MASTERARBEIT / MASTER'S THESIS

Titel der Masterarbeit / Title of the Master's Thesis

„Relationship between structure and strategy contingent on the life cycle of the franchises. "

verfasst von / submitted by

Arbresha Talla

gemeinsam mit / together with

Lia Osiashvili

angestrebter akademischer Grad / in partial fulfilment of the requirements for the degree of-

Master of Science (MSc)

Wien, 2021 / Vienna, 2021

Studienkennzahl lt. Studienblatt / degree programme code as it appears on the student record sheet:	UA 066 914
Studienrichtung lt. Studienblatt / degree programme as it appears on the student record sheet:	Masterstudium Internationale Betriebswirtschaft
Betreut von / Supervisor:	Univ.-Prof.Mag. Dr. Josef Windsperger
Mitbetreut von / Co-Supervisor:	Ilir Hajdini, MSc PhD

Abstract

Franchising is one of the most crucial market entry modes in a global environment, and it is one of the most known business format growth in the United States and worldwide. Franchising as a form of expansion internationally differentiates from the other market entry modes by the social and economic impact on the market where it enters.

Various authors have discussed the relationship between strategy and structure, decision rights, as well as life cycle stages over the past decades. However, no deep analyses are done if the life cycle stages directly influence the relationship between strategy, structure, and decision rights.

The empirical study of this paper is based on the data collected from Germany, Austria, and Switzerland, under the Research project '*Strategy and Organization of Franchise System*' conducted by the international Management department of the University Vienna.

This paper's scientific literature review and hypotheses offer valuable information on the life cycle stages' impact on the franchises' strategy, structure, and decision rights and aim to close the gap in the scientific literature. Additionally, this master's thesis aims to generate attention and raise awareness for future research.

Keywords: *Franchising, organizational structure, strategy, life cycle, Vernon, Mintzberg, Miles and Snow, Porter, decision rights, Standardization vs. adaptation.*

Abstrakt

Franchising ist eine der wichtigsten Markteintrittsformen in einem globalen Umfeld, und es ist eines der bekanntesten Businessformate, die in den Vereinigten Staaten und weltweit wachsen. Franchising als eine Form der internationalen Expansion unterscheidet sich von den anderen Markteintrittsformen durch die sozialen und wirtschaftlichen Auswirkungen auf den Markt, in den es eintritt.

Verschiedene Autoren haben in den letzten Jahrzehnten den Zusammenhang zwischen Strategie und Struktur, Entscheidungsrechten sowie Lebenszyklusphasen diskutiert. Es wurden jedoch keine tiefgreifenden Analysen durchgeführt, ob die Lebenszyklusphasen einen direkten Einfluss auf die Beziehung zwischen Strategie, Struktur und Entscheidungsrechten haben.
Die empirische Studie dieser Arbeit basiert auf den Daten, die im Rahmen des Forschungsprojektes '*Strategy and Organization of Franchise System*' der Abteilung Internationales Management der Universität Wien aus Deutschland, Österreich und der Schweiz erfasst wurden.

Die wissenschaftliche Literaturauswertung und die Hypothesen dieser Arbeit bieten wertvolle Informationen über den Einfluss der Lebenszyklusphasen auf die Strategie, Struktur und Entscheidungsrechte von Franchisesystemen und zielen darauf ab, die Lücke in der wissenschaftlichen Literatur zu schließen. Darüber hinaus ist es das Ziel dieser Masterarbeit, Aufmerksamkeit zu generieren und Bewusstsein für zukünftige Forschung zu schaffen.

Schlüsselwörter: *Franchising, Organisationsstruktur, Strategie, Lebenszyklus, Vernon, Mintzberg, Miles und Snow, Porter, Entscheidungsrechte, Standardisierung vs. Anpassung.*

Acknowledgments

We would like to express sincere gratitude to everyone who encouraged and inspired us during this Master's thesis work.

Profoundly, we would like to say a special thank you to our supervisor Univ.-Prof. Mag. Dr. Josef Windsperger who supported, advised, and gave us the possibility to participate in the research project conducted by the Department of International Management.

Furthermore, we would like to thank MSc. PhD. Ilir Hajdini, who co-supervised our Master's thesis, for his thoughtful comments, guidance, and recommendations on this thesis.

Finally, we would like to convey our heartfelt gratitude and genuine appreciation to our family, friends, and beloved ones for their comments, encouragement, and support during the research and writing process of the Master's thesis.

Table of Contents

List of tables

List of figures

List of abbreviations

(EU) .....European Union

(NAFTA) .....North American Free Trade Agreement

(WTO) .....World Trade Organization

(IFA) .....International Franchise Association

(GDP) ..... Gross Domestic Product

(DV) .....Dependent Variable

(IV) .....Independent Variable

(PCA) .....Principal Component Analysis

(KMO)..... Kaiser-Meyer-Olkin

(VIF) .....Variance inflation factor

(SPSS)..... Statistical Product and Service Solutions

(OLS) ..... Ordinary Least Squared

Introduction

The Introduction begins by laying out a comprehensive overview of the research topic, while defining the problem statement. Followed by acknowledging the research question, and the research gap based on scientific literature.. Furthermore, the primary goals and analysis issue would be addressed ending up the first part with the explanation of the structure of the thesis.

1.1 Problem statement

There are numerous possibilities for firms to enter foreign markets, such as Exporting, Licensing, Franchising, Strategic Alliance, Joint Venture, and the Wholly Owned Subsidiary; And firms success is positively linked with the right choice of market entry strategy into the target country (Henry, 2018).

Franchising as a form of expansion internationally differentiates from the other market entry modes by the social and economic impact on the market where it enters (Alon, 2004). For this reason, it is one of the most crucial market entry modes in a global environment and one of the most known business format growth in the United States and worldwide.

The franchise agreement is described as a contractual arrangement between two separate enterprises (Lafontaine, 1992). With this agreement, the franchisee will be granted legal rights to use and access the franchisor's trademarks, business, operational systems, products, and services (Root, 1994). Simultaneously, the franchisee will have to pay a certain amount of fee to use the company's benefits created by the franchisor and, in exchange, provide the local market knowledge and entrepreneurship (Rubin, 1978).

Firms' success or failure widely depends on organizational strategy planning; therefore, this topic is highly discussed in the business literature. Domestic companies adapt

to competitive strain in a single market, whereas foreign businesses must address economic conditions in various markets (Sanyal 2001).

To implement the strategy successfully, it is essential that organizational goals are effectively communicated and appropriately organized and that the firm is flexible in its organizational design. Consequently, the organizational structure combines all the inner flow of communication, culture, technology, processes, and elements that enables the firms to make better decisions.

However, the structure does not work alone, and one must have a strategy that complies with it for a better performance of the organization. Chandler (1962), based on the interaction between strategy and structure, stated that it would result in changes in its organizational structure when a company's strategy changes. Due to the fact that, at the early stage, the organizations tend to use a centralized structure that suits the low range of products; however, when the company starts to grow and add new product lines, the organization becomes more complex, which results in shifting centralized organizational structure to a decentralized one (Weelen et al., 2018).

Therefore, to accomplish the established objectives, the organizations should first comprehend the strategic plans and objectives and then redistribute their available resources carefully (Chandler, 1962).

Consequently, when a firm decides to change its strategy, it requires changes in the organizational structure. Chandler (1962) wrote: "structure follows strategy," and based on his study about US corporations, he stated that organizational growth tends to change the organizational structure. How an organization's strategy and structure match or fit together is a fundamental principle in the literature on strategic management (Chandler, 1962). The term "strategic fit" refers to the relationship between an organization's plan and its execution. Although strategy or structure alone can have a positive effect on an organization, however, companies with a strong relationship between strategy and structure are considered to be more efficient.

A continuous role of the organization is to analyze, challenge, redefine and adjust priorities as a mechanism, and at the same time to plan all of them so that they can best be adapted to the environment in which they operate (Miles and Snow, 2003). In order for a firm to achieve its goals, there should be a good relationship between systems, operating processes, and the employees working within the organization (Ahmady, Mehrpour, Nikooravesh, 2016).

The organization's effectiveness and the smooth execution of the strategy are contingent upon how well decisions are spread among the firms; therefore, firms' efficiency, proper implementation of the organization's strategy and structure, and appropriate assignment of tasks are broadly contingent upon the distribution of decision rights accordingly. The aim of the planning and implementing strategy effectively is to create a product or service that fits the customers' needs, leading to higher profits and better performance, which generates an organization’s competitiveness within the industry or market in which they operate. In broad understanding, strategy is a plan that enables individuals and companies to reach particular goals (Henry 2018).

In any type of business, choosing a strategy that is congruent with the goals and objectives of the organization and simultaneously staying consistent with industry standards can result in a competitive advantage (Allen & Helms, 2006). Based on Michael Porter's view, firms can achieve competitive advantage by choosing the three essential directions: cost, differentiation, and focus strategy (Porter, 1985). Compared to Porter's theory (1985), Miles and Snow's (1983) approach is more specific and focuses on four types of industries with their particular strategic plans and is a great support to study the business-level strategy (Smith & Guthrie 1986). Based on Miles & Snow's most cited and well-known typology, there are four types of strategies: Defenders, Analysers, Prospectors, and Reactors (Miles & Snow, 1978).

The strategy adopted by the organizations varies over the different life-cycle stages of a firm, and businesses often switch from one strategy to another in order to provide

superior products and services, meet the customer preferences and establish the best accessible-fitted strategy on the market where they operate (Kaufmann & Eroglu, 1999).

The relationship and the operation of strategy, organizational structure, and decision rights within the franchising system are affected by the life cycle stages. Vernon's (1992) theory identifies four distinct life-cycle stages: introduction, growth, maturity, and decline. The literature demonstrates that changes in the life cycle of small businesses have a more negligible effect than changes in the life cycle of large companies (Masurel & Van Montfort, 2006).

Nevertheless, the study has shown that the first three stages of the life-cycle have a higher effect where the characteristics such as sales, employee differentiation, and productivity all increased, and only in the last stage, there is a tendency of declining (Tonder & McMullan, 2010).

Furthermore, the effects of the life cycle stages are not only on the small firms and corporations; they also have an impact on the development and growth of the franchise. When the franchise system matures, and the experience of franchisees according to the local customer and market preferences will increase, the majority of franchisees can acquire expertise with their local markets and strengthen their ability to assess and respond to their customers' particular needs. Compliance with standardization would start to fade, and the franchisees' temptation to avoid standardization in favor of finding the best match as well as their knowledge of the local market would surpass that of the franchisor (Kaufman & Eroglu1999).

Analyzing each step of the franchise's life cycle aims to understand how and what impacts franchises experience when they transition from one phase to the next and if there is any influence on the strategy and structure that must follow within each phase.

Regardless of the fact that numerous organizations' strategies and structures apply to the franchising system, there is a propensity for strategy and structure execution within the

franchising system to vary from other organizational methods. Furthermore, the life cycle of the organizations differs from the usage and impact to the franchises; this brings us to the research gap for this thesis, which will be explained more in detail in the literature review and based on the data analyses interpreted in this paper.

1.2 Research Objectives and research statement

Even nowadays, when the businesses are growing rapidly among other possibilities, the choice of entry mode via franchising to scale up and internationalize their business into diverse markets is still high (Franchise direct, 2018).

This thesis aims to provide a widespread literature review focusing on the relationship between strategy, structure, and the life cycle, supporting the empirical analyses that will contribute to closing the research gap raised in this paper.

"How do the changes of the life cycle stages influence the structure and strategy of the franchises?"

As indicated in the introduction, the connection between strategy and structure and life cycle stages has been discussed by various authors over the past decades. However, there is limited literature that describes changes in strategy and structure concerning the life cycle stages that apply to the franchising system.

Therefore, based on the scientific literature review and empirical findings, it offers valuable information on the life cycle stages impacting the franchises' strategy, structure and aims to close the gap in the scientific literature.

1.3 Thesis Structure

This thesis is divided into two parts; the first part provides the literature review, which consists of four subsections; at first, the franchising system and the advantages of this

entry mode will be introduced, followed by the scientific literature review regarding the organization's strategy, where Miles and Snow's strategic typology and Porter's generic strategies will be explained. The advantages and disadvantages of standardization versus Adaptation approaches will be presented.

Furthermore, the organizational structure concerning the franchise system will be introduced, including the effect of three dimensions of the structure. The influence of life-cycle stages on the franchising system will be elaborated. The literature review is concluded by raising the Hypothesis derived based on the scientific literature.

The second part will start with methodology, mainly focusing on analyzing the data collected from the survey taken from the representatives of franchising firms in Austria and Germany, and Switzerland. Finally, the results, recommendations, and limitations will be.

2. Literature review

The literature review is based on the literature taken from books, scientific articles, business and economic papers of authors who mainly focus on franchising and multinational organizations. At the beginning the benefits of franchising as an expansion approach will be presented.

This chapter continues with the context for the study by introducing the different characteristics of strategy, the importance of the organization structure, And finally, the life cycle stages and their adoption by the franchises will be outlined.

2.1.1 Theoretical background of franchising

When a company enters into a foreign market, it receives the chance to develop its potential to grow further. Even now, when businesses are fast developing and have a variety of options, the decision of franchising as an entrance method to internationalize their firm into new countries is still widespread. Franchising is a form of expansion employed by many international companies such as McDonald's, Benetton, Pizza Hut, and many other famous franchises. The firm's success positively links with the right choice of market entry in a target country. Furthermore, based on the firm's capabilities to expand, they choose the appropriate entry mode (Root 1994).

First of all, to explain franchising, the franchise agreement describes a contractual arrangement between two separate enterprises (Lafontaine, 1992). With this agreement, the franchisee will be granted legal rights to use and access the franchisor's trademarks, business, operational systems, products, and services (Root, 1994). Simultaneously, the franchisee will have to pay a certain amount of fee to use the company's benefits created by the franchisor and, in exchange, provide the local market knowledge and entrepreneurship (Rubin, 1978).

According to Baker and Dant (2008), establishing a franchising business began in the late 1890s, when Issac Singer created the Franchising system to sell his sewing machines. However, in the 1930s and 1950, there was a dramatic increase in the number of fast-food outlets, diners, hotel franchises, and many widespread expansions of the franchising system. "Some of the well-known franchises (and their inaugural years) include Kentucky Fried Chicken (1930), Dunkin Donuts (1950), Burger King (1954), and McDonald's (1955), (Dant, Grünhagen, Windsperger, 2011).

The franchising system refers to the system, which contains both company-owned units and franchised ones too. It is an organization form that gives the individuals or the other organizations the right to use the franchisor's business model during a specific period in exchange for paying a certain fee. A company that gives rights to franchisees is named franchisor, whereas the company that receives these rights is known as a franchisee (Elango & Fried, 1997).

At the start of the contracting, the franchisee pays an initial fee to the franchisor to obtain access to the franchisor's unique know-how at the outset of the agreement. The value of the initial fee is mainly determined by the franchisor's intangible assets, such as brand name resources, and the specificity of the franchisor's know-how (Windsperger 2001). At the beginning of the contracts, franchisees are obliged to pay the franchisor the royalties next to the initial fee. The amount of royalties is determined according to the intangible investments. If the intangible assets of a franchisor are greater than those of a franchisor, the value of the royalty fee would be higher and, conversely, if the intangible assets of a franchisor are more relevant than those of the franchisor, the royalty fee charged by a franchisor would be smaller (Windsperger 2001).

As a business model, franchising started with the chains of restaurants, bars, and hotels; however, nowadays, we have plenty of different industries that are part of the franchising system. 63% of the total franchising concept is non-food brands in today's world, while only 37% are classified as food-related brands (Franchise direct, 2018).

Firms, after developing themselves and being in the market already for a long time, and the entrepreneurs who just established their businesses, look for different possibilities and ways to grow locally or internationally. There are two main directions on how the expansion can be done: there is Vertical and horizontal integration (Henry 2018). Horizontal is one way a firm can expand throughout other geographic locations and increase the range of products and services offered to the current markets. Vertical growth is the degree to which a firm operates vertically in multiple locations on an industry's value chain, from extracting raw materials to manufacturing to retailing, and has two main ways, backward and forward (Henry, 2018).

Interest in expanding on the international markets has several reasons, first is the change of the political systems by the democratic one; also the rise of market capitalism, and the tendency of market liberalization (e.g., EU, NAFTA, WTO), was the motivator for the businesses to investing and expanding abroad. Additionally, technological improvements and more accessible and faster access to long-distance counties resulted in a more connected world, which became an opportunity for the firms to become multinational organizations and effectively implement growth strategies while expanding their activities and management worldwide (Hoffman & Preble 2004).

There are several possibilities of entering into a foreign market; they are characterized with advantages and disadvantages; organizations must consider all the characteristics and prioritize the essential variables to make a rational choice (Peng 2014). Entry mode choices can be disused from various angles; these distinctions between advantages and drawbacks are relevant in determining which entry mode to use for international business expansion. A clear distinction between non-equity and equity forms of entry mode may be rendered based on the obligations on the targeted market. Non-equity modes often imply a small-scale entry with a modest capital contribution, while equity modes imply a large-scale entry with a significant resource commitment (Peng 2014). According to “the hierarchical model of market entry modes,” Peng (2014) representing the non-equity and equity entry modes, Franchising, as a contractual agreement, occurs under the non-equity modes.

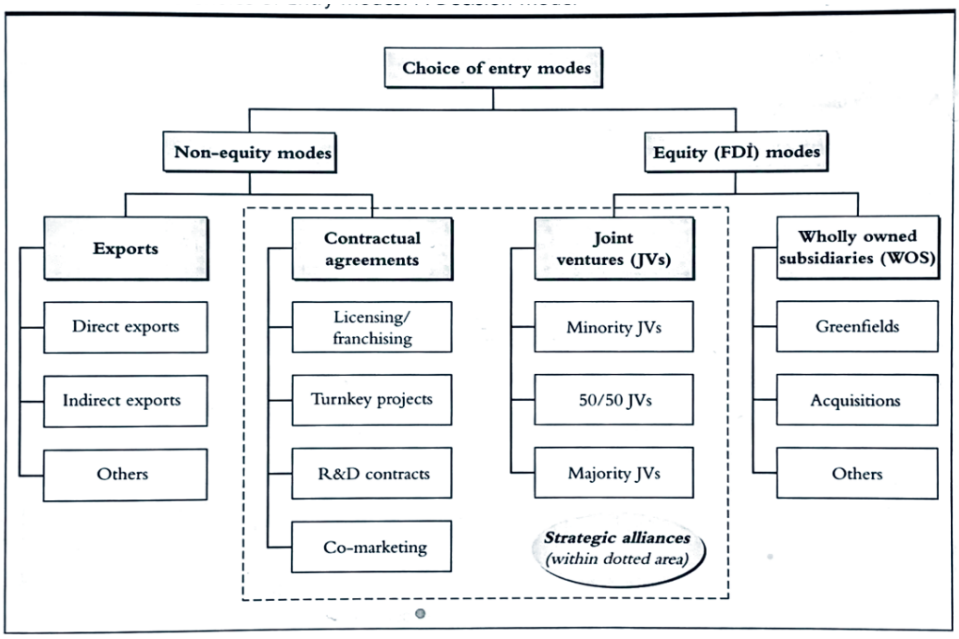


Figure 1. Source: Peng 2014. Global Strategic Management. South-Western, Cengage Learning. Chapter Five," Foreign MarKet Entries," page 165.

Franchising as a form of expansion internationally differentiates from the other market entry modes by the social and economic impact on the market where it enters. It should be highlighted that, by franchising contracts, information, infrastructure, and intellectual resources will be imported to the other markets (Alon 2004) in order for the optimal degree of franchise performance to be achieved, the franchisor provides assistance by various directions such as providing facilities, advertisement, technical and merchandising support as well as the training of the employees (Root 1994).

In his work, Alon (2004) mentioned that franchising has a positive impact on the host countries' economy where it enters by creating new working places. On the other hand, increased employment increases the demand for goods and services. In addition, when the big companies enter the market, they create new standards of products and services and become a valuable example for the local businesses to be followed, therefore creating economic modernization.

In comparison with the “non-franchised” organizations, the importance of franchising is rising beyond geographical boundaries and becoming the world's fastest-growing business model. Due to its difference by the characteristics; first of all, described by the on-site conduct of business activities in a variety of local markets; second, the trade name and business format offering by the franchisor is very similar among the units, and finally, the ownership rights are shared between franchisor and franchisee (Castrogiavani & Justis, 1998).

As it is known, franchising is one of the most successful ways of entering into the market, most rapid growth, and one of the business ways that brought substantial establishment, higher output, and decreased unemployment rate. The table below, taken from the International Franchise Association (2021), shows the benefits of the franchise business model.

Based on the statistics of the annual report of The International Franchise Association, franchises are estimated to contribute $1.6 trillion to the U.S. GDP and account for 5.8% of the country's overall economic output. The output of products and services during the 2016 fiscal year was $868.1 billion, whereas the money that was paid out in salaries amounted to $351.1 billion. A $929.9 billion increase in GDP is attributable to franchising. According to our estimates, the private sector as a whole contributed 3.4% of the total GDP (Franchise direct, 2020).

Franchise Business Economic Outlook: 2017-2021					
	2017	2018	2019	2020 (Est.)	2021 (Proj.)
Establishments	748,752	760,476	773,603	753,770	780,188
Percentage change		1.6%	1.7%	-2.6%	3.5%
Employment	7,975,179	8,207,599	8,434,090	7,491,456	8,252,929
Percentage change		2.9%	2.8%	-11.2%	10.2%
Output ($ billions)	$720.4	$760.3	$787.5	$670.0	$780.0
Percentage change		5.5%	3.6%	-14.9%	16.4%
GDP ($ billions)	$427.5	$452.1	$473.4	$446.3	$477.4
Percentage change		5.8%	4.7%	-5.7%	7.0%

Source: FRANdata

Figure 2 source: International Franchise Association IFA (FRANdata) 2021

However, worth mentioning that, likewise every industry that had a permanent decline during 2020, the pandemic COVID-19 year did also affect the franchise system where declines can be seen because of closing or bankrupting, despite that, in the first months of 2021, when things started to open slowly, there is shown a positive growth of the benefits of the franchising worldwide.

