June 2001

Franchising from the franchisee's perspective

Marko Grunhagen
Eastern Illinois University, mgrunhagen@eiu.edu

Robert A. Mittelstaedt
University of Nebraska-Lincoln

Volume 2 Number 2 **June 2001**

THE INTERNATIONAL JOURNAL OF ENTREPRENEURSHIP AND INNOVATION

Franchising from the franchisee's perspective

A review of the multi-unit franchising paradox

Marko Grünhagen and Robert A. Mittelstaedt

Abstract: *The focus of this article is on the emergence and development of multi-unit franchising in the USA from the franchisee's perspective. After a historical summary of the development of franchising from a marketing viewpoint, a typology of different franchisee types is provided, and the multi-unit franchising paradox is presented. The article offers a discussion of reasons why individuals might be enticed to become multi-unit franchisees. Emphasis is placed on entrepreneurship as a possible motive for sequential owners' involvement as multi-unit franchisees. The article concludes by providing encouragement for future research to investigate the issue empirically.*

Keywords: *Franchising; multi-unit; single-unit; franchisee; review; motivations*

Marko Grünhagen is with Clemson University, Department of Marketing, 249 Sirrine Hall, Clemson, SC 29634-1325, USA. Tel: +1 864 656 5296. Fax: +1 864 656 0138. Robert A. Mittelstaedt is with the University of Nebraska-Lincoln, Department of Marketing, 310 College of Business Administration, Lincoln, NE 68588-0492, USA. Tel: +1 402 472 2316. Fax: +1 402 472 9777.

Over the past two decades, the franchising industry has experienced a phase of renewed expansion and continued growth, spurred to a large extent by the advent of new forms of franchising. New industry segments, such as funeral homes and car repair garages, have adopted franchising as a means to conduct business based on its standardization promise, and the expansion into so-called 'non-traditional' sites, such as airports, colleges and hospitals, has allowed for another push in the growth of franchise systems. In the wake of globalization, which accounted for much of the industry's expansion between the 1960s and 1980s, a major portion of the more recent increase in sales and unit growth can be attributed to the emergence of franchise owners who own more than the traditional single outlet (Kaufmann, 1992). In many cases, such multi-unit franchisees' mini-chains extend across entire states, encompassing hundreds of outlets (Kaufmann, 1988; Bodipo-Memba and Lee, 1997). In contrast, *Bond's Franchise Guide* (1998) provides figures that put the median size of *entire franchise systems* at only 64 outlets. With half of today's retail goods being distributed through franchise systems, the trend towards multi-unit franchising has become a pervasive phenomenon.

However, ownership attention as the core advantage of franchising for the franchisor seems to get lost in a multi-unit ownership arrangement. In addition, franchise ownership of multiple outlets seems to represent, at best, an equivalent solution to other types of capital investment, and at worst, an inferior alternative in light of the stock markets' continued surge paired with semi-dependence on the franchiser. A clear need exists for entrepreneurship researchers to understand the emergence of such important and pervasive institutions as the new breed of multi-unit franchise businesses; this article is considered a step in this direction.

First, an overview of the history and broad characteristics of traditional franchising in contrast to the more modern phenomenon of multi-unit franchising is provided. Then, the 'multi-unit franchising paradox' will be outlined. Multi-unit franchising will be examined, offering suggestions why multi-unit franchisees might be interested in this particular business arrangement. Hence, a distinct focus will be placed on the discussion as to why multi-unit franchising may exist from the franchisee's perspective, and on entrepreneurship as a possible motive for sequential owners for their involvement as multi-unit franchisees. Multi-unit franchising seems to be such a pervasive phenomenon today that the question of why those involved engage in this endeavour seems not just warranted, but almost overdue. The franchising industry in the USA serves as the basis for the conceptual exploration of this paper, due to its advanced development compared with less mature franchise markets around the globe.

