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An investigation into independent small business owners' perception of franchisee relationships

Independent
small business
owners'
perception

693

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Abstract

Purpose – The purpose of this paper is to explore independent small business owners' perceptions of franchisees relationships with their franchisors, their fellow franchisees within the chain, their employees and their customers.

Design/methodology/approach – The authors use a qualitative approach and, more specifically, 26 in-depth interviews conducted with independent small business owners from various business sectors.

Findings – These independent small business owners perceive that franchisees have a dependency-based relationship with their franchisors; a competition-based relationship with their fellow franchisees; a rather complicated relationship with their employees; and a superficial relationship with their customers.

Research limitations/implications – This study contributes to the franchising literature by presenting an outside-chain view of franchisees' relationships with their franchisors, other franchisees, employees and customers.

Practical implications – The findings may have practical implications for franchisors, enabling them to better understand the concerns of independent small business owners as potential franchisee candidates.

Originality/value – The outside-chain view of franchisees' relationships is innovative.

Keywords Franchising, Relationships

Paper type Research paper

1. Introduction

Due to the benefits stemming from know-how, brand name and assistance, as well as the associated reduction of risks, franchising has grown in the retail and service industries in many countries over the last 30 years. Franchising, as an organizational form, triggers economic development (Michael, 2014) and may also result in improving consumer welfare (Grünhagen and Witte, 2005). The economic contribution of franchising in the US amounts to US\$2.1 trillion. Franchising also supports over 18 million jobs (International Franchising Association, 2015). In Europe, franchising is well-developed with over 555,000 franchised stores corresponding to 13,000 different



franchisors (French Franchise Federation, 2012). In France, there are 1,719 franchisors and 65,133 franchised stores, generating more than €47.40 billion in turnover (French Franchise Federation, 2014).

Despite the significance of franchise chain development and the importance of the formation of the franchisor/franchisee relationship, few researchers have dealt with the process of recruitment of franchisee candidates. Among these few, some have adopted a franchisor perspective, others a franchisee candidate's or franchisee's perspective. For instance, based on a franchisor perspective, Perrigot *et al.* (2011) have explored the way one franchise chain (i.e. Subway) communicates with franchisee candidates. Moreover, Perrigot *et al.* (2012) have analyzed the way franchisors use social media networks to interact with franchisee candidates. While, from the franchisee candidates' and franchisees' perspectives, other authors have explored the criteria used by franchisee candidates to select the chain to join. For instance, Hing (1995) identified various criteria such as the quality of the franchisor's documentation, the characteristics of the franchise contract, entry fees and royalties, as well as the image and characteristics of the franchisor. According to other authors, the guarantee of the start-up package in terms of training and managerial assistance also seems to be a decisive element in the choice of a franchise chain (Guilloux *et al.*, 2008; Leslie and McNeill, 2010). Kaufmann and Stanworth (1995) showed that joining a franchise chain relies on the image and reputation of the franchisor, the potential for profitability and the level of assistance and the initial training provided by the franchisor. Peterson and Dant (1990) highlighted the perceived advantages of franchising from a franchisee perspective.

Franchisee candidates who decide to "purchase a franchise" are not considered "customers", as in the sense of traditional customers buying a certain product. Rather they are those who choose to purchase a franchise as an act of entrepreneurship aiming to co-create value (Michael, 2009; Grace and Weaven, 2011). An important question in this context then is the following: "Who are franchisee candidates?" Professional reports on franchising often assert that franchisee candidates are mostly employees who want to become their own boss. For instance, a report published by the French Franchise Federation indicates that 54 per cent of franchisee candidates are generally employees, usually of big companies (El Akremi *et al.*, 2012). Another report published by Banque Populaire and other partners estimates the number as 73 per cent (Banque Populaire, 2013). However, there is a certain percentage of franchisee candidates who are not considered in these reports; these are the independent small business owners who decide to join a chain in order to benefit from the brand name, the know-how and the assistance. According to the French Franchise Federation (El Akremi *et al.*, 2012), the Banque Populaire and other partners' reports (Banque Populaire, 2013), respectively, 14 per cent of franchisee candidates and 19 per cent of franchisees are/were independent small business owners.

Independent small business owners represent a category of people who are important and relevant to franchising for at least two reasons. First, independent small business owners form a significant proportion of franchisee candidates (one to two franchisee candidates out of ten are independent small business owners). The decision to purchase a franchise is a complex decision (Kaufmann, 1999). Franchisee candidates usually compare the pros and cons of two options of self-employment: owning a totally independent business and joining a franchise chain. In considering the choices, the preference for autonomy and perceptions of behavioural control are among key factors influencing self-employment-related decisions (Kolvereid, 1996; Kolvereid and Isaksen, 2006). As networks and relationships are also very important for small businesses and

have strong implications for performance of small businesses, due to knowledge sharing and addressing daily routine issues and problems, independent small business owners' perceptions about relational aspects, particularly about franchisees' relationships with other franchisees, may have an important effect on independent small business owners' decisions.

