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List of Abbreviations

ANOVA……Analysis of Variance
KMO……Kaiser-Meyer-Olkin
PCA……Principal Component Analysis
RBV……Resource-Based View
TC……Transaction Cost
UK…… United Kingdom
VIF……Variance Inflation Factor

1. Introduction

1.1. Problem Statement and Objectives

Nowadays, setting up a new business is a challenge and is fraught with threats and insecurities due to the lack of managerial capabilities. The establishment of the franchise concept has been one opportunity to diminish those risks and guarantee the survival and success of a firm. Resorting to franchising as a safe option presents a solution for entrepreneurs to explore attractive business strategies.

Franchising is a popular business model which dates back to the middle of the 19th century and which became increasingly popular in the last decades (Eser, 2012). The concept is mainly characterized as a powerful economic force which has gained importance in business growth and expansion for almost half a century. Well-known companies such as McDonald’s represent the success of franchising business models (Combs et al., 2011a). However, franchising can also force smaller local companies out of the market, while bigger companies predominate. For instance, the bakery industry in Hesse in Germany illustrates the power of franchising chains to considerably outperform smaller firms. Smaller firms, thus, have to exit the market or cannot enter it due to the market power of franchising chains, i.e., franchise systems establish higher market entry borders and economies of scale and scope (Schulte, 2014). Furthermore, conflict and dissatisfaction within a franchise system may decrease the willingness to cooperate with the franchisor (e.g., Davies et al., 2011) or even lead to higher turnover rates of franchisees (e.g., Frazer et al., 2012; Frazer & Winzar, 2005; Holmberg & Morgan, 2003). Yet, franchising has been a widespread topic expressed in many research studies for the past fifty years (Chabowski, et al., 2011; Combs et al., 2011a). Most of those studies were published in the 1990s and have been mainly taking traditional or economic theories into consideration such as resource-based view and agency theory (Combs & Ketchen, 2003; Combs et al., 2004a; Roh & Yoon, 2009; Rosado-Serrano et al., 2018). Scholars from several disciplines have started to investigate franchising, for instance in marketing (e.g., Agrawal & Lal, 1995), management (e.g., Carney & Gedajlovic, 1991), law (e.g., Hadfield, 1990), and economics (e.g., Martin, 1988). Franchising has been further identified as a growth strategy to management researchers (e.g., Shane, 1996a, 1996b), a distribution channel to marketing researchers (e.g., Dant et al., 1996), a capital structure issue to finance researchers (e.g., Norton, 1995), and a mode of organizing to economists (e.g., Lafontaine, 1992).

Managing effectively the franchisor-franchisee partnership is crucial for the franchise system. Understanding the value provided to the franchisee can help the franchisor to encourage desired behavioral and performance outcomes, which leads to success (Grace & Weaven, 2011; Michael, 1999; Zeithaml, 1988). Therefore, we aim to discover the intentions for which franchisees strive for and we target to clarify reasons for the failure and, more precisely, the success of franchise systems.

1.2. Theoretical Background and Research Gap

This thesis aims to investigate and provide insights to the overall satisfaction with the franchise-system from a behavioral and strategic point of view, and especially from the franchisee's perspective since only few prior studies have conducted research in this area (Davies et al., 2011; Grünhagen, & Mittelstaedt, 2000a, 2000b).

To date, franchising literature has concentrated on the factors that lead to be part of the franchise system, the consequences of franchising, franchising in different national contexts and the moderators of franchise relationships (Combs et al., 2011a, 2011b).

Hopkinson and Scott (1999) explain franchising in a micro-economic context on the one hand, whereas Tikoo (2005) assesses the franchise-system from a social-interactive perspective with developing relationships between the members on the other hand. This thesis intends to include both factors, economic as well as non-economic factors which could have an influence on the overall satisfaction of franchisees, and hence on the success of a franchise system.

Success goes always along with high expectations towards the franchise system. For this reason, it is crucial to satisfy the franchise members' expectations, and thus to keep the franchise system alive. Franchise partners need to be satisfied to remain in the franchise arrangement. This thesis argues that the overall satisfaction with the system is affected mainly by performance (economic) and relational (non-economic) factors (e.g., Anderson & Narus, 1990; Geyskens et al., 1999). Moreover, the resource-based view, the principal-agent theory, the knowledge-based view, the relational exchange theory, the transaction cost theory and the behavioral theory in conjunction with the strategic goals view have been applied to find the factors that influence the franchisee's overall satisfaction (e.g., Rosado-Serrano et al., 2018; Schlein et al., 2013).

Franchising has gained a significant importance in the literature on entrepreneurship as well as in international management, but franchise research has focused more on the perspective of the franchisor than on the franchisee perspective (Combs et al., 2011a; Croonen & Brand, 2013; Grünhagen & Dorsch, 2003; Grünhagen & Mittelstaedt, 2005; Khan, 2013; Morrison, 1997). Considering this research gap, the purpose of this thesis is to focus more on the franchisee perspective as this view is noticeably lacking in the literature in comparison to the franchisor perspective. Even though the franchisor has the competence over main issues, the franchisee partners define a franchise system in a similar way and are likewise responsible for the success of the franchise company. Secondly, the success of the franchise system also depends on the adaption to the dynamic environments. The better the adaptation to a changing environment is, the greater the success of the franchise system will be. Therefore, it is crucial to examine in more detail the overall satisfaction of franchisees which is the key factor to survive in changing environments. The reason behind this is that higher levels of franchisee satisfaction enable to maintain and develop a long-term partnership. Long-term partnerships are particularly in dynamic environments important to ensure the survival of the franchise system. Franchisee satisfaction would reinforce the initial decision to join the franchise system, but even more so, satisfied franchisees are more likely to recommend the franchise system which facilitates the growth of the franchise business (Chiou et al., 2004; Gauzente, 2003; Grace & Weaven, 2011; Harmon & Griffiths, 2008; Hing, 1999; Kalargyrou et al., 2018; Kaufmann & Dant, 1999).

Most franchising studies have attempted to assess channel satisfaction which rely on a one-dimensional construct (e.g., Morrison, 1997). Kalargyrou et al. (2018) claimed that satisfaction might be a multidimensional construct and examined overall franchisee performance and relationship as antecedents of franchisee satisfaction in the franchised food services sector. In line with Kalargyrou et al. (2018), this thesis starts to elaborate satisfaction based on a multidimensional approach. Furthermore, we suggest including the behavioral theory of the firm following Cyert and March (1963) in combination with a multidimensional approach towards the franchisee satisfaction construct. Thus, this thesis suggests that not only the relationship quality has an influence on the overall satisfaction of franchisees, but also financial performance and service performance could have similar positive effects on overall franchisee satisfaction. Discovering and understanding the antecedents of overall franchisee satisfaction could help managers to establish a long-lasting and successful franchise system.

1.3. Research Target and Structure

Considering the stated research gaps, in this thesis we concentrate on franchisee satisfaction and in detail on the antecedents that drive franchisee satisfaction and, hence, secure the success and survival of franchise systems. To determine and analyze the antecedents of franchisee satisfaction, we intend to implement the behavioral theory of the firm as well as the strategic goals into the franchisee satisfaction construct.

The first part of this thesis gives a short overview about franchise systems in general. Next, we draw a roadmap to summarize the existing literature on the franchisor-franchisee partnership theories, the franchisee satisfaction in different fields and the behavioral theory of the firm, which serves as a framework for the empirical analysis. Consequently, different types of strategic goals in organizations are illustrated and establish the base for the proposed antecedents of franchisee satisfaction. This part closes by the development of the hypotheses of this thesis.

The next part focuses on the empirical analysis. It describes the chosen methodology along with the data collection process and the measurement of the variables. The following section focuses on the empirical analysis. It describes the chosen methodology along with the data collection process and the measurement of the variables. The subsequent chapter addresses the results of the empirical analysis and is composed of factor analyses, correlation analyses and hypotheses testing. This part closes by discussing the results based on current theoretical approaches. The final part of this paper presents the results, draws a conclusion and gives research limitations followed by future studies. Finally, this thesis ends with a discussion and conclusion chapter. The former depicts the managerial and theoretical contribution as well as the limitations and future research suggestions.

2. The Franchise System

This chapter introduces the thesis by establishing a common understanding on franchise systems and, more precisely, by defining general concepts of franchising, the nature of franchisor-franchisee-partnerships and the motivation for franchising.

2.1. Franchising

Franchising describes a franchise system which consists of two legally and financially independent parties, so-called a franchisor and a franchisee (Wu, 2015). A franchisor grants its franchisees (business partners) the rights to apply his or her business concept. It entitles the franchisee to use the business proven trademark, the know-how, the technology, the marketing strategy and other property rights. In exchange, the franchisee pays a specific financial amount in order to make use of those provided business resources. Therefore, the franchisor sells the rights to the franchisee who is allowed to use the business model in return for a financial contribution (Combs et al., 2011a). Whenever it is necessary the franchisee can require assistance for the purpose of the agreed contract between the two parties (Rubin, 1978).

The two parties represent two interdependent firms that have certain obligations due to a licensing agreement (Wu, 2015). Since the franchisor sells the rights to the legally independent franchisee to use the same business concept, the franchisee has also the right to obtain a share of the profits. As the business concept is already used and validated on the market, franchising represents an attractive alternative to traditional forms of organizations. Franchising is, hence, a response of companies to reduce the risk to open a new and insecure business (Roh & Yoon, 2009).

Franchising is a growing business concept that has begun to become popular in the 1950s (Justis & Judd, 1989). Scholars have conducted research on both domestic and international franchising (Rosado-Serrano et al., 2018). Franchise systems have the potential for fast and efficient business developments and are primarily used in the service sector (Kwong-yin Fock, 2001; Roh & Yoon, 2009). Principally, the dominant industries in franchising seem to be restaurants, services and non-food retailing (Eser, 2012; Hoffman &

Preble, 2004). Those systems ensure economic growth and are, thus, substantially important for an economy (Chabowski et al., 2011). Hoffman and Preble (2004) have noted that franchising is a lucrative business strategy in developed nations and in transitional economies. Considering the United States (U.S.), where franchising has its roots (e.g., Castrogiovanni & Justis, 1998), the International Franchise Association estimated 759,000 franchise outlets would be settled down by the end of 2018 (IFA, 2018).

In addition to the U.S., franchising is also popular in Europe (Chan & Justis, 1990; Preble, 1995). Compared to the U.S., Germany is also performing very well in the franchise industry. Franchising is seen as an important part of the German business sector. In 2016, about 1,000 franchise systems have been active on the German market and the industry has constantly been increasing. Those franchise systems are operated by approximately 120,000 franchisees (GTAI, 2018). In comparison, Austria counts approximately 440 franchise systems and 10,400 outlets (Hecker, 2017), whereas in the United Kingdom, around 900 franchise systems exist with nearly 44,200 franchise outlets.

Furthermore, apart from the beneficial quantitative aspects for the economy of a country, franchising influences the society positively with respect to qualitative factors. For instance, a person with entrepreneurial spirit receives the opportunity to start a business with guidance, i.e., the person gets the chance to learn how to operate a business from an already established company. Moreover, the franchise system is based on relational components such as teamwork, cooperation and internal communication (Ashraf, 2013).

The franchisor and the franchisee play different roles in the relationship, but they complement each other undoubtedly. For this reason, it is essential to understand the role of both parties, of the franchisor and of the franchisee, and to what extent they have to be distinguished. The next part scrutinizes the motives of franchisors and franchisees to become part of a franchise system.

2.2. Motivation for Franchising

In recent years, there has been a growing interest in franchising due to the fact that it provides benefits for both the franchisor and the franchisee (e.g., Monroy & Alzola, 2005). This business format has gained prominence since scholars assume that franchising has shorter business cycles and enables a first-mover strategy. Hence, it generates a competitive advantage, which is crucial for business enterprises to succeed considering that competition is rising by virtue of globalization (Cespedes, 1993; Dant & Nasr, 1998 Kotler & Armstrong, 1996).

Franchising empowers the franchisor and the franchisee to enter and to reach markets on a global scale (Brookes & Altinay, 2011; Dant, 1995; Norton, 1988). Furthermore, there have been several studies reporting that franchising as a business strategy outperforms those firms that keep ownership and appoint shop or outlet managers (Lafontaine, 1992; Shane, 1996a, 1996b; Shane & Foo, 1999).

From a franchisor's perspective, franchising creates the opportunity to expand the business model locally and internationally and to enter the market rapidly. Franchising enables the franchisor to gain market-knowledge, to reach socio-political contacts and to circumvent legal local requirements in a short period of time with a significantly lower risk of investment in comparison to firms that retain ownership on account of the franchisee who is an offset of the financial risk (Baena & Cerviño, 2012; Carney & Gedajlovic, 1991). Additionally, franchisees frequently surpass paid employees since the former ones are more motivated resulting from their entrepreneurial spirit and their involved investment (Weaven et al., 2006). What is more, franchisees generate a chance to enter unfamiliar markets due to their understanding of the market (Welsh et al., 2006). Besides that, a widely spread network of franchisees grant higher bargaining power of the franchisor in negotiations with suppliers and vendors as well as higher levels of economies of scale (Bisio, 2011). Nevertheless, the individual franchisee has also the power to cause severe brand damages through improper investment or business decisions. The reason behind this is that the level of control is lower than in fully owned business units (Kaufmann & Dant, 1999). Therefore, it is essential for the franchisor to select the right business partner (Choo, 2005).

The franchisee, on the other hand, can profit from an already established business model, which includes a well-known brand name, reputation, expertise, resources, etc. Hence, the risk of business failure is minimized, and the franchisee can realize higher sales in shorter periods of time (Cavusgil et al., 2012; Combs et al., 2009). Franchising enables the franchisee to enter the business world with support services provided by the franchisor. In a study conducted by Bennett et al. (2010), Australian prospective franchisees argued that they perceive franchising as a form to achieve a higher living standard while being their own boss. In addition, they have simultaneously the chance to get training on how to manage a business, which is not the case when setting up a company on their own. However, franchising means for the franchisee also a strong dependence on the franchisor who sets the guidelines. Furthermore, the franchisee has to pay a high initial sum and royalties on a regular basis to use the market approved business model (Cavusgil et al., 2012).

Finally, it may be concluded, the franchisor-franchisee cooperation bears business opportunities as well as risks for both parties and, eventually, for the overall franchise system. Franchising alone does not promise continuing favorable outcome neither for the franchisor nor for the franchisee and demands strategic change in order to establish a successful franchise system (Eser, 2012). Therefore, the next part addresses the nature of the franchise relationship.

2.3. Franchisor and Franchisee Partnership

The franchise system can be described as a network of two organizations in which franchisor and franchisees interact and exchange information and resources (Dant et al., 2011). The relationship between a franchisor and a franchisee is based on a mutual agreement (e.g., Rubin,1978).

A franchisor acts as an entrepreneur within the system in which he or she provides the basis to establish a successful business (e.g., Kaufmann & Dant, 1999). There are many valuable assets the franchisors make available to their franchisees. First, the business model has already been tested and validated on the market which proves its continuance and constancy (e.g., Sardy & Alon, 2007). Consumers are familiar with the brand, its products and its services. They have further a clear opinion about the brand name and its quality (e.g., Mendelsohn, 1985). Second, even more of vital importance is the verified trade mark which requires a lot of time and patience to be approved by the market (e.g., Hunt, 1977). Third, a franchisor provides guidelines to follow and is therefore engaged to share information, know-how and their experience. The concept is based on assisting and supporting the franchisees so that the franchisee is able to operate his or her own business successfully and to pursue his or her individual goals. With the guidance as an entrepreneur, the franchisor wants to ensure that each franchisee runs the business properly based on the given standards. As the main long-term interest of the franchisor is to generate as many partners as possible to push the whole franchise system forward they want to make sure that the progress is continuous (e.g., Izraeli, 1972; Peterson & Dant, 1990).

Franchisees play a significant and active role within franchise systems. Although they duplicate the business model and concept of the franchisor to set up their own business they are independent players. Franchisees have to pay a fee and royalty to have access to the franchisor's common business identity. After having paid a financial contribution, the franchisee has to work with the given goods that are provided by the franchisor. If there is the necessity the franchisee should be willing to cooperate with the franchisor, should accept assistance and should be encouraged for positive developments of his or her own business. Yet, as a legally and financially independent party within the franchise system the franchisee is responsible for his or her own business. Overall, a complete business framework is available for the franchisee in the beginning. Nevertheless, franchisee partners have to care about their own business unit in order to make the entire franchise system work. Therefore, it is necessary to control and monitor operations and to report the success of their business transparently (Rubin, 1978).

Before entering into this interdependent relationship, both parties need to screen carefully their prospective partner in order to ensure a long-term prosperous relationship (Tatham et al., 1972). Despite the interdependence between franchisor and franchisee, some researchers argue that the franchisor exercise more power over the individual franchisee than the franchisee over his or her franchisor, while others allege similarities to a buyer-supplier relationship (Jang & Park, 2018).

Nonetheless, the interactions between a franchisor and a franchisee differ fundamentally from a traditional buyer-supplier relationship. In order to retain the value of the brand the franchisee has to bear in mind specific responsibilities and needs. Yet, conflicts between franchisor and franchisee are likely to arise as a result of goal divergences. Due to power imbalances and different degrees of dependence, different goals are emphasized, which might cause conflicts (Jang & Park, 2018).

The nature of the franchise relationship might predict the long-term growth and success of the overall franchise system (Jang & Park, 2018). Therefore, there exists the necessity to investigate the dynamics of the relationship between the franchisor and its franchisees (Tikoo, 2005; White, 2010). The franchise relationship should be established with the purpose of a long-term cooperation between the partners, i.e., franchisor and franchisee, who have both approved a binding contract. Traditionally, this contract undertakes the parties to comply with the terms stated and prevent the franchisees from quitting (Strutton et al., 1995). However, given the fact that the franchisor-franchisee relationship goes beyond a mere subcontract relationship and rather resembles a more complex strategic partnership (Watson et al., 2005), further research on the franchise relationship, that takes the mutual benefits into account, is needed (Jang & Park, 2018).

What is more, some scholars claim that the franchisor-franchisee relationship resembles a partnership or even a marriage: „The franchise relationship is like a marriage. You agree to enter the relationship, there are some basic rules but there are a whole lot of things you have to work out as you go“ (Bradach, 1997, p.289). Subsequently, the parties have to collaborate and have to rely upon one another. The success of the franchise system depends, on the one hand, on the franchisee's effectiveness, whereas the franchisee is in need of the support and experience of the franchisor (Harmon & Griffiths, 2008). Following Kwong-yin Fock (2001), both participants, the franchisor and the franchisee intend to maximize their own individual profit. Hence, the relationship between those two parties can be distinguished from a typical employment relationship as there is not a high need of a franchisor to control the performance of the franchisee since the franchisee aims to increase their own profits and wants to maintain the state through investing in their own outlet (Combs, & Ketchen, 2003).

The franchisor-franchisee relationship can provide mutual benefits yet has also its pitfalls including risk of exploitation on both sides (Lafontaine, 1992). Franchisors may not fully support their franchisees with the needed service (Hoy, 1994), while franchisees might reduce quality in their outlets and thereby increase their own profit. Yet, this can have severe consequences for the overall franchise system (Caves & Murphy, 1976).

Both parties may pursue different goals and the level of risk willing to take may differ. This can lead to dissatisfaction and conflict among the parties. Moreover, researchers point out that the relationship between franchisor and franchisee is asymmetrical as the franchisor is in charge to establish boundaries of the franchise system. In the same fashion, he or she can enforce the fulfillment of the contract. Thus, the franchisor has a certain degree of control over his or her franchisees (Eisenhardt, 1985). This, however, can jeopardize the relationship quality if no consensus between the franchisee and franchisor exists.

3. Literature Review

The purpose of the subsequent chapter is to give an overview of the literature on the franchisor-franchisee interdependencies, on the franchisee satisfaction construct and introduces the behavioral theory of the firm of Cyert and March.

3.1. Franchisor-Franchisee Interdependencies

The franchisor-franchisee interdependence is a central aspect, when a franchisor and a franchisee enter into an agreement. The aim of this part is to review the principal theories explaining the interdependencies between the franchisor and the franchisee and, thus, integrate the strategic management perspective, such as the resource-based view, the knowledge-based view and the relational-exchange theory, as well as the organizational economics perspective, e.g., the principal agent theory and the transaction cost theory (Jell-Ojobor & Windsperger, 2014).

3.1.1. Resource-Based View

Research has been conducted on explanations to what extent resources can have an impact on organizational actions (Argyres, 1996; Bergh, 1995; Mahoney & Pandian, 1992) and to consider how resources influence performance (Barney, 1991; Peteraf, 1993; Wernerfelt, 1984). The resource-based view (RBV) is an approach that considers a firm as an accumulation of resources (Barney, 1991; Foss, 1997, Penrose, 1959). The RBV proposes that firms intend to increase their capital and to extend their resources and skills (Combs & Ketchen, 1999).

Generally, resources are said to be the key factor for superior performance that are necessary to gain and sustain a competitive advantage. Resources tend to be the major role in giving firms the opportunity to strive for superior performance. A firm’s resources consist of all assets, knowledge, capabilities, organizational procedures, and so on that empowers the firm to enhance their efficiency and effectiveness and hence, to achieve a competitive advantage (Barney, 1991; Grant, 1991). The RBV relies on tangible and intangible resources that must be heterogeneous and immobile and should have certain attributes and characteristics to generate benefits compared to the environment. A firm can create barriers to entry and achieve a competitive advantage by continuously adopting and developing tangible and intangible resources and specific competencies (Peteraf, 1993; Wernerfelt, 1984).

Tangible assets can easily be acquired and duplicated on the market, hence they confer a little competitive advantage in the long run. Tangible resources comprise financial or physical elements (Galbreath, 2005). On the contrary, intangible resources include non-financial and non-physical attributes.

Intangible assets such as the trademark, reputation or the relationship quality are built over a long time and stand for resources that cannot be easily obtained on the market and cannot easily move from one company to another. Those internal resources are kept within the company which makes it more difficult for rivals to reproduce them and implement similar strategies, hence represent the main source of a firm's competitive advantage (Galbreath, 2005).

However, to increase performance and to develop a sustainable competitive advantage, a resource has to fulfill attributes such as valuable, rare, inimitable, and non-substitutable (VRIN) referring to Barney (1991). A valuable resource is characterized by the fact that it helps to create value for the customers. For instance, if franchisees perceive the brand as a valuable resource in order to improve the franchisees' profit and to create more value the franchisee is rather willing to cooperate (Barney, 1991; Welsh et al., 2011). Rare resources are defined as assets that only a few companies own. It is important that companies differ in the set of resources they have in order to develop different strategies and to remain competitive on the market. For instance, rare resources that are required by the franchisee might encourage the franchisee to remain in the system and differentiates the one specific franchise system from other systems (Barney, 1991; Welsh et al., 2011). An inimitable and nonsubstitutable resource describes a resource that is very costly and difficult to replicate and substitute. According to the franchise system, trademarks, the reputation and relationships might be very difficult to imitate and replace knowing how much effort and time it takes to build (Barney, 1991; Welsh et al., 2011). The RBV proposes that companies who own valuable, rare, inimitable and non-substitutable resources will achieve outstanding performances and maintain a sustainable advantage (Barney, 1991; Combs & Ketchen, 1999).

RBV is one of the most common applied theories in the franchising literature (Combs et al., 2011b; Rosado-Serrano et al., 2018). To make use of the resources a firm lacks organizational cooperation such as joint ventures, alliances or franchising can have the desired impact (Ping, 1995; Poppo & Zenger, 1998; Williamson, 1991). The decisions a firm takes in terms of franchising represents the requirement of resources (Schilling & Steensma, 2002; Williamson, 1991).

One solution to overcome resource scarcities is the support of a partner and therefore to invest in interfirm cooperation which enables the firm to make use of lacking resources (Erramilli & Rao, 1990; Ingham & Thompson, 1994). Sharing resources has become very popular and the main reason for creating interfirm cooperation knowing that companies increase their performance and are more able to perform with a partner instead of performing activities alone (Borys & Jemison, 1989; Hamel, 1991).

Dant (1995) illustrated that financial reasons (capital) and a lack of management skills are one of the initial incentives to become part of franchising.

Oxenfeldt & Kelly (1969) suggested that entrepreneurs enter franchise system in order to employ scarce resources, in particular capital and managerial competences with the intention to achieve a rapid growth (Combs & Ketchen, 1999). They debated that companies favor ownership structures to facilitate the management of growth as firms can anticipate greater return rates from outlets that are owned by the firm. Further, they assert that early stage and growing companies make full use of franchising until the desired economies of scale are reached. In particular, when a firm is in the early stage the available resources are sparse.