Historical overview

Franchising as a distinct form of distribution goes back to the early 1800s, when beer brewers in Europe entered into licensing and financing agreements with bars and taverns for the exclusive sale of various types of beer and ale. In 1863, the Singer Sewing Machine Company instituted the first consumer product franchise system in the USA. During the 1890s, the automobile and soft drink industries adopted franchising as the primary means of distribution, and in the 1930s, petroleum producers followed (Hackett, 1976). The marketing and the economics literatures classify this 'first generation' of franchise systems, which was adopted early on and continues to the present, as 'product and tradename franchising'. It is characterized by franchisees who simply distribute a product under a franchisor's trademark (Preble and Hoffman, 1998).

The franchise industry began a period of accelerated growth in the 1950s. After Howard Johnson had developed the first franchised restaurant chain in 1935, fast-food restaurants, hotels, entertainment and rental services integrated the franchising concept into their marketing strategy (Hackett, 1976). With these newer types of franchise systems, the main focus shifted from the traditional perspective of a distribution channel for a trademarked product to that of ownership of an entire business idea by the franchisor, and its rental to the franchisee (Caves and Murphy, 1976). This 'second generation' of franchising is defined as 'business format franchising' in which the relationship between franchisor and franchisee 'includes not only the product, service, and trademark, but the entire business format itself — a marketing strategy and plan, operating manuals and standards, quality control, and continuing two-way communication' (US Department of Commerce, 1988: 3). By the late 1960s, the initial rapid growth of franchising within the USA had levelled off due to an increasing perception of market saturation and heightened competition. Consequently, franchisors began to expand beyond US borders. While in 1969 only 14% of the members of the International Franchise Association (IFA) had foreign operations (Hackett, 1976), today more than 20% of established franchise chains, approximately 400 companies, have globalized their franchises (Ryans, Lotz, and Maskulka, 1997).

During the past decade or so, the face of the domestic franchise industry has changed dramatically. An ever growing number of franchisees has established multi-unit operations within existing franchise systems, with various forms of multiple-unit ownership emerging. The following section will provide an overview of some of the more important types of single-unit as well as multi-unit ownership.

Franchising characteristics and types

Much confusion still surrounds the concept of franchising despite the fact that it is a long established business arrangement. This arises from the variety of business relationships that closely resemble franchising, and the common use of the term in everyday language. The franchising industry has summed up the dual benefits of franchising as a hybrid between dependence and autonomy in the catchy slogan, 'Be in business for yourself, but not by yourself.' It is usually assumed explicitly or implicitly that franchising is a distinct and well defined category somewhere between complete vertical integration and autonomous firms.

From a distribution standpoint, there are actually a number of alternative organizational forms between the two extremes. Apart from franchising as a contractual vertical marketing system, examples of distribution channel hybrids include administered vertical distribution systems, and strategic alliances. The possible hybrid organizational forms are so numerous that they are best thought of as existing on a continuum. Franchises are not a single point along the continuum, but rather constitute an alternative to each of the organizational types along the continuum. Thus, there exist no neat boundaries between franchises and other business forms.

A franchise contract obligates the franchisee to distribute products and/or services under the franchisor's trademark. The franchisee agrees to follow certain guidelines and operating standards, and pays an entry fee, royalties and various other recurring fees, in return for the franchisor's advice and services regarding site

selection, financing, advertising, litigation and so forth. A variety of franchise forms coexists under the same name. However, the traditional perception of franchising is the 'mom and pop' franchisee, who brings all of her/his energy and focus to bear on operating one outlet (Caves and Murphy, 1976).

In recent years, practitioners' as well as researchers' attention has begun to focus on a new development in franchising, the trend towards multi-unit franchising. In contrast to the historic 'mom and pop' franchisee, an ever growing number of franchise owners currently operates more than one outlet. Over the past few years, various studies have indicated the persistent importance of multi-unit franchising in the USA. Kaufmann and Dant (1996) found that 88% of the surveyed franchisors had multi-unit franchisees, while Kaufmann (1995) found that 83% of the surveyed new Mexican restaurants in 1994 were opened by existing franchisees. Within the McDonald's franchise system, between 1980 and 1990, 61.5% of all new restaurants were opened by existing franchisees (Kaufmann and Lafontaine, 1994). Consequently, Kaufmann and Dant (1996: 346–347) conclude that 'the typical location-based franchise system (of which the fast food franchise is the prime and model example) is populated with multi-unit franchisees.' Further, based on various recent studies (eg Kaufmann and Kim, 1993 and 1995; Robicheaux, Dant, and Kaufmann, 1994), it can be concluded that the franchising sector as a whole is not only growing, but that a substantial portion of the industry's growth can be attributed to the increasing popularity of multi-unit franchising.

