control modes.

In addition, intangibility of foreign partners' local market assets moderates the impact of financial assets on the franchisor's level of control (Windsperger and Dant, 2006). Even if the franchisor can obtain finance for her/his investment project from the external capital market (Rubin, 1978), the foreign network partners are in a better position to circumvent information asymmetry faced by the external suppliers of capital (Martin and Justis, 1993; Norton, 1995). When the local partner's market assets show a high degree of intangibility, it is difficult to communicate the profitability of the franchise business to external lenders. Local partners may evaluate the investment risk associated with the franchisor's business concept more accurately, as they have also access to the local market know how for the successful implementation of the franchise business format in the host market. Therefore, the higher the intangibility of outlet-specific know how of the foreign franchise partners, the greater is the positive impact of financial assets on the tendency toward lower control modes.

H6-7. The intangibility of local market assets positively moderates the impact of financial assets on the franchisor's tendency to use lower control modes.

To summarize our multi-theoretical framework on the franchisor's choice of international governance modes, we can state that environmental uncertainty, behavioural uncertainty, transaction-specific investments, system-specific assets, local market assets, financial assets and intangibility of assets influence the governance mode choice of the international franchise firm. Table 3 summarizes the research hypotheses.

5. Discussion and conclusion

The review of the franchise literature reveals that research regarding the franchisor's choice of international governance modes has been under-explored. Starting from this research deficit, this study presents the first comprehensive model on the choice of international governance modes by franchisors. Specifically, we develop an integrative model on the governance mode choice of the international franchise firm by applying transaction cost theory, agency theory, resource-based theory, organizational capabilities theory and property rights theory. According to the allocation of ownership and decision rights between the franchisor and the network partners, the following governance modes are distinguished: Wholly-owned subsidiary, joint venture franchising, area development franchising and master franchising. The franchisor's level of control increases from master franchising, area

Table 3
Research hypotheses on the governance modes of the international franchise firm.

Environ mental uncertainty	Hypothesis	H1	The higher the transaction costs due to environmental uncertainty, the higher the franchisor's tendency to use lower control modes.	
Behavioural uncertainty	Hypothesis	H2	The higher the monitoring costs due to behavioural uncertainty, the higher the franchisor's tendency to use lower control modes.	
	Interaction effect	H2-1	Environmental uncertainty	Environmental uncertainty positively moderates the impact of behavioural uncertainty on the franchisor's tendency to use lower control modes.
Transaction-specific investments	Hypotheses	H3a	The higher the franchisor's transaction-specific investments relative to the franchise partners' investments, the higher the franchisor's tendency to use higher control modes.	
		H3b	The higher the franchise partners' transaction-specific investments relative to the franchisors' investments, the higher the franchisor's tendency to use lower control modes.	
	Interaction effects	H3a-1	Environmental uncertainty	Under high transaction-specific investments of the franchisor relative to the local franchise partners, environmental uncertainty positively moderates the impact of transaction-specific investments on the franchisor's tendency to use higher control modes.
		H3b-1		Under high transaction-specific investments of the franchise partners relative to the franchisor, environmental uncertainty positively moderates the impact of transaction-specific investments on the franchisor's tendency to use lower control modes.
System-specific assets	Hypothesis	H4	The more important the franchisor's system-specific assets for value creation, the higher the franchisor's tendency to use higher control modes.	
	Interaction effect	H4-7	Intangibility of assets	The intangibility of system-specific assets positively moderates the impact of system-specific assets on the franchisor's tendency to use higher control modes.
Local market assets	Hypothesis	H5	The more important the franchise partners' local market assets for the value creation of the network, the higher the franchisor's tendency to use lower control modes.	
	Interaction effects	H5-1	Environmental uncertainty	Environmental uncertainty positively moderates the impact of local market know how on the franchisor's tendency to use lower control modes.
		H5-7	Intangibility of assets	The intangibility of local market assets positively moderates the impact of local market assets on the franchisor's tendency to use lower control modes.
Financial assets	Hypothesis	H6	The higher the financial resources required for implementation of the franchise concept in the foreign market, the higher the franchisor's tendency to use lower control modes.	
	Interaction effects	H6-1	Environmental uncertainty	Environmental uncertainty positively moderates the impact of financial assets on the franchisor's tendency to use lower control modes.
		H6-7	Intangibility of assets	The intangibility of local market assets positively moderates the impact of financial assets on the franchisor's tendency to use lower control modes.

development franchising, joint venture franchising to the wholly-owned subsidiary. The main results of our integrative model regarding the franchisor's choice of lower control modes can be summarized as follows: The franchisor's use of lower control modes (such as master franchising and area development) is positively associated with the foreign partners' transaction-specific investments relative to the franchisor's investments, the levels of behavioural and environmental uncertainty, the foreign partners' intangible local market assets relative to the franchisor's intangible system-specific assets, and the franchisor's constraints to finance the international system growth. In addition, the positive relationship between the franchisor's use of lower control modes and behavioural uncertainty, foreign franchise partners' relatively high transaction-specific investments, foreign franchise partners' intangible local market assets relative to the franchisor's intangible system-specific assets and the franchisor's financial resources for international expansion is stronger under high environmental uncertainty.

What is the contribution of our study to the international franchise literature? First, to the best of our knowledge, no prior study in the international franchise literature explains the governance modes of the international franchise firm by integrating organizational economics and strategic management perspectives, such as transaction cost theory, agency theory, resource-based theory, organizational capabilities theory and property rights theory. Therefore, our study contributes to the recent call in organizational economics, strategic management, marketing and international business literature (e.g. Brouthers and Hennart, 2007; Combs et al., 2004, 2011; Grewal et al., 2011; Hussain and Windsperger, 2010; Morschett et al., 2010; Picot-Coupey, 2006, 2009; Rindfleisch et al., 2010; Windsperger, 2013) to develop multi-theoretical models in order to explain the governance structure of networks.