Second, independent small business owners have interactions with franchisees. Nearly all independent small business owners interact – compete and/or collaborate – with franchisees at the local level, e.g., city centres and malls. In terms of competition, it can be for access to best locations, for the recruitment of employees or for the attraction of customers. In terms of collaboration, an independent restaurant owner we interviewed asserted the following:

This system has been around for many years now and I think today's business [...] we have these big brands, these franchises that are established, and they represent a big market share. So, they exist, they are here, the malls or even the city centres benefit from them, they bring a customer flow, they bring [...] an important activity, so we need them, they are necessary to bring life to a city (No. 25, restaurants).

In the literature, researchers have mainly focused on similarities and differences between franchise businesses and independent small businesses in terms of performance (Litz and Stewart, 1998), failure (Stanworth *et al.*, 2004) and survival (Bates, 1995a, b) or on specific stages of the businesses, such as the start-up stage (Welsh *et al.*, 2011). They have not considered the ways in which these two kinds of entrepreneurs perceive each other.

However, if independent small business owners are to be considered potential franchisees, then it is important to consider the ways in which they perceive franchising, as this may have a significant influence on their decision to join a franchise chain and/or interact with franchisees in their local market. Our objectives are to highlight the way independent small business owners perceive the relationships franchisees have with: first, their franchisors, with a focus on the dependency question; second, their fellow franchisees within the chain, with attention given to the competition dimension; third, their employees, in connection to professional development; and finally, their customers, with an emphasis on the depth of the relationship.

This empirical study employs a qualitative approach and, more specifically, the conduction and analysis of 26 in-depth interviews with independent small business owners from retail and service industries in France. This allows us to assess their perception of the relationships franchisees have with their franchisors, the other franchisees of the chain, their employees and their customers. Similar qualitative methods have been used in the literature on franchising (Forte and Carvalho, 2013; Perrigot and Herrbach, 2012; Weaven and Frazer, 2007).

This study contributes to research and practice in several ways. In terms of contributions to research, most of the studies on franchising issues have been conducted from a franchisor or franchisee perspective, i.e., by collecting data from franchisors or franchisees. Investigations of franchising issues from an outside-chain perspective, such as this study, are scarce. We also draw on the stream of franchising literature dedicated to the comparison of independent small businesses and franchise businesses (e.g. Bates, 1995a; Litz and Stewart, 1998) in the sense that we highlight the way independent small business owners perceive the franchisees' relationships. Moreover, we contribute to the stream of literature on the role of social and relational perspectives in the governance of franchise chains (Cochet *et al.*, 2008; Croonen, 2010; Croonen and Brand, 2013; Mumdzhev and

Windsperger, 2013). We also add to the literature about perceptions of franchising (Watson and Kirby, 2004; Perrigot and Herrbach, 2012) by applying an outside-chain perspective on the perception of franchisee relationships. Last, we adopt a multi-industry perspective, as recommended by Dant (2008). In terms of managerial implications, the findings of this research can be helpful for franchisors and franchisees. Franchisors can better assess the way independent small business owners perceive franchisees in order to better interact and communicate with them and encourage them to become franchisees themselves, as well as reinforce the positive image of franchising. Franchisees can use these findings in order to better interact with independent small business owners at the local level.

The paper is organized as follows. Based on the existing literature, we formulate some research propositions in Section 2. Section 3 describes the research method. We present and discuss the research findings in Section 4 and 5, respectively.

2. Perception of franchisee relationships by independent small business owners

As mentioned in the introduction, we investigate the perceptions of independent small business owners of franchisee relationships by focusing on four kinds of franchisee relationships: with their franchisors; other franchisees in the chain; their employees; and their customers.

2.1 Franchisee relationships with their franchisors

From a general perspective, franchising has advantages (e.g. cooperation that can bring mutual benefits to both franchisor and franchisees) and drawbacks (e.g. a lack of autonomy for the entrepreneur-franchisee) for franchisees in respect to their relationship with their franchisors.

Franchising is a mutually beneficial entrepreneurial partnership (Gonzalez-Diaz and Solis-Rodriguez, 2012) where both partners – i.e., the franchisor and the franchisee – pool their resources and capabilities to maximize the residual surplus. On the one hand, the franchisor provides a brand name, operating system, product/service specifications and other supports, including strategic franchise management support; franchise manual, development plans and the monitoring of financial data, as well as operational franchise support; and support for store opening, visits, merchandise range reviews, marketing and advertising and training (Doherty, 2007). On the other hand, the franchisee contributes towards the system by providing financial resources, managerial resources, local market knowledge, etc. (Combs and Ketchen, 2003). Independent small business owners may have a similar perception to that just presented, i.e., seeing the relationship between franchisees and their franchisor as mutually beneficial.