While the economy experiences a financial recovery, franchise business models will once again be among the leaders in creating both jobs and businesses, according to FRANdata. In franchise enterprises, the basic architecture of the franchise business model provides for more development, job creation, and adaptability to the changing economic conditions compared to those of independent enterprises *IFA (FRANdata) 2021.*

It is estimated that little under three percent of the Austrian economy is based on franchising as a business strategy. When considering the leading industries in franchising in Austria, the most popular choices are tourism (hotel accommodations), the food and beverage industry (restaurants), and other services. The franchising business in Austria is developing at a gradual and steady pace. According to the International Franchise Association (IFA) report, in 2018, the top foreign participant in the Austrian franchising economy is Germany, with approximately 20% of franchises, followed by the rest of the EU with approximately 9% of franchises, the United States with approximately 7% of

franchises, and other countries with approximately 2% of all franchises operating in Austria.

Based on the International Franchise Association (IFA) report, in 2018, Germany's GDP expanded by 1.9% in 2016, while franchise revenues increased by 4.8%. The numbers above illustrate that franchising is an appealing proposition for entrepreneurs and organizations that already exist, Franchising resource guide (2018).

Basically, when discussing franchising strategies, next to the other forms such as distribution, service/product of franchising, the literature mainly discusses two distinct areas. The first form is licensing, where the franchises under the license are authorized to distribute products using the franchisor logo or trademark. Furthermore, there is an exception that they typically do not provide them with an entire system for running the franchisor's businesses.

The second form is the business format of franchising; the franchisor generates the rights to the franchisee to use the franchisor's trademark, market strategy under control by the franchisor, and in exchange to pay the royalty fees (Lafontaine & Slade 1997).

Coca-Cola can be a good example of licensing agreements, while most fast-food chains adopt a business-format model of franchising (Castrogiavani & Justis, 1998). Under this type of agreement, the franchises are empowered to have access and adapt the franchisor's entire business system (Alon, 2001; Shane 1998a; Gillis & Castrogiovanni 2012). Based on business-format franchising, the development of technology and networking opportunities also had a beneficial impact on international franchise growth since it enabled the franchisor to communicate and control the franchised units even at a long distance and at the same time also lowering monitoring costs. Additionally, this enables smaller franchised businesses to grow internationally more efficiently, whereas before, it could be too costly (Amos, 2001).

Franchising can be classified into two distinct categories: direct franchising and indirect franchising. In direct franchising, the franchisor has direct access to the individuals or companies located outside of the country involved in running franchised outlets. It

enables the franchisor to have an extensive oversight of franchised activities and has access to local information and expertise, requiring increased participation on the franchisor. Indirect franchising can be established via Master franchising through a partnership company, which helps expand franchising opportunities in other countries. Master franchisees deliver local market experience and knowledge, simultaneously significantly reducing the costs, due to less control and supervision of franchisors is required (Sanyal, 2001).

Research and literature show that when a firm is young and is in the early years of being in the market, franchising is still beneficial for expanding and scaling up the business among the other entry modes. Furthermore, there are many reasons and factors why firms go internationally through franchising.

Nevertheless, scarce resources on local market know-how, missing the information about the customer needs, and local managerial expertise are the main factors that a firm begins franchising (Mahoney, 2005; Thompson, 1994). Whereas, based on the research done with over 100 founders, Lafontaine (1992), in one of his papers, found that over 50% of the firms gave capital raising as the main reason for franchising.

It is important to note that like other multinational organizations that go through the life cycle stages, literature shows that also in the franchising system, the life cycle has an influence on the firm's decisions to expand. Why firms choose to franchise, the authors mention two main reasons: resource scarcity and agent theory. Based on the resource scarcity view, growing through the franchising system benefits franchisors from raising capital at a relatively lower cost than with the other entry modes (Norton, 1988 Varotto & Silva 2017).

In comparison to resource scarcity, agency theory provides a different way of implementing the franchising system efficiently (Rubin, 1978), and therefore, the franchisor has an opportunity to reduce monitoring costs (Combs, Ketchen, & Hoover, 2004, Varotto & Silva 2017). Furthermore, when firms, especially at the early stage of developing their

businesses, want to go to another marketplace, they must run market research, find perfect management fit, and provide training for the employees to fit the firm's environment (Oxenfeldt & Kelly,1969)

As such, the franchising system in the very first phase of development focuses on reaching and creating better positions in different markets. Therefore the franchisor's motive is usually to gain new franchisees, or other types of providers, such as distributors and retailers, and so the franchisor places a higher emphasis on being recognized as trustworthy in the eyes of potential franchisees (Benoliel, 2009).

Throughout the maturity phase, the efficacy of the reputation mechanism will degrade as the franchisor's financial resources increase. In particular, the franchisor's motivation to attract new franchisees would decrease. Similarly, its incentive to retain its present franchisees would diminish. Instead, due to his greater financial resources, the franchisor will eventually convert to owning the units (Benoliel, 2009)

When the franchisor lacks financial resources, the franchisor will wish to gradually create more outlets under his control, and shift the ownership. Therefore, the franchisor will be motivated to progressively convert the current franchisee-owned outlets in his chain into franchisor-owned outlets (Benoliel, 2009)

The reputation mechanism may fail if the franchisor's financial limitations continue to deteriorate and its desire to retain and recruit new franchisees diminish. This is especially likely when reputation-related costs fall to a point where they are less than the franchisor's gain from opportunistic termination of the franchise contract (Benoliel, 2009). Finally, the franchisors reach the phase, when the franchisor accumulates enough funds to run the whole franchise network on its own. At this level, the franchisor's reputational costs from being regarded as unfair by current and potential franchisees are likely to outweigh the benefits of opportunistic termination. As a result, termination without reason is likely to happen (Benoliel, 2009).

For that, franchising has an advantage over other entry modes because it enables the franchisor to access another market through a franchisee, who will have the local knowledge and managerial skills and will be a valuable source to gain financial capital. (Gillis & Castrogiovanni, 2012; Michael, 2003).

In his paper, Castrogiovanni et al. (2006a) mention that the franchising system continued to increase within years; in other words, nowadays, firms franchise much more, even after years since franchise initiation, there is still a tendency that franchised outlets are rising continuously.

Most company owners use franchising as a key component of their strategy because it is appropriate for an environment where there is intense rivalry; When customers' preferences shift quickly and move toward localized market segmentation. It supports large companies by allowing economies of scale in promotion and development while maintaining creative discretion at the unit level (Elango & Fried, 1997)

According to strategic management and marketing theories, the first move advantage enables organizations to form and influence customers' preferences. The idea of first-mover advantage is fundamental to both strategic and entrepreneurial strategy. First movers can preempt valuable assets, gain technological leadership, create consumer switching costs, and even form customer preferences, particularly in newly developed industries or product categories (Barney, 1997).

Expanding through franchising is often recommended for entrepreneurs in order to allocate their resources successfully, create large chains and benefit by the first move advantage at the market they desire. Michael (2003) mentioned that franchising is one way of obtaining the first-mover advantage. After creating innovative products or services, the entrepreneurs will become franchisors, which gives them opportunities to allocate resources and grow faster. Faster market growth leads to higher market share and consequently high profitability.

Franchising can also be used for later expansion. By examining retailers' development into global markets, Picot-Coupey et al. (2014) argued that franchising is primarily used for later expansion rather than at the initial phase. There is a tendency that most retail clothing companies choose to franchise; only after that, they acquired expertise and competencies through the other entry modes.

Based on the various researchers who have investigated the franchise-specific advantages, mentioned that the main advantage of franchising over company-owned outlets is easier access to the domestic or the international market (Lafontaine & Kaufmann, 1994; Lillis, Narayana, and Gilman, 1976) in addition it enables reducing the cost of capital and has highly motivated owner-operators (Lafontaine, Kaufmann, 1994).

Root (1994) also mentions four other benefits of franchising, such as fast growth into foreign markets with low capital, standardized marketing method, low political risks, and highly motivated franchisees.

The empirical research on franchisors by Carney and Gedajlovic (1991) stated that franchising enables accessing the financial and managerial resources easier; moreover, it reduces the monitoring costs of franchised units, which are the most fundamental advantages over the company ownership.

2.2 Strategy

What is strategy, and how do firms set and implement strategic goals to achieve competitive advantage? A strategy is a complex management tool where managers plan the organization’s approach to fit the firm's structure and environmental changes (Chakravarthy 1982). In short, Strategy is the overarching approach developed by the company's senior management to accomplish results in line with the company's overall objectives and priorities (Sanyal 2001).

It should be noted that the first pioneer who laid the foundation for defining a firm's strategy, as well as describing the relationship between strategy and structure and defining significance, namely Alfred Chandler, who established the basis of business history, which has had a profound influence on many other business disciplines, including management history (Chandler1962).

In broad understanding, strategy is a plan that enables individuals and companies to reach particular goals. (Henry, 2018). Michael Porter (1985) seems to believe that the strategy is driven by the resources and capabilities of the company and defines strategy as "being different" (Henry 2018 p. 6), for that, reason organizations need to select a different set of activities than its rivals, "in which it can deliver a unique mix of value to the consumer" (Henry 2018 p. 6). In other words, Porter believes that organizations, in order to create strategic advantage they need to differentiate themselves from the competitors to establish a strategic advantage and add value through a combination of behaviors that differs from those used by rivals.

Domestic companies adapt to competitive strain in a single market, whereas foreign businesses must address economic conditions in various markets. A multinational corporation may be forced to penetrate the home market of a competing foreign corporation on a wide scale simply to alleviate foreign rivals' tension in its domestic markets. Failure to enter and compete early can result in the missing opportunities of so-called first mover's advantage (Sanyal 2001). Before companies decide the strategies for product or market, there are several stages to evaluate and to be discussed.

After the choice has been made based on the target product /market, objectives and goals are set, market entry mode should be selected, followed by a marketing plan, and finally, concluded by establishing the control system (Root 1994). Figure 3 describes the process, and the corresponding steps organizations go through when establishing themselves in the international market.

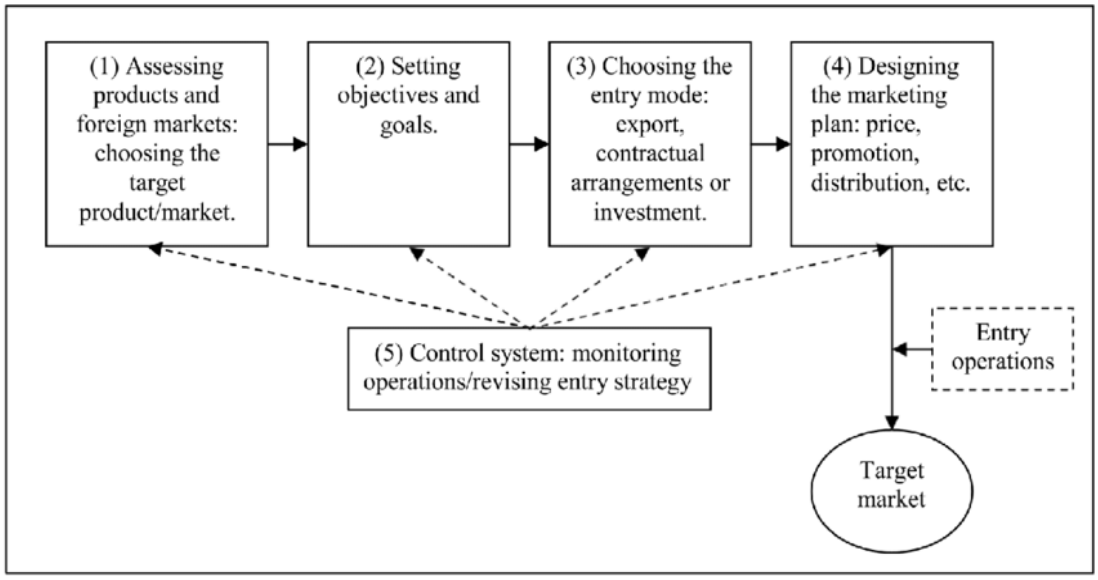


Figure 3. Elements of the entry strategy. Source: Root (1994), Entry strategies for international markets. p. 23.

For firms to maintain a competitive advantage, their product and services should be difficult for competitors to imitate. For creating a competitive advantage, organizations clarify their purpose and plan their strategies accordingly. It is critical to discover the essential components that determine high competitiveness while franchising. Kaufmann and Eroglu (1999) emphasize that key components vary by franchising and that not all factors are equally vital. Organizations need first to define their sources and understand their strengths before standardizing them in the franchising system.

Determining the basis of a firm's competitive advantage has developed into a significant subject for research. Firms achieve long-term competitive advantages by executing strategies that capitalize on their internal strengths while considering the environmental opportunities and mitigating external threats while eliminating internal weaknesses (Barney, 1991).

Like Miles and Snow's theories, Porter's view is also based mainly on the concept of the organizational strategy of firms' ability to be successful via differing managerial strategies (Hambrick, 2003). However, there is still a difference between their theories;

namely, Porter's strategy view is more generic, whereas Miles and Snow's theory mainly concentrates on the four types of business strategy. Both strategies will be discussed in the following section, which gives an overview based on the economic literature, the advantages and drawbacks of the different strategic approaches, And a firm's standardization and adaptation approaches will be explained.

2.2.1 Porter’s generic strategy

A strategy is a critical component of every successful company plan. A business may identify its industry niche by implementing an effective competitive strategy and help the firm discover and meet its consumers' needs (Porter, 1985). Michal Porter's theory of generic competitive strategy is one of the most noteworthy and profound approaches to strategic behavior theory in organizations. The broad acceptance of generic strategies is reflected in the breadth of their application. These include dimensions of management human relations strategy, information and technology strategy, manufacturing strategy, and logistics strategy (Campbell-hunt 2000).

In any type of business, choosing a strategy that is congruent with the aims and objectives of the organization and consistent with industry standards can result in competitive advantage (Allen & Helms, 2006). Based on Michael Porter's view, firms can achieve competitive advantage by choosing the three essential directions: cost, differentiation, and focus strategy (Porter, 1985).

Organizations need to decide whether they will compete with the lower cost or differentiate their products and services during the strategic planning process. Following the possibilities stated above, one might be focused on a specific market segment, while the other would need more organizational effort to a particular market segment. (Parnell, 2006). On the whole, firms tend to favor only one of the above generic strategies, even though some firms try to combine various strategies; Porter (1985) noted that a business that attempts to combine low-cost and differentiation strategies would typically end up with

"stuck in the middle" issue (Porter, 1985, p.16). Generic strategies can help the organization perform better than other firms in the industry when handling the industry's five major competitive forces.

The term cost leadership applies to a business's ability to plan, manufacture, and supply a similar product at a lower price than its rivals (Sanyal, 2001). It is the most well-defined strategy, in which a firm strives to be the lowest-cost producer in its industry and in which a firm has a broad scope and serves multiple industry segments. A business must have a low-cost leadership strategy, low-cost production, and a staff dedicated to the low-cost strategy objectives to attain a low-cost advantage. Cost leadership may be achieved in various ways, including mass manufacturing, mass distribution, economies of scale, advanced technology, product design, and lower raw material costs (Allen & Helms 2006). Therefore, low-cost producers sell standardized products and set a premium on achieving scale or absolute cost advantages across all channels (Porter 1985).

Differentiation strategy refers to a company's ability to differentiate its products from rivals through better quality and service, enhanced functionality, brand name, technology, or distributor network (Sanyal, 2001). The firms who choose a differentiation strategy firstly need to determine what differentiates their business from their competitors.

The primary objective is to gain customer retention by offering a product or service suited to customers' preferences. The factors for differentiation might be high quality, unique design, delivery method, and marketing techniques. Offering a unique product or service enables firms to demand a premium price from their customers (Allen & Helms, 2006).

Finally, the business may choose to concentrate on a specific consumer segment, product line, geographic region, or service line. Focus strategy is the third generic strategy, where firms are concentrated on a niche, such as a narrow geographic market, particular consumer segment, or restricted product or segment line, which distinguishes this approach from others (Allen & Helms, 2006). Focus strategy itself can be optimized in two ways:

cost-focus and differentiation-focus (Porter 1985). Figure 4 demonstrates Porter's competitive strategy divisions.

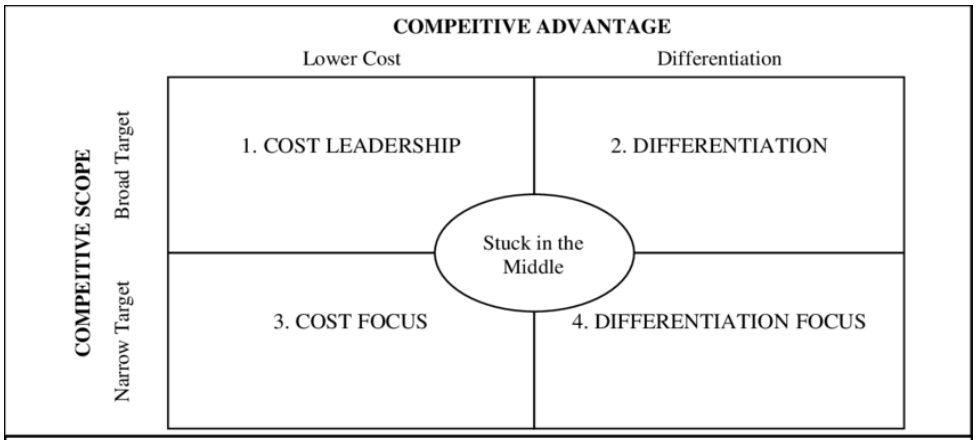


Figure 4. Source: Porter's competitive Advantage. Porter, M. E. (1985) Competitive Advantage. Creating and Sustaining Superior Performance. *New York: The Free Press; London: Collier Macmillan Publishers.* p. 12.

Each strategy entails some risks; for instance, if rivals are willing to lower their prices, the low-cost approach cannot be feasible. In addition, technological advancements may reduce costs, although other cost advantages can diminish over time (Sanyal, 2001).

Furthermore, the differentiation approach could be unsustainable when rivals may replicate all distinguishing characteristics, and as all brands share the same features, less differentiation is accomplished. Moreover, focusing on a niche can be unstable if the segment is commercially unviable (Sanyal, 2001).

2.2.2. Miles and snow typology

Compared to Porter's theory, Miles and Snow's approach is more specific and focuses on four types of businesses with their particular strategic plans and is vast support for studying business-level strategy. The typology captures diverse environmental and organizational processes and traits, including market and product entrance strategy,

perspectives of the market, technology, and organization structure characteristics (Smith & Guthrie, 1986).

According to Miles and Snow, there are four distinct types of strategies: defenders, analysts, prospectors, and reactors (Miles & Snow, 1978). When companies attempt to address three recurring difficulties: entrepreneurial, engineering, and administrative, the four essential patterns of the strategy emerge (Smith & Guthrie, 1986). The typologies illustrate how an organization's products and markets evolve. The strategic plan is a collection of actions that address environmental opportunities and challenges, as internal and external strengths and weaknesses (Hambrick, 1983).

The first three typologies explain the relationship between strategy and its target market. In contrast, the last definition, namely Reactors, is mentioned as "failure" due to the mismatch of its strategy to structure, technology, and process (Miles and Snow, 1987). Even though they correlate with each other and work in combination, they have unique characteristics that differentiate them. Furthermore, to explain their uniqueness and differentiation, each of them is discussed in the following section.

The first type of strategy from Miles and Snow typology is the Defenders. The Defenders chooses the narrow segment with limited product development on the market and hinder the competitors from entering the market by focusing on the quality of products and setting a competitive price (Miles and Snow, 1978). They often dominate relatively stable niches within their industry, competing mainly on the basis of pricing, quality, delivery, or service. Defense companies would expand vertically in order to find secure and affordable raw materials (Hambrick 1983). In contrast to the Defenders, the second typology - Prospectors strive to be market pioneers and excel in product research and development (Hambrick, 1983). They search for new product and market opportunities and give a primary focus on innovation and market development. (Miles and Snow, 1978). The third type of strategy, the Analyzer, according to its characteristics, is in between Defenders and Prospectors (Miles and Snow, 1978).

They focus on providing various goods and are characterized to mirror prospectors in specific marketplaces and defenders in others. Therefore, analyzers are primarily large organizations because of the resources required to prospect and defend several products simultaneously. These businesses often have a complicated matrix structure linked to large businesses (Smith & Guthrie 1986). While prospects use complex coordination and communication tools and decentralized organizational structures, Defenders are the opposite, using the centralized structure and the primary coordination mechanism. Analyzers combine the characteristics of defenders and prospectors. When compared to prospectors, Analyzers adapting product/market changes are slower, while in contrast to defenders, they are less oriented to efficiency (Hambrick 1983).

Furthermore, the last typology, which is a different type from all three typologies, is the Reactor. These organizations are characterized by small-size firms, which lack consistency in the strategy planning and resulting in poor performance, are considered Reactors. The Reactors is the type of organization without a consistent strategy, which does not comply or react to the environment's changes. Thus, the Reactor is a strategy, meaning that it occurs when one of the other three strategies is pursued in the incorrect manner (Mils and Snow, 1978).

Hambrick (1983), in his paper, analyzed miles and Snow typology by studying the performance of prospectors and defenders in a variety of environments. He concluded that performance tendencies differ according to the environment, in terms of present profitability and cash flow, defenders outperformed prospectors, while Prospectors showed better results by market share (Hambrick 1983). Table 5 below represents the detailed explanation of Miles and Snow typologies discussed by Smith and Guthrie (1986).