Second, our study develops a governance mode concept for the international franchise firm, based on the property rights view (Baker et al., 2008; Hansman, 1996). In our integrative framework, we differentiate the various governance modes of the international franchise firm according to the degree of control which is operationalized by the distribution of ownership and decision rights between the franchisor and her/his partners (i.e. joint venture partners, area developers, master franchisors including sub-franchisees) at the foreign markets. This governance mode concept may also provide a first step to solve some of the recently discussed issues regarding the concept of foreign operation modes in the international market entry literature (Benito et al., 2009, 2011). Using the property rights perspective, foreign operation modes should be differentiated according to the distribution of ownership and decision rights. Non-equity modes only allocate decision rights, while equity modes allocate both decision and ownership rights between the partners (Windsperger et al., 2009/10). Our governance mode framework is also related to the 'bundling model' of Hennart (1988, 2000, 2009), which is based on the apportionment of equity (i.e. ownership rights). We extend this view and use decision and ownership rights to differentiate the various governance modes.

While our integrative framework is based on the major theoretical perspectives for the explanation of the governance modes of the international franchise firm, additional variables may influence the franchisor's governance mode choice. In particular, governance structure determinants derived from the institution-based perspective (e.g. Brouthers and Hennart, 2007; Combs et al., 2004, 2011; Huang and Sternquist, 2007; Maekelburger et al., 2012; Mudambi and Swift, 2011; Peng, 2002; Peng et al., 2008, 2009; Williamson, 2008), the national culture theory (e.g. Hennart and Larimo, 1998; Kogut and Singh, 1988; Malhotra et al., 2011; Steenkamp and Geyskens, 2012) and the international strategy theory (e.g. Cui and Jiang, 2008; Harzing, 2002; Liang et al., 2009; Pehrsson, 2008) may increase the explanatory power of the model. Especially, when analysing the franchise firms' international market entry strategies, formal and informal institutional rules, such as political (e.g. corruption, transparency), legal (e.g. economic liberalisation, regulatory regimes), societal factors (e.g. culture, ethic norms), and franchisor's strategic orientation (e.g. global versus multi-domestic strategy) may be considered as further explanatory variables. In conclusion, additional influencing factors may be considered as main or moderator effects to increase the explanatory power of the model.

What are the implications for future research? Our multi-theoretical framework consists of a large set of variables that influence the governance structure decision of the international franchise firm. This requires testing the model by applying qualitative and quantitative methods. Case study analysis may enable the investigation of large amounts of contextual variables. In addition, triangulation of multiple research methods (Yin, 2008), such as combining qualitative and quantitative methods (Creswell, 2009), may be a successful strategy to evaluate such a complex governance structure model. Furthermore, an important future challenge will be to test the integrative model by conducting large-scale surveys (Parkhe, 1993). Specifically, empirical studies should test the governance choice model by focusing first on the different theoretical models – organizational economics approaches (TCT & AT) and strategic management approaches (RBT & OCT) – without inter-theoretical interaction effects (see Fig. 1), in order to highlight the explanatory power of the different theoretical perspectives. Second, they should focus on the moderator role of environmental uncertainty and intangibility of assets in order to show the importance of the inter-theoretical interaction effects for the explanation of the international governance modes in franchising.

Moreover, our governance concept should be also applied to the foreign operation modes of international firms in general (Benito et al., 2011, 2012; Hennart, 2009). If the foreign operation modes are differentiated based on the distribution of ownership and decision rights, researchers will be better able to analyse the determinants of the structure of residual control rights under different governance modes. For instance, greenfield investments and acquisitions are characterised by a high degree of equity involvement of the international firm, but the allocation of decision rights (as structure of real authority) may deviate from the allocation of ownership rights.

While this paper is largely conceptual, it is inspired by the view that "there is nothing more practical than a good theory" (Lewin, 1952: p.169). Our theoretical model may provide some advice for franchisor-managers when deciding on international governance modes. For instance, lower control modes (such as master franchising and area development) should be used under relatively high transaction-specific investments of the foreign franchise partners, higher levels of behavioural and environmental uncertainty, highly intangible local market know how of the foreign franchise partners relative to the franchisor's intangible system know how, and tight financial constraints of the franchisor to expand in foreign markets. However, it is important to acknowledge that these practical conclusions are based on the assumption that the major relationships of our integrative framework will be empirically supported.

Appendix A. Literature review on international franchising

Author(s)	Publ. year	study	journal	summary	Applied theoretical perspective	Applied methodology	Dependent variable	Data	Sample size
Domestic versus international franchising									
Huszagh S.M., F.W. Huszagh, F.S. McIntyre	1992	International Franchising in the Context of Competitive Strategy and the Theory of the Firm	International Marketing Review	The authors applied a dynamic model using longitudinal data to analyse the difference of competitive strategy characteristics for domestic and international franchisors, and also to test whether interrelated market conditions mediated the effects of specific differences for domestic versus international franchisors at two points in time.	Competitive strategy literature and theory of the firm	Two-dimensional contingency tables	Internationalisation via franchising	S	1967: 71 domestic & 46 international U.S. franchisors. 1988: 173 domestic & 194 international U.S. franchisors
Eroglu S.	1992	The Internationalisation Process of Franchise Systems: A Conceptual Model	International Marketing Review	The static model summarized the relevant firm-specific and environmental factors impacting on the U.S. top management's cost/benefit perceptions and attitudes towards franchise internationalisation.	–	Conceptual approach	Internationalisation via franchising	N.A.	N.A.
Kedia B.L., D.J. Ackerman, R.T. Justis	1994	Determinants of Internationalisation of Franchise Operations by US Franchisors	International Marketing Review	The study revealed that firm manager attitudes, such as the desire to expand and the desire to increase profits, had more influence on the internationalisation decision of U.S. based franchisors than did firm characteristics such as system size.	–	Discriminant analysis and factor analysis	Internationalisation via franchising	P	70 U.S. based international franchisors and 72 U.S. based domestic-only franchisors
Julian S.D., G.J. Castrogiovanni	1995	Franchisor Geographic Expansion	Journal of Small Business Management	The authors examined the influence of environmental (market) conditions, i.e. type of business, and firm characteristics, such as system size, on U.S. based franchisors' geographic expansion efforts. Among others, the study revealed that larger franchise systems seek expansion in more geographic areas due to more cumulative experience, larger tangible and intangible resource base and wider brand name recognition.	–	Multiple regression analysis, univariate F test, and chi-square test	Breadth of geographic expansion	S	1005 U.S. franchisors
Shane S.A.	1996	Why Franchise Companies Expand Overseas	Journal of Business Venturing	The author concentrated on the agency and governance costs inherent to international franchising and empirically proved that U.S. franchisors who intended to expand internationally possessed superior capabilities in ex-ante bonding and monitoring of foreign franchisees.		Regression analysis	Indication of seeking foreign franchisees	S	815 largest U.S. franchisors