According to Combs & Ketchen (1999) and Norton (1995) franchising is one solution to mitigate existing resource scarcities and to build upon the endowments provided by the franchisor.

The RBV describes the way the two parties of a franchise system apply resources and competencies to enhance their competitive advantage (Madhok, 2002). The firm's capacity to transform given resources into promoting capabilities leverages the overall performance of an organization and thus is responsible for gaining a competitive advantage (Paniagua & Sapena, 2014; Rapp et al., 2010; Trainor et al., 2014).

Generally, firms can enhance the performance of their activities when those refer to existing and useful resources (Barney, 1988; Chatterjee & Wernerfelt, 1991). To what extent a firm can grow is based on resources as well as on organizational routines that were developed over time (Penrose, 1959; Nelson & Winter, 1982; Shane, 1996b).

The RBV can be mainly applied to franchising because unique intangible resources can induce a competitive advantage. Moreover, those various economies that participate in a franchise system consist of different assets (Mariz-Pérez & García-Álvarez, 2009). To put it another way, the franchisor provides its franchisees a tested business concept that contains resources to achieve a competitive advantage on the market, market expertise and knowledge, a brand name as well as a proven system including management, operations and procedures. The franchisee has the advantage of getting support in the form of assistance and training.

According to Grant (1991) there are for instance cost advantage driven resources that are relevant to franchising. These include process technology, system capacity, and access to low-cost inputs. Second, a firm can generate a differentiation advantage by establishing a well-known brand, possessing resources such as efficient product technology, marketing, distribution, and service capabilities. Franchisors use the concept of economies of scale which influences their franchisees massively. As a result, each franchisee can run their business at lower costs compared to an independent entrepreneur being no part of a franchise system. Such facts might have a positive effect on the financial performance of each franchisee which improves cost elements.

Franchising constitutes an answer for expanding firms when they are seeking for financial resources such as capital in order to perform efficiently and grow (Carney & Gedajlovic, 1991; Caves & Murphy, 1976; Martin & Justis, 1993; Norton, 1988; Oxenfeldt & Kelly, 1968; Shane, 1996b). According to employment, franchising represents greater autonomy and the opportunity to earn more depending on the financial success of the business (Kaufmann, 1999; Stanworth & Kaufman, 1996). Additionally, entrepreneurs who are seeking self-employment are encouraged by the predictability and prefabricated characteristics of a franchise system compared to uncertainties that are associated with starting a new business. (Kaufmann, 1999). Furthermore, franchisors grant continuous marketing support, proven operational practices and general training (Walker, 1991). Such forms of structural, intellectual, and relational asset especially encourage businesses who simply have no experience in entrepreneurship or franchise's industry (Watson & Stanworth, 2006).

To sum it up, a franchise system is regarded as a collection of resources. Having financial benefits, obtaining assistance, support and training as well as developing strong relationships through working in a team are one of those reasons why franchisees choose to enter a franchise system. Resources such as financial endowment, services combined with a good relationship quality enable individual franchisees to achieve performance levels that could not be attained without those resources. In order to stay in the system franchisees should be satisfied with all those resources provided by the franchisor.

3.1.2. Principal Agent Theory

A number of scholars have begun to implement the principal agent theory in the franchising context as an alternative to the RBV (Alon et al., 2012, Fladmoe-Lindquist, 1996; Altinay & Wang, 2006; Baena & Cerviño, 2012; Baena & Cerviño, 2014; Choo 2005; Combs & Ketchen, 2003; Combs et al., 2011a, 2011b; Doherty & Quinn, 1996; Garg & Rasheed, 2003; Kashyap et al., 2012; Jell-Ojobor & Windsperger, 2014; Ni & Alon, 2010). The principal agent theory or agency theory (Alon et al., 2012) is one of the most prominent ones in the franchising literature and describes a rather hierarchical approach to the franchisor-franchisee relationship (e.g., Combs et al., 2011a, 2011b; Kalargyrou et al., 2018; Lafontaine & Kaufmann, 1994; Nijmeijer et al., 2014). Traditionally, it has been argued that the franchisee acts upon the behalf of his or her franchisor (e.g., Bergen et al., 1992). Thus, the franchisor takes the part of the principal while the franchisee is assumed to be the agent. Likewise, the franchisee is in charge to influence the outcomes or the reputation of a given franchise system based on their business decisions (Aliouche & Schlentrich, 2009; King et al., 2013).

Several researchers have indicated that the argument of resource scarcity cannot solely justify the reason why firms choose franchising as a business format and, therefore, suggest to supplement the franchising research with the principal agent theory (e.g., Brickley & Dark, 1987; Brickley et al., 1991; Caves & Murphy, 1976; Combs & Castrogiovanni, 1994; Dant et al., 1992; Lafontaine, 1992; Lal, 1990; Martin, 1988; Norton, 1988; Rubin, 1978). In contrast to the RBV, the principal agent theory is claimed to provide a better understanding of more advanced franchise systems, albeit the RBV depicts the beginnings of a franchise system (Castrogiovanni et al., 2006).

According to the principal agent theory, the franchisor (principal) and the franchisee (agent) represent two organizations that pursue different goals. Agency costs may occur as a result of divergent interests and, hence, selfish behavior in order to achieve those self-interested goals. The agent, for example, has ergo weak incentives to fulfil his or her duty. As a result, this opportunistic shirking behavior due to allocation of effort to activities, that do not correspond to the agent's predetermined duty, might have a negative impact on performance, which leads eventually to vertical agency costs (Jensen & Meckling, 1976; Rubin, 1978).

Nevertheless, it is suggested that franchising as a business strategy is chosen to overcome vertical agency costs. The franchise contract establishes interdependencies between franchisor and franchisee, which should prevent vertical agency costs. The franchisee's payment of royalties to the franchisor implies that the franchisor provides certain resources and services to the franchisee so that he or she can manage and grow his or her business (Jang & Park, 2018; Nisar, 2011). Considering the financial contribution and effort, it has been suggested that the franchisee will pursue the target to increase his or her outlet performance with not much monitoring from the franchisor (Krueger, 1991). On the other hand, close supervision by the franchisor hinders franchisees to shirk (Jensen & Meckling, 1976).

Taking into account that franchising supports fast business growth and diminishes agency costs, it has been argued that franchising is, thus, superior to company ownership (Brickley et al., 1991; Jensen & Meckling, 1967; Jensen, 1983; Norton, 1988; Shane, 1996b; Shane, 1998). What is more, agency costs such as moral hazard and adverse selection can be alleviated through the selection, assimilation and monitoring process of new managers, which eventually contributes to firm growth and survival (e.g., Shane, 1996b; Yin & Zajac, 2004).

However, agency problems and opportunism are not fully resolved in this type of relationship as both parties the franchisee and his or her franchisor are motivated to achieve divergent goals. The franchisee might aim to augment his or her own business unit's performance and productivity rather than that of the overall franchise system. For example, the agent may have an incentive to reduce quality in order to cut costs. This behavior can affect the overall franchise system since it may cause dissatisfaction among consumers and a loss in reputation for the franchisor's brand. In the same fashion, business with further franchisees might suffer and the overall franchise system might be harmed in the long run (Caves &

Murphy, 1976; Hsu & Jang, 2009). Likewise, franchising can lead to inferior quality (Michael, 2000a). This free-riding behavior of the franchisee induces horizontal agency costs since it affects other franchisees as well (Hsu & Jang, 2009).

On that account, it can be concluded that in a franchise system there exists constantly a struggle between a higher degree of control and monitoring of the franchisee and a greater extent of authority granted by the franchisor, alternatively. In other words, on the one hand, higher degree of authority might incentivize free-riding behavior. On the other hand, higher degree of control causes monitoring costs and might lead to franchisee dissatisfaction or even conflict between the franchisor and the franchisee, and further reduce performance (Harmon & Griffiths, 2008; Hsu & Jang, 2009; Kaufmann & Dant, 1999; Lafontaine, 1992; Rubin, 1978).

According to Lafontaine (1992), franchising does not necessarily imply omission of vertical agency costs due to the fact that both parties (franchisor and franchisee) might have an incentive to behave opportunistically in order to achieve their self-interested goals. The franchisor might allocate too densely various outlets in a specific area with the purpose to boost his or her own profit. Furthermore, he or she might terminate the contract and establish his or her own outlet instead. The franchisor might also obligate the franchisee to purchase certain resources or to pay inappropriate advertising fees. What is more, the franchisor might edit certain contract conditions so that he or she profits from it. In opposition, franchisees could publish or communicate confidential information or not be able to meet the royalty fees (Storholm & Scheuing, 1994).

Moreover, Castrogiovanni and Justis (1998) outline further agency problems. Agency costs might emerge as the franchisee might strive for more authority or the franchisor sets too high control mechanisms in order to eliminate franchisee's opportunistic behavior and to ensure the fulfillment of the contract. Yet, a key aspect of agency theory in franchising is that the franchisor has control over the franchisee. According to Jambulingam and Nevin (1999) the degree of control might as well have a positive impact on performance of the franchise system. Control mechanisms can be implemented in order to guarantee standardized products and services as well as to protect the franchisor's brand (Castrogiovanni & Justis, 1998). Similarly, it has been implied that direct observation and monitoring of the franchisee as well as the implementation of a system of incentives might reduce agency costs (Kaufmann & Dant, 1996).

Most franchising systems need to maintain a balance between both mechanisms, i.e., monitoring and incentive alignment (Dant & Nasr, 1998).

To sum up, agency costs arise as a result of behavioral uncertainty caused by shirking and free-riding behavior of the principal and the agent. In particular, agency problems are more likely to appear at times of unpredictable market conditions and information asymmetry (e.g., Bergen et al., 1992; Doherty & Quinn, 1999; Eisenhardt, 1988; Jell-Ojobor & Windsperger, 2014; Jensen, 1983; Jensen & Meckling, 1976). The existing literature applies principal agent theory in the franchising context to analyze formal control mechanisms (e.g., Monye, 1997; Shane, 1996a, 1996b; Stanworth et al., 1996), optimization of control structures (e.g., Eisenhardt, 1989), the costs caused by control mechanisms (e.g., Brickley & Dark, 1987; Castrogiovanni & Justis, 1998), antecedents of franchising such as geographical dispersion, local managerial expertise, franchisor's input, and outlet size (Combs & Ketchen, 2003) and franchising motivation (Alon, 2001; Brickley & Dark, 1987; Castrogiovanni et al., 2006; Combs et al., 2011a, 2011b). Despite the vast interest in agency theory in the franchise context it fails to take into account the complex relational structures within a franchise system (Pizanti & Lerner, 2003), which is caused by divergent goals resulting in relational problems such as moral hazard (Barthélemy, 2011; Kwong-yin Fock, 2011). Therefore, Eisenhardt (1989) and Sharma (1997) suggest extending the principal agent theory with different approaches in order to gather further understanding on the dynamics of the franchisor-franchisee relationship and, hence, the overall franchise system (Jang & Park, 2018).

3.1.3. Knowledge-Based View

The knowledge-based view has hardly been applied in the franchising literature as a theoretical approach (Barthelemy, 2008; Gorovaia & Windsperger, 2010). This view regards knowledge as a strategic resource of the firm (Grant, 1996). Hence, the most important assumption is that the outcome/ success does not only stem from existent and available resources but rather from the internal knowledge that facilitates the effective employment of those resources (Decarolis & Deeds, 1999).

The knowledge-based view was derived from the resource-based view (Spender & Grant, 1996) and enhances the RBV by considering knowledge as a specific resource with unique attributes (Kaplan et al., 2001). The knowledge-based view considers knowledge as an essential internal resource of an organization (Grant, 1996), whereby current literature regards knowledge as a construct composed of tacit and explicit knowledge (Kaplan et al., 2001).

To create and generate knowledge an interplay between tacit and explicit knowledge is required. To enable knowledge transfer it is necessary to translate tacit knowledge into explicit knowledge. The approach of how to implement it became an important issue for firms (Alavi & Leidner, 2001; Nonaka & Peltokorpi, 2006; Serenko & Bontis, 2004; Spender & Grant, 1996; Tsoukas, 1996). Tacit knowledge indicates the origin of a competitive advantage on the basis of its unique and immobile features. The other element, namely explicit knowledge which is much easier to transfer and reproduce, plays a less important role in the long-term success of a company (Eisenhardt & Santos, 2002; Grant, 1996, Nonaka, 1994). Due to the complexity and sophistication of knowledge transfer, the procedures used to unite the knowledge become more time-consuming to utilize, conduct and supervise (Crocker & Reynolds, 1993; Grant & Baden-Fuller, 2004; Poppo & Zenger, 2002). Nevertheless, it has been argued that franchising is one of the most frequent instruments for shifting explicit and tacit knowledge between the parties (Jeon et al., 2016).

Therefore, franchising can be seen as creation of knowledge and know-how (Jeon et al., 2014). Taking tacit and explicit knowledge into consideration the transfer of knowledge is managed by all essential parts of the franchise system (Kalnins & Mayer, 2004). This encompasses the transfer from the franchisor to the franchisee and vice versa across various business units (Cumberland, 2015; Dandridge & Falbe, 1994; Dant & Nasr, 1998).

Several franchising researchers have revealed the fundamentality of sharing and distributing information between the two parties within the franchise system.

For instance, Gassenheimer et al. (1996) discovered that communication improves the relationship between the franchisor and franchisee and the overall performance. Moreover, it has been illustrated that communication on a regular, mutual and interactive basis can lead to greater commitment from the side of the franchisees (Meek et al., 2011).

Also, Chiou et al. (2004) pointed out that sharing knowledge and thereby communicating efficiently strengthened the trust of franchisees in the franchise system as well as the satisfaction with their franchisors. Through providing and exchanging knowledge all insiders of the system modify the available resources and receive feedback (Sinkula, 1994). Furthermore, in the franchise system knowledge can be better integrated and applied by redesigning the policies and regular procedures of the well-coordinated and experienced firm (Alavi & Leidner, 2001).

According to the knowledge-based theory, the franchisor makes its business model available to their franchisees and assists in giving services regarding knowledge resources of the franchisor. As compensation, the franchisor obtains capital, knowledge about their resource management and entrepreneurship as well as knowledge of local market conditions from the franchisees. Those exchanges create value in the franchise system and lead to better operations within the system (Paswan et al., 2014).

A franchise system provides opportunities for organizational learning and knowledge transfer due to close ties between the franchisor and franchisees (Phan et al., 1996). Franchisees acquire knowledge by trying practically which contributes positively to the franchise system and affects the other participants through organizational learning (Phan et al., 1996). Innovative procedures and learning improve the operations in the system (Enz, 2008). As a result, organizational learning will automatically lead to a more effective usage of resources as well as of technologies and better mutual learning among franchisees (Enz, 2008; Hoy, 2008). The mutual learning process between these two firms strengthens their relationship in turn (Enz, 2008).

A franchise system represents the importance of learning for all participants and highlights the ability of a franchisor. The competence of an organization is decisive for developing, assigning and using valuable resources and to achieve outstanding performances which may surpass the competition (El Akremi et al., 2015).

If franchisees can successfully benefit from the franchisor's knowledge resources, superior performance can be accomplished (El Akremi et al., 2015). In return, franchisees can share innovative strategies which will lead to an enhancement of knowledge transfer (Gillis et al., 2014). Sharing knowledge can demonstrate to what extent franchisees implement and comprehend the franchisor's business model (Paswan et al., 2014).

Learning within an organization helps to adapt more effectively to the environment and changing circumstances (Hoy, 2008). Nevertheless, franchisees may compete with other franchisees due to the transfer of knowledge and such organizational learning (Chen & Dimou, 2005). Consequently, the role of the franchisor is to compensate and takes into account those challenges that occur when transferring tacit knowledge into explicit knowledge and creating knowledge (Lindblom, & Tikkanen, 2010).

Overall, it is very important to apply the knowledge-based view to illustrate the challenges that arise in franchise systems. It is essential to be aware of the strategies which franchisors should adopt to convey their knowledge base to their franchisees, to face obstacles, to know how to benefit from each other and to share knowledge and resources provided by the franchisor and their franchisees. In particular sharing and transferring knowledge within the scope of a franchise system promises success in the long-term. (Contractor & Kundu, 1998)

From the perspective of this theory the enhancement of communication and knowledge transmission facilitates developing good relationships within the franchise system (Altinay, et al., 2014). As soon as problems occur, the franchise system will be negatively influenced (Minguela-Rata et al., 2010).

The knowledge-based view is a perfectly appropriate theoretical framework to declare for what reason the resources of a franchise system affect the performance, the relationship and the overall satisfaction of franchisees and to understand what challenges a franchise system has to face and how those challenges could be overcome. It becomes clear, that in particular the performance, the relationship and the overall satisfaction could improve by transferring knowledge successfully (Combs et al., 2004b; Grant, 1996).

Franchising embodies a type of relational exchange where knowledge is mutually shared among the participants of a franchise system (Grünhagen & Dorsch, 2003). For this reason, the next part undertakes a closer examination on the relational exchange view.

3.1.4. Relational-Exchange Theory

Relational exchanges are one option for the application of sharing knowledge (Szulanski et al., 2004). Using knowledge as a resource can produce value that ensures internal compliances, reduces transaction costs and optimizes the competitive advantage of a firm (Dyer & Singh, 1998; Hernandez-Maestro & Gonzalez-Benito, 2011). Relationships involve complex and antagonistic characteristics. The amount of advantages and costs franchisors provide to their franchisees might lead to conflicting or cooperative situations (Pech & Slade, 2004). Conflicting interests of various authorities are very probable in franchise systems. Thus, forming strong relationships between the participants of a franchise system is fundamental to minimize the risks for negative consequences of arising conflicts (Yilmaz et al., 2004).

Capturing the state of relational exchange research from the last two centuries demonstrates that relational exchanges are the key component to success and superior performances (Dyer & Singh, 1998; Hernandez-Maestro & Gonzalez-Benito, 2011; Kaufmann & Stern, 1988; Siguaw et al., 2003). More precisely, the perspective from the transactional and relational point of view should be taken into consideration which both differ fundamentally from each other.

Transactional exchanges include less strong interdependencies and less probability for future relationships due to limited transfer of knowledge and social interactions. The trend went towards the relational exchanges where the value transfer between the participants is continuous (Frazier, 1999; Kaufmann & Stern, 1992, Macneil, 1978). This might guarantee long-term partnerships and advantages for all channel members (Siguaw et al., 2003). Transactional exchanges are rather composed of economic and discontinuous elements whereas relational exchanges are characterized by long-term nature, continuity and cooperative aspects which are required in a franchise system (Miles et al., 1990; Pelton et al., 2002). Kaufmann and Stern (1988) gleaned that franchise systems are paradigms which are composed of relational exchanges.

Spriggs & Nevin (1995) also analyzed the relationship by using the theoretical framework of relational exchange. They ascertained that the standards of the relationship within a franchise system need to be investigated referring to the components or the context of the exchanges.

Brown & Dev (1997) conducted research on sophisticated exchanges by taking the example of Holiday Inn. The decisive difference was that the partnership between the franchisor and its franchisees consisted of relational features instead of discrete characteristics. Such a relationship demonstrated that the participants did not behave like suing solely single transactions in which the intention is not to continue the cooperation. To ensure that the partnership holds up to 20 years both parties need to act like partners that behave more personal.

Macneil (1980, 1985) as the main advocate of the relational exchange theory states that norms that control commercial and discreet exchanges differ significantly from relational exchanges including longstanding relationships where single transactions are less important. Discreet and relational exchanges differ in terms of general contracting norms such as solidarity, role integrity and mutuality which become visible in the relationship between the two involved parties meaning the franchisor and the franchisee. Those mentioned norms are essential to comprehend and develop profitable relationships between the franchisor and his or her franchisees.

Firstly, solidarity is the standard that reconciles exchanges (Macneil 1980). The discreet norm of solidarity focuses on finalizing individual transactions which is emphasized by contract law. Whereas the relational norm of solidarity concentrates on developing long-term and continuous relationships which involve different commercial transactions. In accordance with Kaufmann and Stern (1988), each participant monitors the behavior of the opponents, develops general behavioral patterns and assesses the observed behavior in terms of being supportive or destructive for the relationship. Each entity follows the norm in order to maintain long-term relationships as long as the other party is willing to contribute to the continuation of the relationship. After a while, the perception of the behavioral patterns establishes a reputation. Franchise systems are a bundle of relationships that are characterized by high solidly parties which are willing to cooperate and build up a strong reputation.

Considering the norm role integrity, the parties (franchisor and franchisee) identify with different roles that fulfil/ meet their expectations. Regarding discreet transactions in accordance with role integrity, roles are linear, the exchange is drawn attention to and the roles represent a purposefulness within the scope of the transaction. On the contrary, relational exchange reflects roles of the parties that do not solely guide specific transactions, but rather cover multiple tasks that are not linked to specific transactions. While role integrity develops more relational aspects over time, the roles adopt more complex characteristics. The developed complexity of the exchange relationship results in stronger interdependencies and, thus, reinforces the probability of conflict (Pondy, 1967; Pondy & Huff 1985; Kaufmann & Stern 1988). Over time, the participants will find methods how to eliminate those conflicts and pursue rather discrete transaction relationships or even intend to abandon the relationship (Macneil 1978). If the entities are identified by highly relational exchanges, it is assumed that those will comply and reduce conflicts.

Relating to franchising, complexity is in general inherent (Kaufmann & Stern 1988), as interdependencies will be established that imply multiple roles for both parties in order to focus on the value of the trademark (Frazier & Rody 1991). Nevertheless, if there is unreasonable tightness or a strict execution of the franchise license contract the roles and exchanges adopt discreet characteristics such as unidimensional and less relational. This implies less probability to continue relationships. However, the franchisor offers contractual opportunities to assist and support their franchisees through social services to which the focus in the relationship will shift in the long-term.

With respect to the norm mutuality, franchising is an opportunity to allocate benefits of business relations. Relating to Macneil (1978), franchising expects an even distribution which ensures appropriate returns to each participant within the franchise system (Rubin, 1978).

According to Pizanti & Lerner (2003) who applied the exchange theory, relationships between the franchisor and the franchisees that originate from transactions are adaptable and dynamic in nature. Transactions between the mentioned parties are based on the resources that each party contributes to the relationship. Depending on the background, franchisees own various resources that influence massively the benefit and conflict situation between the franchisor and the franchisee. For that reason, control mechanisms are set up when incentives are needed to maintain/preserve an equilibrium/balance between the two parties. According to the exchange theory, relational standards are essential for independent businesses working together. Cochet et al. (2008) have pointed out that relational governance used by a franchisor as a control mechanism, is able to eliminate problems due to different interests and goals.

The relational exchange theory addresses also informal control mechanisms (Choo, 2005). The exchange theory deals with interdependencies among the participants in the system which evolve from the individual interests. When the franchisor as well as the franchisee regard transactions as valuable exchange relations, those exchange relationships can be built and continued.

Relationship topics among the franchise members have long been regarded a principal difficulty to ensure consistency (Grünhagen & Dorsch, 2003). However, little research has been published on analyzing the expectations of franchisees considering compliance with the principles of the franchise system (Hing, 1995; Phan et al., 1996; Grünhagen & Mittelstaedt, 2000a, 2000b). With regards to the relational exchange theory the franchisee' level of collaboration corresponds to the extent of franchisee satisfaction (Lewis & Lambert, 1991; Spinelli & Birley, 1996). Gonzalez-Diaz & Solis-Rodriguez (2012) also elaborated that the satisfaction with the partnership from both sides depends on the assessment of the individual behaviors.

We conclude that the relational exchange theory claims that franchising consists of multiple relationships that can develop over time discreet characteristics such as unidimensional roles and less relational exchange. This might cause less probability for continuance of the franchise system. However, to maintain thereby the balance the franchisor might offer services to their franchisees that sustain a long-term franchisor-franchisee relationship, which further guarantees satisfaction.

3.1.5. Transaction Costs Theory

Transaction cost (TC) theory (Williamson, 1975) posits why specific companies exist, why they chose to expand domestically or internationally, which transactions they perform in-house and which they outsource and why they do it (Rosado-Serrano et al., 2018). In essence, the TC approach claims that companies intend to reduce transaction costs by either choosing to perform in-house as they are able to produce at lower costs or, otherwise, to subcontract certain activities to external agents (Coase, 1937). Firms consider thereby incurring costs of exchange processes when deciding whether perform internally or externally certain activities (Baena & Carño, 2014; Hennart, 2000; Rosado-Serrano et al., 2018).