However, recent franchising research has raised questions about whether franchising is really entrepreneurship (e.g. Ketchen *et al.*, 2011), mainly due to the restrictions imposed by franchisors and the requirements of compliance to their franchisor's standards. For the most part, franchisees have to strictly follow operating manuals and almost all of the strategic decisions are made at the franchisor level. Franchisee autonomy, defined as the extent to which the franchisee is free to independently make strategic and operational decisions, remains an important concern in franchise chains (Cochet *et al.*, 2008; Lindblom *et al.*, 2008). Franchisors use formal control mechanisms to control the behaviour of the franchisees, which may include written procedures, manuals, request, threats and legalistic pleas (Tikoo, 2005). In addition to the formal control and contractual mechanisms, several informal and relational forms of governance are also generally present in franchise chains. These may include norms of behaviours, industry practices and unwritten codes of

conduct (Cochet *et al.*, 2008). Therefore, independent small business owners may perceive franchisees as having a lack of autonomy in terms of operations and strategy when they see franchisees following practices and procedures developed and set by their franchisors. Moreover, a critical view of franchising sees franchising as an exploitative relationship in which the franchisor is only interested in receiving initial fees and royalties and providing no real support for the franchisees (Hoy, 1994; Stanworth, 1995). The independent small business owners may have a similar perception, seeing the relationship between franchisees and their franchisor as quite hierarchical.

Thus, we formulate the following propositions:

P1a. Independent small business owners perceive franchisee relationships with their franchisors as mutually beneficial.

P1b. Independent small business owners perceive franchisee relationships with their franchisors as hierarchical.

2.2 Franchisee relationships with other franchisees in the chain

From a general perspective, franchising has advantages (e.g. cooperation) and drawbacks (e.g. competition) for franchisees in respect to their relationship with the other franchisees in the chain.

Besides their formal relationships, franchisees also develop informal relationships with other franchisees in the chain, particularly with those located in the same geographical area. This relationship can be either positive or negative. Franchisees may cooperate with their fellow franchisees located in the same geographical areas and learn from each other's experiences and "best practices" (Paswan and Wittmann, 2009). They may sometimes share their resources and enhance their overall efficiency. It is also important to mention that every day and network relationships are more important than transactional relationships for small business relationships (Gibb, 1993, 1997). The small business owners may also benefit from these relationships in terms of knowledge sharing and resolving routine issues (Fuller and Lewis, 2002; Street and Cameron, 2007). Hence, the independent business owners' perceptions of franchisees' may have an impact on their decision whether to join a franchise chain or not. As small business owners also benefit from these relationships in terms of knowledge sharing and resolving routine issues (Fuller and Lewis, 2002; Street and Cameron, 2007) they may see the relationship among franchisees of a chain as cooperative, which might have a positive impact on their decision whether to join a franchise chain.

Each franchisee however has their own interests and business targets. This can add a negative dimension to the relationships among franchisees. For instance, there is the possibility that some franchisees may free-ride on other franchisees' efforts and investments. Some franchisees may also perceive the other franchisees running stores in the same local area as direct competitors, thus referring to encroachment issues (Emerson, 2010; Stassen and Mittelstaedt, 1995). Encroachment refers to the situation where a franchisor adds new stores close to its franchisees' existing stores, using the same brand, thus negatively affecting the existing stores' sales. Emerson (2010) asserts that franchisees consider encroachment to be the number one problem in franchising. The independent small business owners may have a similar perception, seeing the relationship among franchisees of a chain as competitive.

Thus, we formulate the following propositions:

P2a. Independent small business owners may perceive franchisee relationships with their fellow franchisees as cooperative.

P2b. Independent small business owners may perceive franchisee relationships with their fellow franchisees as competitive.

2.3 Franchisee relationships with employees

Generally, franchising has advantages (e.g. training) and drawbacks (e.g. pressure) for franchisees in respect to their relationship with their employees.

Retaining employees and providing them with training and professional development opportunities, as well as staff turnover, are common challenges for all small businesses, whatever the organizational form, franchised and totally independent. However, franchisees have an advantage. Usually, they can offer their employees better training and hence cope with high turnover of employees (Choo and Bowley, 2007). This problem is even more serious in the retail industry as wages in retailing are generally lower compared to other industries (Watson *et al.*, 2002). Weaven and Herington (2007), in investigating human resource management within franchise chains, found that larger franchise chains use more sophisticated human resource management practices. They further argued that franchise chains have more resources compared to independent businesses and hence can apply better approaches to retain and develop their human resources. Larger franchisors also have better opportunities to provide formal training and professional development opportunities to their employees. In addition, employees of franchisees enjoy the prestige of working for a well-known brand and may have better prospects in their future careers. In sum, employees may find it more attractive to work for a franchisee compared to an independent small business owner. The independent small business owners may have a similar perception, seeing the relationship between franchisees and their employees as positive for professional development.

On the other side, independent small business owners are often professionally and technically more sound compared to franchisees (Sardy and Alon, 2007). Independent small business owners typically build their competitive advantage on strong product/service knowledge and specialized skills (McGuinness and Hutchinson, 2013). They are more confident of their skills and more often consider their professional activity a passion. They train their employees through face-to-face personal interaction (Kent *et al.*, 2003), hence, small business owners have personalized (Matlay, 1999) and more frequent interactions with their employees, which may result in a relatively stronger and richer relationship between the two counterparts. Therefore, the independent small business owners' relationship with their employees may be richer compared to the franchisees' relationships with their employees. In this light, independent small business owners may see the relationship between franchisees and their employees as less rich than outside the franchise business.