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Appendix A (*continued*)

Author(s)	Publ. year	study	journal	summary	Applied theoretical perspective	Applied methodology	Dependent variable	Data	Sample size
Fladmoe-Lindquist K.	1996	International Franchising: Capability and Development	Journal of Business Venturing	The author integrates dynamic capabilities with administrative efficiency and risk management theory to identify critical franchisor capabilities required for internationalisation, such as distance management, cultural adaptability, host country policy evaluation and exchange rate management. Based on the theoretical framework, she derived four international franchisor types, i.e. integrating, constrained, conventional and worldwide franchisor.	RBT, OCT and AT	Conceptual approach	N.A.	N.A.	N.A.
Quinn B., N. Alexander	2002	International Retail Franchising: A Conceptual Framework	International Journal of Retail & Distribution Management	The authors developed a conceptual framework to explain the development of international retail franchising, based on whether retail companies applied franchising in domestic markets prior to their internationalisation.	–	Conceptual approach	N.A.	N.A.	N.A.
Elango B.	2007	Are Franchisors with International Operations Different From Those Who Are Domestic Market Oriented?	Journal of Small Business Management	The author proved that international franchise firms faced declining domestic market growth and possessed strong monitoring capabilities. Contradictory to the author's assumption of similar contract terms to decrease managerial complexity and create trust, particularly royalty rates were lower for international franchisees.	–	Binary logistic regression	Internationalisation via franchising	S	500 leading U.S. franchisors
Mariz-Perez R., T. Garcia-Alvarez	2009	The Internationalization Strategy of Spanish Indigenous Franchised Chains: A Resource-Based View	Journal of Small Business Management	The paper applies resource-based theory to investigate the factors impacting on the internationalisation decision of franchise chains. The empirical results prove a positive relationship between the franchise firm's intangible assets, i.e. trademark value, chain reputation, monitoring costs and experience, and its exposure to expand abroad. However, the franchisor's knowledge and expertise do not result in any significant influence on the internationalisation decision.	RBT, OCT	Discriminant analysis	Internationalisation via franchising	S	316 Spanish franchise chains
Alon I., L. Ni, Y. Wang	2012	Examining the Determinants of Hotel Chain Expansion through International Franchising	International Journal of Hospitality Management	The authors tested the impact of price bonding, domestic geographical scope and scale, firm experience, franchise proportion and the incidence of	AT	Binary logistic regression	Internationalisation via franchising	S	17 U.S.-based hotel chains

				multi-unit franchising on franchise internationalisation in the hotel industry. The regression results were further triangulated with qualitative interviews collected from industry executives.					
Host country conditions and impact of international franchising									
Preble J.F.	1995	Franchising Systems Around the Globe: A Status Report	Journal of Small Business Management	A survey report on the status, challenges and future prospects of international franchising with final data on thirteen nations in America, Asia and Europe.	–	Descriptive statistics	N.A.	P	Franchising sector data from 13 countries in America, Asia and Europe
Sanghavi N.	1998	Franchising as a Tool for Small Medium Sized Enterprises (SME) Development in Transitional Economies — The Case of Central European Countries	Management Research News	The author explained the positive impact of international franchising for the development of local small and medium sized enterprises (SMEs) and the challenges for international franchisors in expanding to transitional economies of Central European countries.	–	Qualitative approach	N.A.	S	N.A.
Alon I., D. McKee	1999	Towards a Macro Environmental Model of International Franchising	Multinational Business Review	The authors provided a conceptual macro environmental model of international franchising based on economic, demographic, distance and political dimensions.	–	Conceptual approach	N.A.	N.A.	N.A.
Alon I., M. Banai	2000	Executive Insights: Franchising Opportunities and Threats in Russia	Journal of International Marketing	The authors described the environmental conditions of franchising in Russia, i.e. the political and legal, economic, social and financial environment, and proposed a normative framework for international U.S. franchisors entering the Russian market.	–	Qualitative approach	N.A.	S	N.A.
Castrogiovanni G.J., G.S. Vozikis	2000	Foreign Franchisors Entry into Developing Countries: Influences on Entry Choices and Economic Growth	New England Journal of Entrepreneurship	The authors described factors on the environmental level, the network level and the individual level, which impacted on the foreign entry modes of international franchisors when entering into the markets of developing countries. Propositions on international franchising in developing countries were developed and policy implications provided.	–	Conceptual approach	N.A.	N.A.	N.A.
Hoffman R.C., J.F. Preble	2001	Global Diffusion of Franchising: A Country Level Examination	Multinational Business Review	The study confirmed that strategic (firm) factors were more strongly related to cross border franchise diffusion than country-specific (environmental) factors in twenty-four nations.	–	Partial correlations, hierarchical regression analysis	Global diffusion of franchising	P	24 local international franchise associations

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Appendix A (*continued*)