TC theory captures environmental and behavioral uncertainty and attempts to depict its impact on decisions within a firm regarding, e.g., internal or external production, channel relationships establishment, customer relationship development and contract terms monitoring and enforcement (Rindfleisch & Heide 1997).

Some scholars have investigated franchising from the transaction cost theory angle (e.g., John 1984; Shelanski & Klein 1995). TC theory illustrates, similar to the earlier stated RBV or agency theory, that firms choose franchising over other forms of organizations in order to increase rapidly and less costly their market share. This expansion business strategy is preferred by some firms as it causes less transaction costs than performing all those activities of a franchisee internally. In other words, franchising as a business strategy is selected since this business format suits certain types of firms better than other strategies would do. Despite the fact that franchising might generate further transaction costs, it enables an efficient expansion in comparison to other business formats in the particular situation. Yet, this strategy is not adequate equally for each firm and the suitability of franchising for a firm depends on occurring transaction costs (Shelanski & Klein, 1995; Williamson, 1981).

Most of the literature applying TC theory focuses on international franchising, and, thus on franchising as an entry mode or an internationalization strategy (e.g., Baena, 2012; Hoffman et al., 2016; Meyer, 2001). Indeed, one major motivation to opt for franchising is the business opportunity to expand the business model abroad and, hence, grow in a short period of time. Important antecedents of international expansion with franchising are firm- and country-specific factors. In this context, the franchisor's choice of governance mode is a key determinant of the degree of expansion. The governance mode is subject to the level of environmental and behavioral uncertainty and to the given transaction-specific investments (Rosado-Serrano et al., 2018). Environmental uncertainty provokes the need of local understanding and adaptation processes. The franchisor might be limited in his or her abilities to do that on his or her own. Thus, he or she subcontracts a franchisee and, likewise, reduces transaction costs (Jell-Ojobor & Windsperger, 2014).

Transaction costs in franchise relationships comprise, for example, costs of information exchange between the franchisor and the franchisee, development of and negotiations in the relationship between the two mentioned parties, as well as monitoring costs in order to impede opportunistic behavior (Eser, 2012; Grover & Malhotra, 2003). Research applying TC theory to the franchisor-franchisee relationship is scarce and primarily focuses on trust and, more precisely, that trust as a non-contractual mechanism can balance out formal contract terms as it hampers potentially emerging transaction costs (Eser, 2012).

Even though the principal agent theory shares certain similarities with TC theory (Eisenhardt, 1989; Kim & Mahoney, 2005; Williamson, 1985), the former is much more dominant in the franchise literature. The major reason for that fact can be tied to the level of asset specificity explained in TC theory. Asset specificity, videlicet, shows relatively little variation among the different franchise outlets. The reason behind this is that franchisors attempt to create outlets that customers perceive as relatively similar. Indeed, each outlet should be immediately associated to a specific brand as well as create a common understanding of the brand, i.e., the brand and the respective values are acknowledged easily through the resemblance of the franchise outlets (Bradach, 1997). Allowing for this, the degree of asset specificity, meaning unique assets, does not vary substantially among the different franchise outlets. Asset specificity, therefore, is less suitable to justify the pattern of ownership within a franchise chain (Combs et al., 2011b).

Taken together, the various mentioned theoretical approaches are not capable to explain the relatively complex relational structures of franchise relationships when they are applied in isolation. Furthermore, they are challenged by the complex role of the franchisee. Similarly, the franchisee's satisfaction, which can reassure the success of the franchise system, is frequently overlooked in those theories.

3.2. Franchisee Satisfaction

The previous section has analyzed the different theoretical frameworks relating to franchise relationships. What follows is an account of franchisee satisfaction literature that highlights the need for a more hybrid approach to the franchisee satisfaction construct. It begins by a review of satisfaction of franchisees, followed by explaining the franchisee satisfaction construct applying marketing, job satisfaction and entrepreneurial perspectives. This chapter concludes with the research deficit in the franchisee satisfaction context, which establishes the ground for our research.

3.2.1. Satisfaction Construct of Franchisees

Satisfaction in exchange relationships can predict positive results (Dwyer, 1980; Roh & Yoon, 2009). Applied to franchising, satisfaction could anticipate "higher morale, greater cooperation, fewer terminations of relationships, fewer lawsuits, and lower likelihood of seeking protective legislation" (Hunt & Nevin, 1974, p. 191). Furthermore, franchisee satisfaction has been investigated by some researchers as a desirable outcome for the overall franchise system (e.g., Bordonabe-Juste & Polo-Redondo, 2008a) as it guarantees the endurance of the franchise system (e.g., Gauzente, 2003; Morrison, 1997).

Yet, little is known about franchisee satisfaction (Hizam-Hanafiah & Li, 2014; Jang & Park, 2018; Kalargyrou et al., 2018; Wu, 2015). As other researchers have highlighted, satisfaction in the franchise context has frequently been examined from the franchisor's viewpoint (Combs et al., 2011a; Grünhagen & Mittelstaedt, 2005; Fladmoe-Lindquist & Jacque, 1995; Hing, 1995; Hough, 1986; Wu, 2015) together with the imbalance of power between the franchisor and the franchisee, which might explain the appearance of dissatisfaction and conflict within the franchise system (e.g., Goodman, 1980; Hough, 1986). This captures a rather one-directional approach to the franchisor-franchisee relationship (Grünhagen & Mittelstaedt, 2005). The success of a franchise system, however, is determined by the efforts of both parties, i.e., the franchisor and the franchisee (Abdullah et al., 2008; Jang & Park, 2018; Kalargyrou et al., 2018; Wu, 2015).

Current solutions to the franchisor-franchisee-relationship are thereby disputable. Most of the literature excludes the possibility that the individual franchisee may affect remarkably the decision-making process within the franchise organization. Although the agency approach contributes to the franchise relationship literature, it fails to consider the franchisee's impact on superior or inferior performance for the total franchise system due to his or her ability to make far-reaching decisions. By way of illustration, the franchisee might behave in such a way that it has a negative effect upon the brand name. Subsequently, the overall franchise system might be impaired by the franchisee's behavior. Within the framework of these criteria, scholars have pointed out that satisfaction should be as well analyzed from the franchisee's perspective (Grace & Weaven, 2011; Grünhagen & Dorsch, 2003; Peterson & Dant, 1990).

In general, satisfaction "can be defined as a positive affective state" (Anderson & Narus, 1984, p. 66), which is triggered through the perceived fulfillment of expectations. In the same fashion, franchisee satisfaction arises when a feeling of contentment is promoted since economic and non-economic expectations have been complied (Anderson & Narus, 1990; Geyskens et al., 1999). In addition, it has to be taken into consideration that levels of satisfaction differ from franchisee to franchisee and can be economic, social and psychological in nature (Altinay et al., 2014; Davies et al., 2011; Grace & Weaven, 2011; Hing, 1995; Tuunanen, 2002;

Roh & Yoon, 2009). Economic expectations encompass expectations such as sales volume and margins, while non-economic (or social and psychological) ones refer, for instance, to the perceived relationship quality between franchisor and franchisee (Grace & Weaven, 2011; Lee, 2017). In other words, the franchisee sets specific expectations regarding the franchise system and he or she experiences satisfaction if those expectations are met or exceeded (e.g., Hing, 1995).

A number of authors have considered the effect of franchisee satisfaction on the overall franchise system. Some scholars have identified the positive effects of franchisee satisfaction for both franchisee and franchisor as it promotes loyalty, trust and commitment (Harmon & Griffiths, 2008) and can predict, therefore, relationship quality (Frazier et al., 1989). Regarding the economic and non-economic aspects of franchisee satisfaction it has been suggested that there is a linkage between franchisee satisfaction and the following factors: performance (Abdullah et al., 2008), coordination (Tuunanen, 2002) and cooperation (Jambulingam & Nevin, 1999; Liu et al., 2014; McDonnell et al., 2012). The latter factor can determine, for example, the extent of conflicts between franchisor and franchisee (Davis, 2012; Frazier et al., 1989). At the same time, the level of cooperation can give a reason for existing free-riding problems (Davies et al., 2011), franchisee's choice to exit the franchise system and, eventually, the resistance of the franchise system (Frazer et al., 2012, Frazer & Winzar, 2005; Holmberg & Morgan, 2003), productivity (Tuunanen, 2002) and the franchise system progress and success (Brown & Dev, 1997; Hing, 1999). Furthermore, satisfied franchisees enhance the franchise system through word-of-mouth (Gauzente, 2003; Hing, 1999), intention to stay in the given franchise system (Chiou et al., 2004; Gauzente, 2003) and positive attitudes toward the franchise brand (Grace & Weaven, 2011; Harmon & Griffiths, 2008, Kaufmann & Dant, 1999).

A study conducted by Walkers (1970) points some differences between satisfied and dissatisfied franchisees out and concludes that satisfied franchisees perceive the various controls stated in the contract, the input/output ratio and the parent company's conditions as fair, their outlet as relatively successful and worked more efficiently than dissatisfied ones. He then also claimed that low financial return rates, scarcity of franchisor support services and unaccomplished expected aspiration levels lead to dissatisfaction.

Until now, research on franchisee satisfaction has predominantly focused on the consequences of franchisee satisfaction such as performance, intention to remain, word-of-mouth and franchisor-franchisee relationship, whereas the antecedents of franchisee satisfaction have not been dealt with in depth (Kalargyrou, et al., 2018). Nevertheless, satisfaction is a relatively complex construct. Possible suggested consequences or antecedents of satisfaction depend on the context (Jang & Park, 2018). Particularly, satisfaction addressing the franchisee derives from various fields such as from marketing literature (e.g., Hing, 1995), literature on job satisfaction (e.g., Morrison, 1996) and literature on entrepreneurship (e.g., Cooper & Atz, 1995). This corresponds to the various roles that a franchisee is assumed to exert within a franchise system, i.e., customer or business client, employee and entrepreneur, respectively (Lim & Frazer, 2004).

3.2.2. Marketing and Franchisee Satisfaction

To begin with, the franchisor-franchisee relationship is frequently associated with marketing literature. More precisely, it is compared to business-to-business relationships or to channel partnerships (e.g., Grünhagen & Dorsch, 2003; Lusch, 1967), or the franchisee is understood as a customer who acquires a franchise outlet (e.g., Abdullah et al., 2008).

Proponents of that view claim that the franchisee fulfills the role of a client or customer since he or she pays an initial fee and later regularly royalties in order to use the franchisor’s established business concept accompanied by support services (Hunt, 1972; Rubin, 1978). A franchisee, hence, generally purchases the right to use a market approved franchise brand, while the franchisor sells a product to them, namely the franchise concept. Franchisors can, thus, be comprehended as mentors who provide their franchisees with guidelines. Those guidelines should support the franchisees in implementing and growing their own business. In other words, the franchisee learns how to execute one’s business and simultaneously can maximize his or her profit as well as the of the overall franchise system (Lim & Frazer, 2004). To secure a favorable outcome, the franchisor has to comprehend the value of his or her franchise concept that he or she attempts to sell to his or her franchisee (Grace & Weaven, 2011; Michael, 1999; Zeithaml, 1988).

Channel partnerships refer to strategic collaborations between organizations with the aim to achieve mutual benefits for all involved organizations. This approach is justified if the franchisee's role conforms to that of a business partner. The franchisor and the franchisee are congruously seen as two collaborative organizations, which can be compared, for example, to firms developing a co-branding strategy. Both organizations can benefit from each other and, consequently, may enhance their brand value (Buzzell & Ortmeyer, 1995; Erevelles et al., 2008; Lim & Frazer, 2004).

In channel relationships, satisfaction can be measured in economic or non-economic terms (Geyskens et al., 1999). Likewise, franchisee satisfaction arises when the achievement of economic and non-economic expectations is perceived by the franchisee (Anderson & Narus, 1990; Davies et al., 2011; Geyskens et al., 1999; Kalargyrou et al., 2018).

In channel marketing literature, satisfaction is one of the most examined constructs. For instance, satisfaction can provide insights on the success of certain branding strategies (O'Neill et al., 2006). Furthermore, higher levels of satisfaction of channel members are linked to longer maintenance of the business relationship as well as less filed lawsuits (e.g., Dwyer, 1980; Geyskens et al., 1999; Hunt & Nevin, 1974). In the franchise context, overall franchisee satisfaction is stimulated by the contract terms, service provided by the franchisor as well as extrinsic (e.g., profits) and intrinsic (e.g., status) motivation (Abdullah et al., 2008).

What is more, some scholars tie franchisee satisfaction to consumer marketing. The franchisee's behavior is assumed to be similar to that of a buyer and satisfaction is, hence, the post-purchase feeling experienced by the buyer if initial expectations correspond to the performance perception of the purchased good or service (Abdullah et al., 2008; Dubois & Jolibert, 1998).

Regarding this view, Bordonabe-Juste and Polo-Redondo (2008a) suggest shifting the focus more on relational exchange theory even though the two most prominent theories in franchise literature seem to be the principal agent theory and the resource-based view. Yet, prior research tends to use relational exchange theory to investigate the franchisor satisfaction rather than franchisee satisfaction (Chiou et al., 2004; García-Rodríguez et al., 2005).

Exchange relationships encompass similar goal aspirations, interdependence of partners and exit barriers are relatively high (Bordonabe-Juste & Polo-Redondo, 2008a, 2008b). For instance, it has been proposed that satisfaction is the consequence of commitment. The more committed the partners the more likely they achieve their expected goals and, thus, experience higher levels of satisfaction (Jap & Ganesan, 2000; Mohr & Spekman, 1994; Siguaw et al., 1998). Likewise, to reach the mutual aspiration levels and thereby satisfaction, it is crucial that the communication is effective between franchisor and franchisee (Bordonabe-Juste & Polo-Redondo, 2008a, 2008b; Chiou et al., 2004).

3.2.3. Franchisee Job Satisfaction

Another alternative assumption is that franchisees take the role of employees, since the franchisor has certain degree of control over his or her franchisees, i.e., the franchisor sets guidelines and defines the philosophy of the franchise system. The franchisee is, thus, “hired” to fulfill their duties in line with those guidelines. In addition, the franchisee is awarded a compensation for their work. This view can be linked to the principal agent theory and suggests a hierarchical relationship, which is stipulated in the franchise contract (e.g., Rubin, 1978).

Researchers following that notion have asserted that franchisee satisfaction should be compared to job satisfaction constructs. In the literature, job satisfaction is dependent on the job estimation and on job experience (Locke, 1967). High levels of job satisfaction can be explained by the fit between intrinsic and extrinsic compensation and the individual array of needs dedicated to that compensation (Abdullah et al., 2008). The argument is thereby that the franchisee exerts a similar role as an employee since the franchisor sets the guidelines and has more power over the franchisee than vice versa (Morrison, 1997).

One major motivation to become part of a franchise system is financial autonomy (Dant & Gundlach, 1999). The franchisee receives a compensation that can be compared to a high bonus for corporate employees. However, the franchisee acts more independently and receives a larger part of the profits than a corporate employee (Chiou & Droge, 2015). Thus, monetary compensation can be connected to effort (Heywood & Wei, 2006). To illustrate this, it is more efficient in terms of productivity, effort and earnings to use compensation systems based on performance than based on time (Chiou & Droge, 2015; Lazear, 2000; Paarsch & Shearer, 2000; Parent, 1999). In the same vein, higher levels of job satisfaction are achieved with performance-based systems (Green & Heywood, 2008; Lawler & Porter, 1967). In addition, one pivotal aspect of job satisfaction is economic satisfaction (Harmon & Griffiths, 2008; Jang & Park, 2018). Low levels of or even the lack of economic satisfaction will challenge the sustainability of the franchisor-franchisee relationship (Jang & Park, 2018).

3.2.4. Entrepreneurial Satisfaction of Franchisees

Last of all, although the role of the franchisee might be compared to that of an entrepreneur (Lim & Frazer, 2004) there is scant research applying entrepreneurship literature in this area, or more precisely to the franchisee satisfaction construct (Renko et al., 2012; Wu, 2015). Nevertheless, entrepreneurship research in franchising provides valuable insights (e.g., Anderson et al., 2012; Audretsch, 2012).

In the legal sense, the franchisor-franchisee relationship has to be considered as two independent legal entities entering into a contract, which would confirm the assumption that both involved parties act as entrepreneurs (Rubin, 1978). Regarding the advantages for both franchisor and franchisee (Monroy & Alzola, 2005), not seldom, entrepreneurs consider entering a franchise system (Watson & Johnson, 2010). According to Hizam-Hanafiah and Li (2014), entrepreneurs and franchisees pursue comparable aspiration levels and have identical motivations. In their research they have identified four predominant goals in the entrepreneurship literature that should be implemented in the franchise context in order to investigate franchisee satisfaction, i.e., economic gain, perceived autonomy, intrinsic rewards and family concern. Despite their emphasis on those four goals, they have also recognized that there are supplementary goals which entrepreneurs attempt to achieve.

3.2.5. Research Deficit of Franchisee Satisfaction

Franchisee satisfaction can provide an understanding on how and why franchisees exit a franchise system (e.g., Grace & Weaven, 2011) or how to develop and maintain a long-term, strong franchise partnerships (e.g., Chiou et al., 2004). Nonetheless, the scant research on franchisee satisfaction that exists tends to focus on the consequences of franchisee satisfaction (e.g., Frazier et al., 1989), on how to select a franchisee that is more likely to be satisfied with the given franchise system (e.g., Jambulingam & Nevin, 1999; Altinay & Okumus, 2010; Gaul, 2015) or on dissatisfaction or conflict (e.g., Lusch, 1967). This shows the urgent need to investigate the antecedents of franchisee satisfaction.

As stated above, there has been some disagreement with regard to which literature stream apply to the franchisee satisfaction construct and despite the similarities that can be found between franchisees and business clients or customers, employees or entrepreneurs there are some limitations, respectively.

To begin with, some scholars argue that the satisfaction construct applied for channel marketing relationships lacks essential psychometric measures and, hence, does not fully conceptualize nor operationalize the satisfaction construct (Rueckert & Churchill, 1984). The franchisor-franchisee relationship goes beyond a mere business relationship as it is obligatory in legal terms (Bernstein, 2004). Furthermore, Gauzente (2003) argues that purchasing a franchise business concept cannot be compared to buying a product as the former supplement the latter with the aspect that it creates jobs. To paraphrase, it encroaches upon a simple consumer consumption experience.

In contrast to an employee, the franchisee has more risk and more responsibilities to bear (Sorenson & Sørensen, 2001). What is more, a franchisee exerts job related activities such as sales, management and training. Yet, in an aggregated form, which also limits the job satisfaction approach (Dant et al., 2013).

Likewise, franchisees might share similarities to entrepreneurs as they both seek opportunities to grow a business and risk their own capital. However, in contrast to entrepreneurs, franchisees purchase support services and the franchisor can decide upon guidelines which the franchisee has to implement into their business (Sanny et al., 2017; Sorenson & Sørensen, 2001). Hence, the comparison to entrepreneurs might not fully capture the dynamics of franchise relationships (Dant & Schul, 1992; Felstead, 1991).

Given that the franchisor-franchisee relationship is a hybrid business arrangement (Dant et al., 2013), it is crucial to integrate different satisfaction constructs in order to examine franchisee satisfaction. In spite of the growing acknowledgement of the importance of franchisee satisfaction for the franchise system there is still considerable controversy surrounding the drivers of franchisee satisfaction.

We have found two studies that concentrated on the antecedents of franchisee satisfaction. First, Morrison (1997) assumes that personal as well as situational factors influence franchisee job satisfaction, which consequently have an impact on performance, organizational commitment and congeniality of franchisor relations, as well as on intention to remain in the franchise system.

Furthermore, an interesting study carried out by Kalargyrou et al. (2018) shows that franchisee satisfaction might be a multidimensional construct. They surveyed 3,177 franchisees from 58 restaurant brands in the USA and indicated that a high level of franchisee income and franchisor care and trust are associated with a high level of franchisees' satisfaction, which leads to the intention to remain in the system as well as to positive word-of-mouth, i.e., that the franchisee is more likely to recommend the given franchise system to potential new franchisees if he or she has a higher level of satisfaction.

Despite the widespread recognition of the importance of franchisee satisfaction on the franchise system's performance and outcomes, further research is needed to determine which factors drive franchisee satisfaction. Therefore, we suggest incorporating the behavioral theory of the firm and strategic goals into our research on the antecedents of franchisee satisfaction. We, thus, attempt to emphasize the entrepreneurial view of a franchisee.

3.3. Behavioral Theory of the Firm

The following section encompasses an introduction to the behavioral theory of the firm by Cyert and March from 1963, focuses then on performance feedback and organizational goals within the framework of the behavioral theory of the firm.

3.3.1. Introduction to the Behavioral Theory of the Firm

There is a large volume of literature describing organizational theory. The classical economic theory of organizations is based on normative models and focuses on aggregate behavior. This view was challenged by Cyert and March in 1963 who have investigated the actual behavior of firms, i.e., they have elaborated why and how the decision-making process within organizations deviate from the classical economic theory. Since then it has had a major influence on institutional theory, population ecology, political science, organizational economics or organizational learning (Argote & Greve, 2007). It is used in strategic and organizational management literature as well as in adjoining fields (Gavetti et al., 2012).

The behavioral theory of the firm is part of the Carnegie school and is claimed by various scholars to have induced firm strategies and organizational theories (e.g., Argote & Greve, 2007; Gavetti & Levinthal, 2004; Gavetti et al., 2007). The Carnegie school is concerned with the organizations as the core of investigation, with decision making processes within the organization, and with behavioral plausibility to explain certain patterns within the organization (Gavetti et al., 2007). Despite the notion that the behavioral theory of the firm is groundbreaking work it was elaborated not to deny existing literature on organizations but rather to supplement it (e.g., Gavetti et al., 2012). Yet, it has to be acknowledged that the behavioral theory of the firm does not encompasses one unique and universal model but has to be viewed as a patchwork of manifold theories (Powell et al., 2011).

A fundamental element in the behavioral theory of the firm is bounded rationality. Bounded rationality justifies that decision makers cannot be fully rational due to limitations such as lack of knowledge and the need to expend effort for the information search process in order to evaluate the alternatives. In contrast to the rational agent model, it questions the maximization assumption (Simon, 1947). Bounded rationality refers to internal and external boundaries, which hinder the decision maker from acting rational perpetually (e.g., Kahneman, 2003; Simon, 1947). In the behavioral theory of the firm, the decision maker acts rather satisficing than maximizing. What is more, he or she applies certain decision rules or heuristics (e.g., Kahneman, 2003). For example, uncertainty provokes standardized decision making or routines that follow specific rules. This simplifies the decision-making process and enables the decision maker to act in the best possible way. This standardization process or routine is practical and feasible since, in any case, the decision maker is not able to obtain all the relevant information that is needed to make the ideal decision due to bounded rationality and, in this manner, standardization facilitates to choose one alternative and make decisions (Cyert & March, 1963; Kahneman, 2003; Simon, 1947). The bounded rationality assumption shows the need to integrate psychological approaches to existing economic theories in order to explain decision-making processes of individuals or organizations (Simon, 1947).

Moreover, Cyert and March (1963) claim that firms are the sum of various coalitions of divergent parties or individuals. Those coalitions consist of stakeholder or shareholders who are interested in the firm’s outcome or who can influence the firm’s performance or productivity. Each coalition within a firm formulates or prioritizes specific strategic goals, which are determined by the performance feedback.

3.3.2. Performance Feedback

The essence of the behavioral theory of the firm is the performance feedback mechanism. It provokes organizational learning and depends on goals and expectations (Gavetti et al., 2012). Literature on performance feedback attempts to explain why organizations change in times of low performance rather than when they thrive (e.g., Greve, 1998). It, thus, comprises change decisions within firms as well as the drivers behind this organizational change (Kacperczyk et al., 2015).

Organizational learning is a process that derives from feedback gained through interaction with business units. Feedback allows the organization to modify habitual procedures and integrate the performance feedback, that it has received from past experience and the environment, into the organizational strategy and structure (Sorenson & Sørensen, 2001). The organization adapts to feedback that it has obtained through experience as well as through experience of other external organizations (Levitt & March, 1988). The key tenet of feedback is, thus, that it challenges the routine of organizations throughout the organizational learning process. Feedback from the environment induces change within the organization. The raison d'être of this organizational change is the integration mechanism of the prior received feedback into the organizational structure and strategy (Cyert & March, 1963; Nelson & Winter, 1982).

Performance feedback might further initiate problemistic search, which describes the adaptation process of a firm due to performance below a prior set reference point (Greve, 2003b). The firm seeks to reach or exceed this reference point or aspiration level. Outreaching of the given aspiration level eventuate in satisfaction within the firm, whereas the failure of meeting this aspiration level provokes dissatisfaction and, consequently, the problemistic search for a competent alternative strategy is continued. Organizations tend to modify their structure and strategy when a suitable solution is discovered as a result of performance feedback (Cyert & March, 1963; Greve, 2003b; Shinkle, 2012).