Kaufmann and his colleagues (Kaufmann and Dant, 1996; Kaufmann and Kim, 1993 and 1995) identify three types of multi-unit franchisees, apart from the traditional single-unit franchisee. 'Subfranchising', often also denoted as 'master franchising', is characterized by the franchisor's permission to a franchisee to grant franchises on the franchisor's behalf *to third parties*. Subfranchising as a distinct form of franchising is widely used in the international expansion efforts of franchisors. Often, a subfranchisor for one or even several countries is established who then, in turn, subfranchises to local franchisees who are responsible for opening their units. The subfranchisor functions as an additional control layer, and largely assumes the tasks of the franchisor in her/his geographical area for a share of the royalty payments. Subfranchising as well as corporate ownership of outlets by the franchisor have been in the past, and are still today among the most frequently observed forms of control in the international expansion process of US franchise systems (eg Alon and Banai, 2000). Either strategy allows the franchisor a great amount of control over its foreign operations, a paramount objective for franchisors in light of the prevailing communication and strategic flexibility problems in global franchisor/franchisee relationships (Ryans *et al*, 1997).

'Area development franchising' as well as 'sequential multi-unit franchising' denote the types of franchising in which the franchisee her/himself opens additional units under her/his own ownership and management. They are the prevalent types of franchising in the USA (Robicheaux *et al*, 1994), with sequential multi-unit franchising as the most common domestic form (Kaufmann, 1992). In area development franchising, the franchisor requires the franchisee her/himself to exercise the *contractual obligation* to open a specified number of outlets within a specified period of time. In sequential multi-unit franchising, the franchisor simply grants the franchisee the *right* to open additional units, with each subsequent outlet being legally governed by a separate franchise agreement. This franchise form is based on the desire by traditional single-unit franchisees to open additional units in order to grow their businesses, and qualification for expansion is often based on the performance of existing units (Kaufmann and Dant, 1996). Both of these types of multi-unit franchising actively encourage the creation of mini-chains, ie multiple units owned by the franchisee and operated by employee-managers of the franchisee.

Multi-unit franchising, either through incremental expansion by the franchisee one unit at a time, or through the contractual agreement to open multiple units contained in an area development contract, creates a collection of mini-chains within the franchise system. Both Kaufmann (1988) and Bodipo-Memba and Lee (1997) indicate that these mini-chains in some cases extend across entire states, and may encompass hundreds of outlets. Area development contracts force area developers to approach their assigned territory in a systematic fashion, thus accelerating the growth process. Area developers generally operate within a specified exclusive territory, which is defined in their contract with the franchisor. Hence, they forego competition with other franchisees and outlets owned by the franchisor (Justis and Judd, 1998: 4–11). Sequential multi-unit franchisees, on the other hand, develop all of their units subsequently as money allows and opportunities arise, with overlapping trade areas between such franchisees frequently occurring. Generally, individual area developers own more outlets than sequential multi-unit operators, as the expansion process for the sequential multi-unit franchisee is usually a slower one. The conflict prevention potential of area development franchising has spurred its growth in particular (Kaufmann and Kim, 1993 and 1995; Zeller, Achabal, and

Brown, 1980). Consequently, the growth of multi-unit franchising as an aggregate is a result of various factors, among them:

(a) systematic and obligatory growth of area developers;
(b) prevention of territorial encroachment through exclusive trade areas for area developers; and
(c) incremental, but widespread growth of sequential owners.