Author(s)	Publ. year	study	journal	summary	Applied theoretical perspective	Applied methodology	Dependent variable	Data	Sample size
Hoffman R.C., J.F. Preble	2004	Global Franchising: Current Status and Future Challenges	Journal of Services Marketing	A deepening of the survey data provided by Preble (1995) on the status, challenges and future prospects of international franchising. Current data investigated forty countries diffused in six continents of North America, South America, Europe, Asia, Africa and Oceania.	–	Descriptive statistics	N.A.	S	Franchising sector data from 40 countries in six continents
Welsh D.H.B., I. Alon, C.M. Falbe	2006	An Examination of International Retail Franchising in Emerging Markets	Journal of Small Business Management	The study provided a status report and stakeholder model of international retail franchising in emerging and developing countries, such as Central and Eastern Europe, Mexico and South America, Asia, and other areas (India, Kuwait, South-Africa).	–	Conceptual approach	N.A.	N.A.	N.A.
Alon I.	2006	Executive Insight: Evaluating the Market Size for Service Franchising in Emerging Markets	International Journal of Emerging Markets	The author illustrated the opportunities for international franchising in emerging markets and proposed a framework by ranking twenty emerging countries according to their population, GDP per capita, urbanization and income distribution.	–	Descriptive statistics	N.A.	S	20 emerging markets
Grunhagen M., C.L. Witte, S. Pryor	2010	Effects of US-based Franchising in the Developing World: A Middle-Eastern Consumer Perspective	Journal of Consumer Behaviour	The authors analysed the Egyptian consumer perception of Western fast-food franchises and the social, economic, cultural, political and marketplace impacts in the Middle East. Along with Eckhardt and Mahi's (2004) consumer agency categories, they showed, among others, that Egyptian consumer brand perceptions were characterised by a sequential transformation, moving from rejection toward assimilation.	Consumer agency theory	Qualitative approach	Consumer perceptions of Western fast-food franchises	P	Five focus groups with 29 participants in three Egyptian cities
Aliouche E.H., U.A. Schlentrich	2011	Towards a Strategic Model of Global Franchise Expansion	Journal of Retailing	The paper develops a global index of international franchise expansion that ranks 143 potential expansion target countries according to their market risk (i.e. political and economic, legal and regulatory, cultural and geographic) and market opportunity profiles. The authors find that the evaluation of host countries is a systematic, strategic approach, with macro-environmental factors having different relative influence on internationalisation decision and success.	–	Descriptive statistics	N.A.	S	143 countries

Baena V.	2012	Market Conditions Driving International Franchising in Emerging Markets	International Journal of Emerging Markets	The author tests how market conditions influence the expansion of Spanish franchise systems into emerging countries. The study confirms that the spread of franchising expansion across emerging countries is constrained by geographical distance, cultural variables (i.e. uncertainty avoidance and individualism), political stability and corruption as well as gross domestic product, the efficiency of contract enforcement and nascent entrepreneurship.	TCT	Ordinary least squares regression	Franchise diffusion in emerging countries	S	63 Spanish franchisors, operating a total of 2836 franchisee outlets in emerging countries
Propensity to franchise internationally versus company ownership (or different levels of control)									
Fladmoe-Lindquist K., L.L. Jacque	1995	Control Modes in International Service Operations: The Propensity to Franchise	Management Science	The authors explained the internationalisation decision of U.S. based service franchisors via franchising and company ownership. They confirmed a positive impact of higher monitoring costs (e.g. higher geographic and cultural distance), and the firm's international experience on the propensity to franchise internationally, and a negative impact of brand name asset specificity, while the measures on environmental uncertainty resulted in sometimes opposing outcomes.	AT and TCT	Logistic regression	Propensity to franchise internationally	P	12 U.S. franchisors
Contractor F.J., S.K. Kundu	1998a	Franchising versus Company-run Operations: Modal Choice in the Global Hotel Sector	Journal of International Marketing	Primarily based on transaction cost theory and agency theory, combined with organizational capabilities and strategic behaviour literature, the authors examined the influence of external (environmental/country characteristics) and internal (firm-specific and strategic) factors on the global hotel firm's choice between company ownership and franchising with the international expansion.	AT, TCT, OCT, strategic behaviour	Binary logistic regression	Propensity to franchise internationally	P	723 global hotel properties
Contractor F.J., S.K. Kundu	1998b	Modal Choice in a World of Alliances: Analyzing Organizational Forms in the International Hotel Sector	Journal of International Business Studies	The authors analysed how host country-specific, firm-specific and strategic variables influenced the international hotel firms' control mode decisions, which were distinguished among full equity ownership, joint ventures, management contracts and franchising.	TCT, AT, OCT, strategic behaviour	Canonical discriminant analysis, logistical regression	Rising levels of equity commitment/ control	P	720 global hotel properties

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Appendix A (*continued*)

Author(s)	Publ. year	study	journal	summary	Applied theoretical perspective	Applied methodology	Dependent variable	Data	Sample size
Petersen B., L.S. Welch	2000	International Retailing Operations: Downstream Entry and Expansion via Franchising	International Business Review	The study conducted an industry survey, followed by a case study with two cases in the Danish clothing and footwear industry, illustrating franchise internationalisation as an outcome of a shift from upstream wholesaling to downstream involvement in retailing activities. Only after having developed a strong background of operational experience in the international market, retailers applied franchising to benefit from increased growth, low investment and low risk.	–	Mail survey and multiple case study	Propensity to franchise internationally	S + P	Mail survey with 60 companies; Case study with two Danish companies in the clothing and footwear industry
Sashi C.M., D.P. Karuppur	2002	Franchising in Global Markets: Towards a Conceptual Framework	International Marketing Review	The authors analysed factors that motivated market entry via international franchising and influenced the different incentive structures of initial fees and royalties in franchise agreements. A conceptual framework with several propositions (including two propositions on master international franchising) for an integrated multidisciplinary approach for franchising was developed.	AT and TCT	Conceptual approach	Propensity to franchise internationally	N.A.	N.A.
Erramilli M.K., S. Agarwal, C.S. Dev	2002	Choice between Non-equity Entry Modes: An Organizational Capability Perspective	Journal of International Business Studies	The study applied the organizational capabilities perspective to explain the choice of non-equity entry mode in the multinational hotel industry. The authors confirmed the choice of management service contracts (MSC) compared to franchising when imitability of resources and capabilities and availability of investment partners were high and availability of management capabilities was low. Franchising was preferred when the development of the local business environment was high.	RBT and OCT	Logistic regressions	Propensity to franchise internationally compared to MSC	P	139 franchising and MSC entry modes
Pak Y.S.	2002	The Effect of Strategic Motives on the Choice of Entry Modes: An Empirical Test of International Franchisers	Multinational Business Review	The choice between equity and contractual entry modes depends on the international franchisor's strategy, i.e. static market seeker or dynamic market learner approach. International market seekers are franchisors who recognise the significant role and take advantage of (exploit) foreign franchisees and thus, apply contractual modes to efficiently	–	Binary logistic regression	Foreign equity investment versus contractual mode choice	P	60 U.S. and 12 U.K. international franchisors