Table 1
Miles and Snow
Strategy Continuum

Variable	Defender	Analyzer	Prospector
Entrepreneurial			
Market definition	narrow	combination	broad
Customer base stability	stable	combination	unstable
Environmental monitoring	narrow	combination	wide
Product mix stability	stable	combination	changing
Marketing approach	maintain customer base	combination	create change in customer base
Competitive edge	low cost	combination	innovation
Growth pattern	steady	combination	spurts
Attitude toward growth	cautious	combination	aggressive
Engineering			
Technological perspective	fit product design to production capabilities	combination	fit production capabilities to product design
Specificity of production employee's skills	specialized	combination	non-specialized
Philosophy toward production	seek low cost production	combination	seek production flexibility
No. of different products	low	high	high
No. of products with multiple varieties	high	high	low
R & D budget	no	yes	yes
Administrative			
% General management background	high	NP	NP
% Marketing background	NP	high	high
% R & D (engineering)	NP	high	high
% Production (engineering) background	high	NP	NP
% Accounting/financial	high	NP	NP
Average tenure (top management)	lengthy	NP	short
Average age (top management)	older	NP	younger
Hired from outside/outside (top management)	inside	NP	outside

NP = No prediction

Figure 5. Miles and Snow's Typology of Strategy. Source: S*mith, K, & Guthrie, J & Chen, M.-J. (1986). Miles and Snow's Typology of Strategy, Organizational Size, and Organizational Performance. Academy of Management Proceedings. p. 65.*

In their study "strategy size and performance," Smith and Guthrie (1986) examined the validity of Miles and Snow strategy types in the context of three common organizational issues: entrepreneurial, engineering, and administrative difficulties. They conducted data analysis on business electronic manufacturing enterprises in the United States to determine the typology and link between strategy, size, and performance. The study established

evidence in favor of the analyzer and prospect typologies, while there is less evidence in favor of the defenders. Additionally, the authors highlighted that business size and strategy had an interaction impact on performance and that inconsistencies in the relationship between strategy and performance might be explained by firm size (Smith & Guthrie, 1986).

Due to the results from the Data Analysis done for this paper, which supports Miles and Snow's typology, this research paper mainly is based on the Miles & Snow typology of the strategy; however, it also includes Porter's point of view of the strategy. Miles & Snow's typology explains how the four stages of the company's strategy will be matched to the franchise system and how to use and implement different strategies.

2.2.3 Standardization and Adaptation approaches

The strategy adopted by the organizations varies over the different life-cycle stages of a firm, and businesses often switch from one strategy to another in order to provide superior products and services, meet the customer preferences and establish the best-fitted strategy on the market (Kaufmann & Eroglu, 1999). Nevertheless, where the borderline between standardization and adaptation lies and the advantages and disadvantages is essential to be discussed.

Standardized marketing and manufacturing approach has become progressively essential (Samiee & Roth, 1992) due to the homogeneity of markets that have arisen (Levitt, 1983) and determines the opportunities of a close match between product and customer requirements. Standardization strategy supporters argue that communication, transportation, and information sharing have become more accessible due to technological change, enabling organizations to adopt standardization strategy (Vrontis, 2003). Kaufman and Eroglu (1999) stated that the standardization strategy enables both the franchisor and franchisee to reduce costs by increased economies of scale, which can be achieved by centralized purchasing, Research and Development, marketing, and most important, it lowers the franchisor's expenses to obtain the quality control.

First of all, reducing the costs in the franchising system can be achieved by standardized input materials, which is beneficial for franchisors as well as for franchisees; while offering the same good into the various outlets, suppliers may reduce their production and delivery costs, which allows them to obtain a competitive advantage by gaining access to low-cost supplies. Secondly, Standardization of operating procedures is a valuable driver of cost reduction for the majority of franchisors. Cost savings can be achieved by standardizing the internal systems such as reporting and organizational procedures. By this, the extra costs will be avoided, and the sharing of the information and knowledge between the franchisor and franchisee can be done cost-effectively (Kaufman & Eroglu 1999).

Furthermore, standardization of the brand name and trademark signals the customers that the product and services will stay at the same level in all franchisor and franchisee outlets. In addition, marketing strategies can also be easily standardized since the same advertisement can be adjusted to all units. Franchising will also offer a competitive advantage for entrepreneurial ventures by using a well-established service/product and market identity (Hoffman & Preble, 2004).

System continuity and uniformity are critical to attracting and retaining buyers and preserving the brand's reputation since each franchisee may have an effect on other franchisees throughout the system. Developing and retaining a consistent reputation for their concept in the system is essential (Michael, 1996).

Franchisee decisions and operations can harm the brand image and reputation of the franchisor; therefore, control and monitoring should be applied carefully. Monitoring the quality control and managing general systems to address poor performance and detection is superior for the franchisor and is often very costly. Therefore, by the standardized system and product and services, compare the results achieved by the units and track franchisees' output effectively and objectively; this will simultaneously lower the costs involved with quality management reporting (Kauffmann & Eroglu, 1999).

Even though the standardization systems, products, services, and monitoring instruments offer huge advantages, adaptation strategy is superior. International companies should strive to compromise between standardization and adaptation; rather than drawing a strict stance between these policies to follow, companies should remain adaptable in moving between these approaches (Vrontis, 2003). The advocates of the adaptation approach believe that organizations, with the help of an adaptation strategy, can more closely match their geographic target group (Vrontis, 2003). Therefore, by permitting franchisees to tailor standard product/service deliverables to meet local consumer demand. In some instances, resulting in system-level sales benefits, even notwithstanding the standardized framework, franchisees change practices and act in accordance with local consumer preferences (Kaufman & Eroglu, 1999).

Market differences are the primary argument for adaptation strategy due to the fact that customer and market preferences differ through their taste, income, language, and culture (Vrontis, 2003); in order to communicate with customers, different languages might be used in various countries, in addition, the national law and regulations variety should be considered. Therefore, geography, economic circumstances, ethnicity, topography, political stability, and occupations all play a role (Van Mesdag, 1987).

In their paper, Kaufmann and Eroglu (1999) augmented the reasons in favor of the adaptation approach, namely maturation of system, industry, and franchises itself can influence to switch to the adaptation strategy.

Since the industry becomes mature, it results in a highly competitive industry, usually characterized by a growth in the number of competitors, changing technology, and variation of the products. On the other hand, the franchise system is maturing and is moving to a higher degree on the maturity curve. When the system matures, consumer demands for a more precise product/market match increases and to remain successful, franchising outlets will be required to segment the business and customize their offerings to these segments, thus increasing product-market match, necessitating greater adaptation at the cost of standardization (Kaufman & Eroglu 1999).

When the franchise system matures, and the experience of franchisees according to the local customer and market preferences will increase, the majority of franchisees can acquire expertise with their local markets and strengthen their ability to assess and respond to their customers' particular needs. Compliance with standardization would start to fade, and the franchisees' temptation to avoid standardization in favor of finding the best match as well as their knowledge of the local market would surpass that of the franchisor (Kaufman & Eroglu, 1999).

Expanding through franchising is beneficial for both, Franchisor and franchisee. With the contractual agreement between franchisor and franchisee, where franchisee gets the rights to use the system and brand intellectual property and in exchange pay annual royalty based on their income, they strive together to maximize their income. The most important issue franchisors are facing is establishing the right degree of standardization and uniformity that results in economies of scale while the local conditions and customer preferences still take into consideration (Kaufmann and Eroglu, 1999).

Droge and Chiou (2015) examine the effect of franchisor standardization criteria on franchisee sales and service performance at the growth stage of the life cycle. Furthermore, based on their study, the authors concluded that standardization and uniformity of the system are mandatory at the early stage of the franchise life cycle to create a strong brand image and meet the customers' expectations. In addition, standardization helps the franchisors to establish a control system to decrease franchisees' opportunism (Droge & Chiou, 2015).

To conclude, on the one hand, excessive standardization and regulation from the franchisor not only might be too costly, and cause post-contractual agency problems, may also precipitate motivational and morale issues among franchisees. Thus, managing the powers of dependency and autonomy within franchising becomes crucial for ensuring the franchise systems' long-term sustainability from a management viewpoint. On the other hand, if franchisees are given excessive control to respond to local environments, corporate branding and market loyalty might suffer (Dant and Gundlach, 1999).

According to many analysts, designing a coherent corporate plan is a highly strategic art marked by detailed management decisions that substantially reallocate an organization's resources against external opportunities. However, based on Mintzberg (1976), strategic planning is a set of important and small choices regarding an organization's future potential domains. Additionally, decisions acquire significance only when they have been taken through the organization's system and processes. In other terms, strategy can be referred to as intent, followed by the structure, which can also be mentioned as an action (Miles and Snow, 2003).

2.3 Structure

Structure within an organization coordinates activities from the systematic ones, controls and observes the employees' workflow. Talking about structure is like talking about the main component of the relation between things. Everything in our life has a structure; even if we look into our daily life, body, or home, all this and many more examples are based on the structure that relates all the pieces with each other and makes it functional. When it comes to companies, each one of them is successful because it has built up a stable structure that has a perfect fit with the strategy of the organization.

Moreover, structure in an organization is one of the tools to accomplish the firm's objectives, in case of both: short and long run (Monavarian, Asgari & Ashna, 2007). Within an organization, the structure is the fundamental element. It holds on and builds up the relationship between systems, processes, tasks, and responsibilities between coordinated and determined employees to achieve the company's goals (Monavarian, Asgari & Ashna, 2007).

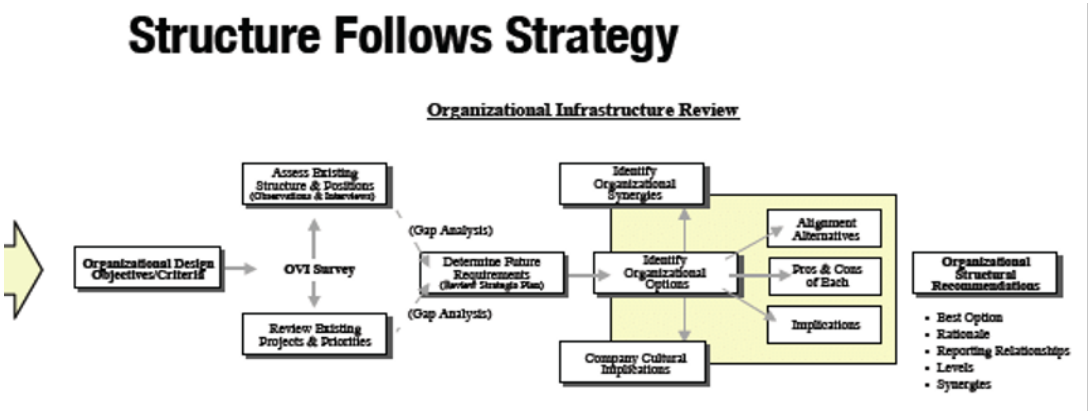


*Figure 6 source: Structure-Follows-Strategy-Elcock-1996**

Furthermore, a structure is an organizational combination that treats all the inner flow of communication, culture, technology, processes, and elements that make better decisions when combined. However, the structure does not work alone, and one must have a strategy that complies with it for a better performance of the organization. The perfect example is shown above, in figure 6.

To compare the use of the strategy and structure in the multinational corporation and franchise models, it varies along with the different types of the organization. Known from the literature, multinational corporations change their business structure when their products get to a higher level of demand, while in the franchising system, it differs from the position and placement of the franchise.

In order for a firm to achieve its goals, Mintzberg (1972), there should be a good relationship between systems, operating processes, and the employees working within the organization (Monavarian, Asgari & Ashna, 2007). For this to happen, a firm should have an organizational structure that separates and manages duties and tasks for each of them/department. Organizational structure means the formal and non-formal communication within an organization; it is all about associations between departments, management, decision-making people, operating systems, and the employees (Ahmady, Mehrpour, Nikooravesh, 2016).

To successfully implement the strategy, it is essential that the firm is flexible in its organizational design. Organizational goals should be effectively communicated and appropriately resourced. Often, when a firm decides, changes in strategies require changes in the organizational structure also. Chandler (1962) wrote: "structure follows strategy," and based on his study about US corporations, including General Motors and DuPont, he stated that organizational growth tends to change the organizational structure.

Chandler (1962) mentioned that DuPont while producing a limited range of products having a centralized organizational structure, as appropriate; however, since the firm has increased its product lines, it needed to change its centralized system by a decentralized one. Often, expansion of the administrative activities also requires changes in structure, and to satisfy these needs company shifts to the decentralized system. Furthermore, for an organization to perform well, strategy, structure, and the environment needs to be fit and well-suited to each other. Otherwise, organizational performance will likely suffer (Jennings & Seamon, 1994).

There is plenty of research and interest in the relationship between the strategy and structure regarding the corporation and multinational companies. In some literature, the structure and strategy's relationship is named a 'married' relationship, as they follow each other everywhere. Chandler (1962) stated that structure follows strategy; however, there are many cases that companies change their structure before strategy. In this case, strategy follows structure and requires an immediate change because it may have a significant impact on the company's performance. These two works tightly together for a better and complete performance of the company. In the literature, it is suggested that in organizations where the strategy is not institutionalized, or it is in the process of changing, then the structure is the one that will dominate (Fredrickson 1986).

Regardless of the far-reaching acknowledgment of the strategy and structure relationship, the scientific literature indicates that at some point, the structure has a significant influence on strategy. When the structure is functional, it positively affects the organization's overall strategy and strategic decision-making process (Fredrickson 1986).

Following other authors (Bobbitt & Ford, 1980; Duncan, 1979; Hedberg, Nystrom, & Starbuck, 1976; Jelinek, 1977), whose focus is the relationship between structure and strategy, also pointed out that structure restricts strategic decision. Nevertheless, a firm's structure is determined by the sort of strategy it desires to pursue (Mulcaster, 2009). The structure is how the company is organized to carry out the plan, complete with all the hierarchies and lines of authority that the plan entails (Collins, 2007).

In general, organizations frequently include certain divisions and systems that vary from those of the organization as a whole. It is possible that when an organization has a decentralized structure, some units of the organization might still follow the centralized structure (Fredrickson 1986).

Although changes in the strategy will affect change in the organizational structure, literature shows that numerous factors affect the change of the organizational structure (Ahmady, Mehrpour, Nikooravesh, 2016). One very often mentioned is the environmental changes and further development of the organization; however, the ones that determine the organizational structure are the three dimensions of structure; centralized or decentralized, formalized, and complex (mix) structure (Cummings, 1995; Fredrickson, 1986).

Fredrickson (1986), in his paper, stated that organizations often have units with a structure that differ from the typical structure of the organization as a whole, which might be that some of the units might be centralized while the organization is generally decentralized. However, in his paper, Fredrickson (1986) elaborates three dimensions of structure that affect the organization.

Propositions Regarding the Effects of Three Dimensions of Structure

Centralization	*Formalization*	*Complexity*
Propositions 1.A-D. As the level of centralization increases, so does the probability that—	Propositions 2.A-D. As the level of formalization increases, so does the probability that—	Propositions 3.A-D. As the level of complexity increases, so does the probability that—
1-A. the strategic decision process will be initiated only by the dominant few, and that it will be the result of proactive, opportunity-seeking behavior;	2-A. the strategic decision process will be initiated only in response to problems or crises that appear in variables that are monitored by the formal system;	3-A. members initially exposed to the decision stimulus will not recognize it as being strategic, or will ignore it because of parochial preferences;
1-B. the decision process will be oriented toward achieving "positive" goals (i.e. intended future domains) that will persist in spite of significant changes in means;	2-B. decisions will be made to achieve precise, yet remedial goals, and that means will displace ends (goals);	3-B. a decision must satisfy a large constraint set, which decreases the likelihood that decisions will be made to achieve organization-level goals;
1-C. strategic action will be the result of intendedly rational, "strategic choice," and that moves will be major departures from the existing strategy; and	2-C. strategic action will be the result of standardized organizational processes, and that moves will be incremental; and	3-C. strategic action will be the result of an internal process of political bargaining, and that moves will be incremental; and
1-D. top management's cognitive limitations will be the primary constraint on the comprehensiveness of the strategic process. The integration of decisions will be relatively high.	2-D. the level of detail that is achieved in the standardized organizational processes will be the primary constraint on the comprehensiveness of the strategic decision process. The integration of decisions will be intermediate.	3-D. biases induced by members' parochial perceptions will be the primary constraint on the comprehensiveness of the strategic decision process. In general, the integration of decisions will be low.

Figure 7. source: Frederickson (1984), The strategic decision process and organizational structure.

Centralization is one of the three dimensions of the structure; it is known as the one where the whole concentration and focus are in making decisions and evaluating activities within the organization (Fredrickson 1986). In order to coordinate and organize the best decision-making within an organization, it needs a high degree of centralization, which imposes important cognitive requirements on managers who have power. In franchising systems, in the first stages of the franchising, the centralization would be more focused on the franchisor than on the franchisee; the opposite will happen in the later stages, as the franchisee already knows the system. Fredrickson (1986), in his paper, supports that centralization is thought to improve the possibility of strategic decision-making becoming a proactive, opportunity-seeking process.

Figure 7 above also shows the effect that centralization has on the organizational structure. Moreover, literature shows that centralization is more likely to affect the strategic decision-making and opportunity-seeking process. When comparing centralization and decentralization and their effect, literature does impose that these two can work together but have different effects on the organizational structure. In their paper, Chang & Harrington (2000) show the relationship and the effects of centralization and decentralization within an organization. Shortening their study, when marketplaces are sufficiently diversified, customers are not overly complex to the activities, and the environment is established, a decentralized organizational structure beats a centralized one. In contrast, a centralized structure is a fan of the not-diverse marketplaces.

Furthermore, *formalization* significantly impacts organizational members since it defines how, where, and by whom duties are to be completed. Based on the authors (Hage & Aiken, 1969; Hall, 1977), the degree of formalization indicates how much an organization relies on rules and procedures to regulate behavior. Thus, although a high degree of formalization eliminates role ambiguity, it also constrains members' decision-making autonomy; this imposes that a formalized structure has the characteristic tendency to hinder opportunity pursuit. The strategic process and the goals' set-up are also influenced by a high level of formalization (Fredrickson, 1986). Perrow (1972) mentioned that it is widely accepted that the amount of formalization must be proportionate to the degree of professionalism, as formalization jeopardizes professional autonomy. Dewar and Walsh (1987) suggest that the organization's formalization influences the organization's life cycle stages.

C*omplexity* is the state of being made up of numerous interconnected elements. On the organizational structure, three sources of complexity are identified by Hall (1977) horizontal and vertical differentiation and geographical dispersion. Thus, an organization with various layers, large spans of authority, and several locations would be classified as complex. Lawrence & Lorsch (1967) states that a high degree of complexity makes it harder to organize and regulate decision activities. However, literature and figure 8 above show that

complex structure also impacts an organization's decision-making process. It is harder because there are more different top management sets of goals that will have to be reached, despite this as seen diverse persons participating in the strategic process are driven by different desires (Fredrickson, 1986).

The table below, taken from the paper *Formalization and Organizational life cycle* from Dewar & Walsh (1987), shows a relationship between the life cycle stages and the three dimensions of the structure and impacts that can affect one another.

Table I. Quinn and Cameron's (1983) summary life cycle model

(1) *Entrepreneurial stage*	(2) *Collectivity stage*
Marshalling of resources	Informal communication and structure
Lots of ideas	Sense of collectivity
Entrepreneurial activities	Long hours spent
Little planning and co-ordination	Sense of mission
Formation of a 'niche'	Innovation continues
'Prime mover' has power	High commitment
(3) *Control stage*	(4) *Elaboration of structure stage: decline or renewal*
Formalization of rules	Elaboration of structure
Stable structure	Decentralization
Emphasis on efficiency and maintenance	Domain expansion
Conservatism	Adaptation
Institutionalized procedures	Renewal

Figure 8 source: Formalization and Organizational life cycle, Dewar and Walsh (1987)

Nevertheless, except for three dimensions of the structure, according to organization theorists, two types of structures exist inside an organization: the physical and social structure (Ahmady, Mehrpour, Nikooravesh, 2016). In contrast to the organization's social structure, the physical structure simply refers to the actual locations where the organization is situated. The social structure is made up of persons and roles inside the organizational units.

The social structure is explained in five (5) models, elaborated by the authors (Ahmady, Mehrpour, Nikooravesh, 2016). The overview and effect of the social structure in an organization, considering the same effects would be for franchising, is interpreted below:

Simple structure: organizations with this structure have a flexible set of relationships and low complexity because of the restricted departure. Because this organizational structure is simple and does not require formality, members can make plans and organize the organization's activities while focusing on leaders (Ahmady, Mehrpour, Nikooravesh, 2016). It is called functional structure because activities are separated based on the logical similarity between work activities and tasks and related responsibilities and shared goals. The most complex organizations are managed on the basis of simple structures. In the functional structure, the repetition of activities is limited, making this structure efficient (Ahmady, Mehrpour, Nikooravesh, 2016).

Multidivisional structure: On the organizational development, the further development of the functional structure will lead to a multidivisional structure to decrease the top management's decision-making responsibility. The multidivisional structure is a set of organizational activities that are independent of the report from the main center, and they are responsible for their daily activities. However, they must be supervised by the top management of the environment and strategy (Ahmady, Mehrpour, Nikooravesh, 2016).

Matrix structure: this is a combined structure of the functional and multidivisional structure. It aims to combine the efficiency of functional structure and the best combination of the multidivisional structure, which is bases not only on the customer or the logic behind the product but because on the defined tasks and responsibilities that members benefit in the multidivisional structure (Ahmady, Mehrpour, Nikooravesh, 2016). Hybrid structure: this type of structure is a compound of the two different parts of the structural divisions. The hybrid structure is the combination of advantages of two structures while enabling the usage of the best flexible structure of the organization (Ahmady, Mehrpour, Nikooravesh, 2016). The network structure is initiated when changes like technology, product life cycle shortage, and separation of the specialized market are happening within the organization. Because

there is no unification of the organization within the network structure, the assets are separated from the networking partners (Ahmady, Mehrpour, Nikooravesh, 2016).

In addition, all organizational structures mentioned above do have an impact on the structure and then the strategy of an organization. Despite this and all literature that claims about the relationship and effects and how structure follows strategy, nevertheless, recent literature shows that when structure actively influences the strategic decision-making process, it is possible to have a major influence on strategy (Frederickson, 1986).

2.4. Decision Rights

Decision right is the authority to make and carry out decisions. For an organization, decisions are crucial due to the fact that the organization's effectiveness and the smooth execution of the strategy are contingent upon how well decisions are spread among the firms; therefore, the organizations' efficiency, the implementation of the strategy, and the assignment of the tasks largely depends on the how well the decision rights is distributed.