In the subsequent section, the focus will be on the issue of why individuals engage in multi-unit franchising. Multi-unit franchisees have become such large and pervasive marketing institutions that this question seems warranted. In contrast to the traditional research perspective taken in marketing, in which the role of the *franchisor* has been scrutinized for the most part, the viewpoint of the *franchisee* is emphasized here.

The multi-unit franchising paradox

From a theoretical perspective the phenomenon of multi-unit franchising seems counterintuitive. The main reason for the existence of franchising in the literature from the *franchisor*'s point of view has been attributed to the advantage of owner attention, ie the increased profitability that a franchised outlet generates, based on the semi-independent owner's motivation compared with a company-owned unit operated by a hired manager. Owner attention as the core justification from the franchisor's point of view goes back ultimately to agency theory as the main theoretical concept (Carney and Gedajlovic, 1991; Jensen and Meckling, 1976; Krueger, 1991). In the case of multi-unit franchising, the franchisee owns more than one unit. The individual units of these mini-chains are operated by employee store managers. Hence, from the franchisor's perspective, the traditional advantage of owner attention seems to disappear. Therefore, it seems as if the franchisor ought to be leery of the level of motivation created by multi-unit franchising.

From the *franchisee*'s perspective, it seems that an entrepreneur who has the financial resources available to become a multi-unit franchisee ought at least to consider alternative opportunities to invest her/his money. Compared with single-unit franchising, multi-unit franchising seems to offer the advantage of scale economies, and often appears to provide franchisees with the opportunity to draw on expertise from existing outlets. Nonetheless, a multi-unit franchisee would be investing in a business that was to a large extent controlled by the franchisor as the system's sole decision maker, and in which the franchisee had to make substantial payments such as entrance fees and/or monthly royalty payments to the franchisor. Other opportunities for potential multi-unit franchisees to invest their money, such as the securities or real estate markets, may appear equally profitable, given the variability of returns across franchise systems. Hence, alternatives to multi-unit franchising might represent equally enticing investment options. The fact that multi-unit franchising has emerged as the dominant phenomenon in the US franchising industry despite the mentioned drawbacks is coined here the 'multi-unit franchising paradox'. It seems as if, for the potential franchisee and the franchisor, the multi-unit franchising concept might be part of a considered set of alternative options. By no means, however, does multi-unit franchising seem to present itself as the clear superior choice. The three questions in Box 1 are suggested to provide overarching themes and guidance to the basic question of 'what is the justification of multi-unit franchising from the franchisee's point of view?' The third suggestion will be pursued further, while the first two suggestions are meant to encourage further research.

Why multi-unit franchising?

(1) Perhaps for the same reasons as single-unit owners, with the only difference being more money at the franchisee's discretion?
(2) Perhaps the belief prevails that, being bigger than single-unit operators, multi-unit owners might be able to 'beat the game'?
(3) Perhaps it is a completely different 'philosophical' orientation? That is, some multi-unit franchisees might consider themselves more entrepreneurial than others.

To try to answer the general question, 'why multi-unit franchising?', three possible answers seem to emerge from the literature:

(1) Single-unit franchisees may be so eager to get into business for themselves that they become risk-indifferent, thus truly lowering the cost of capital relative to a vertically integrated system. This argument is extended by saying that multi-unit franchisees are no different from single-unit franchisees in that respect, indeed, they are just like single-unit operators, except that they have more money to invest.
(2) Multi-unit operators believe that, because they are entering in a bigger way, they can 'beat the system' by garnering advantages inherent in larger, geographically dispersed operations.
(3) The same 'experts' who have argued that multi-unit operations do not make a lot of sense have also argued that 'entrepreneurship' has no place in the study of franchisees. Why would anyone who has any entrepreneurial spirit want to take on a role that is almost indistinguishable from that of an employee? However, it may be that the entrepreneurial spirit lives in multi-unit operators and, specifically, in those that develop sequentially.