Thus, we can formulate the following propositions:

P3a. Independent small business owners perceive franchisee relationships with their employees as positive for professional development.

P3b. Independent small business owners perceive franchisee relationships with their employees as less rich than outside the franchise business.

2.4 Franchisee relationships with customers

Franchising has advantages (e.g. brand image) and drawbacks (e.g. lack of customization) for the franchisee in respect to its relationship with the customers.

The relationship between a customer and a retailer largely depends on the level of trust between the customer and the retailer's front-line staff (Twing-Kwong *et al.*, 2013).

However, franchise chains often have standardized processes and procedures and allow very little deviation at the store level. This may lead to a less rich relationship with their customers. Operating all the stores under the same brand name may also create an externality problem (Michael, 2000). The individual franchisees may not be particularly interested in raising the overall level of quality and richness of customer relationship, as the customers will transfer the goodwill to other stores. In addition, franchisees can benefit from chain's promotional and loyalty programmes. The franchisees do not require high investments to create a personalized relationship with their customers. As such, independent small business owners may see the relationship between franchisees and their customers as less rich than outside the franchise business.

Thus, we formulate the following proposition:

- P4.* Independent small business owners perceive franchisee relationships with their customers as less rich than outside the franchise business.

3. Research method

In order to assess independent small business owners' perceptions regarding the relationships franchisees have with their franchisors, the other franchisees of the chain, their employees and their customers, we used a qualitative approach and, more specifically, in-depth interviews. Qualitative approaches have been often adopted by researchers analyzing franchising. Weaven and Frazer (2007) and Perrigot and Herrbach (2012) interviewed franchisees from several chains and several industries to investigate multi-unit franchising and plural form, respectively. Perrigot *et al.* (2011), in their case study of Subway, interviewed franchisees and development agents to analyze Subway's communication strategy towards prospective franchisees. Forte and Carvalho (2013) also conducted interviews with staff responsible for the chain internationalization in their case study on Parfois.

In this research, 26 in-depth interviews with independent small business owners in France were conducted face-to-face in October 2011. A focus on France was justified due to its dynamism in terms of franchising irrespective of the industry, e.g., retailing and services (1,719 franchisors, 65,133 franchised units, €47.40 billion of total revenues (French Franchise Federation, 2014)). The independent small business owners interviewed were chosen "purposively" (Dick, 1990, p. 24) to provide relevant information about their perceptions regarding franchisee relationships. First, we only chose small business owners belonging to an industry where franchising was well-developed; more specifically, bakeries, flowers stores, hair salons, hotels, ready-to-wear stores, and restaurants. It was important that we include retail and service industries in our study due to existing differences among these two types of industries (Perrigot, 2006). Second, setting up appointments made it possible to meet the independent small business owners in their stores. Some owners were not available for an interview and a few others did not want to be interviewed. For the independent small business owners who agreed to be interviewed, we tried to arrange the meetings at convenient times for them, bearing in mind customer traffic and employee availability.

We used an interview guide for these semi-structured interviews. In addition to the introduction and conclusion, the interview guide was composed of the four following parts: first, the industry in which the interviewee was running its business; second, its relationships with other small business owners (independent and franchisees); third, the perceived characteristics of franchising; and fourth, the perceived advantages and drawbacks of franchising. The average interview length was 53 minutes.

The profiles of the 26 independent small business owners varied in terms of gender, age (from 27 to 60 years old), family origin (parents who were small business owners or not), industry (bakeries, flowers stores, hair salons, hotels, ready-to-wear stores, restaurants), store location (city centre, mall, etc.), experience as an independent small business owner and daily life in the store (with employees, with their spouse, alone). We therefore tried to achieve heterogeneity in the sample of interviewees. Table I displays information about the interviewees' profiles. All the 26 interviews were audio-recorded and fully transcribed. We then proceeded to a content analysis of these interviews (Kolbe and Burnett, 1991; Stemler, 2001).

4. Findings

4.1 Franchisee relationships with their franchisors: a dependency-based relationship

Independent ownership is characterized by a high level of entrepreneurial autonomy (Shane *et al.*, 2003; Estay *et al.*, 2013). Most of our independent small business owners perceive franchisees as not benefiting from a high level of autonomy and therefore having a dependency-based relationship with their franchisors. Some interviewees view franchisees as "fake employees" restricted to daily management, under the supervision of their on-field consultant/regional managers. They think that franchisees do not make any strategic decisions:

They are not allowed to innovate, really. They are not free, now and then; they are not their own boss. They are not really the person in charge. The supply, the pricing, the products [...]