Franchising is distinguished from other forms of market entry strategies by a stronger focus on control over the franchisee's activities. The franchisor's objective is to guarantee that quality standards are met, as well as the product, and service standardization is applied (Sanyal 2001). Typically, the franchise arrangement provides that the franchisor has the right to cancel the contract following a one or two-year probation period and afterward for the franchisee's inability to meet agreed-upon expectations and sales amount. The franchisor has the power to audit all facets of the franchisee's activity and forbid the franchisee from engaging in any actions that are detrimental to the franchisor's brand image and prestige (Root 1994).

Jensen and Meckling (1992) spread the attention on the distribution of knowledge and decision rights importance, which can be done by either shifting the decision rights to those who have specific knowledge or oppositely transferring the knowledge to those who have

the decision rights. Delegating the decision rights means decentralizing the decision rights authority (Jensen & Meckling 1992; Windsperger 2013).

If the franchisee's local knowledge is easier and less costly to be shared with the franchisor and the franchisor's intangible assets are higher than the franchisees', the decision rights can be centralized. Conversely, when franchise local market knowledge is very specific, residual decision-making authority must be assigned to franchisees because transferring specific knowledge results in high knowledge-transfer cost (Mumdziev & Windsperger 2011).

The paper "Centralization of franchising networks" (Windsperger, 2004) gives an overview, how the decision-making allocation is delegated in franchising networks via the application of property rights theory. The property rights approach contends that the degree of decision rights relies on the allocation of intangible assets (Windsperger, 2004). These intangible knowledge assets, referring to the information and knowledge (know-how) that are difficult to codify and hence difficult to effectively transmit to other agents since they contain a fundamental tacit component. In franchising, Franchisor's brand name, specific knowledge, and franchisee local market expertise determine the intangible knowledge assets, which has a major impact on the distribution of residual decision rights across the franchising network (Windsperger 2003). It must also be admitted that knowledge based on its nature might be divided into generic or specific knowledge. Therefore, transferring the knowledge within the organization or to the other organizational units might be too costly due to its specificity; however, transferring the decision rights might cause incentive problems such as the right assignment problem and the agency problem (Windsperger, 2004).

The Right assignment problem is a type of incentive when it should be decided who has the authority to make a decision, and the agency problem itself reflects the problem of whether the hired employees perform the work assigned to them and, at the same time, is beneficial to the firm (Jansen & Meckling, 1992). To address the agency costs required to implement the appropriate control and incentive systems, which might also be too costly,

finding the efficient allocation point between decentralized and centralized structures is obligatory.

Jensen and Meckling (1992), in their paper" Specific and general knowledge, and organization structure," suggested how the decision rights can be allocated optimally. (See figure 9). In order to choose the organization structure, both the cost of centralized and decentralized structure should be measured. In the case of a highly centralized organization, the cost of lack of information is high, while the agency cost is completely eliminated. However, shifting the decision rights to the agents who have more specific knowledge decreases the poor information costs.

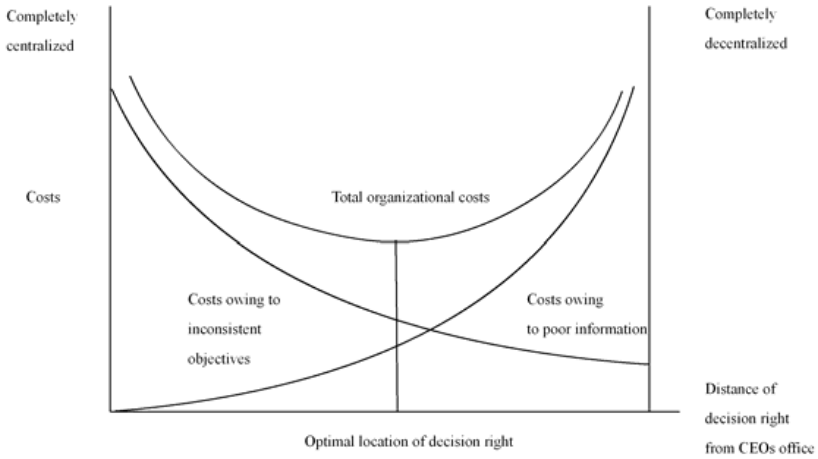


Figure 9. Jensen M.C and Meckling W. H (1992) 'Specific and general knowledge and organization structure.'

An organization is a mix of a set goal and a method of achieving it. A continuous role of the organization is to analyze, challenge, redefine and adjust priorities as a mechanism and at the same time to plan all of them so that they can best be adapted to the environment in which they operate. The products or services that productive companies deliver sustain and encourage their demand among customers. Many companies struggle at trying to do this market expansion mission. Therefore, it is essential for all organizations to realize that their objectives should also be continuously revised and improved. Furthermore, new decision-

making and control mechanisms are required to ensure that priorities are met in a changing and diverse environment and evolve their linkages and decision-making practices to remain competitive towards the rivals (Miles and Snow, 2003).

When the firm requires resources with a higher perceived value, they tend to choose between manufacturing the more valuable components internally in-house or buying them from an outside supplier. Also, organizations should define what is more beneficial to engage in the short-term transactions on the spot market or engage In long-term contracts (Lafontie & Slade 1997).

Organizations have to adapt to the unexpected and accelerated change and do something to keep the capacity to cope with their environments to prevent their successful partnerships and not affect their ability to handle their personnel and activities. When organizations decide to expand and plan the strategy to achieve the goals, they have to decide whether to create company-owned outlets or expand the market by franchising. Retail and service executives must decide whether or not a franchising system can be used as a business tool for expansion and, if so, how often to use franchising contracting (Dant, 1995; Michael, 2000; Yin & Zajac, 2004).

Likewise, in other organizational structures, the delegation of the decision rights in franchising firms greatly influences the firms' performance. The delegation of the decisions rights such as introducing new products in the market, select suppliers, employment and training of the employees at the local outlets, or the range and price of the products is clarified in the franchising contracts. As is mentioned above, franchising is a form of the contractual agreement between franchisor and franchisee, where the franchisor gives the legal rights to the franchisor to use and access the franchisor's trademarks, business, operational system products, and services during a specific period. In the exchange, the franchisee will have to pay a certain amount of the fee to use the benefits of a business created by the franchisor and provide the local market knowledge and entrepreneurship (Rubin, 1978).

Lafontaine & Slade (1997) noted that for many organizations and retailers among them, expanding via franchising is one of the common ways. So instead of hiring and rewarding the agent with strong incentives within the company, businesses then opt for a more decentralized organizational structure that enables them to share risks and profits with their local managers; however, designing the contract is crucial in this case. In the company-owned units, coordination and monitoring are needed, while in the Franchised units, local adaptation and the importance of local know-how play an important role.

Outlets of the Franchising firms have the freedom to exercise a more comprehensive array of choices. Yin and Zajac (2004) mentioned, in other terms, franchised stores are not only more driven to tackle challenges and work harder; they are also more adaptable. They have more latitude in carrying out their goals due to the operational differences, mainly systems from franchised operators' stringent management and decision-making policies, than those for private-sector operators or chain operators' governing strategies and independent decision-making policies.

2.5 Life Cycle

Vernon introduced the theory about the life cycle in 1966; he states that each product has a specific life cycle that begins with its development and ends with its decline. Basically, there are four stages of a product life cycle (Vernon, 1966); each stage has characteristics that give businesses an idea for managing their business/product through the life cycle stages.

Just like the product that has its life cycle, which started with the first phase of being in the market, (Vernon, 1966) continues with the second phase, which is known growth, getting customers to know and try it, and then comes maturity when it is well known from all customers, while it ends up with the decline where usually product will have to change and add up something innovative in order to bring it to the first phase. The same cycle is

also considered for firms. Moreover, in this master thesis, the life cycle phases of the franchise system will be more elaborated. Likewise, franchises go through the life cycle phases, and when it starts with trying to be present in a foreign market and competing with well-known names, despite the fact that most franchises are also well-known brands, it is still challenging to cope with the franchises local market and know-how. As soon as it is well established, it is considered to be well-started into the market and goes to another stage, and this is how it develops further.

There is plenty of literature done for the life cycle of multinational corporations. However, quite a little is done for the franchising system (Tonder et al., 2010). Indeed, there are literature and research papers done for the life cycle stages of the franchising system; however, there is still little analysis if the life cycle stages influence the usage and relation between strategy and structure and the decision rights.

As per Vernon's theory, there are four stages of the life cycle, and their names are introduction, growth, maturity, and decline as mentioned above; however, some of the authors have different names for these stages, and in some cases, they are combined and clustered based on the age of the franchise. As per Tonder, McMullan (2010) paper, there are five (5) stages of the life cycle: gestation, entrepreneurial, methods and systems, maturity/decline, and last one renewal, where each one represents a phase of the franchise where the size and the age of the franchise are used for the comparison and defining the stages.

Benoliel (2009) in his paper *'Reputation life cycle: The Case of Franchising'* talks about life cycle stages, their reputation and the effect on the franchising. He suggested that in order to regulate relationships of franchise, reputation has an influence; A company in the early phases of its organizational life cycle frequently lacks sufficient internal monetary resources required to fulfill its business objectives; as a result, it is pushed to form contractual partnerships with other companies to help it overcome its financial constraints. For instance, a financially immature company that wants to grow its business will have a

motivation to form a partnership or a joint venture with other companies in order to raise capital and become strong financially (Benoliel, 2009).

At the early stage they are dependent on their partners and because the immature business is monetarily dependent on its partners, the reputation mechanism has some impact at this time. However, later when their financial capacity and stability increases, it becomes less reliant on its contractual partners.The firm's motive will change to owning and running the company on its own, resulting in higher earnings. shifting the authority and control from franchisee-outlets to franchisor owned ones, will also have an affect on partnership and the reputation mechanism may eventually fail. Benoliel (2009) explains this shift of the ownership through the three stages of life cycle within the franchising system, which are named as: creation, erosion and collapse phases.

While another paper from Blut et al. (2010) talks about changes that franchises go through, stages are named differently in this paper compared with marriage life or an expatriate life, like honeymoon, routine, crossroad, stabilization. In this paper, the franchise system is compared with daily life, while the relationship between franchisor and franchisee is explained with marriage. Strong relationships in the beginning and going into the daily routine, until the final stage where comes stabilization, in the franchising words the relationship between these two gets stronger, or it comes to the point where the franchise either is going to be wholly owned from the franchisee or will be given back to the franchisor.

By explaining these phenomena, Oxenfeldt and Kelly have suggested that the competitive advantages of franchising change or perhaps deteriorate over time or across the life cycle of the usual franchise contractual agreement. Hunt (1974) provides empirical evidence supporting the Oxenfeldt-Kelly; Lillis, Narayana, and Gilman (1976) position that this changing situation manifests itself in the form of increased franchisor ownership outlets.

2.5.1 Stages of the life cycle and their impact

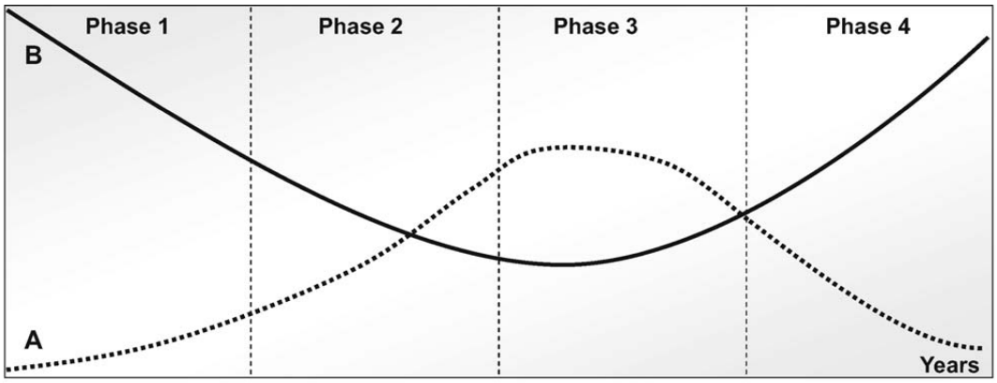
Having the possibility to analyze each life cycle stage of the franchise helps describe how and what are the effects that franchises go through when they develop from one phase to another, and if there is any impact on strategy and structure that must follow within different phases. However, there must be recognition that to have the proper information that can be used for future contribution, one must do a deeper, more collective, and detailed research separated and focused either on the geographical area or in the specific industry.

Moreover, this paper will try to determine if life cycle stages are indicators for the franchise's strategy and its relation to the franchises' structures. Despite this, the influence of the life-cycle stages and the relationship between the franchises' strategy, structure, and decision rights will be conducted.

The progress of an organization that is in the market and is expanding through the life cycle stages is the most well-known in the literature as creation, restricted growth, maturity with a more complex (Mintzberg 1984) bureaucratic structure, widespread expansion; and then comes strategy diversification, followed by structure division (Mintzberg 1984). However, based on the studies, the organization’s progress is not static linearity that goes through the regulations and follows each life cycle stage (Mintzberg, 1984). Rather than that, life cycle stages describe certain moments in an organization's existence, in which they can lose the cycle phase by hesitating to develop further or moving quickly from one stage to another; however, going through life cycle stages might bring the possibility of going backward and not forward.

To relate with the other literature, Blut et al. (2011) show that the relationship between life cycle stages in franchises differs from the stages they are in, and also, it is a different relationship between other organizations. Even though there is still a need for more specific research, there is a tendency that life cycle stages have an effect on the franchise, however not always depending on the size and the age of the franchise. Figure 10 shows the relationship between stages of the life cycle and the franchise explained in other more

practical words of a marriage or expatriate life. This study also shows that when comparing the organization types in franchises, the strong relationship and effect is in the first stage of the life cycle and the last one, which is the opposite of other organization types.



Life Cycle Theory (A)			
Phases			
Formation	Exploration	Maturity	Termination
Relationship			
Low (−)	Higher (+)	Highest (+/+)	Lowest (−/−)

Franchise Life Cycle (B)			
Phases			
Honeymoon	Routine	Crossroad	Stabilization
Relationship			
Highest (+/+)	Low (−)	Lowest (−/−)	Higher (+)

Figure 10. *source: Blut et al.(2011), What to Expect After the Honeymoon: Testing a Lifecycle Theory of Franchise Relationships*

In order to examine which advantages are important at which stages of a franchise life cycle, Lillis, Narayana, and Gilman (1976) used the size and age to determine the life cycle stage. Lillis, Narayana, and Gilman, (1976) paper has used Ozanne and Hunt's (1974) findings to compare each stage of the life cycle with the two main parameters: 1) the firm's size, numbers of outlets, and 2) age, which is the years that the franchise is in the market. In their research paper done for the fast-food industry only, it seems that each stage of the life cycle complies perfectly with the size and age of the franchise, just as it is shown in literature; however, these results are limited to and might not fit for another franchise industry (Lillis, Narayana, and Gilman, 1976; Ozanne and Hunt's, 1974).

Nevertheless, there might be possibilities that a firm is 9-13 years old and still not have more than three outlets/ franchising out there. Furthermore, these parameters always depend on the firm's industry and environment, while a little on the size and age (Lillis, Narayana, and Gilman, 1976). Figure 11 below, taken from Lillis, Narayana, and Gilman (1976), shows how the franchise life cycle stages are related to the age and size of the franchise and how life cycle stages impact the life of the franchise. However, this research is limited to a specific industry and precise data, for use in other industries, more detailed research should be done.

EXHIBIT 1.
FRANCHISE LIFE CYCLE STAGE PARAMETERS
AND CRITICAL VALUES

Stage	Age	Size
1. Penetration	0 to 5 years	0 to 10 outlets
2. Growth	6 to 8 years	11 or more outlets
3. Maturity	9 to 13 years	30 or more outlets
4. Late Maturity	14 years or more	50 or more outlets

Figure 11. source: Lillis, Narayana, and Gilman, 1976, Competitive Advantage Variation over The Life Cycle of a Franchise

Studies done for small businesses while analyzing their change through life cycle stages show that during the first three stages of the lifecycle happens the further development and increase on the differentiation of the labor force, sales diversification, and the increase of the labor productivity. While, instead, at the last stage, a decrease will happen, indicating that the specific shifts and transitions in these smaller firms are linked to key phases of development and decline (Tonder, McMullan, 2010).

In the first stage, a new product requires close communication with the desired market to enter and access external economies to reduce risk. Therefore, it is highly location-specific to the most advanced economy and a particular subregion within that economy, requiring a close relationship between the franchisor and the franchisee.

As such, the franchising system in the very first phase of development focuses on reaching and creating better positions in different markets. Therefore the franchisor's motive is usually to gain new franchisees, or other types of providers, such as distributors and retailers, and so the franchisor places a higher emphasis on being recognized as trustworthy in the eyes of potential franchisees (Benoliel, 2009).

In addition, the increasingly standardized product is exported to other advanced economies where production also becomes established in the maturing stage. In Vernon's final "standardized" stage, reduced competitiveness in the innovating market fosters imports into that market from other advanced economies and developing countries (Auty, 1984).

It is crucial to examine how an organization meets its growth phases and the structures that emerge. The life cycle analysis has been the most extensively utilized framework for analyzing an organization's development. In life cycle phases, which presume that it occurs over time in a linear phase, it can be considered an organic organization's growth. However, different literature indicates that not all the firms follow the linear path because organizations will proceed through each level is low and might not always happen. In any case, organizations might expand and develop through each life cycle stage; however, they can also stagnate or decrease, which might occur several times (Gupta et al., 2013).

Literature suggests that a relationship exists between the size and the age of the franchise but that it is not linear. According to Blut et al.'s (2011) paper, there are many franchise stores in the first seven-eight years, but then when the organizational changes happen, this starts to stabilize. In his scientific paper, Castrogiovanni et al. (2006a) hypothesized that the proportion of the outlets increased in the first ten years of the franchising effort, whereas declined during the upcoming ten years, which later brings another increase (Lafontaine and Shaw, 2005).

Likewise, Castrogiovanni et al. (2006a) in his paper Blut et al. (2011) supports that there are strong changes and connections between the first and the last stage of the life cycle, while nothing much happens in the middle stage, he mainly talks about the relationship

between the franchisor and the franchise during the life cycle stages, regardless that, connects the development of the franchise through life cycle phases. However, the resource scarcity theory has a different suggestion. According to it, the theory that when the franchisor system reaches maturity, they will purchase franchised outlets back has not been proved (Lafontaine & Kaufmann, 1994); even though some literature endorses that in the last stage of the life cycle, there are many cases when the franchisor will buy back the franchise.

However, in his paper Benoliel (2009) suggests that, throughout the maturity phase, the efficacy of the reputation mechanism will degrade as the franchisor's financial resources increase. In particular, the franchisor's motivation to attract new franchisees would decrease. Similarly, its incentive to retain its present franchisees would diminish. Instead, due to his greater financial resources, the franchisor will eventually convert to owning the units (Benoliel, 2009). When the franchisor lacks financial resources, the franchisor will wish to gradually create more outlets under his control, and shift the ownership. Therefore, the franchisor will be motivated to progressively convert the current franchisee-owned outlets in his chain into franchisor-owned outlets (Benoliel, 2009).

Not always, though, when a franchise goes through all the stages of the life cycle, the franchisee will be the one who has more information about the franchise than the franchisor, which might bring a better closer relationship between these two or to a new organization type, like wholly owned.

Further literature shows that ownership redirection suggests that franchisors mature and start buying back profitable franchise units (Dant, Paswan, & Kaufman, 1996). As a result, franchisor-owned enterprises have a higher ownership share, which gives them more control over resources. We believe that more considerable ownership indicates trustworthiness since it indicates that the franchisor is resourceful and has a platform and possibilities for developing new ideas (Dant et al., 2011). Consequently, the franchisor can leverage its high ownership percentage to charge a premium from its franchisees (Panda, Paswan & Mishra 2019).

As it is mentioned above, Benoliel (2009) explains that the reputation mechanism may fail if the franchisor's financial limitations continue to deteriorate and its desire to retain and recruit new franchisees diminish. This is especially likely when reputation-related costs fall to a point where they are less than the franchisor's gain from opportunistic termination of the franchise contract (Benoliel, 2009). Finally, the franchisors reach the phase, when the franchisor accumulates enough funds to run the whole franchise network on its own. At this level, the franchisor's reputational costs from being regarded as unfair by current and potential franchisees are likely to outweigh the benefits of opportunistic termination. As a result, termination without reason is likely to happen (Benoliel, 2009).

It would appear that increased franchisor ownership and operation in the later life cycle stages result from the general decline in the perceived importance that franchisors attach to all of the competitive advantages normally duplicated to franchising. Briefly, in the revised model, the size and growth rate of the "domestic" regional market critically affect producer competitiveness and investment behavior so that a region's competitiveness strengthens during the early high-growth period of the product cycle and weakens as the region's market becomes sated (Auty, 1984).

For those franchise systems that behave similar to fast foods, the conclusion seems that the advantages of rapid market penetration and franchisee motivation are perceived as sufficiently crucial in the early life cycle stages that franchising becomes an attractive entry distribution system. Nevertheless, franchising becomes less desirable once the franchise matures and fully integrated direct distribution rises in popularity (Lillis, Narayana, and Gilman, 1976).

3. Hypothesis development

Based on the literature review, four interdependent hypotheses that will be empirically tested were developed. These hypotheses were raised based on the data used from the questionnaire, which were not explicitly done for the research question introduced in this thesis. Besides the limited data, the hypotheses raised were the best fit for closing the research gap and responding to the research question presented in this thesis. A detailed explanation and development of the hypotheses will be elaborated on in the data analyses section.

1. *Franchises that are at the higher stage of the lifecycle are less likely to use a low-cost strategy.*
2. *Franchises which have a more formalized structure are more likely to use a low-cost strategy.*
3. *Franchises which have a more formalized structure are less likely to put focus on innovations and product range.*
4. *Franchises which have higher level of decision rights over value chain activities are more likely to focus on lower cost and efficient production process.*

4. Methodology

This part of the thesis describes the methodology analysis and how the research design was implemented in-depth. A quantitative approach was selected to answer the research question and hypothesis. The results of the analyses of strategy, structure, and decision right concerning the life cycle of franchises will be elaborated.

In Chapter 4.1, the research design will be introduced, which gives an overview of the research process for the project. Furthermore, it is followed by the sample, where a detailed table of research samples will be presented. Furthermore, this chapter continues with the project's questionnaire, the biases that might occur, and concludes with variables' measurements.