Entrepreneurship as a motivator

The franchising literature has borrowed from fields such as entrepreneurship (Knight, 1984) and psychology (Felstead, 1991; Mescon and Montanari, 1981) to suggest various reasons for entering into the franchise business from the single-unit franchisee's perspective. Franchise owners often vehemently deny that their franchise engagement is based on the monetary earning potential. The opportunity to become one's own boss and the hands-on work experience as a type of entrepreneurial self-fulfilment, bolstered by the perceived security of the franchisor's proven business format, trademark and assistance, is a common justification for *single-unit operators* (Elango and Fried, 1997). The fact that the financial aspect of franchising is truly secondary is supported by the fact that it is often previously highly paid executives who leave their jobs to become franchisees. Most of this research (Anderson, Condon, and Dunkelberg, 1992; Knight, 1984; Mescon and Montanari, 1981) is inconclusive in terms of distinguishing franchisees from independent entrepreneurs based on personality traits or socioeconomic variables (see also Ginsberg and Buchholtz, 1989 for a comparison of entrepreneurs with non-entrepreneurs). One issue that has not been researched, however, is the distinction of different *multi-unit franchisee* types from each other.

As described earlier, an area development contract entails the obligation to complete the entire mini-chain by the end of the contract period. Hence, in contrast to sequential multi-unit franchisees, area developers have to start their endeavour with a very good estimate of the whole investment to be incurred. Morse (1999) reports that the Federal Trade Commission (FTC) defines a franchisee as a 'sophisticated investor' if s/he invests more than \$1.5 million in a franchise. Area development franchisees have to decide from the outset of their endeavour whether it appears to be a worthwhile investment. Hence, although a sequential multi-unit franchisee and an area developer seem equivalent in terms of their current size and structure, the process that has led them to where they are appears quite different. A sequential multi-unit franchisee expands on the basis of emerging market opportunities paired with sufficient earnings that allow such a step. As a new opportunity to expand opens up, a sequential multi-unit franchisee will decide on a case-by-case basis whether or not to take advantage of it. Livesay (1982: 12) calls an individual who 'perceives a market opportunity and assembles the assets necessary to exploit it' an 'entrepreneur'. Palmer (1970/71) points out that entrepreneurs do not tend to work harder because of financial incentives, but that it is their intrinsic motivation which drives them. This appears to be in accordance with many sequential owners' strongly held beliefs that a continued presence in their stores is mandatory for persistent success. In addition, the entrepreneurship literature often describes the motivation of entrepreneurs as a type of emotional fulfilment stemming from a long-held desire to become an entrepreneur. To own one's own business, and to be one's own boss, appear for many entrepreneurs as life-long dreams, which finally become fulfilled through the opening of their own enterprise. Therefore, an 'entrepreneurial motivation' as it relates to franchisees appears to emanate from two sources, job involvement and emotional fulfilment. It is suggested here that, particularly for sequential multi-unit franchisees, such an entrepreneurial motivation might be the driving force behind their involvement as multi-unit owners.

Past and future research

Multi-unit franchising has emerged as the current 'hot' trend in the domestic franchising industry. The academic literature on multi-unit franchising in marketing, however, is still in its embryonic stage (Table I), and has only emerged over the past few years, mainly based on work by Kaufmann, Lafontaine and their colleagues (Kalnins and Lafontaine, 1996; Kaufmann and Dant, 1996; Kaufmann and Kim, 1993 and 1995; Kaufmann and Lafontaine, 1994; Robicheaux *et al*, 1994). Most of this research has focused on the franchisor's perspective. The empirical testing of multi-unit franchising research is just emerging, and has so far answered questions that are very limited in scope, such as issues of growth or system-wide adaptability (see Table I). Bradach (1995), Kaufmann and Dant (1996) and Kaufmann and Kim (1993 and 1995) found that the franchisor's chief advantage in multi-unit franchising compared with single-unit franchising lies in the increased growth rates of such systems. The underlying assumption in this context appears to be that accelerated growth means rapid revenue increases for the franchisor, as each new outlet puts more royalties and fees into the franchisor's pocket.