				and quickly penetrate host markets. Dynamic market learners are franchisors who monitor foreign rival firms and apply equity entry modes to gain overall, global competitiveness with the accumulation (exploration) of new knowledge and organizational competencies in foreign markets.					
Castrogiovanni G.J., J.G. Combs, R.T. Justis	2006	Resource Scarcity and Agency Theory Predictions Concerning the Continued Use of Franchising in Multi-outlet Networks	Journal of Small Business Management	The study tested the change in the international franchisors' mix between company-owned and franchised outlets and confirmed that franchisors with wide multinational scope increased their proportion of franchised outlets while franchisors with large outlets and start-up costs emphasised company-owned outlets (agency-theoretic view). Furthermore, franchisors decreased their proportion of franchised outlets as they grew in size (resource scarcity view). However, contrary to the resource scarcity-based hypothesis, franchisor age was positively related to the subsequent proportion of franchised outlets.	Resource scarcity view and AT	Hierarchical regression analysis with three models	Change in the propensity to franchise internationally	S	439 U.S. franchisors
Picot-Coupey K.	2006	Determinants of International Retail Operation Mode Choice: Towards a Conceptual Framework Based on Evidence from French Specialised Retail Chains	International Review of Retail, Distribution and Consumer Research	Based on a multiple case study in the French international fashion retail industry, the author developed a conceptual model on the determining factors that influenced the operation mode choices in foreign markets. Operation modes were distinguished among the four dimensions of dissemination risk, control, flexibility and resource commitment, and their choice was influenced by the firm's international marketing policy and company profile and foreign market characteristics, and further moderated by the firm's internationalisation motives and relationship networks.	–	Multiple case study	Expansion mode choices	P	Six French international retail chains
Dunning J.H., Y.S. Pak, S. Beldona	2007	Foreign Ownership Strategies of UK and US International Franchisors: An Exploratory Application of Dunning's Envelope Paradigm	International Business Review	The authors tested the influence of eight static and dynamic Ownership, Location and Internalisation (OLI) determinants on U.S. and U.K. franchisors' choice of foreign market entry via equity ownership or franchising. The core assumption was	–	Binary logistic regression	Propensity to franchise internationally	P	12 international U.K. franchisors and 60 international U.S. franchisors

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Author(s)	Publ. year	study	journal	summary	Applied theoretical perspective	Applied methodology	Dependent variable	Data	Sample size
				based on the international franchisors' strategic intent of both (static) resource exploitation and (dynamic) resource exploration. Specifically, the nationality of the firm (static O variable), recognition of foreign applicants' role (static L variable) and acknowledgement of foreign locations as a source of learning (dynamic L variable) were found to be relevant with the franchisors' international entry mode decisions.					
Doherty A.M.	2007	The Internationalization of Retailing — Factors Influencing the Choice of Franchising as a Market Entry Strategy	International Journal of Service Industry Management	Multiple case study to explore the organizational and environmental factors that influenced the U.K. international fashion retailers choice between franchising and alternative entry modes, such as company-owned operations, in foreign markets.	–	Multiple case study	Propensity to franchise internationally	P	6 U.K. international fashion retailers
Picot-Coupey K.	2009	Determinants of a Retailer's Choice of International Expansion Mode: Conceptual Model and Empirical Validation	Recherche et Applications en Marketing	Based on the complex model on determinants influencing the operation mode choices of French international fashion retail chains (proposed by the author in her work of 2006, see above), several hypotheses were developed and tested with a PLS approach.	–	PLS approach	Expansion mode choices	P	43 questionnaires of French fashion retailers
International franchisor–franchisee relationship									
Dant R.P., N.I. Nasr	1998	Control Techniques and Upward Flow of Information in Franchising in Distant Markets: Conceptualization and Preliminary Evidence	Journal of Business Venturing	The study analysis the control techniques of U.S. franchisors and specific factors, i.e. repeat purchase industry, age of the franchise relationship, multi-unit franchising and host market competition, to reduce the information asymmetry and increase an efficient upward information flow by their franchisees located in the Middle East and Africa.	AT	Multiple Indicators and Multiple Causes model	Franchisees' willingness to provide information to the franchisor	P	20 U.S. based international franchisors
Quinn B.	1999	Control and Support in an International Franchise Network	International Marketing Review	The study shows that non-coercive sources of power, i.e. the franchisor's provision of support activities to franchisees, guaranteed a higher degree of control over international franchisees and their collaboration than did coercive sources of power (i.e. exercised through the franchise contract to ensure adherence to the	–	Longitudinal ethnography	Franchisor coercive versus non-coercive means of control over franchisees	P	One U.K. international retail franchise system operating in the natural-based body care market