Following Greve and Gaba (2017) there are basically two sources of learning. First, low performance leads to a process in which organizations start to learn from their own experience or they learn from the experience of other organizations. Second, organizations compare their own performance to that of other ones (Cyert & March, 1963). Performance feedback, which results in change, is based on the comparison of the firm's own performance at that moment with its performance earlier in time and the own performance with the performance of other firms or business units. In other words, performance feedback, which results in change, is based on temporal comparison, i.e., comparison with the firm's performance to its prior own performance or on social comparison deriving from the comparison with the own performance to the performance of other firms or business units (Greve, 2003a; Kacperczyk et al., 2015).

Sorenson & Sørensen (2001) highlighted that organizational learning has an impact on firm performance. They, thus, suggest determining what factors shape organizational learning. A study conducted by Schlein et al. (2013) examined performance feedback in the domain of franchising in the private sector health care delivery. The primary goal for an organization operating in the private sector is quality. The feedback loop from the franchisor to the franchisee is, hence, an important tool that is frequently used in social franchising in order to obtain the quality goal.

However, in organizations one major issue is the prevalence of multiple differing aspiration levels, which require different attention and search effort (Greve, 2008; Ocasio, 1997).

3.3.3. Organizational Goals

Organizational goals have generated considerable interest in (strategic) management literature as they are believed to be the key determinant for strategic behavior of organizations (Ansoff, 1979; Cyert & March, 1963; Fiegenbaum et al., 1996; Gagné, 2018; Shinkle, 2012). Organizational goals account for a firm's strategic target and influence the decision-making process that has a significant influence on its planning and outcome (e.g., Ansoff, 1984; Chandler, 1962; Hofer & Schendel, 1978).

As was stated above, according to the behavioral theory of the firm, firms consist of different coalition of one or more individuals. Each coalition within a firm pursues or prioritizes specific strategic organizational goals. Moreover, it is assumed that organizations tend to determine certain aspiration levels, which they strive for. This differs from the classical economic theory which comprises that organizations set specific maximization or minimization targets. Cyert and March (1963) further conclude that the aspiration levels are subject to the environment and to the experience. Regarding this definition, aspiration levels are, hence, organizational goals.

Organizational goals emerge through a three-phase bargaining-learning process among the different coalitions within a firm. In the bargaining process, the coalitions decide on general guidelines or directions of the firm. Next, in the internal organizational process of control, the coalitions establish which targets the firm endeavor to accomplish. In the process of adjustment to experience, environmental changes result in modified aspiration levels or goals (Cyert & March, 1963).

Goal dimensions arise from different sources such as the dominant coalition in the firm, or the division of labor and obstacles confronting the firm. In addition, the scope of the aspiration levels of those goals depend on the past, more precisely on organizational past goals, past performance and performance of similar organizations. Furthermore, an optimistic attitude towards achievement or even an over-achievement of aspiration level might equally have an impact on the aspiration level (Alessandri & Pattit, 2014; Cyert & March, 1963; Lant, 1992; Lewellyn, 2015; Wiseman & Bromiley, 1996).

Depending on their environment and experience, each coalition is concerned to achieve different aspiration levels or goals. Cyert and March (1963) distinguish between five main goals within a firm, which each coalition evaluates differently, namely production goal, inventory goal, sales goal, market share goal and profit goal. They acknowledge that there exist more goals, yet state that these are the prime goals that concern more or less most of the departments or coalitions within an organization. What is more, those aspiration levels are dynamic as they adjust to environmental changes. This means different strategic goals are formulated or prioritize in cases of environmental changes. The dynamic environment demands those changes in goal formulation. A firm has different goals during stable environments than it was the case, e.g., during the financial crisis. The intrafirm decision making regarding those goals and, hence, the ability to adapt to those changes relies on the resources within the firm, which can be linked to the resource-based view elaborated by Barney (1991) and Penrose (1959).

Similarly, goal formulation is a decisive aspect in franchise systems. Following the principal agent theory, the principal (franchisor) and the agent (franchisee) have divergent goals, which need to be aligned. However, this alignment could result in conflict since the franchisee tends to be concerned with the augmentation of his or her outlet's profit, while the franchisor strives to enhance the overall franchise system brand and performance (Dant & Nasr, 1998). Therefore, it is crucial to comprehend strategic goals and integrate them into the organizational structure as well as into the organizational strategy in order to secure the company's success.

4. Strategic Goals

The objective of this chapter is to discuss strategic goals from the entrepreneurship perspective in the literature as well as franchisee goals that were developed by Achrol and Etzel (2003).

4.1. Entrepreneurial Goals

Insufficient literature about franchisees is linked to the discussion whether the franchisee is regarded as an independent entrepreneur. A common subject in entrepreneurial literature is the equivalence of a franchisee and an entrepreneur (Dant et al., 2011; Ketchen et al., 2011; Méndez et al., 2014).

Most of the scholars confirmed this issue even though the two parties, namely the franchisor and the franchisee differ significantly in their roles (Ketchen et al., 2011). Other scholars have discovered that franchisees consider themselves as entrepreneurial entities.

Grünhagen and Mittelstaedt (2005) investigated the difference in motivation between those who acknowledge themselves as entrepreneurs and those who regard themselves as investing in a franchise system. They stated that franchisees with the background of multi-unit franchising actually are entrepreneurs.

In the same fashion Croonen et al. (2014) illustrated that several franchisees adopt entrepreneurial characteristics. Considering the entrepreneurship literature, it becomes obvious that even though franchisees' entrepreneurial behavior fluctuates, most of them act in an entrepreneurial manner. Entrepreneurial activities became even more visible when they were linked to intrinsic goals, their motivation and their satisfaction in the franchise system.

There exists a little understanding in the literature from the franchisee perspective and the incentive to become part of a franchise system as an independent franchisee entrepreneur (Meek et al., 2011). Some scholars conducted research on the perceived benefits of franchise systems in encouraging franchisees (Knight, 1984; Knight, 1986; Peterson & Dant, 1990; Ramirez-Hurtado & Quattrociocchi, 2009; Tuunanen & Hyrsky, 2001; Withane, 1991), and on the choice of the franchise system by franchisees before deciding for the business (Bennett et al., 2010; Guilloux et al., 2004; Kaufmann, 1999; Stanworth & Kaufmann, 1996). Additionally, studies on satisfaction within the scope of franchisees are hardly existent in the literature and need to receive more attention. There is also a lack in the literature about promising factors that determine relationship success in franchising (Merrilees & Frazer, 2006).

As already mentioned, there is insufficient research from the franchisee's perspective although this entity appears to be a pivotal determinant of the success of the franchise system. Hence, there is a need to conduct further research from this point of view (Combs et al., 2011a; Grünhagen & Mittelstaedt, 2005; Hing, 1995; Phan et al., 1996). Several studies were evaluated about the people’s goals to participate in a franchise system as a franchisee (Knight, 1984; Knight, 1986; Peterson & Dant, 1990; Tuunanen & Hyrsky, 2001; Withane, 1991), and even one study elaborated in what way franchisees can achieve satisfaction through their individual goal setting mechanism (Hizam-Hanafiah & Li, 2014). Hizam-Hanafiah and Li (2014) have ascertained that franchisees were more satisfied when their goals were attained.

As franchisees act as entrepreneurs it is crucial to examine to what extent franchisees pursue similar objectives and if franchisees are satisfied with their target achievement. In general, reasons why people invest in businesses are linked to goals such as independence which is of paramount importance (Hatten, 2009; Hodgetts & Kuratko, 2002; Schaper & Volery, 2007; Stokes & Wilson, 2010) and also a motive why people become entrepreneurs (Stokes & Wilson, 2010; Vinturella, 1999). People even attach greater weight to the issue of independence than to financial issues such as money as they can take actions autonomously (Barrow, 1998). The second objective is then related to financial aspects and monetary issues. Some scholars pointed out that the principal incentive of entrepreneurs is to multiply the money/ financial assets, which implies a focus on financial performance (Barrow, 1998; Benzing et al., 2009; Kuratko et al., 1997; Moore et al., 2010; Robichaud et al., 2001; Wang et al., 2006). The third goal involves the topic self-satisfaction which indicates how entrepreneurs run their businesses and which is regarded as more important than monetary aspects or even than independence (Moore et al., 2010). Another goal is related to family matters which is also a vital factor according to Schaper and Volery (2007) as well as confirmed by Hatten (2009).

Empirical research has revealed that there are several incentives or objectives that motivates entrepreneurs. Several clusters became apparent regarding entrepreneurial goals such as extrinsic and financial rewards, motivations and recognition (Benzing & Chu, 2009; Benzing et al., 2009; Jayawarna et al., 2011; Kuratko et al., 1997; Robichaud et al., 2001; Wang et al., 2006), independence (Benzing et al., 2009; Jayawarna et al., 2011; Kuratko et al., 1997; Lambing & Kuehl, 2000; Robichaud et al., 2001; Shane et al., 1991; Wang et al., 2006), intrinsic incentives and personal growth aspects (Benzing & Chu, 2009; Benzing et al., 2009; Jayawarna et al., 2011; Kuratko et al., 1997; Lambing & Kuehl, 2000; Robichaud et al., 2001; Shane et al., 1991; Wang et al., 2006), family issues/security (Benzing & Chu, 2009; Benzing et al., 2009; Kuratko et al., 1997; Lambing & Kuehl, 2000; Robichaud et al., 2001), and the position in the community as well as the community itself (Jayawarna et al., 2011; Shane et al., 1991).

Four prevalent entrepreneur goals emerge from several empirical studies, namely, independence, financial topics, intrinsic motivations as well as self-satisfaction and family issues, that the franchisees aim to attain.

There are also other motivations that have been discovered by some scholars. Apart from the desire to act flexibly and independently along with achieving self-satisfaction, franchisees are encouraged by a proven trademark and business concept as well as the support and training they obtain from their franchisor (Bennett et al., 2010; Gaul, 2015; Guilloux et al., 2004; Repack et al., 2014).

It was found in a study by Méndez et al. (2014) that both continuous support and assistance provided by the franchisor influences positively the decision to become part of a franchise system from the franchisee perspective. They categorized training as one of the decisive indicators for joining franchise systems prior to establishing a business.

Franchisees seek for possibilities where they can prove themselves and run their business for themselves instead of operating by themselves without support (Grace et al., 2013). This further demonstrates that there are persisting differences between franchisees and entrepreneurs considering the fact that entrepreneurs are more willing to take risks whereas franchisees desire support and assistance.

In summary, the most important entrepreneur goals/motivations are related to independence, financial aspects, (assistance), relational issues and satisfaction among all mentioned empirical studies. Therefore, we included those entrepreneurial goals in this thesis as these can be applied within the franchise context and enable us to approach franchising from the franchisee perspective. Achrol and Etzel (2003) examined in their study similar goals, namely strategic goals, in more detail.

4.2. Franchisee Goals

Those strategic goals that were mentioned once before in the behavioral theory of the firm by Cyert and March (1963) were inspected more profoundly by Achrol and Etzel (2003). The authors claimed that franchisees set strategic goals with a focus on productivity, market adaption and channel integration. Therefore, three groups of goals are taken into consideration: productivity goals, market adaption goals and channel integration goals.

Productivity goals are mainly covered by financial performance aspects, whereas market adaption goals refer in particular to customer performance which can distinguish a firm from its competitors. To be successful over time, an organization must be open and flexible to its environment and changing demands of their customers. Channel integration goals aim to enhance the relationship with their channel members. Moreover, it was investigated to what extent the goals interrelate to performance.

Companies intend to maximize their goals that are affected by the environment. For instance, due to environmental influences, firms follow specific strategic goals, such as increasing the profit and efficiency or enhancing customer satisfaction. For that reason, goals are sorted by importance, hence firms choose primary and secondary goals they seek to maximize in various environments.

All strategic goals can have a huge influence on the overall performance which can be improved by aligning efficiently the strategic goals of the franchisees with the environmental demands. Therefore, it is crucial to include environmental factors as well as strategic goals to discern relevant factors that affect the performance.

Various market conditions can lead to the setting and prioritizing of different goals. If a goal is considered more important or less important depends on the environment. In the growth stage, a firm is more likely to focus on productivity goals such as productivity and efficiency in order to survive on the market. In contrast, at the mature stage, strategies such as customer orientation, market positioning, and differentiation attract attention. At this stage, it is more likely that information is shared. Simultaneously, cooperation along with commitment are improved at the mature stage. The so-called coordinated interaction leads to better adaptation which positively affects the customer satisfaction.

Based on those strategic goals that were elaborated by Achrol and Etzel (2003) the hypotheses for this thesis are derived. On this basis, the fifth chapter describes the research model and introduces the developed hypotheses.

5. Research Model and Hypotheses Development

The goal of the following chapter is to present the development of the hypotheses and the entire research model. After a brief introduction the factors that were analyzed in respect of the overall satisfaction, are discussed in more detail, namely the service performance, the financial performance and the relationship quality.

5.1. Introduction to the Development of the Hypotheses

The franchise concept brings numerous benefits to the franchisee (Bradach, 1997; Carney & Gedajlovic, 1991; Combs & Castrogiovanni, 1993; Diez & Galan, 1998; Fulop, 2000; Kaufmann & Stanworth, 1995; Michael, 2000a, 2000b; Norton, 1988). Apart from having access to the business concept, using the brand name and addressing a given customer base, franchisees benefit from continuous support, training and assistance provided by their franchisor (Baucus et al., 1993; Bradach, 1997; Hing, 1995, 1999; Hunt and Nevin, 1974; Lewis & Lambert, 1991; Lusch, 1976; Rubin, 1978; Shane, 1996b; Teegen, 2000; Watson & Johnson, 2010) . In addition, franchisees profit from earnings they generate (Bernstein, 1968-1969; Chiou & Droge, 2015; Patiar et al., 2012; Sainaghi, 2010; Stern & El-Ansary, 1977). Moreover, since the franchise concept requires the franchisor and their franchisees to complete their tasks and to follow the guidelines, a good working relationship needs to be established and is required to form a good foundation for the consecutive partnership (Brown & Dev, 1997; Chiou et al., 2004; Dwyer and Oh, 1987; Johnson et al., 1993; Kumar et al., 1995; Lee, 1999; Lvens & Pardo, 2007; Monroy & Alzola, 2005; Shani & Chalasani, 1992; Ulaga & Eggert, 2006; Weaven et al., 2010).

Being poised and encouraged to push the operations and success ahead within the franchise system franchisees need to be generally satisfied (Dwyer, 1980; Wilkinson, 1981; Stern & El-Ansary, 1982) which will decide how positive or negative franchisees assess the entire franchise merchandise and the perceived benefits (Gauzente, 2003).

Several scholars approve that satisfaction measurements are based on multidimensional levels and consist of financial and non-financial elements (Combs et al., 2005; Kaplan &

Norton, 1993; Patiar et al., 2012). Performance is one of the key factors that can have a reinforcing impact on the overall satisfaction of franchisees (Frazer & Winzar, 2005).

Various studies examined that performance enhances the franchisees' overall satisfaction and, thus, the success of the franchise system (Brown & Dev, 1997; Chiou & Droge, 2015; Frazer & Winzar, 2005; Kalargyrou et al., 2018; Monroy & Alzola, 2005). Findings of Dickey et al. (2008) and Squire (2009) also indicate that performance is positively related to satisfaction.

To an extent, performance is split in the literature in service performance and financial performance (Chiou & Droge, 2015; Kalargyrou et al.,2018).

The next part involves each of the elements and takes a closer look on the current state of research.

5.2. Service Performance

Service performance is defined as the quality of support provided by the franchisor and represents an essential antecedent of the franchisee overall satisfaction (Chiou & Droge, 2015).

Several scholars have demonstrated from a marketing point of view how coherent systems can benefit from employee services, namely training and supportive activities (Acton & Golden, 2003; Babakus et al., 2003; Bateman & Strasser, 1984; Burke, 1995; Bushardt & Fretwell, 1994; Cotton & Tuttle, 1986; Oosterbeek, 1998; Pate & Martin, 2000).

Firms that are willing to provide employee training are rewarded by further development of skills, inner drive, greater rates of productivity and better knowledge transfer of its employees (Oosterbeek, 1998; Pate & Martin, 2000). Especially, training on the job enhances the abilities to improve tasks that are related to the job (Acton & Golden, 2003). Organizations that commit to service such as training, assistance and support signalize their employees their commitment towards caring for customers (Babakus et al., 2003). Giving training to their employees has also demonstrated that those practices lead to better skill-sets, facilitates the progress as well as improves the commitment and consequently the overall satisfaction of employees (Bushardt & Fretwell, 1994; Bateman & Strasser, 1984; Cotton & Tuttle, 1986).

What is more, Burke (1995) pointed out that participating in classes that are offered either internal or external by a firm produce/confer benefits for the entire organization and its staff. Actually, employees that associate training with higher value and progress are generally more satisfied with the organization which results in turn in a better overall impression and assessment of the firm (Burke, 1995).

Providing training programs for skillful staff to update their abilities and learn new ones as well as to keep the employees in the loop can enhance the satisfaction of employees within the firm (Rice et al., 1991). The literature shows the evidence that training can positively influence the employee satisfaction when the organization offers programs that are related to capacity-building, career possibilities, knowledge transfer, and incentive (Heyes & Stuart, 1994).

According to Ellickson (2002) and Kristof (1996) job satisfaction can be determined by the work environment of the employee where it is essential to what extent the employee feels satisfied. Factors such as fulfilling personal needs or values can produce higher degrees of satisfaction.

Ramlall (2004) emphasized the importance of establishing a proper workspace where person's feel more committed through greater satisfaction with the job. This is also approved by Hackman (1980) who claimed that a wide range of various tasks and multiple abilities/skills enhance the satisfaction with the job. Enhancement on the conceptual job planning emerges from training programs.

In conclusion, it can be said from the marketing perspective, that the more the employees are satisfied with the training programs and services that support their skills development, the higher is the overall satisfaction with the organization.

Taking the franchise context into consideration, franchisors are expected to provide services for their franchisees, such as training, research and development, advertising and marketing support, management assistance, and supply provision (Watson & Johnson, 2010), which are relevant for system promotion and uniformity (Monroy & Alzola, 2005).

Relating to training, the franchisor transfers the know-how to their franchisees that is required to achieve satisfying growth and satisfaction with the business concept (Bradach, 1997; Lashley, 2000a; Michael, 2000a; Rubin, 1978; Shane, 1996b, 1998; Teegen, 2000). By supporting the franchisees through free training programs, issues with regularity diminish and therefore satisfaction improves (Bradach, 1997).

The franchisor also provides continuous support and advice to their franchisees, in particular in the initial stage of their operations in the form of practical applications such as the choice of location and assistance in early stages (Baucus et al., 1993; Bradach, 1997; Fulop, 2000; Hing, 1995, 1999; Lashley, 2000b; Rubin, 1978; Shane, 1996b; Teegen, 2000). Hence, "franchisees gain the freedom to operate in a controlled, assisted and supported environment, while at the same time reaping the benefits of a brand name, professional management and the economies of scale of a larger organization" (Fulop, 2000, p. 27).

Considering the management of the franchisee, the franchisor assists its franchisees by contributing practical support in management aspects, accounting procedures and marketing services (Desai, 1997; Hing, 1995, 1999; Teegen, 2000).

Positive or negative franchisee evaluation of the provided services over time influence both their satisfaction and dissatisfaction (Chiou et al., 2004).

In a study by Chiou & Droge (2015) it was elaborated that satisfaction with the franchising system depends first of all on the expectations and secondly amongst other things on the service performance.

Kalargyrou et al. (2018) investigated dependent factors of overall satisfaction in the food service sector. It became obvious/evident that higher levels of care and trust of the franchisor result in a higher level of satisfaction.

This evidence can also be endorsed by other researchers who indicate that the service quality and spectrum the franchisor offers to their franchisees which includes elements such as training, support and assistance have an impact on the overall satisfaction of franchisees (Brown & Dev, 1997; Hing, 1995, 1999; Hunt & Nevin, 1974; Kalargyrou et al., 2018; Lewis & Lambert, 1991; Lusch, 1976; Monroy & Alzola, 2005; Morrison 1996; Tuunanen, 1999).

We conclude that service performance is a fundamental cornerstone to achieve franchisee satisfaction, consequently it is involved in our research model and the following hypothesis can be proposed: the higher the service performance, the higher is the overall satisfaction with the franchising system.

5.3. Financial Performance

The financial performance is identified as the capability of the management to run the company/firm with given/existing resources and financial capacities efficiently with the intention of achieving superior profitability and benefitting from higher income (Patiar et al., 2012; Sainaghi, 2010).

Substantial research has been done on the effects of franchising that might boost the financial performance among firms (Aliouche & Schlentrich 2009). Procedures that can improve the financial performance have been discussed by the RBV (Combs & Ketchen, 2003; Combs et al., 2004a, 2004b; Gillis & Castrogiovanni, 2010; Oxenfeldt & Kelly, 1968) as well as the agency theory (Lafontaine, 1992). Nevertheless, research has been to some extent evidential if joining a franchise system leads to remarkable performances compared to independent firms.

As reported by Newby & Smith (1999) who compared franchise and non-franchise firms in the real estate and print field in Australia different findings emerged. Considering the printing industry franchise units in contrast with independent firms achieved superior performances whereas in the real estate segment the opposite was detected.

According to Roh (2002) restaurants with a greater share of franchised entities reaped better risk-return compensation. Also, Combs et al. (2004a, 2004b), and Ketchen et al. (2006) conducted research on franchising restaurant businesses. All investigations figured out that few strategic associations surpassed other external competitors.

Aliouche & Schlentrich (2009) observed once more the franchise and non-franchise restaurant industry involving measurements such as return on equity and gained market value. Their study demonstrated that the franchise sector performed financially better.

What’s more, Hsu & Jang (2009) pointed out in a study inside the restaurant sector that again franchising businesses had significant better financial performances than others among three included items.

Moreover, Michael (2002) proved the supportive impact of franchising by demonstrating that organizations who entered a franchise system in the early stages could increase their financial performance. More recent, Michael (2003) justified that being part of a franchise system enhances the progression by having access to a larger resource base.

Those mentioned studies reveal that the franchise association in comparison to non-franchising firms brings significant financial benefits. One of the most prevalent reasons why franchisees become part of a franchise system is to generate economic profits. That applies also to the entire system composed of various channel members who intend to increase their profit. Hence, greater overall performances result in the enlargement of each channel members' profit in the existing relationship. (Bernstein, 1968-1969; Stern & El-Ansary, 1977)

Frazier (1983) designed research models to investigate the relationship between the performance of channel members and the satisfaction with their channel partners. As a result, the scholars found out that the interrelations between those two variables are explicit, in fact, channel members who are satisfied with their own performance outcome are more satisfied with their partners and their channel partner performance. As the franchisor is accountable for conceiving the performance indications of their franchisees, it is in particular applicable to the franchise system.

Abdullah et al. (2008) explored several factors that define and justify satisfaction within the franchise context which involves amongst other things social interplays, the available services, the capabilities (skills, knowledge and attitude), the certainty and finally the financial component which constitutes the probability of generated profits.

According to Chiou & Droge (2015) also one of the motivations to enter the franchising sector is of financial nature, in fact to have the opportunity of being financially independent. The compensation franchisees pay to their franchisor can be compared to an equal allocation of profit for employees of the franchise system, but franchisees generally obtain greater shares of the profit. It is noted that combining engagement and remuneration results in an optimal outcome.

For instance, performance-based pay schemes are mentioned by Chiou & Droge (2015) that enhance the commitment, productivity and payments of the employees as well as the satisfaction with the job. To what extent franchisees achieve satisfaction is affected by the expectations that franchisees have of the franchise system. Studies indicated that sales performance have a direct impact on the overall satisfaction. If a franchise system is able to increase the financial performance of its franchisees and to exceed their expectations, the franchisees can reach higher levels of satisfaction with the franchisor.

Also, Kalargyrou et al. (2018) conducted research on the predecessors and successors of overall satisfaction in the food service sector. Results of their study demonstrate that higher levels of generated income of franchisees (financial performance) lead to a higher level of satisfaction.

Due to the success and popularity of franchising, it is obvious that franchising support firms to perform better and firms intend to increase their financial rewards. Due to specific expectations towards the franchise system, it may lead to dissatisfaction or satisfaction with the overall financial performance. Hence, it is crucial to include this component in our research model and we come to our hypothesis: the higher the financial performance, the higher is the overall satisfaction with the franchising system.