Kaufmann and Stanworth (1995), Peterson and Dant (1990) and Stanworth and Kaufmann (1996) provide some of the few academic attempts to organize perceived advantages from the franchisee's perspective. These studies, however, only consider the single-unit franchise context. The literature on multi-unit

Table 1. Major findings of multi-unit franchising studies.

Authors	**Major findings**
Bradach (1995)	*> 130 semi-structured interviews with corporate and unit personnel of five large franchise systems* • Multi-unit franchisees outperform single-unit franchisees, most importantly in terms of unit growth and system-wide adaptation to the competition • Single-unit franchisees prevail compared with multi-unit franchisees in terms of local responsiveness • Both types meet the challenge of uniformity equally well
Kalnins and Lafontaine (1996)	*Survey of 3,400 restaurants of the six largest Texan fast-food chains* • Geographic distance and sharing of market boundaries increases likelihood of multi-unit franchising • Differences in demographic characteristics decrease likelihood of multi-unit franchising
Kaufmann and Dant (1996)	*Survey of 125 International Franchise Association franchisors* • The greater the proportion of a system's multi-unit franchisees, the faster it grows compared with traditional franchise systems • Level of a franchisor's continued commitment to franchise is negatively related to the number of outlets per franchisee and the ability to obtain capital elsewhere • Combination of agency and capital acquisition arguments as partial explanation for franchising
Kaufmann and Kim (1993)	*Survey of 169 International Franchise Association franchisors* • Area development franchising and subfranchising are associated with higher growth rates than single-unit franchising • Systems employing area development have a higher proportion of franchiser-owned stores than those employing subfranchising
Kaufmann and Kim (1995)	*Survey of 169 International Franchise Association franchisors* • Franchise systems using multi-unit franchising grow faster (in units) than those that do not • Causality between rapid growth and multi-unit franchising remains unclear
Robicheaux, Dant, and Kaufmann (1994)	*Survey of 160 fast-food franchisors drawn from Info Franchise Annual* • On average, 33% of all franchisees are multi-unit operators • Among those multi-unit operators, nearly a fifth on average have area development agreements • Area agreements are more common in chicken and full menu restaurant franchise systems than among other segments • The greater the respondents' perceptions of franchisee and franchisor management difficulties with multi-unit operations, the lower the percentage of operators with area development agreements

franchising has neglected to a large extent the franchisee's perspective, and her/his motivation to engage in this endeavour. Hence, at this time no theoretical framework is known which exposes reasons that lead to multi-unit franchising from the franchisee's point of view. One can plausibly conjecture that asserting a single theoretical framework for predicting why certain multi-unit franchisees see certain advantages as salient would be a very difficult task, since a large number of situational, personality and economic correlates are likely to influence such perceptions. Such a framework can only be developed gradually, and this article is meant to encourage research in this direction.

In the future, research in this area needs to provide empirical insights into the suggested 'entrepreneurial drive' as a motivator for franchise owners. Such efforts need to combine *qualitative* efforts in order to gain a better comprehension of multi-unit franchisee motivations, with *quantitative* measures to explore the salience and distribution of the phenomenon of a 'driving philosophy' among franchisees.

Research on the franchisee's perspective has been constrained in the past by the cautiousness and even overzealousness of franchisees, fearful of disclosing potentially confidential information pertaining to the agreement with the franchisor. Further, most empirical research on franchisees, and on franchising in general, was system-specific, ie it was restricted to the operation of one particular franchise system (Kaufmann, 1988; Kaufmann and Lafontaine, 1994). Future research in this area needs to address these issues in an effort to enhance the generalizability of findings across system boundaries, while convincing franchisee respondents of the value that their contributions might provide to a deeper understanding of their respective motivations. It seems that such a study could be conducted, for example, in the fast-food industry, which has not only served as a sample for most of the published research on franchising, but also seems to provide the required variance of ownership patterns to compare area developers and sequential operators. The frequent use of the fast-food industry in the franchising realm ought to prove valuable, as new findings could be validated in the face of prior studies. Considering the recent rise in prominence of entrepreneurship-related research across business disciplines, the exploration of the emergence of such pervasive marketing institutions as franchise businesses of different types appears to warrant attention by scholars of entrepreneurship and franchising issues in particular.