Interview	Industry	Gender	Age	Years of experience
No. 1	Bakeries	Female	43	25
No. 2	Bakeries	Female	48	26
No. 3	Bakeries	Male	~43	~20
No. 4	Bakeries	Female	–	–
No. 5	Bakeries	Male	~50	~23
No. 6	Bakeries	Male	–	11
No. 7	Flowers stores	Female	–	–
No. 8	Flowers stores	Female	–	12
No. 9	Flowers stores	Male	–	4
No. 10	Flowers stores	Female	37	0 (1 month)
No. 11	Hair salons	Female	–	11
No. 12	Hair salons	Female	–	4
No. 13	Hair salons	Male	56	25
No. 14	Hair salons	Male	45	22
No. 15	Hotels	Female	–	13
No. 16	Hotels	Female	56	20
No. 17	Hotels	Male	41	25
No. 18	Hotels	Male	47	10
No. 19	Ready-to-wear stores	Female	–	–
No. 20	Ready-to-wear stores	Male	61	46
No. 21	Ready-to-wear stores	Female	41	2.5
No. 22	Ready-to-wear stores	Male	57	34
No. 23	Restaurants	Male	27	1
No. 24	Restaurants	Male	–	–
No. 25	Restaurants	Male	–	~4
No. 26	Restaurants	Male	–	20

Table I.
Interviewees' profiles

everything is already handled. They just need to make profits, you know [...] to pay for what they owe and make it. I think they just need to sell!" (No. 3, bakeries).

That's the point. Everything is too clinical. You are not independent enough. There is always someone, because even though you are a managing director, you have a regional director, a French director, they are getting a European director. There is always someone above you. They are almost like pawns (No. 26, restaurants).

If I decide to start a franchise, I am not the one who creates the hair salon; it is just the franchise chain getting bigger [...] I will just be an employee [...] of the chain (No. 11, hair salons).

As well, most interviewees consider that franchisees are dependent upon their franchisors, lacking leeway and submitting to their on-field consultant/regional managers to whom they are accountable:

You know, what I want is absolute freedom in my management. Well, it is still the same idea of freedom of work, of not having to be accountable to these people that pull all the strings in the highest spheres (No. 7, flowers stores).

They are not as free as we are, that is for sure, clearly. These people, in there, are dependent; they always have to be accountable to their superiors. They are not free. I want my freedom! I do not want to be controlled, because these people are held by someone. Despite them having a little freedom, surely they must have someone to answer to! (No. 2, bakeries).

Finally, the interviewees assert that on-field consultants/regional managers impose the products, suppliers, prices and decorations on the franchisees:

They are not free. Yes. Well yes, they are small business owners [...] yes! But they are not free at all. Regarding everything that concerns [...] the layout of the salon, and then from what I have heard too, because I am not 100% sure, even regarding the haircuts, the fashion of the haircut [...] they have to [...] they have to do this haircut in particular. This is the trend so you need to try to sell this particular haircut. Well [...] sell in a manner of speaking, because you cannot really sell a haircut, but this is the one, you know, so you have to try to propose it to the customers as much as you can to promote the brand [...] (No. 11, hair salons).

Well no! If they own a real franchise, they are not as free as I am. Someone will impose a menu on them, specific suppliers and the prices for both buying and selling. I know that when you have a seasonal menu you have to propose it. Even though you do not like it, you have to do it. That is it, you have mandatory products and you cannot make the profits you want (No. 24, restaurants).

Independent small business owners perceive that franchisees have dependency-based relationships with their franchisors. *P1b* – Independent small business owners perceive franchisee relationships with their franchisors as hierarchical – then finds support.

4.2 Franchisee relationships with other franchisees in the chain: a competition-based relationship

Many of our independent small business owners perceive a fierce competition among franchisees of the same chain. First of all, some interviewees consider that franchisees are greedy; they like the competition and are even stimulated by the competition:

Then, chain stores, that is something else. These are greedy people who at a specific time slowly started wholesaling, like [X], which is quite old, who had a contract with one supplier back then. They wore him out. He is no longer here. And these people are really greedy. One is not enough, they need two, then three. Sometimes they compete, sometimes in a family there is a guy who owns a big-box store, then the other one starts a clothing store to compete with his or her relative, etc. (No. 20, ready-to-wear stores).

Moreover, several interviewees talk about the IT system and the accounts of every store that are accessible by other franchisees and are updated every hour (especially in the ready-to-wear industry). All franchisees can therefore compare their performance with the other franchisees in the chain and also know the best selling items in other stores in the chain. There is therefore an intensified competition and a stronger pressure on the less efficient franchisees:

The big brands, that must be [X], etc. I have worked in franchises before. It is not the same system at all regarding the clothes, the goods, the stock, because everything is monitored. The same store will have a lot of competition from city to city: Nantes [X] will be in competition with Rennes [X]. I have been in a luxury franchise before, [X], and we were in tough competition with every other [X] because every half hour there is an update giving all the figures from the other French stores! It was extremely stressful, so we had to align the prices! Timing was extremely important. It was not the same stress compared to here, in an independent store, where we are only trying to match the turnover from the previous year (No. 19, ready-to-wear stores).

They have access, they have monitoring [...] regarding the accounts and, at least they are monitored [...] they just have to pay a little at the end of the month. Now, they are monitored because if there are 200 [X] salons, well, they will have access to all the others' figures and there will be some kind of relationship, of competition that assesses them compared to the others. Yes, there will be some kind of chain that assesses each one and that makes everything work, you know (No. 14, hair salons).