4.1 Research design

The research design of this paper is based on the data collected under the Research project '*Strategy and Organization of Franchise System*.' The international Management department conducted the research project under the supervision of Univ.-Prof. Dr. Josef Windsperger, MSc. PhD. Ilir Hajdini, and BSc. MSc. PhD. Aveed Raha.

At the beginning of 2019, the international management department announced the application for franchising project participation. From the applications, six students from the Faculty of Business Administration were selected. End of May 2019, we had the first meeting where all the project steps were discussed and delegated. In order for the project preparation to be efficient, the students were separated into two groups based on the region to be researched.

Because many organizations employ franchising in Germany, the first group was allocated to prepare for the German area, while the second group was assigned to prepare for Austria and Switzerland. Before sending the emails for the research, in the first stage, a list

was compiled from the report “Verzeichnis der Franchisewirtschaft 2018/2019” based on the data of franchising firms. Furthermore, given that the research region is German-speaking, the questionnaire was translated from English into German. Franchise representatives could complete the questionnaire both online and offline and submit it by email or via fax.

After the first campaign, which ended in June 2019, to increase the response rate, we continued with the emails and phone calls in September 2019; the second trail of emails was sent to the firms that did not participate in the survey before. In addition, the further step was followed with direct calls to the Austrian franchise’ representatives to participate in the survey either online or via mail.

The questionnaire, which consisted of open-ended, multiple-choice single-choice questions, was sent to 1,913 franchise representatives in total, from which 256 completed responses were collected in total, representing a response rate of around 13.4 percent.

The data collected from the research project mentioned above were used to answer the research question and close the research gap of this thesis. IBM SPSS Statistics (version 25) was used for testing the hypothesis.

4.2 Sample

In order to perform a comprehensive examination or even a more extensive investigation of the characteristics of the population and statistically estimate and assess the research paper, it is required to perform a careful examination (Jansen, 2010). However, given the population's size, which requires considerable time to research and difficult to reach, selecting a representative sampling is advantageous; In order to be able to generalize the observations from the survey to the population, the sample must be reflective of the target population (Jones, 1955; Sudman, S. 1996).

This data comes from a self-administered online survey with company representatives, and it was collected in the period of May-November 2019. After the research had been completed, all relevant data were carefully reviewed. Although there are 256 responses, the number of observations of specific variables vary due to item non-response. Testing the hypotheses and avoiding the risks of data inaccuracy responses with missing relevant information were excluded; the overall number of responses to the variables used in the analysis varies from 160 to 254.

SPSS Stata software (version MP 14.0) was used for the data analysis. Variables and their respective sample sizes (responses) are given in table 1 below.

Table 1. List of variables used in the analysis

Variable	PDF	STATA	Recoding	Response
Life cycle	P225	P117	5-point or binary	158
Strategy (Miles & Snow)	P202 (11)	P102 (11)	Factor reduction	254
Structure	P211 (9)	P111 (9)	Factor reduction	185
Decision rights	P203 (12)	P115 (12)	Factor reduction	254
Age	P218_06	P119_05	Number of years	161
Country	P218_06	P119_03	Use only major categories	160

4.3 Questionnaire

The questionnaire of the research project is designed by the International Management department of the University Vienna. It consists of single-choice (7-point Likert type scale) categories and open-end questions to guarantee the consistency of the assessment. The values of the Likert scale were coded with 1 to 7, meaning “strongly disagree” to “strongly agree.”

The data collecting approach for the research sample was self-administered questionnaires. Compared to structured interviews, self-administered questionnaires were preferable since they provide better anonymity and allow participants to choose when it is most convenient for them to complete the questionnaire. Additionally, the absence of an interviewer who directly asks the questions benefits the participant's anonymity (Leeuw 2008); Overcoming these concerns, an e-mail survey method was adopted for data collection.

The questionnaire is structured as follows: the first page is the questionnaire's cover letter, representing the participants’ detailed project description. It continues with the general information concerning the franchise firm's structure, decision rights, performance, and strategies they follow.

Finally, open-ended questions are introduced to assess the franchisee's age, the number of owned locations, the number of employees, and the industry in which they operate, as well as to conduct which one of the five phases of the life cycle most closely matches their organizations, over the previous years. The questionnaire in the German language is presented in Appendix.

4.4 Bias

When it comes to administering surveys, the priority is to achieve higher answer rates while holding the cost to a minimum (Loosveldt, 2008). In the early twentieth century, face-

to-face survey interviews were introduced to acquire data for research analysis (Hyman, 1954). Later, as technology progressed and computer and internet access became easier, electronic mail surveys became more widespread, less demanding, and a popular technique of data collecting. One of the key benefits of online surveys is their cost-efficiency in terms of contacting a large number of respondents in a short period of time.

Additionally, the e-mail survey benefits from the ability to locate respondents through computer networks, provide access when respondents are accessible, and allow them to reply to survey questions whenever they desire (Kiesler & Sproull, 1986). As a result, self-administered questionnaires provide a higher level of anonymity, participants are not under time constraints, since the survey does not take the form of a direct interview, it is more advantageous, especially when the topic of the survey is sensitive (Leeuw 2008).

However, it should also be noticed that email surveys have limitations; more precisely, responses might be limited due to lower response rates compared to face-to-face interviews; this, in turn, can result in the threat of validity and reliability. Further, when it comes to logistics, email surveys have two significant drawbacks: the length of the questionnaire and the time required to complete it. Additionally, compared to in-person interviews, the danger of nonresponse bias or leaving certain questions unanswered is greater with email surveys (Bryman, 2004).

4.5 Formulation of variables

In order to address the research gap and research question of the thesis, four primary constructs were established based on a literature review and research questionnaire:

- *franchises Strategy*
- *franchise structure*
- *Decision rights*
- *the life cycle of the franchise firms*

These constructs were mainly sourced from the literature with contextual adaptation to our research purpose. Dependent and independent variables were measured on 7 points Likert -scale with 1 “strongly agree” to 7 “strongly disagree.”

Since the model of the paper is based on those mentioned above, four main pillars that are interrelated and influence each other, the hypotheses created based on the thesis model are structurally intertwined with each other. Therefore, the following two subsections are devoted to describing independent and dependent variables.

4.5.1 Dependent and independent variables

The franchise **Strategy** approach is a dependent variable, and in the questionnaire, the variables linked with strategy consist of block 11 variables. Each variable is an ordinal 7-point scale, with responses from “Strongly disagree” (1) to “strongly agree” (7). This concept is used to determine if a business is pursuing the low-cost or differentiation approach linked to Miles and Snow Defenders and Prospector criteria. Low-cost producers sell standardized products and place a premium on achieving scale or absolute cost advantages across all channels (Porter 1985). Based on miles and Snow criteria, the Defenders chooses the narrow segment with limited product development on the market and hinder the competitors from entering the market by focusing on the quality of products and setting a competitive price (Miles and Snow, 1978).

They often dominate relatively stable niches within their industry, competing largely on the basis of pricing, quality, delivery, or service. Defense companies would expand vertically in order to find secure and affordable raw materials (Hambrick 1983). Defenders using the centralized structure and the basic coordination mechanism. (Hambrick 1983). In order to conduct how life-cycle stages affect the strategy and whether there is a tendency that businesses in the higher stage of life cycle will likely adopt the low-cost strategy. Moreover, the research aims to investigate how the organizational structure varies when the strategy approach changes. Based on the Prospectors approach, which strives to be market

pioneers and excel in product research and development (Hambrick 1983) and tend to search for new product and market opportunities and give primary focus on innovation and market development (Miles and Snow 1978),

For the hypothesis measurement, franchise **structure** is presented as the independent variable. Similarly, as franchise strategy, variables of franchising structure also was assessed as a 7-point Likert scale, with responses from "Strongly disagree" (1) to "strongly agree" (7) where the participants should answer questions in order to indicate if the changes in strategy approach determine the changes of structure too.

Literature shows and confirms that there is a fit between structure and strategy within an organization. To this point, Chandler (1962) also mentions that structure follows strategy, and this approach seems to apply to the franchise system also. Therefore, the paper aims to find a correlation between structure and strategy at the franchises system and whether franchises that have more formalized structure are more likely to adopt a low-cost strategy or focus on innovation and product range strategy.

Following independent variables, **decision rights** of the franchises also consisted of 12 blocks of variables with a 7-point Likert scale, with responses from "Strongly disagree" (1) to "strongly agree" (7). delegation of the decision rights in franchising firms influences the firms' structure; Delegation decision rights such as new product introduction on the market, selection of suppliers, employment and training of the employees at the local outlets, or the range and price of the products.

The final independent variable, the **Life cycle,** is measured as an ordinal-scale variable with five levels. One hundred fifty-eight (158) franchises have answered which of the stages describes the fit to their organization's life cycle within the last year. Basically, the life-cycle stage has characteristics that give businesses an idea for managing their business/product. Analyzing which stage a firm is, helps to create a strategy that fits the life cycle phases.

Vernon's (1966) theory of the Life cycle is mainly described based on the MNC's; however, assuming that this theory can be applied to the franchise as well. Furthermore, two variables, Franchising **Age** and the **Country,** take place as the control variables in our model, whereas **Franchise age** is a continuous variable measured in years and **Country** as a categorical variable, with two major categories (Austria, Germany) and other countries coded as "Other."

5. Result

This section of the thesis provides the findings from the data analysis. To determine if the four study hypotheses, an array of quantitative research methodologies was applied. Starting with data analysis comes from a self-administered online survey with company representatives, and it was collected in the period of May-November 2019, following with descriptive analysis, and Principal Component Factor analysis for each variable is presented.

5.1 Data analysis

In order to obtain a favorable report from the collected data, first, the analyses from descriptive statistics were used, followed by the data reduction techniques, namely Principal Component Factor Analysis (PCA).

Principal Component Factor Analysis (PCA) was conducted in two stages: the procedure is applied to the whole list of relevant variables in the first stage, and then variables that do not load with any factor are eliminated. After removing these variables, while keeping the variables that are positively associated with any thematic component, PCA will be repeated to extract the component factors.

Before performing each Principal Component Analysis (PCA) test, the sample adequacy was determined using the Kaiser-Meyer-Olkin (KMO) and Bartlett's Test of Sphericity. Additionally, the internal consistency of the extracted principal component factors was determined using Cronbach's Alpha.

Finally, the study hypotheses were assessed using linear regression models on the extracted factor variables and the dataset's additional control variables. Prior to running the linear models, the data were examined for multicollinearity.

5.2 Descriptive analysis

This subsection of the analysis provides an understanding of the data presented in this thesis. The data comes from businesses from multiple countries. The total number of 256 responses collected from Austria, Germany, and Switzerland shows 160 non-missing responses to the country variable. The table below illustrates the percentage of the country where franchise headquarters are located. Germany has the highest percentage, 56 % of the total, followed by Austria with 25 %, while Switzerland has only 4 %.

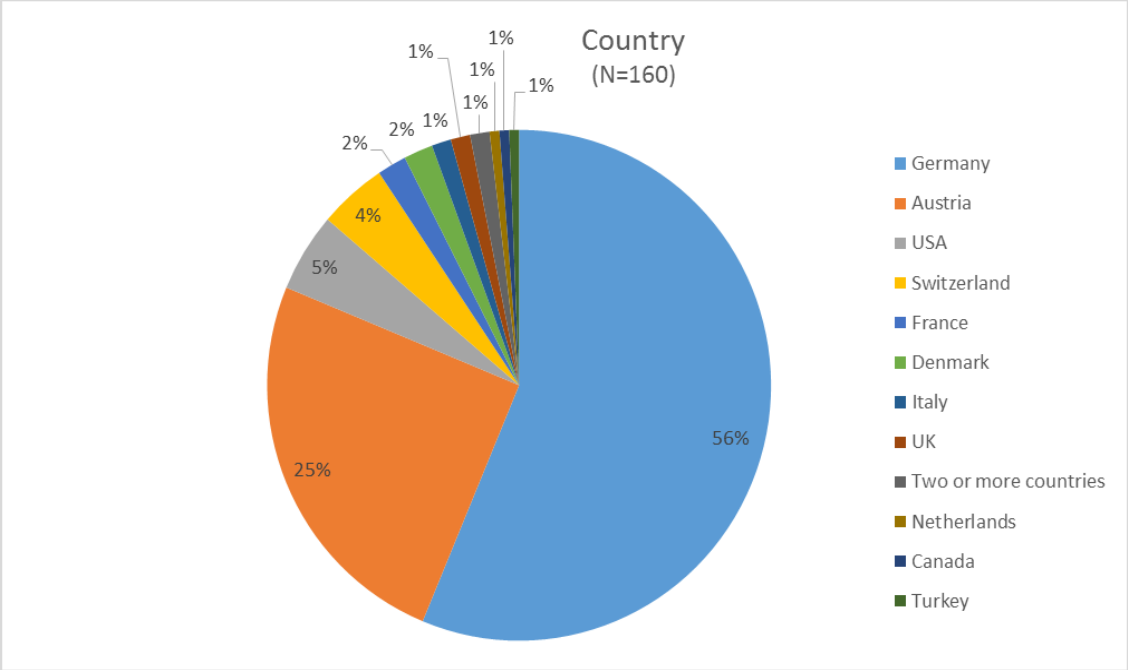


Table 2. Location of franchise headquarters

For future analyses and better results, due to the low number of additional countries, the category country variables were divided into three primary categories: Austria, Germany, and others.

Furthermore, after investigating the age category, results have shown that there are 161 records of a franchise age variable. The average franchise age of the businesses (where age is recorded) is measured on a continuous scale, and the average is 17.95 years. The

minimum franchise age is 1 year, and the maximum is 81 years. The age variable is positively skewed, and logarithmic transformation for the subsequent analysis was used.

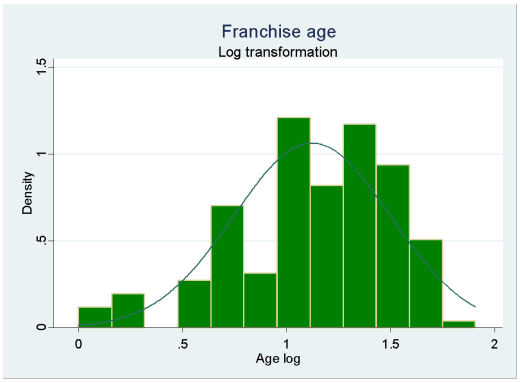


Table 3. Franchise age. Log Transformation

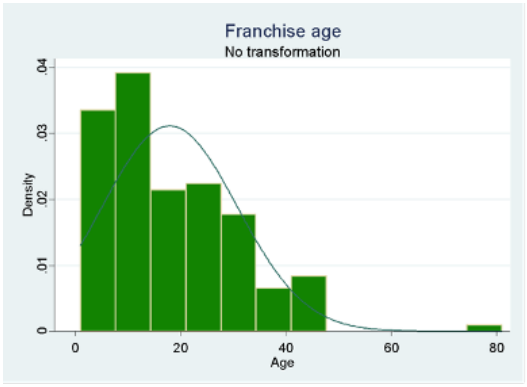


Table 4. Franchise age. No Transformation

In terms of the life cycle, 158 franchises have answered the question, which of the following describes more closely the fit to their organization's life cycle. The answers were grouped as followed:

At the initial phase, the firm is young, dominated by its owners, and has a simple and informal structure. From the responses, only 12 franchises (7.59%) pointed out that their franchise is in the initial period (life cycle 1) in which a new firm is attempting to become a viable entity.

The result shows that 30 franchises (19.0%) are at the introduction stage of the life cycle (life cycle 2) when the firm has established its distinctive competencies and is enjoying some initial product-market success. The focus is on fast sales development and resource allocation to enjoy the benefits associated with a greater scale. In this phase mainly formalized structure is followed.

From the responses gathered from the questionnaire, 45 franchises (28.48%) are in a period of growth (life cycle 3); in this period, innovation declines, sales stay stable, while the organizational structure tends to be more bureaucratic. Despite the fact that firms in this stage are often larger, sales are only growing at a level of less than 15%.

Furthermore, 55 franchises (34.81%) are in the process of diversifying and broadening their product-market scope (life cycle 4) in order to compete in more complex and diverse marketplaces. Following that, firms at this phase of the life cycle that are quite large whose sales are affected positively will likely expand at rates more than 15% again.

The rest 16 franchises (10.13%) are in decline (life cycle 5), in this phase of the life cycle, the request for the products/services decreases, the products/service interest for innovation decreases, price cuts off, and this brings to a decline in the profitability. Firms are often risk-averse at this stage, formal and bureaucratic organizations facing similar markets and a high level of competition.

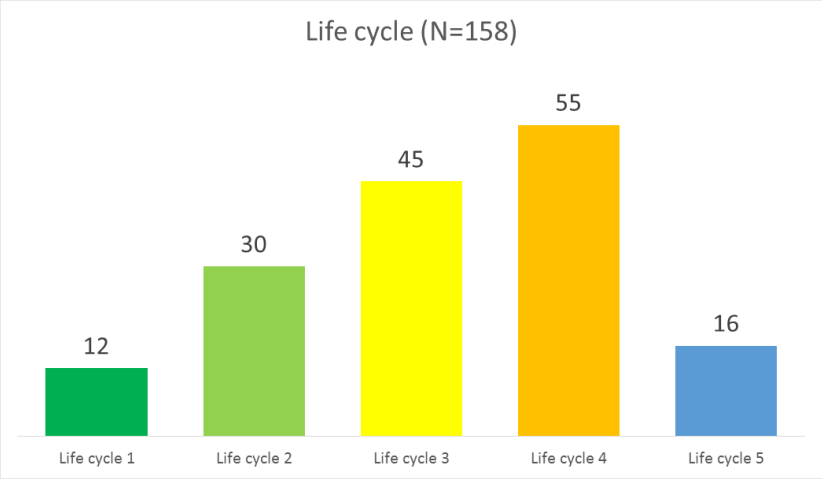


Table 5. Life-cycle stages

Besides country, franchise age, and life cycle variables; Strategy, Structure, and Decision Right variables are used to complete the analysis of the data.

Strategy variables are defined according to Miles & Snow's definition. The variable is extracted using a Principal Components Analysis (PCA) method from a block of 11 statements. For each statement, respondents were asked to choose an answer on a 7-point scale, from "Strongly disagree" to "Strongly agree."

The statements are the following:

1. We are frequently the first to market with new product or service concepts.
2. We do not hesitate to enter new market segments in which appears to be opportunity.
3. We offer the most innovative products, whether it is based on substantial performance improvement or cost reduction.
4. We concentrate on offering products that push performance boundaries.
5. We are seldom first-in with new products or services or to enter emerging market segments.
6. We attempt to maintain a relatively stable domain by aggressively protecting our product market position.
7. By monitoring market activities, we are early followers (of business leaders in our industry) with a better targeting strategy, increased customer benefits or lower total cost.
8. We focus on producing goods or services as efficiently as possible.
9. We focus on increasing share in existing markets by providing products at the best prices.
10. We focus on providing superior service and/or product quality.
11. Our superior services/products are typically higher than the industry average.

The structure variable is extracted using a Principal Components Analysis (PCA) method from a block of 9 statements. For each statement, respondents were asked to choose answers on a 7-point scale, from “Strongly disagree” to “Strongly agree.” The statements are the following:

1. Our franchisees take only a few actions that do not comply with our standardized work instructions.
2. The franchise partners of our franchise system often refer to it as bureaucratic.
3. When franchisees want to make their own decisions, they are quickly referred to a manual.
4. In this system, decisions are usually made at a higher hierarchical level.
5. Our franchisees have wide latitude in the choice of means to accomplish goals.
6. The franchisees are given flexibility in carrying out their tasks.
7. A franchisee is quickly discouraged from making his own decisions.
8. Even small matters are referred to a higher hierarchical level in the franchise system to make a decision.
9. Many important decisions are made locally rather than centrally.

The decision rights variable is extracted using a Principal Components Analysis (PCA) method from a block of 12 statements. For each statement, respondents were asked to report to what extent the franchisee decides on the following issues, using a 7-point scale, from "Not at all" to "To a large extent":

1. Implementation of investment projects at the local outlet.
2. Financing of local investment projects.
3. Selection of suppliers.
4. Employment of employees at the local location.
5. Training of employees at the local site.
6. Range of products and services on the local market.
7. Sales prices at the local location.
8. Use of advertising and sales promotion measures.
9. Equipment of the franchised outlets.
10. Procurement of resources/inputs.
11. Introduction of new products to the local market.
12. Use of the controlling system at the franchised outlet.

The exact wording of questions and response options as defined in the questionnaire are given in appendix 1.

5.3 Principal Component Factor analysis

Principal component factor analysis (PCA) was applied to extract latent variables (factors) from the block of questions for this data reduction objective. The same method was conducted to show the Strategy, Structure, and Decision Rights blocks.

PCA was performed in two stages on each of these three blocks:

- At the first stage, the preliminary PCA method was applied in order to identify which initial variables are loaded into factors.
- At the second stage, the variables that were not loaded into any of the factors were excluded, and the PCA method was applied a second time. The factor variables are constructed based on the result of the second stage of Principal Component Analysis (PCA).

Before each stage, the Kaiser-Meyer-Olkin (KMO) and Bartlett's test of sphericity were conducted to check how adequate the data is for applying the PCA approach. Additionally, the linear regression model was applied when testing the hypothesis with the Strategy used as an outcome variable and Structure and Decision Rights as predictors.

As all of these variables are represented as blocks of questions, in order to simplify the data and use them as single variables in the models, they have been reduced into a few specific indicators.

5.3.1. Strategy

The block of questions describing Strategy (by Miles & Snow) consists of 11 variables. Each variable belongs to the same ordinal 7-point scale, with responses from "Completely disagree" (1) to "Completely agree" (7); therefore, no data standardization is needed before the analysis.

As mentioned above, the PCA method was conducted in two stages. After the first stage, the variables that do not load were excluded, and Principal Component Analysis (PCA) was applied again, followed by testing whether the sample data fit adequately for performing PCA analysis. For testing this, Kaiser-Meyer-Olkin (KMO) and Bartlett's tests were conducted.