				franchise agreement and protection of the franchise trademark). However, at the initial phases of franchise network growth, the quantity and quality of franchisor support functions suffered from lack of local adaptation (cultural and legal), and high price and long delivery time.					
Quinn B., A.M. Doherty	2000	Power and Control in International Retail Franchising — Evidence from Theory and Practice	International Marketing Review	The study observes that in an international setting, control through non-coercive franchisor support activities advocated by the marketing channel literature becomes more costly, and coercive sources of power (relating to agency theory), exercised through stipulated franchise contract terms, is more efficient. However, a precondition for effective contract enforcement is the existence of a strong and well-defined brand and concept. In the absence of these conditions, non-coercive sources of power may be the only way to influence franchisee behaviour and enhance control.	AT and Marketing Channel Literature	Longitudinal ethnography	Franchisor coercive and non-coercive control mechanisms over franchisees	P	One British retail franchise system operating in the natural-based body care market
Pizanti I., M. Lerner	2003	Examining Control and Autonomy in the Franchisor–Franchisee Relationship	International Small Business Journal	Based in the formal contract-related approach of agency theory and the dynamic approach of exchange theory, the study investigates and provides a concept on control and autonomy in the franchisor–franchisee relationship, which is influenced by four parameters, i.e. the franchising concept (simple versus complex), chain size, chain age and contract length.	AT and Exchange Theory	Multiple case study	Control versus autonomy in the franchisor–franchisee relationship	P	One domestic-only Israeli fast-food chain and two U.S. international fast-food chains
Doherty A.M., N. Alexander	2004	Relationship Development in International Retail Franchising Case Study Evidence from the UK Fashion Sector	European Journal of Marketing	The authors prove the legitimacy of marriage analogy rooted in the relationship marketing literature, and find the international franchisor–franchisee relationship passes through four stages, i.e. recognition of relationship need, partner search, evaluation of potential partners, and agreement, while being dominated by mutual attraction and trust.	Relationship marketing	Multiple case study	Different stages of the franchisor–franchisee relationship	P	Six U.K. international fashion retailers
Lafontaine F., J.E. Oxley	2004	International Franchising Practices in Mexico: Do Franchisors Customize Their Contracts?	Journal of Economics and Management Strategy	The study examines the differences in contractual practices between domestic and Mexican franchisees, applied by U.S. and Canadian franchisors. According to agency theory, the financial structure of the franchise contract should provide	AT	Binary logit	Different fees and proportion of franchising in Mexico versus home country	S	209 U.S. and Canadian franchise systems

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Author(s)	Publ. year	study	journal	summary	Applied theoretical perspective	Applied methodology	Dependent variable	Data	Sample size
				franchisees with high powered incentives to decrease franchisor monitoring costs. Hence, in case of low customisation costs, contract customisation, i.e. lower royalty rates and initial fees, is predicted, due to a relatively unknown brand, while otherwise high-powered incentives may be achieved with an increased propensity to franchise compared to company-owned outlets in foreign markets. However, empirical evidence is found for increased similarities between domestic and cross-border contracting practices.					
Choo Stephen	2005	Determinants of Monitoring Capabilities in International Franchising: Foodservice Firms within East Asia	Asia Pacific Journal of Management	The author analysed the formal control mechanisms applied and capabilities needed by U.S. and Australian fast-food franchisors in order to prevent franchisee opportunism in East Asia. In particular, the franchisor's ability to charge high initial fees (ex-ante bonding) depends on franchisor size and franchise and international experience, the application of restrictive performance schedules requires the ability to select appropriate franchisees, and exercising formal control in brand management implies having local market knowledge.	AT	Multiple case study	Franchisor monitoring capabilities	P	One U.S. and two Australian fast-food chains
Kalnins A.	2005	Overestimation and Venture Survival: An Empirical Analysis of Development Commitments in International Master Franchising Ventures	Journal of Economics and Management Strategy	The study reveals a negative relationship between the observed tendency of U.S.-based fast-food franchisors to include large development commitments and master franchise venture survival in the foreign markets. Large commitments are due to bounded rationality by overestimating foreign market potential, power seeking to decrease franchisee opportunism or simple franchisor opportunism to gain market coverage and outrival competitors.	–	Binary logit and tobit analyses	Master franchise venture survival	S	142 international master franchise contracts by U.S. fast-food chains
Altinay L., S. Miles	2006	International Franchising Decision-making: An Application of Stakeholder Theory	The Service Industries Journal	The stakeholder approach reveals the importance of business culture compatibility, i.e. the firm's understanding of organizational values	Stakeholder approach	Single case study	Decision-making process on franchisee selection	P	One multinational U.K. hotel group

				and strategic direction, with the pre-contract stages of international franchising, i.e. the identification and selection of franchisees.					
Szulanski G., R.J. Jensen	2006	Presumptive Adaptation and the Effectiveness of Knowledge Transfer	Strategic Management Journal	The study shows that contrary to the traditional belief, presumptive adaptation, i.e. two or more changes of original, firm-specific practices, as quickly as possible to fit the local environment, is counterproductive on network growth and performance, and transfer effectiveness is enhanced with cautious, gradual adaptation, that copies/preserves the original as closely as possible.	–	Quasi-experiment	Transfer effectiveness with presumptive adaptation	P	One Israeli service master franchisor
Paik Y., D.Y. Choi	2007	Control, Autonomy and Collaboration in the Fast Food Industry	International Small Business Journal	The study analysis the different levels of control and autonomy of U.S. franchisors exercised over their domestic (U.S.) and international franchisees in the fast-food sector. In particular for activities concerning local market adaptation, marketing and location selection more autonomy is granted to international franchisees. The foreign franchisee's level of autonomy grows with local success, multi-unit ownership format, market growth stage and low competition, while it is unaffected by the franchisee's experience and results in more collaboration with increased competitive level.	AT, marketing channel theory, resource-dependency theory	Multiple case study	Control versus Autonomy in the international franchisor–franchisee relationship	P	Five U.S. international fast-food chains
Szulanski G., R.J. Jensen	2008	Growing Through Copying: The Negative Consequence of Innovation on Franchise Network Growth	Research Policy	The study analysis MBE's cross-border franchising activities and the transfer of complex, causally ambiguous and imperfectly understood productive processes on network growth. It proves a positive effect of copying more exactly in the initial years and, inversely, a negative effect of quick, presumptive innovation (adaptation) to fit the local environment, on local network growth.	–	Baltagi–Wu panel data regression	Network growth	P	23 national master franchise networks
Doherty A.M.	2009	Market and Partner Selection Processes in International Retail Franchising	Journal of Business Research	The study identifies the strategic and opportunistic market and partner selection process and finds that strategic-oriented firms first screen the host market on key economic and demographic criteria before they select potential partners on basis of	–	Multiple case study	Market and partner selection process	P	Six U.K. international fashion retailers

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Appendix A (*continued*)