Conclusion

To summarize, it has been argued that multi-unit franchisees in general, and sequential multi-unit operators in particular, represent a growing proportion of the franchising industry. From the franchisor's perspective, multi-unit franchisees do not seem to make a lot of conceptual sense, except that they seem to allow for faster growth of the system. However, sequential multi-unit operators do not seem to represent that same advantage since sequencing is a strategy most often found in relatively well established systems. In addition, the franchisee's perspective has received very little attention in the academic franchising literature. Given that franchise systems inherently give the franchisee only limited control of her/his own business, no opportunity to retrieve any goodwill that the business may develop, and cost a significant percentage of the gross revenue into the bargain, one has to ask why anyone would ever become a franchisee. This phenomenon is known as the 'multi-unit franchising paradox' in this article.

Some have argued that franchisees are 'buying jobs'. While that may be true for a single-unit owner, it does not answer the question for the area developer who, presumably, has enough capital to provide other alternatives. This paper encourages research that might shed more light on the question of why multi-unit franchisees are motivated to engage in this endeavour, and suggests that an 'entrepreneurial drive' might add to the explanation of the multi-unit ownership phenomenon.

References

Alon, I., and Banai, M. (2000), 'Franchising opportunities and threats in Russia', *Journal of International Marketing*, Vol 8, No 3, pp 104–119.
Anderson, R. L., Condon, C., and Dunkelberg, J. (1992), 'Are franchisees 'real' entrepreneurs?' *Journal of Business & Entrepreneurship*, Vol 4, No 1, pp 97–105.
Bodipo-Memba, A., and Lee, L. (1997), 'Boston chicken posts disappointing net, considers replacing franchisee system', *The Wall Street Journal*, 31 October, p A8.
Bond's Franchise Guide (1998), 11th Annual Edition, Source Book Publications, Oakland, CA.
Bradach, J. L. (1995), 'Chains within chains: the role of multi-unit franchisees', *Journal of Marketing Channels*, Vol 4, No 1/2, pp 65–81.
Carney, M., and Gedajlovic, E. (1991), 'Vertical integration in franchise systems: agency theory and resource explanations', *Strategic Management Journal*, Vol 12, pp 607–629.
Caves, R. E., and Murphy, W. F. II (1976), 'Franchising: firms, markets, and intangible assets', *Southern Economic Journal*, Vol 42 (April), pp 572–586.
Elango, B., and Fried, V. H. (1997), 'Franchising research: a literature review and synthesis', *Journal of Small Business Management*, Vol 35, No 3, pp 68–81.
Felstead, A. (1991), 'The social organization of the franchise: a case of "controlled self-employment"', *Work, Employment and Society*, Vol 5, No 1, pp 37–57.
Ginsberg, A., and Buchholtz, A. (1989), 'Are entrepreneurs a breed apart? A look at the evidence', *Journal of General Management*, Vol 15, No 2, pp 32–40.
Hackett, D. W. (1976), 'The international expansion of U.S. franchise systems: status and strategies', *Journal of International Business Studies*, Vol 7 (Spring), pp 65–75.
Jensen, M. C., and Meckling, W. H. (1976), 'Theory of the firm: managerial behavior, agency costs, and ownership structure', *Journal of Financial Economics*, Vol 3, No 4, pp 305–360.
Justis, R. T., and Judd, R. J. (1998), *Franchising*, revised ed, Dame Publications, Houston, TX.
Kalnins, A., and Lafontaine, F. (1996), *The Characteristics of Multi-Unit Ownership in Franchising: Evidence from Fast-Food Restaurants in Texas*, National Bureau of Economic Research, Working Paper 5859, Cambridge, MA.
Kaufmann, D. (1995), 'The case against mandatory earnings claim disclosure', *Franchise Law Journal*, Vol 15, No 1, pp 3, 6–9.
Kaufmann, P. J. (1988), *Pizza Hut: Home Delivery*, Harvard Case Services, Boston, MA.
Kaufmann, P. J. (1992), 'The impact of managerial performance decay on franchisors' store allocation strategies', *Journal of Marketing Channels*, Vol 1, No 4, pp 51–79.
Kaufmann, P. J., and Dant, R. P. (1996), 'Multi-unit franchising: growth and management issues', *Journal of Business Venturing*, Vol 11, No 5, pp 343–358.
Kaufmann, P. J., and Kim, S. H. (1993), *Master Franchising and System Growth Rates, Excellence '93: A Bridge to Success*, Society of Franchising Conference Proceedings, San Francisco, CA.
Kaufmann, P. J., and Kim, S. H. (1995), 'Master franchising and system growth rates', *Journal of Marketing Channels*, Vol 4, No 1/2, pp 49–64.
Kaufmann, P. J., and Lafontaine, F. (1994), 'Costs of control: the source of economic rents for McDonald's franchisees', *Journal of Law and Economics*, Vol 37, No 2, pp 417–453.
Kaufmann, P. J., and Stanworth, J. (1995), 'The decision to purchase a franchise: a study of prospective franchisees', *Journal of Small Business Management*, Vol 33, No 4, pp 22–33.
Knight, R. M. (1984), 'The independence of the franchisee entrepreneur', *Journal of Small Business Management*, Vol 22, No 2, pp 53–61.
Krueger, A. B. (1991), 'Ownership, agency, and wages: an examination of franchising in the fast food industry', *Quarterly Journal of Economics*, Vol 106, No 1, pp 75–101.
Livesay, H. C. (1982), 'Entrepreneurial history', in Kent, C. A., Sexton, D. L., and Vesper, K. H., eds, *Encyclopedia of Entrepreneurship*, Prentice-Hall, Englewood Cliffs, NJ.
Mescon, T. S., and Montanari, J. R. (1981), 'The personalities of independent and franchise entrepreneurs: an empirical