Table 6. KMO and Bartlett's test of sphericity for Sampling Adequacy - Strategy (Miles & Snow), 11 variables

Kaiser-Meyer-Olkin's measure	0.753
Bartlett's test of sphericity Chi-square	673.496
df	55
Sig.	0.000

The KMO measure (0.753) lies between 0.70 and 0.79 and is described as "middling" (Kaiser, 1970) for recommending data as suitable for the application of the PCA method. Bartlett's Test of sphericity ($\chi 2$ (55) = 673.496, $p<.0001$) also points out that PCA is possible to be conducted.

Further, PCA was applied with the post-estimation Varimax rotation. Three-component factors with eigenvalues of more than 1 were identified, with eigenvalues 2.603, 1.916, and 1.900, explaining 58.4% of the total variance.

Table 7. Total variance explained by Principal Components Factor (Varimax rotated) – Strategy (Miles & Snow), 11 variables

Component factors	Eigenvalue	Portion of variance explained	Cumulative portion of variance explained
1	2.603	0.237	0.237
2	1.916	0.174	0.411
3	1.900	0.173	0.584

Varimax Rotated matrix loadings were sorted for each variable by descending order of loading scores for each of the identified principal component factors in Table 8.

Table 8. Rotated factor loadings (pattern matrix) and unique variances sorted – Strategy (Miles & Snow), 11 variables

Variable	Component Factor1	Component Factor2	Component Factor3
P102_03 We offer the most innovative products, whether it is based on substantial performance improvement or cost reduction	**0.811**	0.122	0.079
P102_01 We are frequently the first-to-market with new product or service concepts	**0.789**	-0.044	0.184
P102_02 We do not hesitate to enter new market segments in which appears to be opportunity	**0.782**	0.094	0.128
P102_04 We concentrate on offering products that push performance boundaries	**0.593**	0.209	0.335
P102_09 We focus on increasing share in existing markets by providing products at the best prices	0.046	**0.748**	0.056

P102_06 We attempt to maintain a relatively stable domain by aggressively protecting our product market position	0.329	**0.691**	-0.203
P102_08 We focus on producing goods or services as efficiently as possible	-0.069	**0.608**	0.543
P102_07 By monitoring market activities, we are early followers (of business leaders in our industry) with a better targeting strategy, increased customer benefits or lower total cost	0.129	**0.519**	-0.300
P102_05 We are seldom first-in with new products or services or to enter emerging market segments	-0.361	0.403	-0.148
P102_10 We focus on providing superior service and/or product quality	0.185	-0.028	**0.846**
P102_11 Our superior services/products are typically higher than the industry average	0.249	-0.088	**0.751**

Note: Loading scores over 0.5 are highlighted

At the next step, variables that have loading scores over 0.5 will be retained. These are four variables (P102_03, P102_01, P102_02, P102_04) that load on a component factor 1 with a score over 0.5. This factor can be described as "*Focus on innovations and product range based on the variable thematic meanings*."

Next four variables (P102_09, P102_06, P102_08, P102_07) load on a component factor 2, which can be described as "*Focus on lower cost and efficient production process."*Variables P102_10 ("We focus on providing superior service and/or product quality") and P102_11 ("Our superior services/products are typically higher than the industry average") load on a component factor 3, which can be described as "*Focus on high-quality product/service.*"

These variables are not relevant to any of the four research hypotheses; therefore, they were excluded. Furthermore, the same applies to the variable P102_05, as it does not load on any of the component factors with a score over 0.5.

After excluding three variables (P102_05, P102_10, P102_11), with the other eight remaining variables, the PCA method was run again (second stage). Moreover, the remaining variables were tested again for sampling adequacy using Kaiser-Meyer-Olkin (KMO) and Bartlett's tests.

Table 9. KMO and Bartlett's test of sphericity for Sampling Adequacy - Strategy (Miles & Snow), 8 variables

Kaiser-Meyer-Olkin's measure	0.743
Bartlett's test of sphericity Chi-square	438.658
df	28
Sig.	0.000

The KMO measure (0. 743) is over 0.70 and 0.79, and Bartlett's Test of sphericity ($\chi 2$ (28) = 438.658, p<.0001) points that the data is suitable for application of the PCA method. Further, the PCA method was applied with the post-estimation Varimax rotation. Two-component factors with eigenvalues of more than 1 were identified, with eigenvalues 2.502 and 1.836, explaining 54.2% of the total variance.

Table 10. Total variance explained by Principal Components Factor (Varimax rotated) – Strategy (Miles & Snow), 8 variables

Component factors	Eigenvalue	Portion of variance explained	Cumulative portion of variance explained
1	2.502	0.313	0.313
2	1.836	0.229	0.542

Varimax Rotated matrix loadings were sorted for each variable by descending order of loading scores for each of the identified principal component factors in Table 11.

Table 11. Rotated factor loadings (pattern matrix) and unique variances sorted – Strategy (Miles & Snow), 11 variables

Variable	Component Factor1	Component Factor2
P102_01 We are frequently the first-to-market with new product or service concepts	**0.819**	-0.033
P102_03 We offer the most innovative products, whether it is based on substantial performance improvement or cost reduction	**0.810**	0.114
P102_02 We do not hesitate to enter new market segments in which appears to be opportunity	**0.800**	0.099
P102_04 We concentrate on offering products that push performance boundaries	**0.680**	0.186
P102_09 We focus on increasing share in existing markets by providing products at the best prices	0.032	**0.791**
P102_06 We attempt to maintain a relatively stable domain by aggressively protecting our product market position	0.255	**0.682**
P102_08 We focus on producing goods or services as efficiently as possible	0.074	**0.629**
P102_07 By monitoring market activities, we are early followers (of business leaders in our industry) with a better targeting strategy, increased customer benefits or lower total cost	-0.004	**0.539**

Note: Loading scores over 0.5 are highlighted

The identified factor variables and their corresponding covariates (with loading 0.5 and higher) are summarized in Table 12. Under the first factors, the four variables, describing focus on innovations and product range, are loaded. Four variables describing focus on lower cost and efficient production process are loaded under the second factor.

Table 12. Company strategy factors (by Miles & Snow)

Factors	Covariates
Factor #1. Focus on innovations and product range	P102_01 We are frequently the first-to-market with new product or service concepts
	P102_03 We offer the most innovative products, whether it is based on substantial performance improvement or cost reduction
	P102_02 We do not hesitate to enter new market segments in which appears to be opportunity
	P102_04 We concentrate on offering products that push performance boundaries
Factor #2. Focus on lower cost and efficient production process	P102_09 We focus on increasing share in existing markets by providing products at the best prices
	P102_06 We attempt to maintain a relatively stable domain by aggressively protecting our product market position
	P102_08 We focus on producing goods or services as efficiently as possible
	P102_07 By monitoring market activities, we are early followers (of business leaders in our industry) with a better targeting strategy, increased customer benefits or lower total cost

Before extracting these two factors, the internal consistency of the data with Cronbacht's correlation coefficient (Cronbach's alpha) for each factor was conducted. At first, Cronbach's alpha with all sets of loaded covariates was verified, and then calculated Cronbach's alpha with step-by-step deleting of covariates to check whether excluding each covariates improves the intern." consistency.

Table 13. Scale reliability coefficient – Focus on innovations and product range.

Variables	Cronbach's Alpha	Improvement
All variables: P102_01, P102_03, P102_02, P102_04	0.7954	-
Deleted: P102_01	0.7334	None
Deleted: P102_03	0.7217	None
Deleted: P102_02	0.7282	None
Deleted: P102_04	0.7868	None

As shown, Cronbach's alpha for all variables under the factor "Focus on innovations and product range" is 0.7954. The scale reliability is not improved by deleting any of the item variables. Therefore, all items are retained when extracting the factor variable "Focus on innovations and product range."

Next, the same analysis of reliability for the factor "Focus on lower cost and efficient production process" was performed.

Table 14. Scale reliability coefficient – Focus on lower cost and efficient production process.

Variables	Cronbach's Alpha	Improvement
All variables: P102_09 P102_06 P102_08 P102_07	0.5930	-
Deleted: P102_09	0.4289	None
Deleted: P102_06	0.4747	None

Deleted: P102_08	0.5525	None
Deleted: P102_07	0.6091	0.0161

Cronbach's alpha for all variables under the factor "Focus on lower cost and efficient production process" is 0.593. The scale reliability is insignificantly improved after deleting the P102_07 variable ("By monitoring market activities, we are early followers with a better targeting strategy, increased customer benefits or lower total cost"). This improvement is by 0.0161 points only and does not significantly affect the data consistency; therefore, all items were retained when extracting the factor variable "Focus on lower cost and efficient production process."

As a result of the PCA method applied to "Strategy" variables, two principal component factor variables were extracted, which is performed in linear regression analysis. Both factors are continuous and are distributed close to normal distribution.

Table 15. Summary descriptive statistics of extracted principal component factors under Strategy (Miles & Snow)

Variable	Obs	Mean	Std. Dev.	Min	Max
Factor 1: Focus on innovations and product range	247	0	1	-2.904	1.923
Factor 2: Focus on lower cost and efficient production process	247	0	1	-2.312	2.494

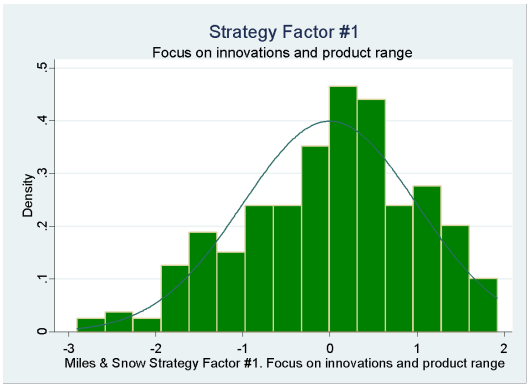


Table 16. Focus on innovation and product range

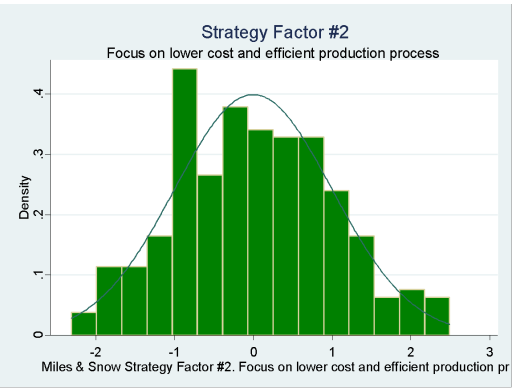


Table 17. Focus on lower cost and efficient production process

5.3.2 Structure

After extracting principal component factors for the Strategy variable, the same methods have proceeded with the Structure variable. The block of questions describing Structure consists of 9 variables. Each variable belongs to the same ordinal 7-point scale, with responses from “Completely disagree” (1) to “Completely agree” (7); therefore, no data standardization is needed before the analysis.

It will start with testing whether the sample data fit adequately for performing PCA analysis. In order to check the validity of this hypothesis, the Kaiser-Meyer-Olkin (KMO) and Bartlett’s tests were conducted.

Table 18. KMO and Bartlett’s test of sphericity for Sampling Adequacy - Structure, 9 variables

Kaiser-Meyer-Olkin’s measure	0.814
Bartlett’s test of sphericity Chi-square	458.206
df	36
Sig.	0.000

The KMO measure (.814) lies between 0.80 and 0.89 and is described as “meritorious” (Kaiser, 1970) for recommending data as suitable for the application of the PCA method. Bartlett’s Test of sphericity ($\chi 2$ (36) = 458.206, p<.0001) also points that PCA is possible to be conducted. Further, PCA with post-estimation Varimax rotation was applied. Two-component factors with eigenvalues of more than 1 were identified, with eigenvalues 2.645 and 2.180, explaining 53.6% of the total variance.

Table 19. Total variance explained by Principal Components Factor (Varimax rotated) – Structure, 9 variables

Component factors	Eigenvalue	Portion of variance explained	Cumulative portion of variance explained
1	2.645	0.294	0.294
2	2.180	0.242	0.536

The Varimax Rotated matrix loadings were sorted for each variable by descending order of loading scores for each of the identified principal component factors in Table 20.

Table 20. Rotated factor loadings (pattern matrix) and unique variances sorted – Structure, 9 variables

Variable	Component Factor1	Component Factor2
P111_08 Even small matters are referred to a higher hierarchical level in the franchise system to make a decision.	**0.809**	-0.114
P111_02 The franchise partners of our franchise system often refer to it as bureaucratic.	**0.742**	-0.062

P111_07 A franchisee is quickly discouraged from making his own decisions.	**0.718**	-0.156
P111_04 In this system, decisions are usually made at a higher hierarchical level.	**0.603**	-0.398
P111_03 When franchisees want to make their own decisions, they are quickly referred to a manual.	**0.590**	-0.381
P111_05 Our franchisees have wide latitude in the choice of means to accomplish goals.	-0.405	**0.733**
P111_06 The franchisees are given flexibility in carrying out their tasks.	-0.220	**0.727**
P111_09 Many important decisions are made locally rather than centrally	0.038	**0.642**
P111_01 Our franchisees take only a few actions that do not comply with our standardized work instructions.	-0.012	**-0.598**

Note: Loading scores over 0.5 are highlighted

Five variables (P111_08, P111_02, P111_07, P111_04, P111_03) on a component factor 1 with a score over 0.5. Based on the variable thematic meanings, this factor can be described as "*Level of formalization*." The following four variables (P111_05, P111_06, P111_09, P111_01) load on a component factor 2, which can be described as "*Level of autonomy."* There are no variables within the Structure block, which does not load at any of the factors with a score over 0.5; therefore, all nine variables are retained, and there is no further need to perform the second stage of the PCA, as with the Strategy variable has been applied.

The identified factor variables and their corresponding covariates (with loading 0.5 and higher) are summarized in Table 21. Under the first factor, the five variables describing the level of formalization are loaded. Moreover, the four other variables describing the level of autonomy are loaded under the second factor.

Table 21. Company structure factors

Factors	Covariates
Factor #1. Level of formalization	P111_08 Even small matters are referred to a higher hierarchical level in the franchise system to make a decision.
	P111_02 The franchise partners of our franchise system often refer to it as bureaucratic.
	P111_07 A franchisee is quickly discouraged from making his own decisions.
	P111_04 In this system, decisions are usually made at a higher hierarchical level.
	P111_03 When franchisees want to make their own decisions, they are quickly referred to a manual.
Factor #2. Level of autonomy	P111_06 The franchisees are given flexibility in carrying out their tasks.
	P111_05 Our franchisees have wide latitude in the choice of means to accomplish goals.
	P111_09 Many important decisions are made locally rather than centrally
	P111_01 Our franchisees take only a few actions that do not comply with our standardized work instructions. **(With negative sign)**

Before this step, the internal consistency of the data was evaluated using Cronbach's alpha, and a reliability coefficient was often used to test the validity of test items. First, Cronbach's alpha was identified with all sets of loaded covariates and then was calculated Cronbach's alpha step-by-step by deleting covariates to check whether removing each covariates improves the internal consistency.

Table 22. Scale reliability coefficient – Level of formalization.

Variables	Cronbach's Alpha	Improvement
All variables: P111_08, P111_02, P111_07, P111_04, P111_03	0.7753	-
Deleted: P111_08	0.7183	None
Deleted: P111_02	0.7496	None
Deleted: P111_07	0.7411	None
Deleted: P111_04	0.7272	None
Deleted: P111_03	0.7347	None

As shown, Cronbach's alpha for all variables under the factor "Level of formalization" is 0.7753. The scale reliability is not improved by deleting any of the item variables. Therefore, all items are retained when extracting the factor variable "Level of formalization."

In addition, the same analysis of reliability for the factor "Level of autonomy" was conducted.

Table 23. Scale reliability coefficient – Level of autonomy.

Variables	Cronbach's Alpha	Improvement

All variables: P111_06, P111_05, P111_09, P111_01	0.6307	-
Deleted: P111_06	0.4985	None
Deleted: P111_05	0.4216	None
Deleted: P111_09	0.6580	0.0273
Deleted: P111_01	0.6489	0.0182

Cronbach's alpha for all variables under the factor "Level of autonomy" is 0.6307. The scale reliability is insignificantly improved after deleting variables P111_09 ("Many important decisions are made locally rather than centrally") and P111_01 ("Our franchisees take only a few actions that do not comply with our standardized work instructions"). These improvements are respectively by 0.0273 and 0.0182 points only and do not significantly affect the data consistency. Therefore, all items will remain when extracting the factor variable "Level of autonomy."

As a result of the PCA method applied to "Structure" variables, two principal component factor variables were extracted, from which the first one, "Level of formalization," will be used in linear regression analysis. This factor is continuous, and it has a positively skewed distribution.

Table 24. Summary descriptive statistics of extracted principal component factors under Structure

Variable	Obs	Mean	Std. Dev.	Min	Max
Factor 1: Level of formalization	181	0	1	-1.461	3.696

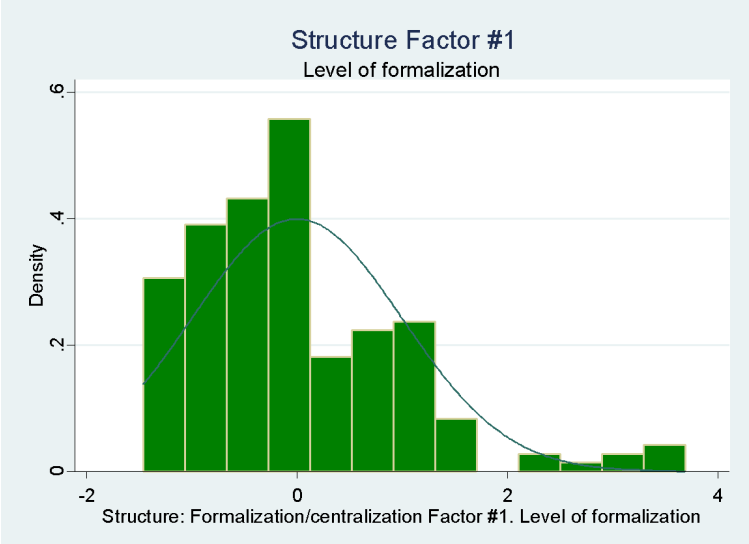


Table 25. Level of formalization

5.3.3. Decision rights

Similarly, with principal component factors for Strategy and Structure variables, the Decision rights variables were analyzed. The block of questions describing Decision rights consists of 12 variables. Each variable belongs to the same ordinal 7-point scale, with responses from "Not at all" (1) to "to "To a large extent" (7); therefore, no data standardization is needed before the analysis. As mentioned above, Principal Component Analysis (PCA) was applied in two stages. After the first stage, the variables that do not load into any of the factors were excluded and run PCA again.

The analysis is followed by testing whether the sample data fits adequately for performing PCA analysis. For testing this, Kaiser-Meyer-Olkin (KMO) and Bartlett's tests were performed.

Table 26. KMO and Bartlett's test of sphericity for Sampling Adequacy – Decision rights, 12 variables

Kaiser-Meyer-Olkin's measure	0.744
Bartlett's test of sphericity Chi-square	818.363
df	66
Sig.	0.000

The KMO measure (0.744) lies between 0.70 and 0.79 and is described as "middling" (Kaiser, 1970) for recommending data as suitable for the application of the PCA method. Bartlett's Test of sphericity ($\chi 2$ (66) = 818.363, $p<.0001$) also points out that PCA is possible to be conducted. In addition, the PCA model will apply together with the post-estimation Varimax rotation. Three-component factors with eigenvalues of more than 1 were identified, with eigenvalues 3.028, 2.203, and 1.494, explaining 56.1% of the total variance.

Table 27. Total variance explained by Principal Components Factor (Varimax rotated) – Decision rights, 12 variables

Component factors	Eigenvalue	Portion of variance explained	Cumulative portion of variance explained
1	3.028	0.252	0.252
2	2.203	0.184	0.436
3	1.494	0.125	0.561

Varimax Rotated matrix loadings will be sorted for each variable by descending order of loading scores for each of the identified principal component factors in Table 28.

Table 28. Rotated factor loadings (pattern matrix) and unique variances sorted – Decision rights, 12 variables

Variable	Component Factor1	Component Factor2	Component Factor3
P115_11 Introduction of new products to the local market	**0.798**	-0.056	0.023
P115_03 Selection of suppliers	**0.696**	0.087	0.009
P115_09 Equipment of the franchised outlets	**0.680**	0.270	0.019
P115_06 Range of products and services on the local market	**0.645**	-0.063	0.221
P115_10 Procurement of resources/inputs	**0.639**	0.186	-0.008
P115_08 Use of advertising and sales promotion measures	**0.499**	0.177	0.132
P115_02 Financing of local investment projects	0.043	**0.907**	0.009
P115_01 Implementation of investment projects at the local outlet	0.138	**0.881**	0.049
P115_04 Employment of employees at the local location	-0.240	**0.575**	0.547
P115_05 Training of employees at the local site	0.063	0.021	**0.885**
P115_12 Use of the controlling system at the franchised outlet	0.419	0.058	**0.493**
P115_07 Sales prices at the local location	0.336	0.341	0.315

Note: Loading scores 0.5 and higher are highlighted

At the next step, the variables which have loading scores of 0.5 and over were retained. These are 6 variables (P115_11, P115_03, P115_09, P115_06, P115_10, P115_08,) that load on a component factor 1 with score 0.5 or over.

The P115_08 loading score is very close to 0.5 (0.499), which means that this variable is relevant and can be included. This factor is described as *"Franchisees' decision rights (over value chain activities)"* based on the variable thematic meanings.

The following three variables (P115_02, P115_01, P115_04) load on a component factor 2, which can be described as "Franchisees' decision rights (over value chain activities)."

Variables P115_05 ("Training of employees at the local site") and P115_12 ("Use of the controlling system at the franchised outlet") load on a component factor 3, which we cannot describe under one thematic topic, therefore they will be excluded as well as the same applies to the variable P115_07, as it does not load on any of component factors with a score over 0.5.

Finally, after excluding three variables (P115_05, P115_12, P115_07), the PCA method was run again with nine remaining variables (second stage). The remaining variables were tested again for the sampling adequacy using Kaiser-Meyer-Olkin (KMO) and Bartlett's tests.