Existing literature on franchising complements the statements that financial performance and service performance influence the overall satisfaction of franchisees with the franchise system (Brown & Dev, 1997; Chiou & Droge, 2015; Kalargyrou et al., 2018; Monroy & Alzola, 2005; Morrison 1996; Tuunanen, 1999).

In the next part the relationship quality is inspected in accordance with a literature review which is used to form our third and last hypothesis.

5.4. Relationship Quality

Literature reveals the importance of establishing coalitions that reflect high quality in various settings (Dwyer and Oh, 1987; Johnson et al., 1993; Kumar et al., 1995).

With respect to Johnson (1993) relationship quality is explained as the intensity and working atmosphere of the internal relationships. Hence, several scholars regarded the relationship quality as the general assessment of the relationship intensity (Garbarino & Johnson, 1999; Smith, 1998).

In addition, the term relationship quality is recognized as „the degree to which a franchisee perceives that the working relationship with the franchisor is harmonious“ (

et al., 2008, p. 258) in the franchise context.

According to Brown & Dev (1997), companies in effective collaborations plan to achieve common goals. In such a partnership, it is beneficial to share the desire of maintaining the relationship. The common wish to establish an open and cooperative relationship depends on the attitude the parties have towards the relationship with their franchisor. Their study stressed that the stronger the connection between franchise headquarters and the on-site hotel managers was, the superior the performance and the greater the satisfaction within the system became.

Franchise relationships constitute complex structures and characteristics and require good management skills. In such a contractual relationship there are power imbalances, in which the franchisor is more powerful than their single franchisees (Khan, 2013).

In accordance with Abdullah et al. (2008), both parties play a decisive role in making sure that the relationship based on contracts follows satisfaction and adopts long-term attributes. However, since the franchisor possesses more authority than the franchisee the former is responsible to contribute to the franchisee satisfaction for guaranteeing continuance. In particular, franchisees evaluate the relationship positively when they have the impression of being treated equitable, with respect and not being exploited by their franchisor due to higher power and contractual conditions (Bordonabe-Juste & Polo- Redondo, 2008a, 2008b).

A review within the restaurant sector rendered 141 results and observed that different levels of power awareness were negatively affiliated with satisfaction and are essential for maintaining and pursuing the existing relationship (Parsa, 1996).

Researchers have long considered relationship quality as an essential element of relationships within a channel (Ulaga & Eggert, 2006). Better relationship quality results in general in long-term business relationships (Shani & Chalasani, 1992). Within the franchise system relationship quality has been emphasized as a fundamental aspect for successful long-term cooperation (Lee, 1999; Lvens & Pardo, 2007; Monroy & Alzola, 2005). The franchising business sector is increasing continuously and internationally (White, 2010), hence, closer understandings of relationships within the franchise system is necessary to maintain and improve these relationships in the long-term (Chiou et al., 2004). In general, a franchise system consists of interdependent relationships taking all franchisee's and the franchisor into consideration. (Lashley, 2007). Thus, the success and the profitability of a franchise system develops and builds on the quality of each relationship (Nathan, 2000; Weaven et al., 2010). Relationships in the franchise system that relate to each other are considered as long-term by researchers (Monroy & Alzola, 2005). To achieve such a good relationship quality, franchisors and franchisees need to collaborate efficiently as a team in compliance with their individual goals (Brown & Chekitan, 1997). Cooperation and working together are seen as fundamental factors in the success of long-term relationships (Baucus et al., 1996). Cooperative interactions improve coordination and provoke better franchise system performances (Achrol & Etzel, 2003; Whittemore, 1994). To make the franchise marriage work, a franchisor-franchisee partnership requires that the participants cooperate to achieve a better relationship quality and therefore, higher levels of mutual satisfaction (Frazer & Terry, 2002; Nijmeijer et al., 2014; Weaven et al., 2010).

It becomes evident that the component relationship quality is crucial for successful and satisfied franchise partners. Thus, we developed the research proposition: higher levels of perceived relationship quality lead to a greater overall satisfaction with the franchising system.

6. Methodology

This chapter of the thesis reveals the methodology that was applied to analyze the overall satisfaction of franchisees. Firstly, the research design is described to indicate how we proceeded. Next, the sample, the questionnaire and the biases that might occur are presented. In the end, the measurement of the variables with regard to the literature is explained.

6.1. Research Design

The research project on satisfaction of franchisees consisted of four members, namely PhD student Ing. Michal Jirásek, Susanne Gaffke, Sarah Konradi and Daria Lukina and was supervised by Univ.-Prof. Mag. Dr. Josef Windsperger. Mr. Ing. Jirásek and Univ.-Prof. Mag. Dr. Josef Windsperger initiated and designed this research project.

Considering that the main purpose of our research is to examine the antecedents of franchisee satisfaction, a cross-sectional approach was chosen to test the five stated hypotheses. Between April 2018 and August 2018, the franchisees received the survey questionnaires. We had an online questionnaire as well as a paper-and-pen version of it. The web-based questionnaire was created on "*umfrageonline.com*" as it provides an online tool to create surveys and export the data to Excel and SPSS, which were used for the analyses of this research. Screenshots of the English version of the online questionnaire can be found attached in Appendix A.

The online survey enabled us to reach a higher number of potential participants in Austria, Germany, the United Kingdom and Ireland. Moreover, it was easily accessible due to the internet availability nowadays. Therefore, we also included the link to the online version in the paper-and-pen questionnaire. The online and mail survey were accompanied by a presentation letter to inform the participants about the research purpose. To prevent or minimize social desirability bias we stated in the presentation information that the data will be only used in an aggregated form (i.e., not linked to the franchisees' names nor their companies) and remain, thus, anonymously. This research design is also chosen for reasons of perceived anonymity (Cooper et al., 2006).

We, first, contacted 67 franchisors between April 2018 and May 2018 from the biggest franchise chains (with at least 100 outlets) in Austria and Germany and asked if they would participate in the survey, i.e., if they would forward the questionnaire to their franchisees. However, only one franchise system agreed to participate. Thus, we extended the research due to insufficient response rates and we initiated a second period of data collection. We conducted a postal survey in June 2018 and July 2018 and we sent out 603 paper-and-pen based questionnaires to diverse franchise outlets in Germany and Austria with the claim to hand it to the respective franchisee. We further reached 317 franchise systems from smaller chains in Austria and Germany and asked if they would forward it to their franchisees. In addition, we have decided to send the questionnaire to 421 franchisees and franchise systems in the UK, Ireland and USA. Yet, there was no response from the USA. The total sampling frame consisted of 1408 questionnaires that we have sent out online or by post to franchisees and franchise systems.

Furthermore, in July and August 2018 we posted on our social media (LinkedIn, Xing, Facebook and Instagram) walls and asked our network to participate if they were franchisees or, otherwise, to forward this message to friends and acquaintances.

Finally, we hand-delivered some of the questionnaires (approximately 10) in August 2018 to local franchise outlets in Vienna (Austria) with the request to forward them to the respective franchisee.

As reported by Grace et al. (2013), one major problem might be that respondents (in this case franchisees) were reluctant to answer the questionnaire with regards to the contractual terms defining the nature of the franchisor-franchisee relationship. They might fear that they and/ or their company would be detected, and confidential information would be released even though we assured in the cover letter to maintain their anonymity and to use only aggregated information.

6.2. Sample

We define a franchisee as a franchise outlet owner and manager of one or more shops. This definition excludes pure shop managers appointed by a franchisee.

Finally, after the final clearance of the data in August 2018 our sample consisted of 58 valid franchisees, which results in a response rate of 4.09% that was suitable for further analyses. Most franchise systems in our sample provide 6.9 years of information and were observed for 6.5 years (see Appendix B).

To guarantee quality, all data was investigated in detail after the data collection and some of the respondent sets were removed from the data. Participants that did not complete the questionnaire were sorted out. Similarly, shop owners that were detected were eliminated from further analyses. Next, participants that did not fill out crucial questions, that determined independent or dependent variables, were deleted from the data set. Overall, 77 participants have completed the questionnaire. As shown in Table 1, An initial examination revealed that 19 data sets had to be excluded due to missing data, discontinuity and wrong conditions (shop owner) which has resulted in a total sum of 58 valid respondents.

Table 1. Invalid Responses.

Reason	Invalid responses
Discontinuity	12
Shop owners (not franchisees)	5
Non-response/ missing data	2
Total	19

Notes. 77 participants completed the questionnaire and 19 data sets were removed

6.3. Questionnaire

The questionnaire (see Appendix A) is composed of 59 questions and seven categories on six pages. The first page was an introduction to the questionnaire and informed the participants about the project members, the purpose of the study and reassured that all information will be treated anonymously and confidentially and only used for the purpose of this research.

The first question in the questionnaire was a filter question. We implemented the question whether it is an outlet manager or franchisee to avoid asking employed outlet managers that are not franchisees. If a person responded to the online survey to be an “shop manager” the questionnaire ended. Otherwise, the questionnaire continued for respondents answering to be a “franchisee”. As a result, five out of 77 (6.49%) participants (shop manager) were sorted out and did not have to answer further questions.

The survey was designed based on prior questionnaires that we have found in the relevant literature. Most of the questions were no open-ended questions to ensure the uniformity of the evaluation. In some cases, the participants had the opportunity to add an extra answer (e.g., in the case of the question regarding the *industry*).

The questionnaire provides the following structure:

First, there is an introduction to the survey that informs the participants about main objectives and the purpose of the survey. The second parts entails questions regarding general information about the franchisee and his or her outlet such as questions about the age of the franchisee, since when the outlet exists and in which industry they operate. Third, franchisees are asked to compare their outlet with other local outlets. The next part entails a comparison between the franchisee’s outlet at that moment and the franchisee’s outlet a year ago. Further, an assessment of the relationship between franchisee and franchisor is obtained. Next, the franchisees valuated general statements regarding the franchise system and the franchisor-franchisee relationship. In the following part, the participants evaluated the importance of specific strategic goals. Last, respondents assessed the overall franchisee satisfaction based on given statements.

The initial questionnaire was designed to test a more complex model by Mr. Ing. Jirásek and, thus, comprises more questions than needed for the target of our research. For the thesis research purpose, we concentrated on the general questions in the second part of the questionnaire, the comparison with other local outlets in the third part, the comparison with their performance a year ago and the last part that assesses the overall franchisee satisfaction.

6.4. Bias

The online questionnaire and the paper-and-pen based questionnaire might lead to biases due to self-reporting. Yet, some scholars confirm that self-reporting is a relatively reliable method (e.g., Pike, 1996).

Representativeness might be an issue as self-selection of the sample might occur, i.e., that franchisees and franchisors that were more interested in that topic were more likely to be cooperative and, consequently, participate in the survey or share the survey with their network of franchisees.

Problem with item non-response could arise. Survey participants have tended to skip some of the questions, e.g., the evaluation of costs in comparison with their outlet one year ago (6.9 % of participants did not respond to this question as shown in Appendix A).

The online survey enables to reach a greater number of potential participants but also leads to loss of control due to the distance. One aspect might be that the email arrives in the spam filter and never reaches the receiver. Moreover, it has to be considered that the franchisees as managers receive several emails a day and, thus, do not take the time to answer the survey. Another point, problems that occur during the accomplishment of the survey cannot be solved immediately by the interviewer. For instance, the misunderstanding of certain questions cannot be clarified during the completion of the questionnaire. On the other hand, it guarantees the anonymity of the participants for the reason that it cannot easily been recognized who has completed which questionnaire (Cooper et al., 2006).

Following Eser (2012), the survey was initially developed in English and then translated into German for the German speaking participants. Eventually, the questionnaire was re-translated in English. This procedure should ensure the avoidance of translation errors, as well as the maintenance of the intended meaning of the questions.

6.5. Measurement of Variables

Based on the literature review above and the goals of the current research, the questionnaire was developed to measure four main constructs:

(1) Overall franchisee satisfaction

(2) Financial performance

 (a) in social comparison with others

 (b) in temporal comparison with own performance a year ago

(3) Service performance

 (a) in social comparison with others

 (b) in temporal comparison with own performance a year ago

(4) Relationship quality

These constructs were basically sourced from the literature with contextual adaptation to our research purpose. Following Chiou and Droge (2015) both the dependent and independent variables were measured on a five-point Likert scale but with differing end-points.

The dependent variable *overall franchisee satisfaction* was measured by adapting six items from Chiou and Droge (2015), Chiou et al. (2004), Jambulingam and Nevin (1999), Wu (2015) and was assessed on a five-point Likert scale from one (strongly disagree) to five (strongly agree). The overall satisfaction included the following statements: I am happy about my decision to choose this franchise system; I believe that I did the right thing when I chose the franchise system; Overall, I am satisfied with this franchise relationship; It is my pleasure to introduce this franchise system to others; I am willing to collaborate with this franchisor in the future; Although I can look for other franchise systems, I still consider the current franchise system as my first priory.

Following Chiou and Droge (2015), we split overall performance into financial and service performance. Regarding the independent variable *financial performance*, we used the measures proposed by Chiou and Droge (2015) and Delgado-García et al. (2012). Deriving from the perspective of entrepreneurial satisfaction we include financial performance as antecedent of overall franchisee satisfaction. Similar to Delgado-García et al. (2012), we measure the variable initially on a five-item Likert-type scale from one (a lot worse) to five (a lot better) considering the following items: sales, costs, profitability and efficiency. We further enrich this variable by sales growth according to Chiou and Droge (2015). In order to estimate the independent variable *service performance,* we use the service level, service quality and the service value as proposed by Chiou and Droge (2015) and Delgado-García et al. (2012). In addition, based on the feedback loop explained in the behavioral theory of the firm, we further split our performance variables into a comparison of their shop (a) with others in the area as well as (b) with their shop a year ago. This split into social comparison (a) and temporal comparison (b) derives from the performance feedback literature mentioned in, e.g., Greve (2003a) and Kacperczyk et al. (2015).

To calculate the independent variable *relationship quality*, our seven-item battery satisfaction construct accounts for the beliefs about how friendly, fair, satisfying, supportive, considerate, healthy, and cordial the franchisee perceives the relationship to be with the franchisor. The five-point Likert scale from one (strongly disagree) to five (strongly agree) was elaborated by Grace and Weaven (2011), Grace et al. (2013) and Weaven et al. (2017).

The responses from the survey were collected and exported to the program IBM SPSS Statistics (version 25).

We further included two control variables, namely *age business* and *sector* to estimate reliable results. The former one was calculated by subtracting the start date of the franchise outlet of the franchisee from this year 2018. The latter was a dummy variable that was coded 0 for “production and distribution sector” and 1 for “service sector”.

7. Results

In order to further analyze our model, we used IBM SPSS (version 25). After the descriptive analysis, we started to verify our model components by using an exploratory factor analysis. We conducted the Kaiser-Meyer-Olkin (KMO), Bartlett's Test of sphericity and the Principal Components Analysis with SPSS (version 25) for each of our latent constructs (*overall satisfaction*, temporal and social comparison of *financial* and *service performance* and *relationship quality*). Before testing the hypotheses, we checked the correlations of our variables and examined possible multicollinearity issues. The stated hypotheses were investigated by using linear regression with IBM SPSS (version 25).

7.1. Descriptive Analysis

In this part the data of the sample is illustrated. The respondents' characteristics were inquired in the first section of the questionnaire (see p. 2 of the questionnaire in Appendix A). The main characteristics about the franchisee and their companies are presented in the frequency analyses which were conducted for the geographical distribution of the franchise systems, the industry of the franchise system, the age structure of the participants and the existence of multiple shops.

According to the percentage distributions shown in Table 2 (see Appendix B for more details), the most respondents were from Germany (72.4 %), followed by Austria (19.0%), the United Kingdom (UK) (5.2%) and Ireland (1.7%).

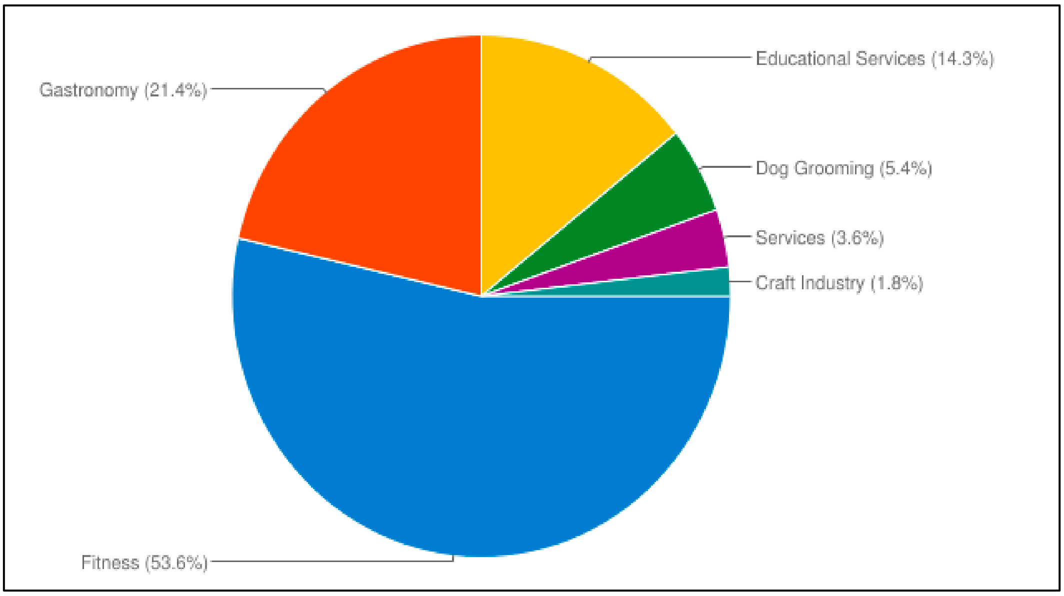
Table 2. Country Distribution.

Country of Origin	% of total responses
Germany	72.4
Austria	19.0
UK	5.2
Ireland	1.7

Notes. N = 58

The vast majority of the franchise systems as depicted in Figure 1 (see SPSS output in Appendix B), about 54%, were operating in the fitness industry. The remaining industries were gastronomy (21.4%), educational services (14.3%), dog grooming (5.4%), services (3.6%), and craft industry (1.8%).

Figure 1. Industry Distribution.



Notes. N =56

Additionally, 27.6 % of the franchisees were 30 years old or younger, followed by 25.9 % between 31 and 40 years old, 24.1 % aged below 50, 17.2 % were between 51 and 60 years old, and the remaining 5.2 % were older than 60 years old. The age structure is listed in Table 3.

Table 3. Age structure.

Age	% of total responses
30 years old or younger	27.6
Between 31 and 40 years	25.9
Between 41 and 50 years	24.1
Between 51 and 60 years	17.2
Older than 60 years	5.2

Notes. N = 58

What is more, half of the franchisees owned more than one outlet, whereas the remaining 50% answered to possess only one shop (see Appendix B).

7.2. Factor Analysis

Before testing the hypotheses, it is crucial to determine if the latent variables, i.e., constructs consisting of more than one item, are reliable. Especially considering that some of the researchers did not split the performance variable in the franchise literature (e.g., Morrison, 1997), we expected that performance can be divided into financial performance and service performance in accordance with Chiou and Droge (2015). First, we conducted an exploratory analysis, which is used in multivariate statistics. The purpose of it is to investigate the structure of different variables and further to reduce the scope of research. Moreover, the factor analysis aims to detect strong correlations among the variables, which can be then merged to one factor. Subsequently, strong correlations refer to one factor, while weak correlations are not taken into consideration for the respective factor. Hence, various items can be combined to one specific aspect that arises thereby (Backhaus et al., 2016).

7.2.1. Overall Satisfaction Construct

Similar to Delgado-García et al. (2012), we investigated all the factors separately in order to determine if each of the latent variables is suitable for further research or if it has to be split or reduced. As noted above, our latent variables derive from the relevant literature. For our research target, we adjusted the variables constructs from different authors and combined several items to one factor. Thus, it is particularly pivotal to test the suggested factor structure. For each variable construct, we started by executing a factor analysis. More precisely, the principal components analysis including the Kaiser-Meyer-Olkin (KMO) index and Bartlett's test of sphericity was used. If there is a significant Bartlett's test of sphericity value and the KMO is higher than 0.5 (Kaiser, 1970), it is indicated that there is an adequate correlation to proceed with exploratory factor analysis.

To begin with, the dependent variable construct *overall satisfaction* is inspected. Initially, the Kaiser-Meyer-Olkin (KMO) measure (0.899) and Bartlett's Test of sphericity ($\chi2$ (15) = 381.224, $p<.001$) for *overall satisfaction* were regarded. The outcome of the Bartlett's Test of sphericity, as well as the KMO can be seen in Table 4 and are above 0.5, which state a sufficient correlation for further analyses (Kaiser, 1970).

Table 4. KMO and Bartlett's Test - Overall Satisfaction.

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.899
Bartlett's Test of Sphericity	Approx. Chi-Square	381.224
	df	15
	Sig.	.000

Next, to identify the underlying factor structure we performed a Principal Component Analysis (PCA). The PCA aims to reduce the dimensionality of the data set. The initial measurements of the communalities are depicted in the first column, whereas the variance is displayed in the second column "Extraction", which seeks for linear combinations. The higher the variance is, the more suitable it is to explain the inspected components (the PCA is attached in the Appendix C).

To assess if the items can be grouped to one factor the Total Variance Explained analysis was performed (see Appendix C). Based on the fact that only one factor was created, no rotation is accompanied afterwards. In the component matrix all the examined items are assigned to one factor which is validate for 81.18 % of the total model (Williams et al., 2011).

Table 5. Cronbach’s Alpha - Overall Satisfaction.

Number of items	Cronbach’s Alpha
6	0.952

Table 6. Cronbach’s Alpha if deleted - Overall Satisfaction.

Items	Cronbach’s Alpha if deleted
Satisfaction 1	0.933
Satisfaction 2	0.951
Satisfaction 3	0.933
Satisfaction 4	0.959
Satisfaction 5	0.942
Satisfaction 6	0.934

The following procedure is common for multidimensional Likert scales and ensures the reliability of the extracted factors. A closer investigation on the Cronbach’s Alpha is illustrated in the Item-Total Statistics (see Appendix C). This analysis can reveal if certain constructs can be optimized as it shows which variables potentially have a negative impact on the Cronbach’s Alpha (Schmitt, 1996).

Taking the Cronbach’s Alpha for the reliability into consideration points out that the value of 0.952 oversteps the reference value of 0.8 (see Table 5). With regard to this reliable result all the six items can be merged to one factor (Tavakol & Dennick, 2011)

Factor improvement by deleting an item can be detected in the column “Cronbach's Alpha if Item Deleted” in a further Item-Total Statistics analysis (see Appendix C). It has been discovered that no deletion of items referring to the latent variable *overall satisfaction* is necessary based on the values of “Cronbach’s Alpha if item deleted” in Table 6. The reason for that is that there would be no relevant improvement on Cronbach’s Alpha. Therefore, all items were kept.

7.2.2. Separation of Financial and Service Performance (others)

In a further step, the overall correlations between *financial and service performance others,* i.e., own franchisee performance compared to other franchisees in the area, was tested with the Bartlett's test of sphericity and provided significant values (χ^2 (28) = 259.278 , p<.001), which hints at suitable results for further exploratory factor analysis. Concurrently, Kaiser-Meyer-Olkin (KMO) index at 0.818 (see Table 7) was greater than 0.5 and close to 0.8, which signifies an adequate correlation between the variables to continue the exploratory factor analysis (Kaiser, 1970).

Table 7. KMO and Bartlett's Test 1 - Financial and Service Performance (others).

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.818
Bartlett's Test of Sphericity	Approx. Chi-Square	259.278
	df	28
	Sig.	.000

After testing the communalities (see Appendix C), the Total Variance Explained in Table 8 was further studied. It reveals simultaneously the Initial Eigenvalue and the Extraction Sums of Squared Loadings. The "Total" value for both should be higher than one in order to be appropriate for further analyses. As can be seen in the following Table 8, the "Total" values are arranged in descending order and a separation into two components is conceivable. The two components that can be extracted have an initial Eigenvalue of 4.473 and 1.316 and declare together 72.37 % of the model. Therefore, the Rotated Component Matrix is required to observe which items can be bundled to the first factor and which ones to the second component (Williams et al., 2011).

Table 8. Total Variance Explained - Financial and Service Performance (others).

	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
Component	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	4.473	55.918	55.918	4.473	55.918	55.918	2.906	36.319	36.319
2	1.316	16.452	72.370	1.316	16.452	72.370	2.884	36.051	72.370
3	.745	9.307	81.678						
4	.526	6.579	88.257						
5	.305	3.806	92.063						
6	.263	3.290	95.353						
7	.238	2.972	98.325						
8	.134	1.675	100.000						

Notes. Extraction Method: Principal Component Analysis.