Author(s)	Publ. year	study	journal	summary	Applied theoretical perspective	Applied methodology	Dependent variable	Data	Sample size
				financial stability, business know-how, local market know-how and the chemistry between partners, whereas the opportunistic selection is guided by a partner approach, for example attracted by the firm's brand, and opportunistic selection on basis of financial stability and business plan, determining market selection.					
Grewal D., G.R. Iyer, R.G. Javalgi, L. Radulovich	2011	Franchise Partnership and International Expansion: A Conceptual Framework and Research Propositions	Entrepreneurship Theory and Practice	The study explores the entrepreneurial orientation of franchisor and franchisees, their interdependence in the franchise partnership and the positive impact on franchise expansion in terms of speed, scale and scope, and strategic and financial system performance. In addition, the moderator effects of franchise resources increase network performance, such as local market knowledge, marketing capability and relationship-specific investments, business/market conditions (e.g. laws and regulations, market opportunities and conditions) and environmental uncertainty.	AT, TCT, RBT, resource scarcity view, signalling theory	Conceptual Approach	N.A.	N.A.	N.A.
DIFFERENT INTERNATIONAL FRANCHISE MODES									
Walker B.J., M.J. Etzel	1973	The Internationalization of U.S. Franchise Systems: Progress and Procedures	Journal of Marketing	The study surveys the entry strategies applied by U.S. international franchisors, such as single-unit franchises, master (area) franchises and company owned outlets. Foreign expansion usually initiates in Canada, followed by Mexico, Australia, England and Japan. Foreign franchisees are recruited by using trade magazines, or business and local newspapers, and franchisees receive a standardized training package, consisting of training manual, classroom training and/or on-the-job training. The study also summarizes the most frequently quoted problems encountered in establishing franchises in foreign countries.	–	Descriptive statistics	N.A.	P	70 U.S. international franchise systems
Hackett D.W.	1976	The International Expansion of U.S. Franchise Systems: Status and Strategies	Journal of International Business Studies	The study surveys the most frequently used international franchise types by U.S. franchisors and the major reasons for choosing them. Single-unit franchising is preferred to penetrate foreign markets	–	Descriptive statistics and Kendall's coefficient of concordance	N.A.	P	85 U.S. international franchise systems

				and reduce (financial) risk, master or area franchising provides control and coordination advantages, and the establishment of majority or minority joint ventures is due to local legal requirements, financial considerations and risk reduction.					
Chan P.S., R.T. Justis	1990	Franchise Management in East Asia	Academy of Management Executive	The study describes the applied franchise modes applied by U.S. franchisors with the expansion to East Asia. Master franchising is the most frequently applied one, followed by direct single-unit franchising and joint venture franchising. The major benefits of master franchising and joint venture franchising are the local partner's understanding about political and bureaucratic problems and his cultural familiarity. Joint venture franchising may often be the only available option to enter the Asian market, as local governments restrict foreign direct investments, and hence, the establishment of wholly-owned subsidiaries and company-owned units is rarely used in East Asia.	–	Qualitative approach	U.S. international entry mode choices into East Asian market	S	N.A.
Konigsberg A.S., L. Rosenstein	1991	Analyzing the International Franchise Opportunity	In: Gramatidis, Y./Campbell, D. (eds.), International Franchising: An In-Depth Treatment of Business and Legal Techniques, Deventer: Kluwer 1991.	The paper summarizes the advantages and disadvantages of international franchising and the different international franchise modes, i.e. direct franchising, such as single-unit franchising, area development franchising and franchising through the establishment of a wholly-owned subsidiary, indirect franchising (master franchising) and joint venture franchising. The mode selection criteria are also discussed, such as availability of human resources, financial resources and communication systems, geographic and cultural distance, political systems/stability, legal systems and specific restrictions, economic development, nature of products/services and training of franchisees.	–	Conceptual approach	N.A.	N.A.	N.A.
Chan P.S., R.T. Justis	1992	Franchising in the EC: 1992 and Beyond	Journal of Small Business Management	The study explores the impact of specific factors on the entry mode choices applied by well-known international U.S. franchisors to expand into the European Community, such as master franchising, joint venture	–	Qualitative approach	U.S. international entry mode choices into the European Community	S	N.A.

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Appendix A (*continued*)

Author(s)	Publ. year	study	journal	summary	Applied theoretical perspective	Applied methodology	Dependent variable	Data	Sample size
				franchising and wholly-owned subsidiaries and corporate outlets.					
Zietlow D.S.	1995	Wholesalers in International Franchising	Illinois Business Review	The author defines the different international franchise modes, i.e. direct single-unit franchising, the establishment of a wholly-owned subsidiary, area development franchising, master franchising and joint venture franchising. The survey on U.S. franchisors' international mode choices reveals that master franchising, followed by area development franchising is the most frequently applied strategy, while wholly-owned subsidiaries and joint venture franchising are less popular.	–	Descriptive statistics	N.A.	P	43 U.S. international franchisors
Ryans J.K., S. Lotz, R. Krampf	1999	Do Master Franchisors Drive Global Franchising	Marketing Management	The study explains the advantages and resulting increase in the use of cross-border master franchising. It surveys the disadvantages and challenges perceived by U.S. franchisors with international master franchising, i.e. the master franchisors' inefficient communication with their sub-franchisees and the franchisors' lack of control over master franchisors.	–	Descriptive statistics	N.A.	P	39 U.S. international franchisors
Burton F., A.R. Cross, M. Rhodes	2000	Foreign Market Servicing Strategies of UK Franchisors: An Empirical Enquiry from a Transaction Cost Perspective	Management International Review	The study tests the impact of firm-specific and location-specific factors on transaction costs (monitoring costs, search costs, servicing costs, property rights protection costs, intermediary-related costs) associated with the choice of different franchise modes when expanding to host countries, i.e. direct franchising and franchising with an intermediary (area developer or master franchisor).	TCT	Multinomial and binomial probit model	Direct (single-unit) franchising versus master & area development franchising	P	15 U.K. international franchise systems
Preble J.F., A. Reichel, R.C. Hoffman	2000	Strategic Alliances for Competitive Advantage: Evidence from Israel's Hospitality and Tourism Industry	International Journal of Hospitality Management	The paper outlines the advantages and disadvantages of strategic alliances in the Israeli hospitality and restaurant industry. Popular examples include Days Inns, Meridian Hotels, Domino's Pizza and McDonald's who use direct franchising and master franchising, through converting existing local entrepreneurs, as successful entry modes into the Israeli market.	–	Multiple case study	N.A.	S	Three international hotel chains and two fast-food chains