Table 29. KMO and Bartlett's test of sphericity for Sampling Adequacy - Decision rights, 9 variables

Kaiser-Meyer-Olkin's measure	0.733
Bartlett's test of sphericity Chi-square	656.460
df	36
Sig.	0.000

The KMO measure (0.733) is over 0.70 and 0.79, and Bartlett's Test of sphericity ($\chi 2$ (36) = 656.460, p<.0001) points that data is suitable for application of the PCA method. Furthermore, the PCA method with the post-estimation Varimax rotation will be conducted. Two-component factors with eigenvalues of more than 1 were identified, with eigenvalues 2.811 and 2.170, explaining 55.3% of the total variance.

Table 30. Total variance explained by Principal Components Factor (Varimax rotated) – Decision rights, 9 variables

Component factors	Eigenvalue	Portion of variance explained	Cumulative portion of variance explained
1	2.811	0.312	0.312
2	2.170	0.241	0.553

Table 31. Rotated factor loadings (pattern matrix) and unique variances sorted – Decision rights, 9 variables

Variable	Component Factor1	Component Factor2
P115_11 Introduction of new products to the local market	**0.802**	-0.068
P115_03 Selection of suppliers	**0.699**	0.074
P115_09 Equipment of the franchised outlets	**0.690**	0.256
P115_06 Range of products and services on the local market	**0.674**	-0.010
P115_10 Procurement of resources/inputs	**0.651**	0.164
P115_08 Use of advertising and sales promotion measures	**0.503**	0.196
P115_02 Financing of local investment projects	0.062	**0.884**
P115_01 Implementation of investment projects at the local outlet	0.164	**0.881**
P115_04 Employment of employees at the local location	-0.199	**0.686**

Note: Loading scores 0.5 and higher are highlighted

The identified factor variables and their corresponding covariates (with loading 0.5 and higher) are summarized in Table 32. Under the first factors, the six variables, describing "*Franchisees' decision rights (over value chain activities),"* are loaded, and the remaining three variables describing "*Franchise control over financial decision,*" are loaded under the second factor.

Table 32. Company Decision rights factors

Factors	Covariates
Factor #1. Franchisees' decision rights (over value chain activities)	P115_11 Introduction of new products to the local market
	P115_03 Selection of suppliers
	P115_09 Equipment of the franchised outlets
	P115_06 Range of products and services on the local market
	P115_10 Procurement of resources/inputs
	P115_08 Use of advertising and sales promotion measures
Factor #2. Franchise control over financial decision	P115_02 Financing of local investment projects
	P115_01 Implementation of investment projects at the local outlet
	P115_04 Employment of employees at the local location

Before extracting these two factors, the internal consistency of the data with Cronbach's correlation coefficient (Cronbach's alpha) for each factor was checked. First, Cronbach's alpha was identified with all sets of loaded covariates and then was calculated Cronbach's alpha step-by-step by deleting covariates to check whether removing each covariates improves the internal consistency.

Table 33. Scale reliability coefficient – Franchisees' decision rights (over value chain activities)

Variables	Cronbach's Alpha	Improvement
All variables: P115_11, P115_03, P115_09, P115_06, P115_10, P115_08	0.7737	-
Deleted: P115_11	0.7121	None
Deleted: P115_03	0.7384	None
Deleted: P115_09	0.7271	None
Deleted: P115_06	0.7451	None
Deleted: P115_10	0.7423	None
Deleted: P115_08	0.7693	None

As shown above, Cronbach's alpha for all variables under the factor *"Franchisees' decision rights (over value chain activities)"* is 0.7737. The scale reliability is not improved by deleting any of the item variables. Therefore, all items are retained when extracting the factor variable *"Franchisees' decision rights (over value chain activities)."* Next, the same analysis of reliability for the factor "Franchise control over financial decisions" was performed.

Table 34. Scale reliability coefficient – Franchise control over financial decisions

Variables	Cronbach's Alpha	Improvement
All variables: P115_02, P115_01, P115_04	0.7693	-
Deleted: P115_02	0.5391	None
Deleted: P115_01	0.5316	None
Deleted: P115_04	0.8740	0.1047

Cronbach's alpha for all variables under the factor "*Franchise control over financial decisions*" is 0.7693. The scale reliability is improved after deleting the P115_04 variable ("Employment of employees at the local location") by 0.1047 points. For the reason to improve consistency, this variable was excluded, and therefore only one variable will be used for describing Decision rights – Factor 1 *"Franchisees' decision rights (over value chain activities)"* in the subsequent linear regression analysis. As a result of the PCA method applied to "Decision right" variables, two principal component factor variables were extracted, from which the first factor *"Franchisees' decision rights (over value chain activities)"* in linear regression analysis. This factor is continuous and is distributed close to normal distribution.

Table 35. Summary descriptive statistics of extracted principal component factors under Decision rights

Variable	Obs	Mean	Std. Dev.	Min	Max
Factor 1: Franchisees' decision rights (over value chain activities)	246	0	1	-2.154	2.541

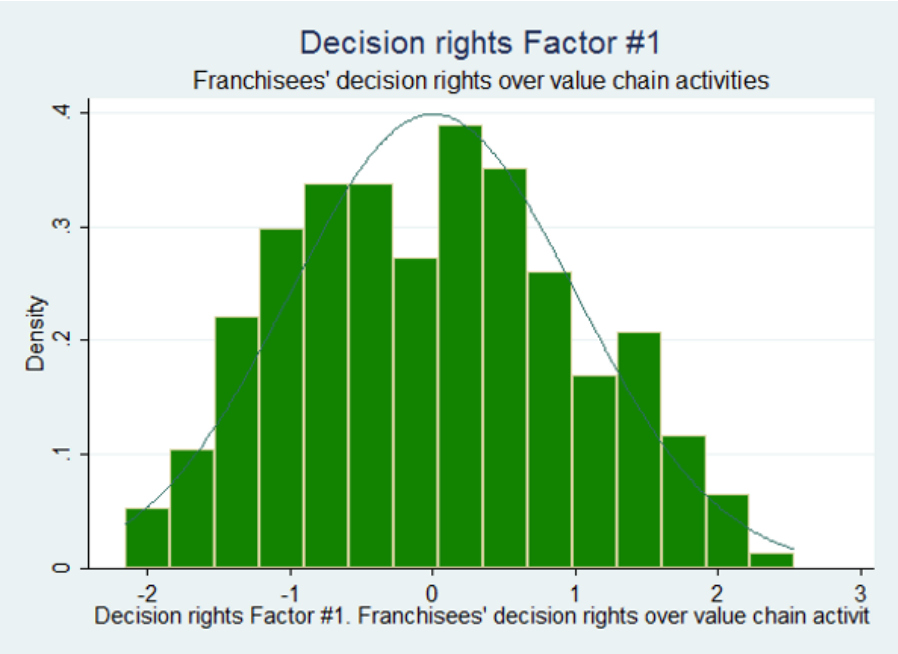


Table 36. "Franchisees' decision rights (over value chain activities)"

5.4 Testing for collinearity

Before running linear regression analysis for testing the hypothesis, all independent, dependent, and control variables were analyzed for possible collinearity issues affecting the regression result interpretations. The dependent variables are two factors of strategy, extracted in previous sections through the PCA method:

1. Focus on innovations and product range and
2. Focus on lower cost and efficient production process.

The predictor variables are factor variable of structure (Level of formalization), factor variable of Decision Rights (Franchisees' decision rights (over value chain activities)), and life cycle. At the same time, the control variables are country and logarithm-transformed age.

All variables except life cycle and country are continuous. The life cycle is an ordinal-scale variable with 5 levels and will treat it as continuous. The country is a 3-level categorical variable. As other potential covariates are/or can be treated as continuous, using the Pearson correlation coefficient is possible.

Table 37. Pearson correlation coefficients Matrix of correlations

Variables	1	2	3	4	5	6	7
1 Strategy: Focus on innovations and product range	1.000						
2 Strategy: Focus on lower cost and efficient production process	0.058	1.000					
3 Structure: Level of formalization	-0.175	0.152	1.000				
4 Decision Rights: Franchisees' decision rights (over value chain activities)	0.056	0.176	-0.067	1.000			
5 Life cycle	-0.129	-0.126	0.079	-0.088	1.000		
6 Country	-0.101	-0.021	0.142	-0.089	0.097	1.000	
7 Age (logarithm)	-0.157	0.031	0.137	-0.029	0.354	0.132	1.000

As it is shown in table x, no correlation coefficient exceeds 0.5 (the highest coefficient is 0.354 between age and life cycle); therefore, there are no strong significant correlations that can affect linear regression model interpretation.

Next, the variance inflation factor (VIF) test was conducted to run for hypothesis testing for each of the four linear models.

Table 38. Variance inflation factor. Dependent variable: Focus on lower cost and efficient production process

	VIF	Tolerance(1/VIF)
Life cycle	1.187	.842
Country: Germany	1.455	.687
Country: Other	1.428	.7
Age log	1.16	.862
Mean VIF	1.308	.

Table 39. Variance inflation factor. Dependent variable: Focus on lower cost and efficient production process

	VIF	Tolerance(1/VIF)
Level of formalization	1.041	.961
Country: Germany	1.404	.712
Country: Other	1.434	.697
Age log	1.031	.97
Mean VIF	1.227	.

Table 40. Variance inflation factor. Dependent variable: Focus on innovations and product range

	VIF	Tolerance(1/VIF)
Level of formalization	1.041	.961
Country: Germany	1.404	.712
Country: Other	1.434	.697
Age log	1.031	.97
Mean VIF	1.227	.

Table 41. Variance inflation factor. Dependent variable: Focus on lower cost and efficient production process

	VIF	Tolerance(1/VIF)
Franchisees' decision rights (over value chain activities)	1.018	.982
Country: Germany	1.414	.707
Country: Other	1.417	.706
Age log	1.015	.985
Mean VIF	1.216	.

In none of the models, the Variance inflation factor (VIF) exceeds 10, which again indicates that there are no multicollinearity issues, and no data is consistent with further analysis with the linear regression model.

5.5 Testing of Hypothesis

In this section of the data analysis, the testing of the research hypothesis is presented. Each hypothesis in various ways was evaluated with different variable coding and a set of control variables.

The research defines the following hypothesis:

H1. Franchises that are at the higher stage of the lifecycle are less likely to use a low-cost strategy.

H2. Franchises which have a more formalized structure are more likely to use a low-cost strategy.

H3. Franchises which have a more formalized structure are less likely to put focus on innovations and product range.

H4. Franchises which have higher level of decision rights over value chain activities are more likely to focus on lower cost and efficient production process.

For testing each hypothesis, the Ordinary Least Squared (OLS) linear regression models were applied.

H1. Franchises that are at the higher stage of the lifecycle are less likely to use a low-cost strategy.

In this hypothesis, the Life cycle is used as an independent variable (IV) and the Low-cost strategy as a dependent (DV). The dependent variable is presented by the extracted factor "focus on lower cost and efficient production process" based on the Miles and Snow criteria. These variables are continuous, and OLS regression models were applied. Control variables are Age (log-transformed) and Country.

Table 42. Model summary: DV: Strategy: Focus on lower cost and efficient production process

Mean dependent var	-0.030
R-squared	0.026
F-test	0.991

Table 43. Model coefficients: DV: Strategy: Focus on lower cost and efficient production process

	Coef.	St.Err.	t-value	p-value	[95% Conf	Interval]
Life cycle	-.141*	.081	-1.73	.086	-.301	.02
Country: Austria (base)	0	.	.	.	.	.
Country: Germany	.072	.195	0.37	.713	-.314	.458
Country: Other	-.036	.244	-0.15	.883	-.519	.447
Age logarithm	.259	.238	1.09	.278	-.211	.73
Constant	.099	.345	0.29	.776	-.584	.781

*** p<.01, ** p<.05, * p<.1

Ordinary Least Squares (OLS) linear regression model revealed a statistically significant relationship between life cycle (IV) and focus on lower cost and efficient

production process (DV). According to the model finding, a one-point increase in the life cycle is associated with a 0.141-point decrease on a factor scale "Focus on lower cost and efficient production process," all other control variables held constant. This finding supports Hypothesis 1: Franchises that are at the higher stage of the lifecycle are less likely to use a low-cost strategy. The hypothesis is confirmed at a significance level $p<0.1$.

H2. Franchises which have a more formalized structure are more likely to use a low-cost strategy.

This hypothesis Level of formalization is used as the independent variable (IV) and the Low-cost strategy as the dependent (DV). The dependent variable is presented by the extracted factor *"focus on lower cost and efficient production process"* based on the Miles and Snow criteria. The Independent variable is presented by the extracted factor "level of formalization." These variables are continuous, and OLS regression models will be used. Control variables are Age (log-transformed) and Country.

Table 44. Model summary: DV: Strategy: Focus on lower cost and efficient production process

Mean dependent var	-0.004
R-squared	0.028
F-test	1.053

Table 45. Model coefficients: DV: Strategy: Focus on lower cost and efficient production process

	Coef.	St.Err.	t-value	p-value	[95% Conf	Interval]
Level of formalization	.146*	.084	1.73	.085	-.02	.312
Country: Austria (base)	0	.	.	.	.	.
Country: Germany	.186	.193	0.96	.338	-.196	.568
Country: Other	-.048	.25	-0.19	.849	-.542	.447

Age logarithm	.024	.219	0.11	.911	-.408	.457
Constant	-.124	.287	-0.43	.667	-.691	.444

*** p<.01, ** p<.05, * p<.1

Ordinary Least Squares (OLS) linear regression model revealed a statistically significant relation between Level of formalization (IV) and focus on lower cost and efficient production process (DV). According to the model finding, a one-point increase on factor scale *"Level of formalization*" is associated with 0.146 points increase on a factor scale "*Focus on lower cost and efficient production process*," all other control variables held constant. This finding supports Hypothesis 2: Franchises with a more formalized structure are more likely to use a low-cost strategy.

The hypothesis is confirmed at a significance level p<0.1.

H3. Franchises which have a more formalized structure are less likely to put focus on innovations and product range.

In this hypothesis, we use the Level of formalization as the independent variable (IV) and focus on innovations and product range as a dependent (DV). The dependent variable is presented by the extracted factor "focus on innovations and product range" based on the Miles and Snow criteria. The Independent variable is presented by the extracted factor "level of formalization." These variables are continuous, and OLS regression models will be used. Control variables are Age (log-transformed) and Country.

Table 46. Model summary: DV: Strategy: Focus on innovations and product range

Mean dependent var	-0.018
R-squared	0.065
F-test	2.543

Table 47. Model coefficients: DV: Strategy: Focus on innovations and product range

	Coef.	St.Err.	t-value	p-value	[95% Conf	Interval]
Level of formalization	-.153*	.085	-1.81	.073	-.32	.014
Country: Austria (base)	0	.	.	.	.	.
Country: Germany	-.325*	.195	-1.67	.097	-.709	.06
Country: Other	-.322	.252	-1.28	.203	-.82	.176
Age logarithm	-.354	.22	-1.61	.109	-.789	.08
Constant	.616**	.289	2.13	.035	.045	1.187

**** p<.01, ** p<.05, * p<.1*

The Ordinary Least Squares (OLS) linear regression model revealed a statistically significant relationship between the Level of formalization (IV) and focus on innovations and product range (DV). According to the model finding, a one-point increase on factor scale "*Level of formalization*" is associated with 0.153 points decrease on a factor scale *"Focus on innovations and product range,"* all other control variables held constant. This finding supports Hypothesis 3: Franchises which have a more formalized structure are less likely to put focus on innovations and product range.

The hypothesis is confirmed at a significance level p<0.1.

H4. Franchises which have higher level of decision rights over value chain activities are more likely to focus on lower cost and efficient production process.

In this hypothesis, Franchisees' decision rights (over value chain activities) is conducted as an independent variable (IV) and focuses on lower cost and efficient production process as a dependent (DV). The dependent variable is presented by the extracted factor "*focus on lower cost and efficient production process*" based on the Miles and Snow criteria. The Independent variable is introduced by the extracted factor "*Franchisees' decision rights (over value chain activities)"* These variables are continuous, and OLS regression models were applied.

Control variables are Age (log-transformed) and Country.

Table 48. Model summary: DV: Strategy: Focus on lower cost and efficient production process

Mean dependent var	-0.006
R-squared	0.035
F-test	1.331

Table 49. Model coefficients: DV: Strategy: Focus on lower cost and efficient production process

	Coef.	St.Err.	t-value	p-value	[95% Conf	Interval]
Franchisees' decision rights (over value chain activities)	.180**	.086	2.08	.039	.009	.35
Country: Austria (base)	0	.	.	.	.	.
Country: Germany	.121	.194	0.62	.533	-.263	.506
Country: Other	.028	.249	0.11	.912	-.464	.519
Age logarithm	.082	.218	0.38	.708	-.348	.512
Constant	-.167	.286	-0.58	.561	-.732	.398

*** *p<.01, ** p<.05, * p<.1*

Ordinary Least Squares (OLS) linear regression model revealed a statistically significant relation between Franchisees' decision rights (over value chain activities) (IV) and focus on lower cost and efficient production process (DV). According to the model finding, a one-point increase on the factor scale "*Franchisees' decision rights (over value*

chain activities)" is associated with 0.180 points increase on a factor scale *"Focus on lower cost and efficient production process,*" all other control variables held constant. This finding supports H4. Franchises which have higher level of decision rights over value chain activities are more likely to focus on lower cost and efficient production process.

The hypothesis is confirmed at a significance level of $p<0.05$.

6. Summary

In the chapter of the thesis, the discussion of the results conducted by the data analysis is shown, followed by limitations and suggestions for further research.

6.1 Discussion of the results

This section of the thesis shows the results of four tested hypotheses and presents the confirmation based on the analysis. The table below shows that all four of the hypotheses presented in this thesis are significantly tested with a $p<0.1$.

As exhibited in the table, all anticipated hypotheses were supported because of the significant test outcome. For testing each of the hypotheses, the Ordinary Least Squared (OLS) linear regression model was applied.

Table 50. Results of the tested hypotheses

Hypothesis	Result	Sig. level
1. Franchises that are at the higher stage of the lifecycle are less likely to use a low-cost strategy	Confirmed	p<0.1
2. Franchises which have a more formalized structure are more likely to use a low-cost strategy	Confirmed	p<0.1
3. Franchises which have a more formalized structure are less likely to put focus on innovations and product range	Confirmed	p<0.1
4. Franchises which have higher level of decision rights over value chain activities are more likely to focus on lower cost and efficient production process.	Confirmed	p<0.05

Basically, there are four stages of a product life cycle. Each has its characteristics that give businesses an idea for managing their business/product life cycle. Analyzing which stage a firm is, helps to create a strategy that fits the life cycle phases. Vernon's (1966) theory of the Life cycle is mainly described based on the MNC's; however, assuming that this theory can be applied to the franchise as well. Furthermore, it seems that there is an effect of the life cycle stages in the franchise system. 'H1: Franchises that are at the higher stage of the lifecycle are less likely to use a low-cost strategy.'

The first hypothesis was strongly supported, indicating that franchise life cycle phases had an effect on strategy and structure selection as well. The dependent variable is presented by the extracted factor "focus on lower cost and efficient production process" based on the Miles and Snow criteria. These variables are continuous, and we will use OLS regression models. Ordinary Least Squares (OLS) linear regression model revealed a statistically significant relationship between life cycle (IV) and focus on lower cost and efficient production process (DV).

Furthermore, literature shows and confirms that there is a fit between structure and strategy within an organization. To this point, Chandler (1962) also pointed out that structure follows strategy. However, there is a mutual relationship between these two; if one changes, the other should follow. The same seems to be in the franchise system, is on the off chance that an association changes its strategy, it should change its structure to help fit the new strategy. In addition, the second hypothesis's focus was on finding if there is a correlation between structure and strategy at the franchises system, adding to this, 'H2: Franchises which have more formalized structure are more likely to use a low-cost strategy' revealed statistically significant that there is a relation between Level of formalization (IV) and Focus on lower cost and efficient production process (DV).

A formalized structure involves control over employees while enforcing rules and regulations and allowing limited access to the lower management team. H3: Franchises which have more formalized structure are less likely to put focus on innovations and product range based on the collected data and responses from the survey; hypothesis three is

revealed to be a statistically significant relation between Level of formalization (IV) and focus on innovations and product range (DV).

As literature shows, control over value chain activities is also quite visible in the franchise system. Further, 'H4. Franchises which have higher level of decision rights over value chain activities are more likely to focus on lower cost and efficient production process.' revealed a statistically significant relation between Franchisees' decision rights (over value chain activities) (IV) and Focus on lower cost and efficiency production process (DV).

6.2 Limitations

Similarly, as with most other research papers, this Master's thesis is dependent upon limitations on literature and further detailed explanations. Furthermore, there are a few limitations in this thesis that could be tended to in future examinations.

It starts with the fact that the questionnaire used for this thesis was not originally made to respond to this Master thesis topic. Furthermore, a more specific survey with questions regarding this thesis will result in better and higher qualitative data with fewer incomplete questionnaires. Another essential part to mention, when it comes to limitations, is that the questionnaires were sent to the German speaking countries only, the DACH region, which makes this thesis' results and suggestions applicable only for these countries.

As the main focus is Austria and Germany, and Switzerland, the tested hypothesis might not be significantly confirmed for other countries, meaning that this research has limitations to two countries while it has a wide range of industries. Furthermore, this research has quite a wide range of industries, meaning that the results might not fit a specific industry; in order to overcome the missing data, more specific research would be recommended and considering a more comprehensive range of countries, or the whole European countries in order the results to be more relevant to other European Countries.

Second, despite those 1,913 franchises being contacted, not all of them took part in the whole survey; this has brought tightened results of the research, where not all questions could be used for the study. After the research had been completed, all relevant data were carefully reviewed. Although there are 256 interviews, the number of observations of specific variables vary due to item non-response. In order to avoid the risks of inaccurate data processing, the responses with missing relevant information for testing the hypothesis were also excluded from the data, and an overall number of responses to the variables used in analysis varies from 160 to 254. To this point, either a shortened survey with fewer questions or a focus for each industry would be suggested to ensure better results.