The loaded values in the second matrix, namely the Rotated Component Matrix in Table 9, has led to the assumption that solely four items should be aggregated to component two *financial performance (others)*, namely Sales, Sales growth, Profitability, and Efficiency. According to the Rotated Component Matrix in Table 9, the explained variance for the item “Costs” falls below 0.5 for component two and might be regarded for elimination of the respective factor. The idea is to produce a more adequate representation of the variable. At the same time, component one can be represented by the three remaining items (Service level, Service quality, Service Value) as the explained variance for all items for factor one is larger than 0.5 (Backhaus et al., 2016).

Table 9. Rotated Component Matrix 1- Financial and Service Performance (others).

	Component	
	1	2
Sales: Compare your shop with others in the area?	.131	.819
Sales growth: Compare your shop with others in the area?	.458	.792
Costs: Compare your shop with others in the area?	.686	.224
Profitability: Compare your shop with others in the area?	.197	.879
Efficiency (input-output ratio): Compare your shop with others in the area?	.278	.760
Service level (overall service proposition): Compare your shop with others in the area?	.878	.194
Service quality (ratio of benefits to proposition): Compare your shop with others in the area?	.904	.173
Service value (ratio of quality to costs): Compare your shop with others in the area?	.710	.343

Notes. Extraction Method: Principal Component Analysis.
Rotation Method: Varimax with Kaiser Normalization (Rotation converged in 3 iterations)

Due to these results, the same procedure was repeated to examine if the variables load on the desired factor, yet, without the problematic item “Costs”.

A sufficient correlation for further exploratory factor analysis could be assumed due to the significant Bartlett’s Test of sphericity (χ^2 (21) = 231.845 , $p<.001$ and a KMO value (0.811) greater than 0.5 (Kaiser, 1970) as seen in Table 10. Thus, we deleted the item “Costs” from the variable construct *financial performance (others)* and continued with the remaining four items the exploratory factor analysis.

Table 10. KMO and Bartlett's Test 2 - Financial and Service Performance (others).

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.811
Bartlett's Test of Sphericity	Approx. Chi-Square	231.845
	df	21
	Sig.	.000

The communalities for this variable and the Total Variance Explained can be found in the Appendix C. The indicated two-factor solution explains 76.75 percent of the overall variance (see Appendix C). These results enabled further analyses, namely the observation of the varimax in the Rotated Component Matrix (Williams et al., 2011).

An illustration of the Rotated Component Matrix is seen below in Table 11. According to the undertaken analysis, sales, sales growth, profitability and efficiency are more suitable to explain component two *financial performance (others*) than service level, service quality and service value. The latter three items can be attributed to component one *service performance (others)*, as the explained variances have explained variance values above 0.5 for the respective factor.

Table 11. Rotated Component Matrix 2 - Financial and Service Performance (others).

	Component	
	1	2
Sales: Compare your shop with others in the area?	.799	.173
Sales growth: Compare your shop with others in the area?	.808	.421
Profitability: Compare your shop with others in the area?	.890	.159
Efficiency (input-output ratio): Compare your shop with others in the area?	.774	.250
Service level (overall service proposition): Compare your shop with others in the area?	.205	.897
Service quality (ratio of benefits to proposition): Compare your shop with others in the area?	.185	.916
Service value (ratio of quality to costs): Compare your shop with others in the area?	.338	.750

Notes. Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization (Rotation converged in 3 iterations)

Considering the Cronbach's alpha for *financial performance (others)* (.0875) in Table 12 it is higher than 0.8 and, thus, it is a reliable indicator that the four above mentioned items can be grouped to one variable (*financial performance (others)*). The same is applicable for Cronbach's Alpha of *service performance (others)* (0.861). The three tested items depicting *service performance (others)* can be classified as one variable.

For *financial performance (others),* none of the items should be considered to be eliminated due to no improvement of Cronbach's Alpha at 0.875 of the given construct (see Table 13). Thus, all items can be retained in the factor *financial performance (others)* for further analyses. Regarding *service performance (others*) if "Service value" would be deleted from the investigated factor, its Cronbach's Alpha of 0.861 (see Table 14) would slightly increase by 0.029 (see Table 15). Repeatedly, the analysis continued with this item due to a high initial Cronbach's Alpha and only a moderate possible improvement.

Table 12. Cronbach's Alpha – Financial Performance (others).

Number of items	Cronbach's Alpha
4	0.875

Table 13. Cronbach's Alpha if deleted– Financial Performance (others).

Items	Cronbach's Alpha if deleted
Sales (others)	0.933
Sales Growth (others)	0.951
Profitability (others)	0.933
Efficiency (others)	0.959

Table 14. Cronbach's Alpha – Service Performance (others).

Number of items	Cronbach's Alpha
3	0.861

Table 15. Cronbach's Alpha if deleted – Service Performance (others).

Items	Cronbach's Alpha if deleted
Service level (others)	0.792
Service quality (others)	0.731
Service value (others)	0.890

7.2.3. Separation of Financial and Service Performance (own)

To analyze if *financial and service performance own*, i.e., the own present financial and service performance compared to the own financial and service performance a year ago, can be split into two groups, a KMO and Bartlett's Test were again carried out. The target was to ensure the possibility to separate financial and service performance from each other. The significant Bartlett's Test (χ^2 (28) = 428.492 , $p<.001$) and the KMO value at 0.870 exceeding the 0.5 yardstick (Kaiser, 1970) enabled further analysis on the possible separation of the above noted factors. The results are depicted in Table 16.

Table 16. KMO and Bartlett’s Test 1 - Financial and Service Performance (own).

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.870
Bartlett's Test of Sphericity	Approx. Chi-Square	428.492
	df	28
	Sig.	.000

The investigated communalities and the Total Variance Explained can be found in the Appendix C.

Another part of this investigation was again the Total Variance Explained (see Appendix C). It outlines that the two factors in question could be extracted due to “Total” Eigenvalues larger than one. The first component at an initial Eigenvalue of 5.664 and the second component at an initial Eigenvalue of 1.124 explain together 84.85 % of the total variance (Gampala, 2018). This analysis is ergo followed by a Rotated Component Matrix.

The loaded values in the second matrix of the Rotated Component analysis constitute that probably solely four items should be considered as factor two *financial performance (own)*, namely “Sales, Sales growth, Costs and Profitability”. According to the Rotated Component Matrix (see Appendix C), the explained variance for the item “Efficiency” falls below 0.5 for component two and might be regarded for elimination of the respective factor. This aims a more suitable representation of the variable construct *financial performance (own)*, while component one can be represented by the three following items (Service level, Service quality, Service value) as the explained variance for all three items for component one is greater than 0.5 (Backhaus et al., 2016).

In a further step, the same procedure was conducted without the critical item “Efficiency” to represent satisfactory the investigated factors *financial performance (own)* and *service performance(own)*.

The Bartlett’s test of sphericity with a significant result (χ^2 (21) = 359.846 , p<.001) and the KMO value (0.847) above 0.5 in Table 17 allowed further exploratory factor investigation (Kaiser, 1970).

Table 17. KMO and Bartlett's Test 2 - Financial and Service Performance (own).

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.847
Bartlett's Test of Sphericity	Approx. Chi-Square	359.846
	df	21
	Sig.	.000

The communalities and the Total Variance Explained for this variable are demonstrated in the Appendix C.

The Total Variance Explained justified the consideration of the variable separation into two factors due to Initial Eigenvalues above 1.0, i.e., factor one at 4.944 and factor at 1.055, respectively. Those factors summarize 85.71% of the overall variance, which permits to perform the Rotated Component Matrix illustrated in Appendix C (Gampala, 2018).

The Rotated Component Matrix for the individual items for the two factors (see Appendix C) allows the interpretation that "Sales, Sales growth, Costs and Profitability" are more relevant to explain component two *financial performance (own)* than the items "Service level, Service quality and Service value". Component one *service performance (own)*, thus, is representative by the latter three items since all the explained variances exceed the 0.5 reference point for the corresponding factor (Gampala, 2018).

The next section of the factor analysis determines the reliability by estimating Cronbach's Alpha. The results display a higher value for *financial performance (own)* than 0.8, namely 0.912 (see Table 18). Hence, the variable construct indicates a reliable value. All of the five tested items can be assorted to one factor, more precisely to *financial performance (own)*. The same proposition can be taken for *service performance (own)*. This contemplates that all of the existing three items can be categorized to one factor (Gampala, 2018).

Furthermore, the initial Cronbach's Alpha for *financial performance (own)* and for *service performance (own)* at 0.912 and at 0.967 in Table 18 and in Table 20, respectively, cannot be improved by deleting an item from the corresponding estimated variable construct (see Table 19 and Table 21). Thus, all items are retained in the respective factor for further analyses.

Table 18. Cronbach's Alpha - Financial and Service Performance (own).

Number of items	Cronbach's Alpha
4	0.912

Table 19. Cronbach's Alpha if deleted- Financial Performance (own).

Items	Cronbach's Alpha if deleted
Sales (own)	0.873
Sales Growth (own)	0.893
Costs (own)	0.897
Profitability (own)	0.881

Table 20. Cronbach's Alpha - Service Performance (own).

Number of items	Cronbach's Alpha
3	0.967

Table 21. Cronbach's Alpha if deleted - Service Performance (own).

Items	Cronbach's Alpha if deleted
Service level (others)	0.939
Service quality (others)	0.955
Service value (others)	0.960

7.2.4. Relationship Quality Construct

Similar to prior research, the variable construct *relationship quality* was tested to ensure its reliability for further analysis. The results of the Bartlett's Test of Sphericity are significant (χ^2 (21) = 519.940 , p<.001) and the KMO value at 0.933 (see Table 22). Therefore, both test results indicate acceptable measurements that approve that it can be proceeded with the Total Variance Explained (Backhaus et al, 2016).

Table 22. KMO and Bartlett's Test - Relationship Quality.

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.933
Bartlett's Test of Sphericity	Approx. Chi-Square	519.940
	df	21
	Sig.	.000

The communalities and the Total Variance Explained for this variable are presented in the Appendix C.

For the component *relationship quality* only one factor exceeds the Eigenvalue of one. Considering the fact that only one number was constituted, no rotation is required for the following examination. This factor solely accounts for 87.53 % of the overall variance.

The analysis of Cronbach's Alpha is performed to investigate the reliability of the relationship construct. It corresponds to a value at 0.976 (see Table 23), which surpasses the 0.8 threshold and, thus, implies a reliable construct if all seven items are grouped to one component. Furthermore, all items are retained due to the fact that no deletion of one of the items would result in a higher Cronbach's Alpha of the factor as shown in Table 24.

Table 23. Cronbach's Alpha - Relationship quality.

Number of items	Cronbach's Alpha
7	0.976

Table 24. Cronbach's Alpha if deleted - Relationship quality.

Items	Cronbach's Alpha if deleted
Satisfying	0.972
Friendly	0.974
Fair	0.972
Supportive	0.972
Considerate	0.972
Healthy	0.971
Cordial	0.973

Prior to test the multicollinearity among the various variable constructs, which encompass the reliable and relevant items, we had created a single measure of each explored factor by calculating the mean of the sum of the corresponding items.

7.3. Correlations

Before presenting the regression analysis, a correlation table was created to avoid excessive correlations in order to detect potential multicollinearity. If the Sigma (2-tailed) value (or p-value) is between 0.00 and 0.05, the correlation between the respective variables is significant and has to be considered (Backhaus et al., 2016).

First, each of the four constructed independent variables (*financial performance others and own; service performance others and own*; *relationship quality*) should correlate significantly with the dependent variable (*overall satisfaction*). According to the Correlation Matrix, every p-value is at 0.00 considering the correlation between the dependent variable and each of the independent variables. The Pearson correlations are illustrated in the Table 25 below. A Pearson Correlation above 0.7 expresses a strong correlation. In this data set, *relationship quality* has the strongest correlation value with *overall satisfaction* at 0.856.

Second, we investigated potential correlations among the independent variables as strong significant correlations might cause problems during the regression analysis. Strong significant correlations among the independent variables would basically indicate that both variables might comprise the same dimensions. Our finding on multicollinearity hint that potential issues might arise between *financial performance others* and *financial performance own*, which shows a significant strong correlation value at 0.817. Likewise, *service performance others* and *service performance own* reach a relatively strong significant correlation value at 0.719 (see Table 25). Furthermore, the two control variables *age business* and *sector* were investigated. Yet, they have not shown any significant correlation in Table 25. The partial correlation results are attached in Appendix D and hint at an influence of the control variables on the model.

To guarantee multicollinearity does not interfere the results of our research a VIF (variance inflation factor) analysis on the predictor variables followed.

Table 25. Correlations between dependent, independent and control variables.

Variable	1	2	3	4	5	6	7	8
1 Overall Satisfaction	1							
2 Financial Performance (others)	0.689	1						
3 Service Performance (others)	0.494	0.532	1					
4 Financial Performance (own)	0.547	0.817	0.470	1				
5 Service Performance (own)	0.596	0.640	0.719	0.668	1			
6 Relationship Quality	0.856	0.634	0.559	0.543	0.620	1		
7 Sector	0.085*	0.046*	-0.165*	0.032*	-0.165*	-0.144*	1	
8 Age Business	-0.051*	-0.19*	-0.206*	0.011*	-0.149*	-0.137*	0.024*	1

*Notes. p=0.000; two-tailed test for correlations between variables 1-5. * variables 7-8 have no significant (p>.05) correlation with other variables.*

The tolerance and VIF values are summarized in the Table 26. Both are relevant to ensure the confidence in the test results. The tolerance values were for all variables well above the 0.1 yardstick. Values below that denote possible problems. The VIF values vary between 2.031 and 3.732 for the independent variables and, thus, signalize no multicollinearity issues. Since the benchmark for serious multicollinearity issues lies at 10.0 as well as for correlations among independent variables above the value of 0.70, the findings can be treated as confident for our study (Hair et al. 1998; Hughes & Morgan, 2007; Weaven et al., 2017).

Table 26. VIF- Coefficients - Dependent Variable: Overall Satisfaction.

Coefficients[a]			
Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	Financial_Performance_others	.268	3.732
	Service_Performance_others	.440	2.271
	Financial_Performance_own	.286	3.491
	Service_Performance_own	.318	3.143
	Relationship_Quality	.492	2.031
	Sector	.902	1.108
	Age_Business	.927	1.079

Notes. a. Dependent Variable: Overall_Satisfaction

Based on the analysis above we calculated six new variable constructs, which are depicted in Table 27. For a better overview, all the explored constructs and scale item loadings, means, standard deviations and the Cronbach’s Alpha are displayed in the following Table 27.

Table 27. Constructs, Mean, Standard Deviation (SD), Cronbach's Alpha.

Construct and scale item loadings	**MEAN**	**SD**	**Cronbach's α**
Overall Satisfaction (adapted from Chiou & Droge, 2015; Chiou, et al., 2004; Jambulingam & Nevin, 1999; Wu, 2015)			
Consider your satisfaction with owning the franchise:			
(1) I am happy about my decision to choose this franchise system.	3.9	1.4	
(2) I believe that I did the right thing when I chose this franchise system.	4.0	1.3	
(3) Overall, I am satisfied with this franchise relationship.	3.8	1.3	
(4) It is my pleasure to introduce this franchise system to others.	3.4	1.5	
(5) I am willing to collaborate with this franchisor in the future	3.6	1.4	
(6) Although I can look for other franchise systems, I still consider the current franchise system as my first priority.	3.8	1.4	
overall satisfaction (dependent variable)	3.8	1.3	0.952
Financial Performance (adapted from Chiou & Droge , 2015; Delgado-García et al., 2015)			
a) Compare your shop with others in the area:			
(1) Sales	3.4	1.0	
(2) Sales growth	3.3	1.0	
(4) Profitability	3.2	1.0	
(5) Efficiency (input-output ratio)	3.5	1.2	
financial performance others (independent variable)	3.3	0.9	0.875
b) Compare your shop with your shop a year ago:			

(1) Sales	3.5	1.2	
(2) Sales growth	3.3	1.3	
(3) Costs	3.1	1.1	
(4) Profitability	3.3	1.1	
financial performance own (independent variable)	3.3	1.0	0.912

Service Performance
(adapted from Chiou & Droge , 2015; Delgado-García et al., 2015)

a) Compare your shop with others in the area:

(1) Service level	4.1	0.8	
(2) Service quality	4.1	1.0	
(3) Service value	3.9	1.1	
service performance others (independent variable)	4.0	0.8	0.861

b) Compare your shop with your shop a year ago:

(1) Service level	3.9	0.9	
(2) Service quality	3.9	1.0	
(3) Service value	3.9	1.0	
service performance own (independent variable)	3.9	1.0	0.967

Relationship Quality
(adapted from Grace & Weaven, 2011; Grace et al., 2013; Weaven et al., 2016)

Overall, consider your relationship with the franchisor to be:

(1) Satisfying	3.6	1.3
(2) Friendly	3.5	1.3

(3) Fair	3.5	1.3	
(4) Supportive	3.5	1.3	
(5) Considerate	3.5	1.3	
(6) Healthy	3.6	1.3	
(7) Cordial	3.5	1.3	
relationship quality (independent variable)	3.5	1.2	0.976

7.4. Hypothesis Testing

In order to test our hypothesis a linear regression for each of the aforementioned hypotheses was performed, in other words an ANOVA (analysis of variance) was conducted. Due to the small sample size, several simple linear regressions were used to determine the significance of each of the proposed hypotheses.

7.4.1 Financial Performance on Overall Satisfaction

First, the influence of financial performance (others) on overall satisfaction was tested:

H1a: The higher the financial performance (others) the higher is the overall satisfaction with the franchising system.

Considering the model summary in Table 28 and following the value of R^2, the entire model is explained by 45.6% with this version, which indicates an appropriate result. Furthermore, this result constitutes that there might be other factors that have an impact on the variation in *overall satisfaction*.

Table 28. Model Summary - Independent Variable: Financial Performance (others).

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.676[a]	.456	.446	.93908

Notes. a. Predictors: (Constant), Financial_Performance_others

A one-way ANOVA (see Table 29) was used to investigate if financial performance of the own outlet in comparison with other outlets in the area has a positive effect on overall satisfaction with the franchising system perceived by the franchisee [F(1, 53) = 44.481, p = 0.000]. The results were significant and, hence, support H1a.

Table 29. ANOVA (H1a).

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	39.227	1	39.227	44.481	.000[b]
	Residual	46.739	53	.882		
	Total	85.966	54			

Notes. a. Dependent Variable: Overall_Satisfaction

b. Predictors: (Constant), Financial_Performance_others

Table 30 below shows that *financial performance (others)* contributes statistically significant to *overall satisfaction*.

Table 30. Coefficients – Financial Performance (others).

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.644	.481		1.340	.186
	Financial_Performance_others	.932	.140	.676	6.669	.000

Notes. a. Dependent Variable: Overall_Satisfaction

Further, it was investigated if *financial performance (own)* impacts significantly *overall satisfaction:*

H1b: The higher the financial performance (own) the higher is the overall satisfaction with the franchising system.

The next part (see Table 31- Table 33) summarizes the results of the linear regression that was conducted to investigate the impact of *financial performance own* on the *overall satisfaction* [F(1, 53)= 39.227, p=.000, R^2=0.446]. Due to the given results H1b is supported and, thus, predicts that higher levels of financial performance (compared to own outlets a year ago) have a significant positive influence on the franchisee's overall satisfaction perception.

Table 31. Model Summary - Independent Variable: Financial Performance (own).

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.546[a]	.298	.284	1.08683

Notes. a. Predictors: (Constant), Financial_Performance_own

Table 32. ANOVA (H1b).

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	26.048	1	26.048	22.052	.000[b]
	Residual	61.423	52	1.181		
	Total	87.470	53			

Notes. a. Dependent Variable: Overall_Satisfaction

b. Predictors: (Constant), Financial_Performance_own

Table 33. Coefficients – Financial Performance (own).

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.578	.486		3.248	.002
	Financial_Performance_own	.663	.141	.546	4.696	.000

Notes. a. Dependent Variable: Overall_Satisfaction

7.4.2. Service Performance on Overall Satisfaction

To examine if service performance (others) has an impact on overall satisfaction, another linear regression was performed:

H2a: The higher the service performance (others) the higher the overall satisfaction with the franchising system.

Linear regression was used to analyze the impact of *service performance (others)* on *overall satisfaction.* The model summary of the SPSS output (see Table 34) demonstrates that 27.4% (R^2) of the selected variable *service performance (others)* defines the variances of *overall satisfaction*. However, this indicates a good result, there exist factors that also have an influence.

The results in Table 35 and Table 36 that correspond to H2a illustrate that the model is statistically significant due to the smaller indicator of 0.05 [F(1, 54)= 24.003, p=,000] which leads to the assumption that *service performance (others)* has a positive impact on the "*overall satisfaction.*

Table 34. Model Summary - Independent Variable: Service Performance (others).

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.524[a]	.274	.261	1.08469

Notes. a. Predictors: (Constant), Service_Performance_others

Table 35. ANOVA (H2a).

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	24.003	1	24.003	20.401	.000[b]
	Residual	63.533	55	1.177		
	Total	87.536	55			

Notes. a. Dependent Variable: Overall_Satisfaction

b. Predictors: (Constant), Service_Performance_others

Table 36. Coefficients – Service Performance (others).

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.641	.705		.909	.368
	Service_Performance_others	.778	.172	.524	4.517	.000

Notes. a. Dependent Variable: Overall_Satisfaction

Moreover, a linear regression analysis was conducted to examine the following hypothesis:

H2b: The higher the service performance (own) the higher the overall satisfaction with the franchising system.

After employing the ANOVA to test if the *service performance (own)* has an influence on *overall satisfaction*. The Model Summary in Table 37 shows significant results and predicts that 35.7 % (R^2) of the total variance is explained by this model (Williams et al., 2011).

The ANOVA ($F(1, 52)= 28.809$, $p=.000$) depicted in Table 38 shows significant results. As predicted *service performance (own)* has a significant impact on *overall satisfaction* according to the results displayed in Table 38 and Table 39.

Table 37. Model Summary - Independent Variable: Service Performance (own).

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.597[a]	.357	.344	1.04040

Notes. a. Predictors: (Constant), Service_Performance_own

Table 38. ANOVA (H2b).

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	31.184	1	31.184	28.809	.000[b]
	Residual	56.286	52	1.082		
	Total	87.470	53			

Notes. a. Dependent Variable: Overall_Satisfaction

b. Predictors: (Constant), Service_Performance_own

Table 39. Coefficients – Service Performance (own).

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.718	.583		1.231	.224
	Service_Performance_own	.785	.146	.597	5.367	.000

Notes. a. Dependent Variable: Overall_Satisfaction

7.4.3. Relationship Quality on Overall Satisfaction

The last hypothesis that was analyzed by using a linear regression was the following:

H3: Higher levels of perceived relationship quality lead to a greater overall satisfaction with the franchising system.

The Model Summary indicates that the proposed model accounts for 55.3 % (R^2=0.553) of the total variances (see Table 40) (Gampala, 2018).

The ANOVA yielded a main effect for the influence of *relationship quality* on *overall satisfaction*, F(1, 55)= 48.470, p=.000 (see Table 41), such that H3 was supported and, thus, higher levels of perceived *relationship quality* between the franchisor and the franchisee lead to a greater franchisee *overall satisfaction* with the franchising system (see Table 42).

Table 40. Model Summary - Independent Variable: Relationship Quality.

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.743[a]	.553	.545	.84455

Notes. a. Predictors: (Constant), Relationship_Quality

Table 41. ANOVA (H3).

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	48.470	1	48.470	67.955	.000[b]
	Residual	39.230	55	.713		
	Total	87.700	56			

Notes. a. Dependent Variable: Overall_Satisfaction

b. Predictors: (Constant), Relationship_Quality

Table 42. Coefficients – Relationship Quality .