Jones G.	2003	Middle East Expansion — The Case of Debenhams	International Journal of Retail & Distribution Management	The author analysis the environmental conditions for retail expansion into the middle East, such as policy restrictions on foreign direct investments, weak political structures and diverse demographics and psychographics on the one side and the modernisation of economies with low tariffs and a wealthy, fast growing population on the other side. The study describes the opportunistic partner approach of U.K. department store Debenhams by M&H Alshaya, a wealthy family in the Middle East region who, beside Debenhams, operates several other international franchise brands under separate area development agreements.	–	Single case study	N.A.	P	One U.K. international retail company
Frazer L.	2003	Exporting Retail Franchises to China	Journal of Asia Pacific Marketing	The paper outlines the advantages and problems encountered by Australian franchisors with expanding into China. The case study on Australian fast-food retail franchisors reveals three governance modes, i.e. master franchising, joint venture franchising and company-owned operations. The main problem and challenges experienced are finding reliable partners and product adaptations to local consumer taste preferences.	–	Multiple case study	International entry mode choice into the Chinese market	P	Nine Australian fast-food retail franchise systems
Hoffman R.C., J.F. Preble	2003	Convert to Compete: Competitive Advantage through Conversion Franchising	Journal of Small Business Management	Based in resource-based arguments, conversion franchising is positively related to gaining local brand awareness and increased franchisor experience and managerial capabilities. The study further confirms an increased competitive advantage through domestic and international conversion franchising, e.g. acquisition of the local franchisees' economic resources (e.g. location resources, human resources, existing customer base), market knowledge (e.g. local conditions, customer preferences) and franchise knowledge.	RBT and OCT	Discriminant correlation analysis	Decision to use conversion franchising	P	72 North American franchisors
Preble J.F., R.C. Hoffman	2006	Strategies for Business Format Franchisors to Expand into Global Markets	Journal of Marketing Channels	The paper offers a contingency model on strategy formulation and implementation to franchisors, seeking competitive advantage with expanding to foreign markets. Based	–	Conceptual approach	Decision to use direct, area development and master franchising, under different	N.A.	N.A.

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Appendix A (*continued*)

Author(s)	Publ. year	study	journal	summary	Applied theoretical perspective	Applied methodology	Dependent variable	Data	Sample size
				on the franchisors' experience and capabilities, and varied host market conditions (i.e. rapid growth, complex and competitive), the authors match two sets of strategies, i.e. the traditional generic franchise forms (direct franchising, area development franchising and master franchising) with strategic approaches (first-mover, platform and conversion), creating combination strategies for achieving competitive advantage in similar versus dissimilar global markets. The strategy relationships are summarized in three multipart propositions for future empirical testing.			strategic market conditions		
Garg V.K., A.A. Rasheed	2006	An Explanation of International Franchisors' Preference for Multi-Unit Franchising	International Journal of Entrepreneurship	The paper explains the advantages of international multi-unit franchising (IMUF) compared to international single-unit franchising (ISUF), particularly in solving agency problems. IMUF is able to reduce the franchisor's agency costs encountered with ISUF, such as shirking, increased monitoring costs due to dealing with many single franchisees (recruiting, selecting, training), free-riding and inefficient upward information sharing due to the multi-unit franchisee's higher investment in the multiunit chain and hence long-term-profit orientation. Furthermore, inefficient risk-bearing (under-investment) is also reduced with IMUF, as the multi-unit franchisee can diversify his investment portfolio and amortise investment costs on multiple outlets. In addition, the risk of quasi-rent appropriation by both parties, franchisor and franchisee, is decreased due to the mutual interest in an ongoing partnership.	AT	Conceptual approach	Propensity to use international multi-unit franchising compared to single-unit franchising	N.A.	N.A.
Alon I.	2006	Market Conditions Favoring Master International Franchising	Multinational Business Review	The author develops nine propositions regarding the propensity to international master franchising, based on three economic variables (market size/potential, intensity of	–	Conceptual approach	Propensity to use master international franchising	N.A.	N.A.

				competition, demand variability), three social considerations (franchising acceptance/knowledge, entrepreneurial culture, geographical and cultural distance) and three political/legal considerations (country risk, corruption, legal framework).					
Choo S., T. Mazzarol, G. Soutar	2007	The Selection of International Retail Franchisees in East Asia	Asia Pacific Journal of Marketing and Logistics	The paper shows that U.S. food service retailers lack international franchise experience in Singapore and subsequently are depending on local partner resources to successfully implement, adapt and grow the brand in East Asia. Therefore, careful franchisee selection based on resources, such financial strength, local knowledge and access to prime retail sites, is critical.	Resource scarcity view	Multiple case study	Importance of franchisee resources for franchise system performance	P	Five U.S. international food retail franchise systems
Chen H.	2010	The Explanations of Agency Theory on International Multiunit Franchising in the Taiwanese Marketplace	International Journal of Organizational Innovation	The paper provides insights in the preference of American food franchise systems to enter Taiwanese markets via multi-unit area development franchising compared to single-unit and sequential multi-unit franchising, which is influenced by the criteria of selection of area developer, franchisee opportunism (e.g. free-riding, under investment, inefficient upward information sharing), adverse selection minimisation, franchise system uniformity and the Taiwanese culture.	AT	Multiple case study	International expansion via (multi-unit) area development franchising	P	Four U.S. international food franchise systems
Brookes M., A. Roper	2011	International Master Franchise Agreements: An Investigation of Control From Operational, Relational and Evolutionary Perspectives	European Journal of Marketing	The authors examine the inter-organizational processes (i.e. for quality and financial control, decision-making, co-ordination, and communication) used to control international master franchise agreements from operational, relational and evolutionary perspectives. The case study highlights that these processes are decentralised in the formation stage, centralised in the development stage and decentralised in the maturity stage.	–	Single case study	Control within international master franchise agreements	P	One U.S.-based hotel franchisor

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