Finally, one interviewee describes a bad experience within a chain; the franchisor forced the newly franchised hoteliers to disclose their figures and suppliers to benefit the other hoteliers. This contribution was provided without any real compensation. It was perceived as cannibalization within the chain:

At the beginning of my hotelier activity, I had a partnership with [X]. [...] And I realized that it worked one way but not the other. [X] had hotels almost everywhere under its own name and was asking who our suppliers were and what were our prices so as to collect information and pass it to their other franchised hotels within the group. But I was an independent partner. I gave my prices so they could lower their prices and fill their hotels: it was cannibalisation. You start thinking everything goes wrong; you pay and nothing comes out of it. Sometimes you pay and there is support behind you, it is just business. But there are many kinds of hotels; you have to check and pick the right one. There are always good salespersons who propose a concept, but you have to see what is behind it. That's why I do not trust the franchise system anymore (No. 18, hotels).

Independent small business owners perceive that franchisees have competition-based relationships with their fellow franchisees. *P2b* – Independent small business owners perceive franchisees' relationships with their fellow franchisees as competitive – is supported.

4.3 Franchisee relationships with their employees: a mixed relationship

On the one hand, some of our independent small business owners consider that being an employee in a franchised store presents several advantages. First, the prevailing turnover in the chains can turn out to be a good thing for the employees. It vacates positions, especially for young people, and opens more perspectives for progression. Thanks to their size, chains hire more employees than independent small businesses:

They create jobs because they have big facilities, but in the meantime there is a turnover. So ok, one leaves, but it is because he found something elsewhere. So it creates jobs. But then, it is a very good opportunity for the hairdressers, for the young ones looking for jobs. They learn the basics in these salons and then, they try to move on to salons that will teach them the techniques (No. 14, hair salons).

There is probably much more likelihood of progression in the chain business than being on its own (No. 23, restaurants).

Moreover, some interviewees mention the advantage for employees in terms of image. Working in a franchised store can turn out to be very rewarding for employees who can enjoy a certain brand image:

Maybe it is a brand image for the employees. Maybe they feel prouder than working for [X]. Who knows? You should ask the receptionist over here [...] (No. 17, hotels).

They also talk about social benefits for employees who can usually enjoy benefits linked to the larger size and higher resources of the franchise chains compared to the independent small businesses. Some chains also use interesting motivational methods for the workforce:

I do not know what kind of benefits they can have. Yes, maybe lunch vouchers that we do not have (No. 2, bakeries).

Finally, according to some of our independent small business owners, training in a franchised store can be considered effective, thanks to the specifications linked to the know-how. Franchising may be a “good training school” for young people and beginners, whereas independent small businesses, since they are limited by their low resources, prefer to hire already-skilled workers:

This is very well organized. There is training and there is logistical support during the whole training. They can contribute by giving ideas. This is extremely good for some franchise concepts. For someone who worked for an excellent franchise, it gave him a lot of key information about business, training, how to sell, selling techniques. This is a true business school! (No. 25, restaurants).

They have to train them while we only hire people who already have the skills (No. 26, restaurants).

Independent small business owners perceive that employees of franchise chains have more opportunities for professional development due to the brand name of the chain and higher formal training. *P3a* – Independent small business owners perceive franchisee relationships with their employees as positive for professional development – is supported.

On the other hand, our independent small business owners consider that being an employee in a franchised store presents several drawbacks. First of all, some interviewees mention the specifications used in the franchise sector as being created to divide the work as much as possible, so that it is possible to hire a poorly qualified and less expensive workforce:

What really happens in a chain is that anyone can adapt to what is asked. It is like a machine. You tell it to put the bolt here [...]. Actually, these structures are meant so there is an important workforce (No. 4, bakeries).

They usually hire saleswomen who, well, some are really nice; they have very few technical skills, but on the other hand they do not pay them enough either (No. 20, ready-to-wear stores).

Their weakness is the quality, which is not the same as ours [...] Most of the time the people hired by franchisees are not as qualified as we are and the work is often already prepared and only requires handling the goods (No. 7, flowers stores).

Second, some interviewees consider that the training promised to employees of a franchisee allegedly never happens. Franchisees are thus blamed for not training their

employees well, keeping them in a state of mediocrity and not contributing to their career development:

But I think it is better for an employee to work for a craftsman, especially if the latter is nice. I worked in three [X] and for the same boss. What he liked about me was that I was bringing a difference because I had a different NVQ to the others. But then he was more and more into the preparation of standardized series of bouquets so I told him, "Wait! I got my florist NVQ at the age of 34 to have fun. If it was just to work on an assembly line and learn nothing but speed and nothing about creativity, I do not see the point" (No. 10, flowers stores).

And when I see today that we need to hire and we are like "damn", ten years of experience and he cannot cut hair. These young hairdressers, they grew up in the profession, but at one point, when once again they needed to be supported because they were not ready, well they did not have full mastery, and no one accompanied them. They were asked to make a profit [...]. Always more and faster [...]. Well usually [...] you cannot use your know-how and put it forward because when you need to go very fast and you are expected to improve your skills at the same time, that is not possible. It takes some time (No. 11, hair salons).