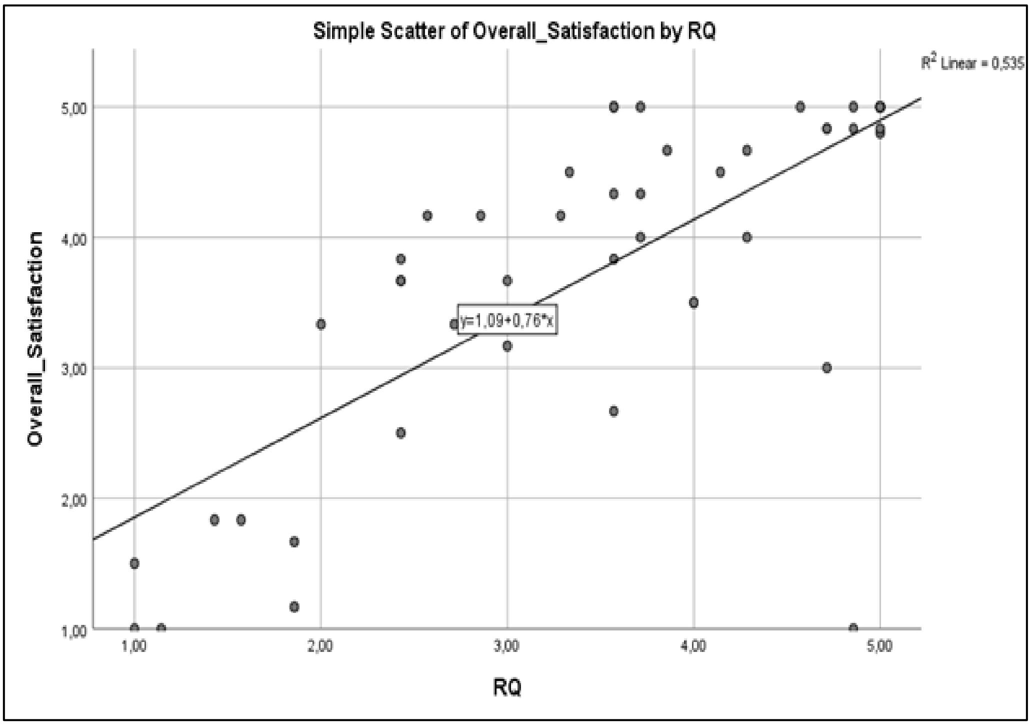
Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.113	.341		3.266	.002
	Relationship_Quality	.756	.092	.743	8.243	.000

Notes. a. Dependent Variable: Overall_Satisfaction

The Scatter Plot depicted below in Figure 2 demonstrates that there is a linear impact of *relationship quality* on *overall satisfaction.*

Figure 2. Scatter Plot – Relationship Quality & Overall Satisfaction.



7.4.4. Multiple Linear Regression

For the multiple linear regression, we included two control variables, namely a*ge of the business* and the created dummy variable *sector.* The multiple linear regression was calculated to predict franchisee overall satisfaction based on *financial and service performance (others and own)*, as well as based on *relationship quality*. The Model Summary is depicted in Table 43 and shows an adjusted R^2 value at 0.784. This result indicates that 78.4% of the variation of the dependent variable *overall satisfaction* can be explained by the variation in the independent variables (*financial performance (others), service performance (others), financial performance (own), service performance (own), relationship quality*) in this model including the two control variables a*ge business* and *sector*. Due to the fact that in this model more than one independent variable was observed, the adjusted R^2 value needs to be inspected (Cronk, 2017).

According to Table 44 a significant regression was estimated [$F(7,42) = 26.375$, $p<.001$)]. Yet, in Table 45 only *relationship quality* and *financial performance others* were predicted to have a significant positive influence on the *overall satisfaction* of franchisees, with p<.05 and beta values at 0.746 and 0.274, respectively (Cronk , 2017). This result indicates that relationship quality has a stronger significant effect on overall satisfaction than financial performance. In addition, the control variable sector has also a marginal significant impact on overall satisfaction (p<.05) with a beta value at 0.199. The reason why the other independent variables were calculated to have not a significant influence on overall satisfaction might be in consequence of the relatively small sample size.

Table 43. Model Summary – Multiple linear regression.

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.903[a]	.815	.784	.57606

Notes. a. Predictors: (Constant), Age_Business, sector, Relationship_Quality, Service_Performance_others, Financial_Performance_own, Service_Performance_own, Financial_Performance_others

Table 44. ANOVA – Multiple linear regression .

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	61.268	7	8.753	26.375	.000[b]
	Residual	13.938	42	.332		
	Total	75.206	49			

Notes. a. Dependent Variable: Overall_Satisfaction

b. Predictors: (Constant), Age_Business, sector, Relationship_Quality, Service_Performance_others, Financial_Performance_own, Service_Performance_own, Financial_Performance_others

Table 45. Coefficients – Multiple linear regression.

Model		Unstandardized Coefficients		Standardized Coefficients			Correlations			Collinearity Statistics	
		B	Std. Error	Beta	t	Sig.	Zero-order	Partial	Part	Tolerance	VIF
1	(Constant)	-1.612	.784		-2.056	.046					
	Financial_Performance_others	.370	.173	.274	2.137	.038	.689	.313	.142	.268	3.732
	Service_Performance_others	-.073	.142	-.052	-.515	.609	.494	-.079	-.034	.440	2.271
	Financial_Performance_own	-.189	.144	-.163	-1.310	.197	.547	-.198	-.087	.286	3.491
	Service_Performance_own	182	147	146	.243	221	596	188	083	318	.143
	Relationship_Quality	.734	.093	.746	7.884	.000	.856	.773	.524	.492	2.031
	Sector	1.746	.613	.199	2.850	.007	.085	.403	.189	.902	1.108
	Age_Business	.011	.011	.065	.947	.349	-.051	.145	.063	.927	1.079

Notes. a. Dependent Variable: Overall_Satisfaction

Taken together, despite the multiple linear regression analysis, the results in this chapter indicate that the predetermined dimensions have a significant positive influence on the overall franchisee satisfaction. The next part, therefore, proceeds with the summary of this research.

8. Summary

The above explained results have established that there is a positive association between the three mentioned dimensions, more precisely financial performance, service performance as well as relationship quality, and overall franchisee satisfaction. What follows is the summary chapter which includes a discussion of the results, managerial and theoretical implications, as well as limitations and future research suggestions before reaching to a conclusion in the last part of this thesis.

8.1. Discussion of the results

To begin with, as can be seen in Table 46, the findings from our undertaken analysis support all of the elaborated hypotheses. The following Table 46 provides a brief summary of each hypothesis and the results from the linear regression tests.

Table 46. Results of tested hypotheses.

	Hypothesis	Sig.
H1a	The higher the financial performance (own) the higher is the overall satisfaction with the franchising system.	✓
H1b	The higher the financial performance (others) the higher is the overall satisfaction with the franchising system.	✓
H2a	The higher the service performance (own) the higher is the overall satisfaction with the franchising system.	✓
H2b	The higher the service performance (others) the higher is the overall satisfaction with the franchising system.	✓
H3	Higher levels of perceived relationship quality lead to a greater overall satisfaction with the franchising system.	✓

Table 46 demonstrates that all predicted hypotheses were supported due to significant test results. This section will further discuss the findings according to our aforementioned hypotheses.

An initial objective of this project was to identify the antecedents of overall franchisee satisfaction, which derived from the behavioral theory of the firm by Cyert and March and from the strategic goals theory by Ansoff.

First, as pointed out in the literature review, greater financial performance can result in higher levels of overall franchisee satisfaction. Accordingly, H1a and H1b examined if financial performance in comparison with other outlets (H1a) and with the own outlet's performance a year ago (H1b) can predict satisfaction of franchisees.

Moreover, a review of earlier research indicated that service performance would influence overall franchisee satisfaction positively. Reasoning from this fact, H2a and H2b were elaborated to analyze if service performance in comparison with other outlets (H2a) and with the own outlet's performance a year ago (H2b) provoke higher levels of overall franchisee satisfaction.

Last, it was believed from the theory that higher degrees of relationship quality perceived by the franchisee would have an impact on overall franchisee satisfaction. That being said, it should be highlighted that the correlation matrix of the variables saw the strongest correlation between the independent variable relationship quality and the dependent variable overall franchisee satisfaction. Therefore, it was assumed that relationship quality has a positive effect on overall franchisee satisfaction (H3).

Having discussed how to construct franchisee satisfaction, the next section of this chapter addresses ways of integrating the generated findings in the managerial as well as in the theoretical context.

8.2. Managerial contribution

Comprehending the franchisee's position would facilitate the decision-making process for the franchisor enormously. In this fashion, the franchisor would be able to make decisions that are not only more thoughtful but also more qualified regarding their business strategy, procedures, the organization and policies that should be implemented into the franchise system and its structure (Badrinarayanan et al., 2016; Dant et al., 2011). In particular, enhancing overall satisfaction of franchisees is a crucial aspect to franchisors who aspire to build a growing and successful franchise system (e.g., Grace et al., 2013).

For the purpose of creating a noteworthy competitive advantage and to secure the success of the franchise system, franchisors need to know which dimensions lead to greater franchisee overall satisfaction. Focusing on aspiration levels of strategic goals as drivers of overall satisfaction can support the franchisor to manage and sustain the franchise system effectively.

Regarding the relationship management, it is pivotal to acknowledge that the franchisee's impression of greater relationship quality improves his or her level of satisfaction. This knowledge and the corresponding implementation of measurements to nurture the franchisor-franchisee relationship and, hence, to achieve overall franchisee satisfaction enables the franchisor to develop a competitive advantage for the franchise system. This assumption was already examined by various scholars such as Brown and Dev (1997). Yet, the findings of our study do not suggest focusing solely on relationship quality on account of other dimensions of overall franchisee satisfaction that should be pondered as well. Besides relationship quality other antecedents allow to promote overall franchisee satisfaction such as financial performance and service performance.

What is more, the insights of this study highlight the need to act proactively rather than reactive as a franchisor in order to guarantee the satisfaction of franchisees and, consequently, to warrant the survival and success of the overall franchise system, as well as to exploit its growth potential.

8.3. Theoretical contribution

In this investigation, the aim was to analyze the dimensions of franchisee overall satisfaction, namely financial performance, service performance and relationship quality. In doing so, we have approached overall franchisee satisfaction from the entrepreneurial perspective. In other words, the franchisee was mainly treated as a type of entrepreneur. According to Delgado-García et al. (2012), this view has not been explored in-depth to date. For this reason, the entrepreneurial viewpoint has been integrated in our research model.

Nevertheless, marketing and job satisfaction literature has as well influenced the design of this study.

To begin with, the literature review has shown that the franchisee perspective is frequently neglected. Considering traditional theories that intend to explain, for instance, reasons behind the decision to join a franchise system such as RBV or why franchising as a business format exists such as transaction cost theory, is a solid start point but should not be regarded as a complete explanation of the behavioral strategy of franchising. Nevertheless, those theories are important and can give a direction on how to interpret behavioral strategy of organizations in the franchise context.

In the course of our research, it was implied that it is necessary to implement the behavioral strategy approach into the franchise literature. Classical economic theory alone is not capable to explain the causes of franchisee satisfaction. Yet, these causes need to be defined as they provide information on a crucial success factor of franchise systems, i.e., they disclose which factors augment the level of overall franchisee satisfaction. Within this context, the relevance of the behavioral theory of the firm and the strategic goal theory is clearly supported by the findings of this study.

The findings in our study approve that there are at least three goal dimensions that can be considered to have an impact on franchisee overall satisfaction. Financial performance, service performance and relationship quality emerged as reliable predictors of overall franchisee satisfaction.

Moreover, the project was undertaken to design a more hybrid research model, in other words to elaborate a model that takes traditional theories such as RBV and principal-agent theory into account and enrich them with propositions of the behavioral strategy approach. Therefore, our study complements existing literature.

Consistent with our findings some of the previous stated arguments by other researchers are supported. To begin with, relationship quality can condition the perception of satisfaction of the franchisees (Frazer & Terry, 2002; Nijmeijer et al., 2014; Weaven et al., 2010).

In accordance with Chiou et al. (2015) our findings suggest that the franchisee’s assessment of financial performance seems to have an effect on overall franchisee satisfaction. One unanticipated result in contrast to earlier findings was that financial performance has a relatively weak impact on the franchisee's overall satisfaction. Although financial performance can be attributed to profitability and the franchisee's goal to become financially independent (Dant & Gundlach, 1999), it had a moderately low effect on the overall franchisee satisfaction in comparison to the relationship quality aspect. It is difficult to explain this result, but it might be related to the fact that the franchisor-franchisee relationship goes beyond a mere business contract between two independent entrepreneurs but aims to build a long-standing mutually beneficial partnership.

Contrary to prior expectations derived from Chiou et al. (2015) and Grace et al. (2013), this study found a significant influence of service performance on the overall franchisee satisfaction. However, these findings show a relatively faint impact of service performance on the overall franchisee satisfaction. One argument might be that higher service levels may be perceived as unfavorable since the franchisee might conceive almost excessive service performance as irrelevant in competitive market conditions on the ground that it does not generate profit for the particular franchisee outlet (Chiou et al., 2015). What is more, franchisees might strive for more services from the franchisors and, thus, develop higher expectations towards the franchisor. Nonetheless, the tendency of forming higher expectations has been considered to influence negatively overall satisfaction in general (Chiou et al., 2015; Oliver, 1980).

Despite the fact that our study sheds light upon the existence of not solely one factor but multiple factors that influence overall franchisee satisfaction, the strongest correlation centers upon the franchisee's perception of the franchisor-franchisee relationship quality.

8.4. Limitations and Future Research

The research approach in this thesis had several shortcomings. It may be a possible that one can obtain negative results with the same hypotheses, if a more rigid research approach is applied. Hence, there are some limitations of the research which should be considered.

First of all, this research would examine only companies based in Germany, Austria, the U.K. and Ireland, which could question the external validity and generalizability. Even more we have concentrated rather on the German speaking franchisees. That is why more franchisees from Germany and Austria are in our sample. Therefore, future research could focus on a broader geographical scope. Nevertheless, the survey was undertaken predominantly in these aforementioned countries to broaden existing findings since for most of the franchise literature the focal point is the US market.

Second, the scope of our survey was relatively small. To reassure our findings it would be suitable to repeat this research with higher number of franchisees.

Third, the evaluation of the antecedents of franchisee satisfaction might be difficult as it would be mainly based on personal perception of franchisees. Consequently, future research might consider obtaining the information through direct observations in the franchise outlets or conduct in-depth interviews with the franchisees to assess the behavior of franchisees according to their level of satisfaction. Further work might also design a longitudinal research pattern to observe differences among franchisees' satisfaction levels at the beginning and after a few years. Nonetheless, the direct observation as well as the longitudinal research method might not be feasible due to the fact that franchisees are rather reluctant to participate in such a research. One reason for that might be that they fear to expose confidential information to the public about the franchisee him- or herself or on the franchise system in general. However, future work can examine the differences between franchisees who own longer time a franchise outlet and franchisees who have recently signed a franchise contract.

Another aspect for future research could be to determine differences in the perception of satisfaction between franchisees who own one outlet in comparison to those who possess several ones.

Moreover, we anticipate that franchisee satisfaction will be a vibrant area for further research due to the fact that it is a growing business as well due to its beneficial aspects for business people with an entrepreneurial spirit who desire further support and guidance on how to implement a successful company. In addition, franchising provides benefits for franchisors, too. Franchisors can pursue growth strategies effectively and within a short period of time.

According to the findings of this study relationship quality as antecedent of franchisee satisfaction should be screened in more detail. Following researchers such as Kalargyrou et al. (2018), trust or carness might also contribute to higher levels of franchisee satisfaction. In addition, they suggest that managers need to take into account educational background of the franchisee since higher levels of education imply higher expectations, which in turn leads to the assumption that higher-educated franchisees might be less satisfied in general.

There is abundant room for further progress in determining the influence of trust and commitment on relationship quality or even on overall satisfaction. As an illustration Chiou et al. (2015) have identified trust as a crucial factor of relationship quality as the franchisee perceives no risk of opportunistic behavior by the franchisor, while Meek et al. (2011) have proposed that commitment reduces the franchisee propensity to exit the franchise system.

Given the fact that more women seem to exit a franchise system than man do (Kalargyrou et al., 2018), induces a potential research gap. Further investigations which takes the gender differences into consideration will need to be undertaken to clarify if there are significant divergences between female and male franchisees in their perception of their satisfaction and which factors serve as potential drivers of their respective satisfaction.

Taken together, future studies on the current topic are therefore highly recommended. Especially more integrative approaches that include traditional approaches should be used for better understanding of franchisee satisfaction. Furthermore, those should be combined with the insights on behavioral strategy which enables to examine overall franchisee satisfaction from a psychological perspective and, thus, in more detail.

9. Conclusion

This thesis contributes to the notion that behavioral strategy should be implemented into the management and entrepreneurship literature. Given that franchising remains a dominant form of retailing throughout the world (Dant et al., 2011; Grace & Weaven, 2011; Grace et al., 2013), further research can enhance the literature on franchising and, likewise, improve the franchisors' management capabilities due to the generated insights. In the same token, behavioral strategy should be applied to franchising since traditional economic theories alone are not capable to explain fully that business format. Therefore, a more hybrid approach, enriched by behavioral strategy aspects, should be considered in franchising.

In doing so, it is clearly that both participants of a franchise system contribute to the long-term success of the franchise system. Even though the franchisor has the authority, the contractual agreement between the franchisor and their franchisees is dependent on both parties. What is more, the franchisee's satisfaction level is essential to the survival as well as to the flourishment of the overall franchise system. Consequently, the elementary outcome of this thesis yields insights of the antecedents of the franchisee overall satisfaction construct. The findings approved that the three components, namely financial performance, service performance and relationship quality have a significant influence on the extend of franchisee satisfaction level.

Yet, despite the fact that all three investigated dimensions drive the overall franchisee satisfaction, relationship quality has to be highlighted. In other words, the route to superior relationship quality among franchisor and franchisee appears to be the tenet to higher levels of franchisee satisfaction. This is crucial for the franchise system as other researchers have gleaned the positive outcomes of overall franchisee satisfaction. On the basis of this model, the franchisor should assess all the three mentioned elements of satisfaction and intend to improve them if necessary to guarantee a long-term prosperous partnership with his or her franchisees and, thereby to ensure the success of the franchise system.

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Appendix

Appendix A:
Screenshots of the Questionnaire (English version)

universität wien

Satisfaction of Franchisees

Page 1

Dear franchisee,

The Department of Business Administration at the University of Vienna conducts a research project that will provide a better understanding of the SATISFACTION OF FRANCHISEES.

The following questionnaire will require 10 minutes to complete. If you choose to participate in this project, please answer all questions as honestly as possible. Participation is strictly voluntary.
If you have any questions regarding this survey, please contact us.

Thank you in advance for your time and effort!

Sincerely,

Project director: Josef Windsperger

Project assistants: Michal Jirásek, Susanne Gaffke, Sarah Konradi and Daria Lukina

The participation is anonymous. Any information provided serves strictly scientific purposes and is regarded as confidential.

Please state:

Are you a franchisee or a shop manager? *

◯ Franchisee

◯ Shop Manager

In which industry is your business?

- ◯ Education Industry
- ◯ Fitness
- ◯ Hotel and Food Services
- ◯ Retail
- ◯ Other Industry [ ]

Please state:

What is your age?

- ◯ Under 31 years old
- ◯ 31 - 40 years old
- ◯ 41 - 50 years old
- ◯ 51 - 60 years old
- ◯ 61 years or older

Please state the size of your outlet/ shop (number of employees):

[ ]

How long is your outlet/ shop in the business?

[ ]

Do you own multiple outlets/ shops?

- ☐ Yes
- ☐ No

Where is your outlet/ shop located?

Compare your shop with

... others in the area

	Our shop is much worse: 1	2	3	4	Our shop is much better: 5
Sales	◯	◯	◯	◯	◯
Sales growth	◯	◯	◯	◯	◯
Costs	◯	◯	◯	◯	◯
Profitability	◯	◯	◯	◯	◯
Efficiency (input-output ratio)	◯	◯	◯	◯	◯
Service level (overall service proposition)	◯	◯	◯	◯	◯
Service quality (ratio of benefits to proposition)	◯	◯	◯	◯	◯
Service value (ratio of quality to costs)	◯	◯	◯	◯	◯
Know-how	◯	◯	◯	◯	◯

Compare your shop with

... your shop a year ago

	Our shop is much worse: 1	2	3	4	Our shop is much better: 5
Sales	○	○	○	○	○
Sales growth	○	○	○	○	○
Costs	○	○	○	○	○
Profitability	○	○	○	○	○
Efficiency (input-output ratio)	○	○	○	○	○
Service level (overall service proposition)	○	○	○	○	○
Service quality (ratio of benefits to proposition)	○	○	○	○	○
Service value (ratio of quality to costs)	○	○	○	○	○
Know-how	○	○	○	○	○

Consider your relationship with the franchisor

Overall, consider your relationship with the franchisor to be:

	Strongly disagree : 1	2	3	4	Strongly agree: 5
Satisfying	○	○	○	○	○
Friendly	○	○	○	○	○
Fair	○	○	○	○	○
Supportive	○	○	○	○	○
Considerate	○	○	○	○	○
Healthy	○	○	○	○	○
Cordial	○	○	○	○	○

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Consider agreement with following statements

	Strongly disagree: 1	2	3	4	Strongly agree: 5
We are committed to preserving a good working relationship with our franchisor.	○	○	○	○	○
We consider our franchisor to be our business partner.	○	○	○	○	○
We conscientiously try to maintain a cooperative relationship with our franchisor.	○	○	○	○	○
Our relationship with our franchisor is more important to us than profits from individual transactions.	○	○	○	○	○
The franchisor will act according to the agreement in the contract.	○	○	○	○	○
My franchisor and franchisees treat each other fairly.	○	○	○	○	○
The information provided by the franchisor is credible.	○	○	○	○	○
The franchisor always takes our store into consideration when it wants to make any important decision.	○	○	○	○	○
There is a lot of conflict in the relationship between me and my franchisor.	○	○	○	○	○
I frequently disagree with my franchisor.	○	○	○	○	○
The disagreements I have with my franchisor are usually quite intense.	○	○	○	○	○
My franchisor and I constantly argue over important issues.	○	○	○	○	○

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Rate degree of importance you place on the objective of:

	Not important: 1	2	3	4	Very important: 5
Firm's survival	○	○	○	○	○
Liquidity	○	○	○	○	○
Risk reduction	○	○	○	○	○
Sales growth	○	○	○	○	○
Profitability growth	○	○	○	○	○
Value creation	○	○	○	○	○
Stakeholder (you, customer, franchisor etc.) satisfaction	○	○	○	○	○

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Consider your satisfaction with owning the franchise:

	Strongly disagree: 1	2	3	4	Strongly agree: 5
I am happy about my decision to choose this franchise system.	◯	◯	◯	◯	◯
I believe that I did the right thing when I chose this franchise system.	◯	◯	◯	◯	◯
Overall, I am satisfied with this franchise relationship.	◯	◯	◯	◯	◯
It is my pleasure to introduce this franchise system to others.	◯	◯	◯	◯	◯
I am willing to collaborate with this franchisor in the future (for example open new stores under this franchise system).	◯	◯	◯	◯	◯
Although I can look for other franchise systems, I still consider the current franchise system as my first priority.	◯	◯	◯	◯	◯

Thank you for taking your time to complete this survey!

The results of this study will be summarized in a project report. If you would like a summary copy of this study please state your e-mail address.

Your e-mail address:

» Umleitung auf Schlussseite von Umfrage Online

Appendix B
Descriptive Analysis SPSS Output

Statistics

		In which industry is your business?	Please state your age	Please state the size of your shop (members)	Do you own multiple shops?	In which country is your shop?	In which state is your shop?	Age_Business
N	Valid	56	58	5	58	57	52	58
	Missing	2	0	53	0	1	6	2
Mean		2.27	2.47	16.40	1.50	1.35	13.00	6.9821
Median		1.00	2.00	8.00	1.50	1.00	11.00	6.5000
Std. Deviation		1.507	1.217	18.942	.504	.668	5.149	7.35957
Minimum		1	1	6	1	1	2	.00
Maximum		6	5	50	2	4	22	53.00

Notes. Age_Business was calculated as the difference between the current year 2018 and the start date of the franchise system by the respective franchisee.

Statistics

		Sales	Sales growth	Costs	Profitability	Efficiency
N	Valid	55	55	54	54	54
	Missing	3	3	4	4	4
Mean		3.4727	3.2909	3.0926	3.2778	3.6667
Median		3.0000	3.0000	3.0000	3.0000	4.0000
Std. Deviation		1.15237	1.28629	1.06874	1.13962	1.02791
Minimum		1.00	1.00	1.00	1.00	1.00
Maximum		5.00	5.00	5.00	5.00	5.00
Percentiles	25	3.0000	3.0000	2.7500	3.0000	3.0000
	50	3.0000	3.0000	3.0000	3.0000	4.0000
	75	4.0000	4.0000	4.0000	4.0000	4.0000

Notes. The question yielded at the comparison of the given item of the franchisee shop at that moment and a year ago (temporal comparison).