analysis of concepts', *Journal of Enterprise Management*, Vol 3, No 2, pp 149–159.

Morse, D. (1999), 'Big investors would be excluded from franchise disclosure rules', *The Wall Street Journal*, 19 October.

Palmer, M. (1970/71), 'The application of psychological testing to entrepreneurial potential', *California Management Review*, Vol 13, No 3, pp 32–38.

Peterson, A., and Dant, R. P. (1990), 'Perceived advantages of the franchise option from the franchisee perspective: empirical insights from a service franchise', *Journal of Small Business Management*, July, pp 46–61.

Preble, J. F., and Hoffman, R. C. (1998), 'Franchising systems around the globe: a status report', in Taylor W. Meloan and John L. Graham, eds, *International and Global Marketing: Concepts and Cases*, 2 ed, Irwin/McGraw-Hill, Boston, MA, pp 295–303.

Robicheaux, R. A., Dant, R. P., and Kaufmann, P. J. (1994), *Multiple Unit Franchising in the Fast Food Industry in the United States: Incidence and Operating Characteristics*, Eighth Annual Society of Franchising Conference Proceedings, Las Vegas, NV.

Ryans, J. K. Jr., Lotz, S. L., and Maskulka, T. (1997), 'U.S.-based franchiser and European franchisee relationships: a study in conflict', *Franchising Research: An International Journal*, Vol 2, No 3, pp 115–122.

Stanworth, J., and Kaufmann, P. J. (1996), 'Similarities and differences in U.K. and U.S. franchise research data: towards a dynamic model of franchisee motivation', *International Small Business Journal*, Vol 14, No 3, pp 57–70.

US Department of Commerce (1988), *Franchising in the Economy 1986–1988*, US Government Printing Office, Washington, DC.

Zeller, R. E., Achabal, D. D., and Brown, L. A. (1980), 'Market penetration and locational conflict in franchise systems', *Decision Sciences*, Vol 11 (January), pp 58–80.