Finally, some interviewees view the turnover within franchise chains as being a disadvantage for employees. They consider that employees are considered to be just "numbers"; they work under the pressure of objectives, which are sometimes purposely unreachable:

Well, in the inside the employees are grinding. They need to make a profit and then if they succeed they are asked to reach another stage [...]. They do not stay much longer, you know [...] the employees. There are always new faces. The pressure is too much [...] (No. 13, hair salons).

Well, generally it is the same at the end of the month. We get bonuses, the franchise too, but the objectives are generally so high we cannot reach them. It is just a way to ensure a good quality of work from the employees. Here it is not the same" (No. 19, ready-to-wear stores).

Independent small business owners perceive that franchisees do not have a deep and long-term relationship with their employees. *P3b* – Independent small business owners perceive franchisee relationships with their employees as less rich than outside the franchise business – is supported.

4.4 Franchisee relationships with their customers: a superficial relationship

Many of our independent small business owners consider the relationships franchisees have with their customers to be quite superficial. First, many interviewees perceive franchisees as having to reach quantitative objectives; they are not passionate about their job or the products/services they sell, but they are looking for profitability. This result seeking, on the one hand, causes a lack of customer support; the franchisee's objective is to sell, not to advise. On the other hand, it leads to a low quality of products/services. In a franchise, the objective is not to give advice but to sell; they are "factories":

I think everyone has his own [...] it is not the same state of mind, I think. There it is more "profitability, profitability, profitability" [...] I try to [...] I create a trusting relationship with my customers that sometimes even leads to [...] some of my customers have become my friends (No. 12, hair salons).

But you know, in the small shops there is [...] the service is always there, we smile just as much [...] I would say regarding the business, we smile more easily [...] I do. While in the big-box [...] that is, you have to smile, and it is mandatory. While otherwise, in the small shop, you are who you are. There are days you are not okay, so you smile a little less, but [...] no one will tell you: "Hey you, your contract says you have to smile! (No. 11, hair salons).

We also have a different philosophy. When you belong to a franchise or a chain, you also have to comply with some things, you know. When you really are in charge, you do not have the same work and life philosophy. So I think, in the end, the product must feel the effects, you know. If you put your heart and all your energy into your work, you can logically produce a better product (No. 5, bakeries).

Second, according to our interviewees, the standardization of services may be linked notably to the pressure from the shareholders to make the most profit (least expensive supplier imposed, limited quantities offered to the customer):

We have more freedom, because the chain, well, the desk will be organized this way, the product will be this brand of jam, that brand of coffee. Even if it does not taste good and it was specifically chosen by the guy at headquarters because this product is written in the requirements. The orange juice is this one, the glasses are 5 oz not 8 oz, because 8 oz glasses times this makes so many gallons of orange juice and you need to stretch the prices up and make a margin. Then a time comes when the franchisee must answer to some shareholders. It is like the Stock Exchange. Like the CAC 40. The shareholders have to be paid. If they do not make any money, they are not happy. And what do they say? "Well guys, we need to raise the prices because at the end of the year we are not getting any money". So the guy says the orange juice is 5 oz tops, so everything is set and everything is standardized but the customer does not like too much standardisation. They want the specific touch; they want the welcoming. Like today we want a little bit of everything. Like at home, you do not want your house to be the same as your neighbour's. Well, when you stay in an hotel it is the same. You want something different and here I am thinking as an independent owner. I am the only 3-star independent hotel left in [city] (No. 18, hotels).

Third, some interviewees explain that independent small business owners take care of their customers because they cannot afford to lose one of them, whereas a franchisee experiences a bigger customer flow so it can afford to disappoint and lose some of them:

But they have such a huge customer flow that if they lose two of them, they do not care. There are a hundred coming in. I cannot lose any of them! If I lose one, it is on purpose. That is, because I do not want him! As long as the product is sold, yes. If they did what we have learned, "You want the client to come back, do not sell him rubbish", I would say yes. But they do not. But when they have ten unsatisfied customers, they have three hundreds waiting in line! I cannot afford to have one unhappy customer. No can do! (No. 20, ready-to-wear stores).

Independent small business owners perceive that franchisees have superficial relationships with their customers. *P4* – Independent small business owners perceive franchisee relationships with their customers as less rich than outside the franchise business – is supported.

5. Discussion

5.1 Summary of findings

Based on a qualitative approach involving a total of 26 interviews with independent small business owners from different industries in the French market, our findings suggest that these independent small business owners perceive that franchisees have dependency-based relationships with their franchisors (*P1b* supported); competition-based relationships with their fellow franchisees (*P2b* supported); and superficial relationships with their customers (*P4* supported). Regarding relationships with employees, there is lack of consensus on this issue – some of the interviewees consider that franchisees do not have a deep and long-term relationship with them, whereas others consider that the employees of franchised stores have more opportunities for professional development (*P3a* and *P3b* supported).