In which country is your shop?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Germany	42	72.4	73.7	73.7
	Austria	11	19.0	19.3	93.0
	UK	3	5.2	5.3	98.2
	Ireland	1	1.7	1.8	100.0
	Total	57	98.3	100.0	
Missing	System	1	1.7		
Total		58	100.0		

In which industry is your business?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Fitness	30	51.7	53.6	53.6
	Services	2	3.4	3.6	57.1
	Educational Services	8	13.8	14.3	71.4
	Gastronomy	12	20.7	21.4	92.9
	Dog Grooming	3	5.2	5.4	98.2
	Craft Industry	1	1.7	1.8	100.0
	Total	56	96.6	100.0	
Missing	6666	2	3.4		
	Total	58	100.0		

Please state your age

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	30 years old or younger	16	27.6	27.6	27.6
	31-40 years old	15	25.9	25.9	53.4
	41-50 years old	14	24.1	24.1	77.6
	51-60 years old	10	17.2	17.2	94.8
	older than 60 years old	3	5.2	5.2	100.0
	Total	58	100.0	100.0	

Appendix C

Factor Analysis and Reliability Analysis

a) *overall satisfaction*

Communalities

	Initial	Extraction
I am happy about my decision to choose this franchise system.	1.000	.916
I believe that I did the right thing when I chose this franchise system.	1.000	.706
Overall. I am satisfied with this franchise relationship.	1.000	.916
It is my pleasure to introduce this franchise system to others.	1.000	.616
I am willing to collaborate with this franchisor in the future (for example open new stores under this franchise system).	1.000	.810
Although I can look for other franchise systems. I still consider the current franchise system as my first priority.	1.000	.907

Notes. Extraction Method: Principal Component Analysis.

Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	4.871	81.175	81.175	4.871	81.175	81.175
2	.545	9.086	90.261			
3	.258	4.297	94.558			
4	.171	2.850	97.408			
5	.096	1.594	99.002			
6	.060	.998	100.000			

Notes. Extraction Method: Principal Component Analysis.

Case Processing Summary

		N	%
Cases	Valid	56	96.6
	Excluded[a]	2	3.4
	Total	58	100.0

Notes. a. Listwise deletion based on all variables in the procedure.

Item Statistics

	Mean	Std. Deviation	N
I am happy about my decision to choose this franchise system.	3.8571	1.39386	56
I believe that I did the right thing when I chose this franchise system.	4.0000	1.27920	56
Overall. I am satisfied with this franchise relationship.	3.8036	1.34055	56
It is my pleasure to introduce this franchise system to others.	3.4107	1.48663	56
I am willing to collaborate with this franchisor in the future (for example open new stores under this franchise system).	3.6071	1.43563	56
Although I can look for other franchise systems. I still consider the current franchise system as my first priority.	3.8036	1.44499	56

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
I am happy about my decision to choose this franchise system.	18.6250	38.639	.930	.933
I believe that I did the right thing when I chose this franchise system.	18.4821	42.291	.767	.951
Overall. I am satisfied with this franchise relationship.	18.6786	39.240	.932	.933
It is my pleasure to introduce this franchise system to others.	19.0714	40.977	.710	.959
I am willing to collaborate with this franchisor in the future (for example open new stores under this franchise system).	18.8750	39.239	.856	.942
Although I can look for other franchise systems. I still consider the current franchise system as my first priority.	18.6786	38.113	.924	.934

b) *financial & service performance (others)* with “Costs”

Communalities

	Initial	Extraction
Sales: Compare your shop with others in the area?	1.000	.689
Sales growth: Compare your shop with others in the area?	1.000	.836
Costs: Compare your shop with others in the area?	1.000	.521
Profitability: Compare your shop with others in the area?	1.000	.811
Efficiency (input-output ratio): Compare your shop with others in the area?	1.000	.655
Service level (overall service proposition): Compare your shop with others in the area?	1.000	.808
Service quality (ratio of benefits to proposition): Compare your shop with others in the area?	1.000	.847
Service value (ratio of quality to costs): Compare your shop with others in the area?	1.000	.622

Notes. Extraction Method: Principal Component Analysis.

Component Matrix[a]

	Component	
	1	2
Sales: Compare your shop with others in the area?	.670	-.489
Sales growth: Compare your shop with others in the area?	.883	-.239
Costs: Compare your shop with others in the area?	.645	.324
Profitability: Compare your shop with others in the area?	.759	-.484
Efficiency (input-output ratio): Compare your shop with others in the area?	.733	-.344
Service level (overall service proposition): Compare your shop with others in the area?	.759	.481
Service quality (ratio of benefits to proposition): Compare your shop with others in the area?	.763	.514
Service value (ratio of quality to costs): Compare your shop with others in the area?	.746	.257

Notes. Extraction Method: Principal Component Analysis. a. 2 components extracted.

Component Transformation Matrix

Component	1	2
1	.710	.705
2	.705	-.710

Notes. Extraction Method: Principal Component Analysis.
Rotation Method: Varimax with Kaiser Normalization.

c) *financial & service performance (others)* without "Costs"

Communalities

	Initial	Extraction
Sales: Compare your shop with others in the area?	1.000	.668
Sales growth: Compare your shop with others in the area?	1.000	.830
Profitability: Compare your shop with others in the area?	1.000	.817
Efficiency (input-output ratio): Compare your shop with others in the area?	1.000	.662
Service level (overall service proposition): Compare your shop with others in the area?	1.000	.847
Service quality (ratio of benefits to proposition): Compare your shop with others in the area?	1.000	.873
Service value (ratio of quality to costs): Compare your shop with others in the area?	1.000	.676

Notes. Extraction Method: Principal Component Analysis.

Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	4.119	58.847	58.847	4.119	58.847	58.847	2.873	41.042	41.042
2	1.253	17.906	76.752	1.253	17.906	76.752	2.500	35.711	76.752
3	.637	9.101	85.853						
4	.313	4.469	90.322						
5	.288	4.115	94.437						
6	.246	3.516	97.953						
7	.143	2.047	100.000						

Notes. Extraction Method: Principal Component Analysis.

Component Matrix[a]

	Component	
	1	2
Sales: Compare your shop with others in the area?	.714	-.397
Sales growth: Compare your shop with others in the area?	.885	-.216
Profitability: Compare your shop with others in the area?	.774	-.467
Efficiency (input-output ratio): Compare your shop with others in the area?	.747	-.323
Service level (overall service proposition): Compare your shop with others in the area?	.746	.539
Service quality (ratio of benefits to proposition): Compare your shop with others in the area?	.743	.566
Service value (ratio of quality to costs): Compare your shop with others in the area?	.748	.341

Notes. Extraction Method: Principal Component Analysis.
a. 2 components extracted.

Case Processing Summary

		N	%
Cases	Valid	56	96.6
	Excluded[a]	2	3.4
	Total	58	100.0

Notes. a. Listwise deletion based on all variables in the procedure.

Item Statistics

	Mean	Std. Deviation	N
Sales: Compare your shop with others in the area?	3.3929	.98495	56
Sales growth: Compare your shop with others in the area?	3.3036	1.02549	56
Profitability: Compare your shop with others in the area?	3.1607	1.04057	56
Efficiency (input-output ratio): Compare your shop with others in the area?	3.4107	1.18746	56

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
Sales: Compare your shop with others in the area?	9.8750	8.439	.653	.474	.870
Sales growth: Compare your shop with others in the area?	9.9643	7.526	.812	.661	.810
Profitability: Compare your shop with others in the area?	10.1071	7.552	.789	.627	.818
Efficiency (input-output ratio): Compare your shop with others in the area?	9.8571	7.288	.694	.533	.861

Case Processing Summary

		N	%
Cases	Valid	56	96.6
	Excluded[a]	2	3.4
	Total	58	100.0

Notes. a. Listwise deletion based on all variables in the procedure.

Item Statistics

	Mean	Std. Deviation	N
Service level (overall service proposition): Compare your shop with others in the area?	4.1250	.83258	56
Service quality (ratio of benefits to proposition): Compare your shop with others in the area?	4.0893	.97751	56
Service value (ratio of quality to costs): Compare your shop with others in the area?	3.8750	1.06280	56

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
Service level (overall service proposition): Compare your shop with others in the area?	7.9643	3.453	.767	.792
Service quality (ratio of benefits to proposition): Compare your shop with others in the area?	8.0000	2.873	.812	.731
Service value (ratio of quality to costs): Compare your shop with others in the area?	8.2143	2.971	.660	.890

d) *financial & service performance (own)* with "Efficiency"

Communalities

	Initial	Extraction
Sales: Compare your shop with your shop a year ago?	1.000	.850
Sales growth: Compare your shop with your shop a year ago?	1.000	.794
Costs: Compare your shop with your shop a year ago?	1.000	.741
Profitability: Compare your shop with your shop a year ago?	1.000	.804
Efficiency (input-output ratio): Compare your shop with your shop a year ago?	1.000	.818
Service level (overall service proposition): Compare your shop with your shop a year ago?	1.000	.936
Service quality (ratio of benefits to proposition): Compare your shop with your shop a year ago?	1.000	.914
Service value (ratio of quality to costs): Compare your shop with your shop a year ago?	1.000	.931

Notes. Extraction Method: Principal Component Analysis.

Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	5.664	70.797	70.797	5.664	70.797	70.797	3.536	44.202	44.202
2	1.124	14.052	84.849	1.124	14.052	84.849	3.252	40.646	84.849
3	.501	6.261	91.110						
4	.246	3.069	94.179						
5	.191	2.382	96.561						
6	.116	1.450	98.011						
7	.104	1.295	99.306						
8	.056	.694	100.000						

Notes. Extraction Method: Principal Component Analysis.

Component Matrix[a]

	Component	
	1	2
Sales: Compare your shop with your shop a year ago?	.796	.466
Sales growth: Compare your shop with your shop a year ago?	.780	.431
Costs: Compare your shop with your shop a year ago?	.804	.307
Profitability: Compare your shop with your shop a year ago?	.833	.332
Efficiency (input-output ratio): Compare your shop with your shop a year ago?	.872	-.241
Service level (overall service proposition): Compare your shop with your shop a year ago?	.856	-.452
Service quality (ratio of benefits to proposition): Compare your shop with your shop a year ago?	.875	-.385
Service value (ratio of quality to costs): Compare your shop with your shop a year ago?	.908	-.326

Notes. Extraction Method: Principal Component Analysis.
a. 2 components extracted.

Rotated Component Matrix[a]

	Component	
	1	2
Sales: Compare your shop with your shop a year ago?	.261	.884
Sales growth: Compare your shop with your shop a year ago?	.274	.848
Costs: Compare your shop with your shop a year ago?	.376	.774
Profitability: Compare your shop with your shop a year ago?	.379	.812
Efficiency (input-output ratio): Compare your shop with your shop a year ago?	.801	.421
Service level (overall service proposition): Compare your shop with your shop a year ago?	.933	.256
Service quality (ratio of benefits to proposition): Compare your shop with your shop a year ago?	.901	.318
Service value (ratio of quality to costs): Compare your shop with your shop a year ago?	.885	.384

Notes. Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization. a. Rotation converged in 3 iterations.

Component Transformation Matrix

Component	1	2
1	.729	.685
2	-.685	.729

Notes. Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization.

e) Financial & Service Performance (own) without "Efficiency"

Communalities

	Initial	Extraction
Sales: Compare your shop with your shop a year ago?	1.000	.840
Sales growth: Compare your shop with your shop a year ago?	1.000	.790
Costs: Compare your shop with your shop a year ago?	1.000	.750
Profitability: Compare your shop with your shop a year ago?	1.000	.807
Service level (overall service proposition): Compare your shop with your shop a year ago?	1.000	.956
Service quality (ratio of benefits to proposition): Compare your shop with your shop a year ago?	1.000	.932
Service value (ratio of quality to costs): Compare your shop with your shop a year ago?	1.000	.924

Notes. Extraction Method: Principal Component Analysis

Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	4.944	70.635	70.635	4.944	70.635	70.635	3.138	44.823	44.823
2	1.055	15.070	85.705	1.055	15.070	85.705	2.862	40.882	85.705
3	.469	6.698	92.403						
4	.199	2.842	95.246						
5	.153	2.185	97.431						
6	.119	1.694	99.125						
7	.061	.875	100.000						

Notes. Extraction Method: Principal Component Analysis.

Component Matrix[a]

	Component	
	1	2
Sales: Compare your shop with your shop a year ago?	.824	.400
Sales growth: Compare your shop with your shop a year ago?	.805	.378
Costs: Compare your shop with your shop a year ago?	.820	.279
Profitability: Compare your shop with your shop a year ago?	.842	.313
Service level (overall service proposition): Compare your shop with your shop a year ago?	.844	-.494
Service quality (ratio of benefits to proposition): Compare your shop with your shop a year ago?	.864	-.430
Service value (ratio of quality to costs): Compare your shop with your shop a year ago?	.882	-.383

Notes. Extraction Method: Principal Component Analysis.
a. 2 components extracted.

Rotated Component Matrix[a]

	Component	
	1	2
Sales: Compare your shop with your shop a year ago?	.876	.269
Sales growth: Compare your shop with your shop a year ago?	.846	.272
Costs: Compare your shop with your shop a year ago?	.790	.355
Profitability: Compare your shop with your shop a year ago?	.830	.344
Service level (overall service proposition): Compare your shop with your shop a year ago?	.280	.937
Service quality (ratio of benefits to proposition): Compare your shop with your shop a year ago?	.340	.903
Service value (ratio of quality to costs): Compare your shop with your shop a year ago?	.384	.881

Notes. Extraction Method: Principal Component Analysis.
Rotation Method: Varimax with Kaiser Normalization.
a. Rotation converged in 3 iterations.

Component Transformation Matrix

Component	1	2
1	.732	.682
2	.682	-.732

Notes. Extraction Method: Principal Component Analysis.
Rotation Method: Varimax with Kaiser Normalization.

Case Processing Summary

		N	%
Cases	Valid	53	91.4
	Excluded[a]	5	8.6
	Total	58	100.0

Notes. a. Listwise deletion based on all variables in the procedure.

Item Statistics

	Mean	Std. Deviation	N
Sales: Compare your shop with your shop a year ago?	3.4717	1.13686	53
Sales growth: Compare your shop with your shop a year ago?	3.2830	1.27667	53
Costs: Compare your shop with your shop a year ago?	3.1132	1.06807	53
Profitability: Compare your shop with your shop a year ago?	3.2453	1.12499	53

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
Sales: Compare your shop with your shop a year ago?	9.6415	9.657	.838	.873
Sales growth: Compare your shop with your shop a year ago?	9.8302	9.144	.790	.893
Costs: Compare your shop with your shop a year ago?	10.0000	10.423	.770	.897
Profitability: Compare your shop with your shop a year ago?	9.8679	9.848	.816	.881

Case Processing Summary

		N	%
Cases	Valid	54	93.1
	Excluded[a]	4	6.9
	Total	58	100.0

Notes. a. Listwise deletion based on all variables in the procedure.

Item Statistics

	Mean	Std. Deviation	N
Service level (overall service proposition): Compare your shop with your shop a year ago?	3.9074	.93705	54
Service quality (ratio of benefits to proposition): Compare your shop with your shop a year ago?	3.8704	1.02876	54
Service value (ratio of quality to costs): Compare your shop with your shop a year ago?	3.8519	1.03536	54

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
Service level (overall service proposition): Compare your shop with your shop a year ago?	7.7222	4.016	.951	.939
Service quality (ratio of benefits to proposition): Compare your shop with your shop a year ago?	7.7593	3.733	.924	.955
Service value (ratio of quality to costs): Compare your shop with your shop a year ago?	7.7778	3.723	.918	.960

f) *relationship quality*

Communalities

	Initial	Extraction
Overall. consider your relationship with the franchisor to be: satisfying	1.000	.884
Overall. consider your relationship with the franchisor to be: friendly	1.000	.847
Overall. consider your relationship with the franchisor to be: fair	1.000	.874
Overall. consider your relationship with the franchisor to be: supportive	1.000	.878
Overall. consider your relationship with the franchisor to be: considerate	1.000	.878
Overall. consider your relationship with the franchisor to be: healthy	1.000	.911
Overall. consider your relationship with the franchisor to be: cordial	1.000	.856

Notes. Extraction Method: Principal Component Analysis.

Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	6.127	87.534	87.534	6.127	87.534	87.534
2	.228	3.256	90.791			
3	.195	2.792	93.583			
4	.156	2.225	95.808			
5	.127	1.820	97.628			
6	.098	1.398	99.027			
7	.068	.973	100.000			

Notes. Extraction Method: Principal Component Analysis.

Case Processing Summary

		N	%
Cases	Valid	55	94.8
	Excluded[a]	3	5.2
	Total	58	100.0

Notes. a. Listwise deletion based on all variables in the procedure.

Item Statistics

	Mean	Std. Deviation	N
Overall. consider your relationship with the franchisor to be: satisfying	3.6727	1.33409	55
Overall. consider your relationship with the franchisor to be: friendly	3.5273	1.28891	55
Overall. consider your relationship with the franchisor to be: fair	3.4182	1.32903	55
Overall. consider your relationship with the franchisor to be: supportive	3.4182	1.27208	55
Overall. consider your relationship with the franchisor to be: considerate	3.4364	1.31605	55
Overall. consider your relationship with the franchisor to be: healthy	3.5455	1.30268	55
Overall. consider your relationship with the franchisor to be: cordial	3.5273	1.28891	55

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
Overall. consider your relationship with the franchisor to be: satisfying	20.8727	53.335	.917	.972
Overall. consider your relationship with the franchisor to be: friendly	21.0182	54.389	.891	.974
Overall. consider your relationship with the franchisor to be: fair	21.1273	53.521	.911	.972
Overall. consider your relationship with the franchisor to be: supportive	21.1273	54.261	.913	.972
Overall. consider your relationship with the franchisor to be: considerate	21.1091	53.655	.913	.972
Overall. consider your relationship with the franchisor to be: healthy	21.0000	53.444	.937	.971
Overall. consider your relationship with the franchisor to be: cordial	21.0182	54.277	.898	.973

Appendix D

Correlations and Multicollinearity

Descriptive Statistics

	Mean	Std. Deviation	N
Overall_Satisfaction	3.7655	1.25143	57
Financial_Performance_others	3.3170	.90641	56
Service_Performance_others	4.0205	.84637	57
Financial_Performance_own	3.2864	1.04905	55
Service_Performance_own	3.8606	.96799	55
Relationship_Quality	3.5033	1.22095	58

Collinearity Diagnostics[a]

Model	Dimension	Eigenvalue	Condition Index	Variance Proportions					
				(Constant)	Financial_Performance_others	Service_Performance_others	Financial_Performance_own	Service_Performance_own	Relationship_Quality
1	1	5.834	1.000	.00	.00	.00	.00	.00	.00
	2	.064	9.565	.27	.01	.04	.05	.00	.27
	3	.051	10.747	.01	.03	.01	.20	.00	.58
	4	.027	14.828	.51	.04	.13	.00	.28	.07
	5	.014	20.111	.20	.55	.29	.24	.18	.06
	6	.010	23.587	.01	.36	.53	.51	.54	.03

Notes. a. Dependent Variable: Overall_Satisfaction

Correlations

Control Variables			Overall_Satisfaction	Financial_Performance_others	Service_Performance_others	Service_Performance_own	Financial_Performance_own	Relationship_Quality	sector	Age_Business
-none-[a]	Overall_Satisfaction	Correlation	1,000	,689	,494	,596	,547	,856	,085	-,051
		Significance (2-tailed)	.	,000	,000	,000	,000	,000	,556	,728
		df	0	48	48	48	48	48	48	48
	Financial_Performance_others	Correlation	,689	1,000	,532	,640	,817	,634	,046	-,019
		Significance (2-tailed)	,000	.	,000	,000	,000	,000	,749	,899
		df	48	0	48	48	48	48	48	48
	Service_Performance_others	Correlation	,494	,532	1,000	,719	,470	,559	-,165	-,206
		Significance (2-tailed)	,000	,000	.	,000	,001	,000	,252	,151
		df	48	48	0	48	48	48	48	48
	Service_Performance_own	Correlation	,596	,640	,719	1,000	,668	,620	-,165	-,149
		Significance (2-tailed)	,000	,000	,000	.	,000	,000	,251	,302
		df	48	48	48	0	48	48	48	48
	Financial_Performance_own	Correlation	,547	,817	,470	,668	1,000	,543	,032	,011
		Significance (2-tailed)	,000	,000	,001	,000	.	,000	,827	,939
		df	48	48	48	48	0	48	48	48
	Relationship_Quality	Correlation	,856	,634	,559	,620	,543	1,000	-,144	-,137
		Significance (2-tailed)	,000	,000	,000	,000	,000	.	,319	,341
		df	48	48	48	48	48	0	48	48
	sector	Correlation	,085	,046	-,165	-,165	,032	-,144	1,000	,024
		Significance (2-tailed)	,556	,749	,252	,251	,827	,319	.	,869
		df	48	48	48	48	48	48	0	48
	Age_Business	Correlation	-,051	-,019	-,206	-,149	,011	-,137	,024	1,000
		Significance (2-tailed)	,728	,899	,151	,302	,939	,341	,869	.
		df	48	48	48	48	48	48	48	0
sector & Age_Business	Overall_Satisfaction	Correlation	1,000	,688	,518	,621	,548	,883		
		Significance (2-tailed)	.	,000	,000	,000	,000	,000		
		df	0	46	46	46	46	46		
	Financial_Performance_others	Correlation	,688	1,000	,555	,662	,817	,652		
		Significance (2-tailed)	,000	.	,000	,000	,000	,000		
		df	46	0	46	46	46	46		
	Service_Performance_others	Correlation	,518	,555	1,000	,704	,494	,537		
		Significance (2-tailed)	,000	,000	.	,000	,000	,000		
		df	46	46	0	46	46	46		
	Service_Performance_own	Correlation	,621	,662	,704	1,000	,692	,603		
		Significance (2-tailed)	,000	,000	,000	.	,000	,000		
		df	46	46	46	0	46	46		
	Financial_Performance_own	Correlation	,548	,817	,494	,692	1,000	,560		
		Significance (2-tailed)	,000	,000	,000	,000	.	,000		
		df	46	46	46	46	0	46		
	Relationship_Quality	Correlation	,883	,652	,537	,603	,560	1,000		
		Significance (2-tailed)	,000	,000	,000	,000	,000	.		
		df	46	46	46	46	46	0		

a. Cells contain zero-order (Pearson) correlations.

*Notes.*a. Cells contain zero-order (Pearson) correlations.

Abstract (Deutsch)

Franchising ist ein beliebtes Business Model, welches erfolgreich sein kann, wenn sowohl der/ die Franchisegeber/in-, als auch der Franchisenehmer/in zufrieden sind und Zeit und Mühe in die Entwicklung des Unternehmens investieren. Nichtsdestotrotz haben die meisten Forscher/innen sich bisher auf die Perspektive der Franchisegeber/innen konzentriert. Die vorliegende Masterarbeit hat deshalb die vorangehenden Faktoren der Zufriedenheit von Franchisenehmer/innen erarbeitet und untersucht. Diese wurden von den traditionellen Wirtschaftstheorien, wie z.B. der Ressourcentheorie (Resource-Based-View) und der Prinzipal-Agent-Theorie, die das Bestehen von Franchising als Business Format erklären, abgeleitet. Diese Theorien wurden mithilfe der Ansätze aus der Verhaltensstrategie bereichert. Dadurch zeigte sich, dass die finanzielle Leistung, die Serviceleistung, sowie die Beziehungsqualität ausschlaggebend sind für die wahrgenommene Gesamtzufriedenheit von Franchisenehmer/innen mit dem entsprechenden Franchise System. Nachdem eine Literaturanalyse durchgeführt worden ist, unterstützen die empirischen Resultate der linearen Regressionsanalysen die vorgeschlagenen Annahmen.

Abstract (English)

Franchising is a popular business model, which can be successful if both parties of the franchise system, i.e., the franchisor and the franchisee are satisfied and contribute time and effort to the development of the company. Yet, most of the researchers have focused on the franchisor’s perspective. Therefore, the present master’s thesis has elaborated the antecedents of overall franchisee satisfaction based on prior traditional economic theories, such as resource-based view and principal agent theory, which are explaining the existence of franchising as a business format. What is more, those theories were enriched by the behavioral strategy and revealed that financial performance, service performance as well as relationship quality have a positive effect on the franchisee’s perception of overall satisfaction with the franchise system. After the literature review was undertaken, the empirical results of the linear regression analyses support the proposed assumptions.