5.2 Contributions to research

This research contributes to the franchising literature in several ways. First, the perspective adopted in this paper is original compared to most franchising research based on franchisor and franchisee perspectives (Dant, 2008). The current research is the first of its kind to present an outsider view of franchising based on the views of independent small business owners. Second, we add to the stream of literature dedicated to “franchises vs independent small businesses”. Contrary to previous research that has mainly dealt with similarities and differences between these two kinds of organizations (e.g. Bates, 1995a; Litz and Stewart, 1998), the present study deals with the perceptions independent small business owners have regarding the relationships franchisees maintain with their franchisors, the other franchisees of the chain, their employees and their customers. Third, we contribute to the stream of literature on the role of social and relational perspectives in the governance of franchise chains (Cochet *et al.*, 2008; Croonen, 2010; Croonen and Brand, 2013; Mumdziev and Windsperger, 2013). Fourth, we add to the literature on perceptions within the franchise sector. For instance, Perrigot and Herrbach (2012) examined the way franchisees perceive managers of company-owned stores within their chain. Contrary to these authors who chose a within-chain perspective, in this paper we choose an outside-chain perspective, as Watson and Kirby (2004) did in the context of the UK with the public at large. Fifth, the sample of our study deals with several industries in the French market, from both retailing and services, and is not limited to only one industry. Therefore, this study is a response to calls for studying franchising outside Anglo-Saxon markets and the fast-food industry (Dant, 2008).

5.3 Contributions to practice

This research has practical implications for franchisors and franchisees. Independent small business owners can become franchisees. Our findings can then help franchisors assess the perceptions independent small business owners have regarding franchisee relationships with the chain stakeholders, i.e., franchisor, franchisees, employees and customers with a view to encouraging them to become franchisees.

With this better understanding of independent small business owners' perceptions, franchisors (as well as franchisees) could work on the image they project. They could, for instance, communicate about aspects dealing with human resources management practices, internal cohesion, assistance, etc., in order to encourage independent small business owners to join the chain. More specifically, first, our findings on the perception of dependency-based relationships between franchisees and their franchisors suggest that franchisors, when they communicate to attract new franchisees, should stress the financial and economic independence of both parties and the autonomy given to the franchisees to run their business. Second, our findings on the perception of competition-based relationships among franchisees should encourage franchisors who want to attract new franchisees to highlight the cooperation (Pilling *et al.*, 1995; Baucus *et al.*, 1996; Shane and Hoy, 1996) and the cohesion (El Akremi *et al.*, 2011) among franchisees. They should give information about the culture and the values of the chain (Parsa, 1999; Paswan *et al.*, 2004). Third, the mixed findings on the perception of franchisee/employees relationships should encourage franchisors and franchisees to better communicate their HR practices, as some franchisors already do (e.g. Mc Donald's). Fourth, our findings on the perception of superficial franchisee/customers relationships should encourage franchisors and franchisees to better communicate on their CRM practices.

Moreover, interactions between franchisees and independent small business owners exist at the local level, e.g., in a same city, in the same mall. For instance, some interviewees

mentioned that the presence of franchisees in their local area forced them to reassess their practices and to differentiate themselves, as follows: “Well you need them, you know! Competition is good. You need competition [...] and then, the small owner has to improve his look now. His shop. You know! And then, regarding his new customers, you know. It’s a big cake and everyone has a slice [...]” (No. 22, ready-to-wear stores); or “They force us to reassess ourselves, to improve our store” (No. 15, hotels). Our findings can help franchisees better manage these interactions.

5.4 Limitations and future research

This research has some limitations which offer opportunities for future research. On the one hand, the qualitative approach used in this research prevents generalizing the findings to the franchise sector as a whole. However, our sample of 26 interviewees is comparable in terms of size to those on which other authors have based their empirical study on franchising (e.g. Weaven and Frazer, 2007; Perrigot and Herrbach, 2012). The test of these preliminary findings based on a quantitative approach, for instance, with a questionnaire-based survey to independent small business owners, would be relevant to measure the way these independent small business owners perceive the franchisees’ relationships with the others. A focus on relationships with employees for which we have not found any consensus among the interviewees is encouraged. Moreover, Dant (2008) and Dant *et al.* (2008) suggest exploration of franchising issues in relatively less researched markets. Even though franchising is particularly well-developed in France and several previous studies have investigated franchising in France, investigating independent small business owners’ perceptions regarding relationships franchisees have with their franchisors, other franchisees of the chain, their employees and their customers in other countries than France would be interesting. A multi-country perspective with different settings in terms of franchising and independent small businesses equilibrium would be even more meaningful. It may also be relevant to investigate similarities and differences between franchisees’ and independent small business owners’ perceptions, probably in some specific industries. Exploring the question of “How independent business owners’ perceptions match reality?” by interviewing independent small business owners at T0 and at T1 (when they have become franchisees) and seeing if expectations have been met and whether perceptions remain the same would be useful. Finally, another track for future research deals with the perception of franchising by other parties than independent small business owners; for instance, not only the general public as Watson and Kirby (2004) did in the UK context, but also bank agents, real estate agents, and candidates for entrepreneurship. This would provide a broader understanding of franchising, and would help promote franchising as an entrepreneurial mode.

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