Finally, the research model focus was on the strategy and structure relationship with a dependency on the life cycle stages effect on the franchises; most of the suggestions and comments were done based on the life cycle of the corporation as there is very little literature on the franchise life cycle and franchising structure and strategy. However, the literature presented in this paper helped develop the hypothesis and closed the research gap created from the analytical research data that were received from the questionnaire.

6.3. Recommendation/Suggestions

There are literature and research papers done for the life cycle stages of the franchising system; however, there are no deep analyses done if the life cycle stages influence the usage and relation between strategy and structure and the decision rights.

The purpose of this master's thesis is to arouse the interests and awareness of the topic's future investigations. Indeed, in considering the causes of failure among franchises, Michael and Combs (2008) indicate that very little has been done to gain an improved understanding of those factors that contribute to franchisee performance – echoing the view that research on the consequences of franchising for franchisees has been rare (Combs, Michael & Castrogiovanni, 2004) (Tonder, McMullan, 2010).

Having the possibility to analyze each life cycle stage of the franchise helps describe how and what are the effects that franchises go through when they develop from one phase to another, and if there is any impact on strategy and structure that must follow within different phases. However, there must be recognition that, to do so and have the proper information that can be used for future contribution, one must do a deeper, more collective, and particular research separated and focused either on the geographical area or in the specific industry.

Furthermore, based on the reading and comparing the information, we would suggest that there is an influence and relationship between strategy and life cycle and the structure and the life cycle, but because of limitation on the literature and also not enough data from the survey, to prove this, further research should be done with a focus in a specific industry, all depended on what would be needed. Notwithstanding, we cannot say the same for the relationship between decision-making and life cycle stages. As literature shows, there is a strong relationship between franchisor and franchisee in the first and last stage of the life cycle.

7. Conclusion

The aim of this thesis is to contribute to filling in the research gap and the research question, where it is stated that there is an impact of the life cycle stages when it comes to choosing a specific strategy and structure within the franchise.

The beginning of the thesis is outlined with the introduction about the franchise system, what franchising is and the benefits of franchising, followed by the research gap of the thesis. Furthermore, based on the capabilities of the firm to expand, they choose the appropriate entry mode. Franchising is one of the most crucial market entry modes in a global environment, and it is one of the most known business format growth in the United States and worldwide.

Despite the limitation on the data and literature presented in this research, we can say that there is a connection between strategy, structure, decision rights, and the life cycle. The responses to the questionnaire and the verified hypothesis indicate that if a more in-depth study is conducted in a particular region of the franchise, more precise and unambiguous findings will be obtained. Furthermore, there is literature that explains and supports the relationship between structure and strategy, strategy and decision making within organizations and even franchises, though not that much literature on these relationships were done toward franchising system, notwithstanding, in the literature review, it is presented that there is an impact of life cycle stages when it comes to choosing the strategy or structure of the franchise.

In conclusion, as mentioned in the limitation and recommendation, more detailed research would be suggested for accurate results. Nonetheless, this thesis may support the study subject suggesting that life cycle phases, particularly the first and final stages, have an effect on the franchise's strategy, structure, and decision-making rights and that they have a positive link.

References

Ahmady, G., Mehrpour, M., & Nikooravesh, A. (2016). Organizational Structure. *Social and Behavioral Sciences* (230), 455-462.

Allen, R. S., & Helms, M. M. (2006). Linking strategic practices and organizational performance to Porter's generic strategies. *Business Process Management Journal*.

Alon, I. (2001). The use of franchising by U.S.-based retailers. Journal of Small Business Management, 39 (2), 111.

Alon, I. (2004). Global franchising and development in emerging and transitioning markets. *Journal of Macromarketing*, *24*(2), 156-167.

Amos, James H., Jr. (2001). Franchising, more than any act of government, will strengthen the global economy. Franchising World, 33(4), 8

Ansoff, Igor (1965), Corporate Strategy McGraw Hill, New York

Auty, R. (1984). The Product Life-Cycle and the Location of the Global Petrochemical Industry after the Second Oil Shock. Economic Geography, 60(4), 325-338. doi:10.2307/143437

Baker, B. L., & Dant, R. P. (2008). Stable plural forms in franchise systems: An examination of the evolution of ownership redirection research. In *Strategy and governance of networks* (pp. 87-112). Physica-Verlag HD.

Baker, G., Gibbons, R., & Murphy, K. (2008). Strategic alliances: Bridges between “islands of conscious power”. Journal of the Japanese and International Economies, Volume 22, Issue 2, Pages 146-163.

Barney, J.B., 1997. Gaining and Sustaining Competitive advantage. Addison-Wesley, Reading, MA.

Barney, J. (1991). Firm Resources and Sustained Competitive Advantage. Journal of Management, 17(1), 99.

Benoliel, U. (2009). Reputation life cycle: The case of franchising. *Chap. L. Rev.*, *13*, 1.

Blut, M., Backhaus, C., Heussler, T., Woisetschläger, D. M., Evanschitzky, H., & Ahlert, D. (2011). What to expect after the honeymoon: Testing a lifecycle theory of franchise relationships. *Journal of Retailing*, *87*(3), 306-319.

Bobbitt, H. R., & Ford, J. D. (1980) Decision maker choice as a determinant of organization structure. *Academy of Management Review. 5, 13-24.*

Bower, J. L. (1970) Managing the resource allocation process. *Cambridge, MA: Harvard University Press.*

Bryman, A. (2004). *Social research methods. Oxford [u.a.] : Oxford Univ. Press. Second edition.*

Campbell-Hunt, C. (2000). What have we learned about generic competitive strategy? A meta-analysis. *Strategic Management Journal*, *21*(2), 127-154.

Carlisle, H. M., A Contingency Approach to Decentralization, Advanced Management Journal (1974), July.

Castrogiovanni, G. J., & Justis, R. T. (1998). Franchising configurations and transitions. The Journal of Consumer Marketing, 15(2), 170-190.

Carney, M., & Gedajlovic, E. (1991). Vertical integration in franchise systems: Agency theory and resource explanations. *Strategic management journal*, *12*(8), 607-629.

Chakravarthy, B. S. (1982). Adaption: A promising metaphor for strategic management. Academy of Management.the Academy of Management Review (Pre-1986), 7(000001), 35.

Chandler, A.D. (1962), Strategy and Structure: *Chapters in the History of the American Enterprise, The MIT Press, Cambridge*

Chang, M. H., & Harrington, J. E. (2000). Centralization vs. decentralization in a multi-unit organization: A computational model of a retail chain as a multi-agent adaptive system. *Management Science*, *46*(11), 1427-1440.

Child, J. (1974) Comments on Reimann and Mansfield's "bureaucracy." Administrative Science Quarterly. 19, 247-250

Collins, D. (2007), Narrating the management guru: in search of Tom Peters. London: Routledge.

Combs, J. G., Ketchen, D. J., Jr., & Short, J. C. (2011). Franchising research: Major milestones, new directions, and its future within entrepreneurship. Entrepreneurship Theory and Practice, 35(3), 413–425.

Chiou, J.-S. and Droge, C. (2015) The Effects of Standardization and Trust on Franchisee's Performance and Satisfaction: A Study on Franchise Systems in the Growth Stage. *Journal of Small Business Management, 53:*129-144.

Cummings, S. (1995). Centralization and decentralization: The neverending story of separation and betrayal. *Scandinavian Journal of Management*, *11*(2), 103-117.

Dant, R. P. (1995). Motivation for franchising: Rhetoric versus reality. *International Small Business Journal*, 14(1), 10—32.

Dant, R. P. (2008). A futuristic research agenda for the field of franchising. Journal of Small Business Management, 46(1), 91-98.

Dant, R. P., & Gundlach, G. T. (1999). The challenge of autonomy and dependence in franchised channels of distribution. *Journal of Business Venturing*, *14*(1), 35-67

Dant, R. P., Grünhagen, M., & Windsperger, J. (2011). Franchising research frontiers for the twenty-first century. *Journal of Retailing*, 87(3), 253–268.

Dant, R. P., Kaufmann, P. J., & Paswan, A. K. (1992). Ownership redirection in franchised channels. *Journal of Public Policy & Marketing*, *11*(1), 33-44.

Dant, R. P., Paswan,A, K., & Patrick J. Kaufmann (1996). "What We Know About Ownership Redirection in Franchising: A Meta-Analysis," Journal of Retailing, 72 (4), 429–445.

De Leeuw, E. (2008). Self-administered questionnaires and standardized interviews. *Handbook of social research methods*, 313-327.

Dodge, H.R. & Robbins, J.E.(1992) "An Empirical Investigation of the Organizational Life Cycle Model for Small Business Development and Survival," *Journal of Small Business Management*, Vol. 30, No. 1, (1992): 27-37.

Dodge, H.R., Fullerton, S. & Robbins, J.E. (1994) "Stage of the Organizational Life Cycle and Competition as Mediators of Problem Perception for Small Businesses," *Strategic Management Journal,* Vol. 15, (1994): 121- 134.

Duncan, R. (1972) Characteristics of organizational environments and perceived environmental uncertainty. Administrative Science Quarterly. 17, 313-327.

Duncan, R. (1979) What is the right structure? Decision tree analysis provide answer. Organizational Dynamics. 7. 59-80.

(ed), GBATA 2010 - 12th annual international conference, Jul 5, 2010, pp. 890-902. Kruger National Park Vicinity, South Africa: Global Business and Technology Association.

Elango, B & Fried V. H (1997). Franchising research: A literature review and synthesis. Journal of Small Business Management; Jul 1997; 35, 3; pg. 68

Filley, A. C., & House, R. J. Managerial process and organizational behavior. 2nd ed. Glenview, Ill.: Scott, Foresman, 1976 (Ist ed., 1969).

Ford, J. D., & Slocum, J. W. (1977) Environment, technology and the structure of organizations. *Academy of Management Review*, 2. 561-575.

Fredrickson, J. W. (1986). The strategic decision process and organizational structure. *The Academy of Management Review, 11*(2), 280–297

Franchise direct. (2018, February) Top 100 franchises report: overview, https://www.franchise.org/about-us/ifa-awards-program

Fry, L. W., & Slocum Jr, J. W. (1984). Technology, structure, and workgroup effectiveness: A test of a contingency model. *Academy of management journal*, *27*(2), 221-246.

Galbraith, J. R., & Nathanson, D. A. (1979) The role of organizational structure and process in strategy implementation. In D. E. Schendel & C. W. Hofer (Eds.) Strategic management: Boston: Little, Brown, 249-283.

Gillis, W., & Castrogiovanni, G. J. (2012). The franchising business model: an entrepreneurial growth alternative. *International Entrepreneurship and Management Journal*, *8*(1), 75-98.

Gupta, P. D., Guha, S., & Krishnaswami, S. S. (2013). Firm growth and its determinants. *Journal of innovation and entrepreneurship*, *2*(1), 1-14.

Hage, J., & Aiken, M. (1967). Program change and organizational properties a 3-519.

Hage, J., & Aiken, M. (1969). Routine technology, social structure, and organization goals. *Administrative science quarterly*, 366-376.

Hall, R. H. (1977) Organizations. 'Structure and process. Englewood Cliffs, NJ: Prentice-Hall.

Hall, R. H., Johnson, N. J., & Haas, J. E. (1967). Organizational size, complexity, and formalization. *American Sociological Review*, 903-912.

Hambrick, D. C. (1983). Some tests of the effectiveness and functional attributes of miles and snow's strategic types. Academy of Management Journal (Pre-1986), 26(1), 5.

Hedberg, B. L., Nystrom, P. C., & Starbuck, W. H. (1976). Camping on seesaws: Prescriptions for a self-designing organization. *Administrative Science Quarterly*, 41-65.

Henry, A. E. (2018) Understanding Strategic Management. *Third edition. Oxford University Press.*

Hoffman, R. C., & Preble, J. F. (2004). Global franchising: Current status and future challenges. *The Journal of Services Marketing, 18*(2), 101-113

Hyman, H. (1954) social research. Chicago: Univer. of Chicago Press. Pp. xvi+ 415.

International Franchise Association. (2020, February) Franchise Business economic outlook 2020. https://www.franchise.org/franchise-information/franchise-business-outlook/franchise-business-economic-outlook-2020

International Franchise Association. (2021, February) Economic outlook for franchising. https://www.franchise.org/sites/default/files/2021-02/Economic%20Outlook%202021_web2.pdf

Jansen, H. (2010). The logic of qualitative survey research and its position in the field of social research methods. In *Forum Qualitative Sozialforschung/Forum: Qualitative Social Research* (Vol. 11, No. 2).

Jelinek, M. (1977). Technology, organizations, and contingency. *Academy of management review*, *2*(1), 17-26.

Jensen M. C & Mekling W . H 1992, SPECIFIC AND GENERAL KNOWLEDGE, AND ORGANIZATIONAL STRUCTURE. Contract Economics, Lars Werin, and Hans Wijkander, eds. (Blackwell, Oxford 1992), pp. 251-274.

Jennings, D. F., & Seaman, S. L. (1994). High and low levels of organizational adaptation: An empirical analysis of strategy, structure, and performance. *Strategic management journal*, *15*(6), 459-475.

Jones, H. L. (1955). The application of sampling procedures to business operations. *Journal of the American Statistical Association*, *50*(271), 763-774.

Kavale, S. (2012). The connection between strategy and structure. *International journal of business and commerce*,*1*(6), 60-70.

Kiesler, S., & Sproull, L. S. (1986). Response effects in the electronic survey. *Public Opinion Quarterly*, *50*(3), 402-413.

Kogut, B., & Zander, U. (1993). Knowledge of the firm and the evolutionary theory of the multinational corporation. *Journal of international business studies*, *24*(4), 625-645.

Lafontaine, F. (1992). Agency theory and franchising: some empirical results. *The rand journal of economics*, 263-283.

Lafontaine, F., & Kaufmann, P. J. (1994). The evolution of ownership patterns in franchise systems. *Journal of Retailing, 70(2), 97-113.*

Lafontaine, F., & Shaw, K. L. (2005). Targeting managerial control: evidence from franchising. *The Rand Journal of Economics, 36(1), 131-150.*

Lafontaine, F., & Slade, M. E. (1997). Retail contracting: Theory and practice. *The Journal of Industrial Economics*, *45*(1), 1-25.

Lawrence, P. R., & Lorsch, J. (1967) Organization and environment. Boston: Harvard Business School.

Lawrence, P. R., & Lorsch, J. W. (1967). Differentiation and integration in complex organizations. *Administrative science quarterly*, 1-47.

Levitt, T. (1993). The globalization of markets. *Readings in international business: a decision approach*, *249*, 249-252.

Lillis, C. M., Narayana, C. L., & Gilman, J. L. (1976). Competitive Advantage Variation over the Life Cycle of a Franchise: Of the Tested Competitive Advantages, Franchisee Motivation is Perceived as the most Important at all Life Cycle Stages. *Journal of Marketing*, *40*(4), 77-80.

Litterer, J. A. (1965) The analysis of organizations. New York: Wiley.

Loosveldt, G. (2008). Face-to-face versus web surveying in a high-internet-coverage population. *Public Opinion Quarterly*, *72*(5), 836-846.

Mahoney, J. T. (2004). *Economic foundations of strategy*. Sage Publications.

March, J. G., & Simon, H. A. (1958) Organizations. New York: Wiley.

Masurel, E., & Van Montfort, K. (2006). Life cycle characteristics of small professional service firms. *Journal of small business management*, *44*(3), 461-473.

Michael, S. C. (1993). *Strategy, structure, and control in franchise systems*. Harvard University.

Michael, S. C. (1996). To franchise or not to franchise: An analysis of decision rights and organizational form shares. *Journal of business venturing*, *11*(1), 57-71.

Michael, S. C. (2000). The effect of organizational form on quality: the case of franchising. *Journal of Economic Behavior & Organization*, *43*(3), 295-318.
Michael, S. C. (2003). First mover advantage through franchising. *Journal of business venturing*, *18*(1), 61-80.
Michael, S. C., & Combs, J. G. (2008). Entrepreneurial failure: The case of franchisees. *Journal of Small Business Management*, *46*(1), 73-90.

Miles, R., Snow, C., Meyer, A., & Coleman, H. (1978). Organizational Strategy, Structure, and Process. The Academy of Management Review, 3(3), 546-562
Miles, R., & Snow, C. (2003). Organizational Strategy, Structure, and Process. Stanford Business Books.

Miller, D., & Mintzberg, H. (1983) The case for configuration. In G. Morgan (Ed.), Beyond method: Strategies for social research, Beverly Hills, Cal.: Sage, 57-73.

Mintzberg, H. (1972, August). Research on strategy-making. In *Academy of Management Proceedings* (Vol. 1972, No. 1, pp. 90-94). Briarcliff Manor, NY 10510: Academy of Management.

Mintzberg, H. (1978). Patterns in strategy formation. *Management Science*, *24*(9), 934-948.

Mintzberg, H. (1984). Power and organization life cycles. *Academy of Management Review*, *9*(2), 207-224.
Monavarian, A., Asgari, N., & Ashna, M. (2007). Structural & content aspects of the knowledge oriented organizations. In *1st National conference on management of knowledge 13-14 razi international center* (p. 10).

Morgan, G. (Ed.). (1983). *Beyond method: Strategies for social research*. Sage.
Mulcaster, W. R. (2009). Three Strategic Frameworks; Business Strategy Series. *New York*.
Nagata, C., Hara, S. Y., & Shimizu, H. (1995). Factors affecting response to mail questionnaire: research topics, questionnaire length, and non-response bias. *Journal of Epidemiology*, *5*(2), 81-85

Oxenfeldt, A.R. , & Kelly, A.O. (1969). Will successful franchise systems ultimately become wholly-owned chains? Journal of Retailing, 44(4), 69-87
Oxenfeldt, A.R. , & Kelly, A.O. (1969). Will successful franchise systems ultimately become wholly-owned chains? Journal of Retailing, 44(4), 69-87

Ozanne Urban B. and Shelby D. Hunt, (1974) The Economic Operated Units in Franchise Chains," Journal of Retailing: Effects of Franchising

(Washington, D.C.: U.S. Government Franchising, Recent Trends, Alfred R. Oxenfeldt, ed., Printing Office, 1971), p. 14

Panda, S., Paswan, A. K., & Mishra, S. P. (2019). Impact of positioning strategies on franchise fee structure. *Industrial Marketing Management*, *81*, 30-39.

Parnell, J. A. (2006). Generic strategies after two decades: a reconceptualization of competitive strategy. Management Decision, 44(8), 1139.

Kaufmann, P. J., & Eroglu, S. (1999). Standardization and adaptation in business format franchising. Journal of Business Venturing, 14(1), 69–85.

Peng, M. W. (2014). Global Strategic Management*. South-Western Cengage Learning. Third edition.*

Picot-Coupey, K., Burt, S. L., & Cliquet, G. (2014). Retailers′ expansion mode choice in foreign markets: Antecedents for expansion mode choice in the light of internationalization theories. *Journal of Retailing and Consumer Services*, *21*(6), 976-991.

Porter, M. E. (1985) Competitive Advantage. Creating and Sustaining Superior Performance. *New York: The Free Press; London: Collier Macmillan Publishers.*

Root, F. R. (1994). Entry strategies for International Markets. Lexington Books. New York: *An imprint of macmillan, Inc.*

Perrow, Charles. 1986. *Complex Organizations. A Critical Essay.* 3rd edition. New York: McGraw-Hill

Rubin, P. H. (1978). The Theory of the Firm and the Structure of the Franchise Contract. *The Journal of law and economics*, *21*(1), 223-233.

Rutherford, M. W., McMullen, P., & Oswald, S. (2001). Examining the issue of size and the small business: A self organizing map approach. *The Journal of Business and Economic Studies*, *7*(2), 64-81.

Samiee, S., & Roth, K. (1992). The influence of global marketing standardization on performance. Journal of marketing, 56(2), 1-17.

Sanyal, R, N. (2001). International management: a strategic perspective. *Upper Saddle River, NJ : Prentice Hall.f*

Simon, H. A. (1976) Administrative behavior (3rd ed.). New York: Free Press.

Shane, S. (1998). Explaining the distribution of franchised and company-owned outlets in franchise systems. *Journal of Management*, *24*(6), 717-739.

Smith, K, & Guthrie, J & Chen, M.-J. (1986). Miles and Snow's Typology of Strategy, Organizational Size and Organizational Performance. Academy of Management Proceedings. 1986. 45-49.

Shelby D. Hunt, "The Trend Toward Company Operated Units in Franchise Chains," Journal of Retailing: Effects of Franchising Recent Trends, Alfred R. Oxenfeldt, ed. (1974), Printing Office, 1971), pp. 110-11

Sudman, S. (1996). How to Conduct Your Own Survey. Journal of Marketing Research (JMR), 33(1), 118–119.

Teeter, R. A., & Whelan-Berry, K. S. (2008). My firm versus our firm: The challenge of change in growing the small professional service firm. *The Journal of Business Inquiry*, *7*(1), 41-52.

Tonder, V.C. L., and McMullan, L. C. 2010. Franchisees, change, and the life cycle, in Delener, N., and Fuxman, L. and Lu, V.F. and Rivera-Solis, L.E.

Thompson, R. S. (1994). The franchise life cycle and the Penrose effect. *Journal of Economic Behavior & Organization*, *24*(2), 207-218.

Van de Ven, A. H. (1976). A framework for organization assessment. *Academy of management review*, *1*(1), 64-78.

Varotto, L. F.; Aureliano-Silva, L. (2017). Evolution in franchising: trends and new perspectives Internext – Review of International Business, 12 (3), 31-42

Vernon, R. (1966) “International Investment and International Trade in the Product Cycle.” Quarterly Journal of Economics, May 1966, 80(2), pp. 190-207.

Van Mesdag, M. (1987), “Winging it in Foreign Markets,” Harvard Business Review, January-February

Vrontis, D. (2003). Integrating adaptation and standardisation in international marketing: the AdaptStand modelling process. *Journal of Marketing Management*, *19*(3-4), 283-305.

Walsh, James P., and Robert D. Dewar. "Formalization and the organizational life cycle [1]." Journal of Management Studies 24.3 (1987): 215-231.

Windsperger, J. (2001). The fee structure in franchising: a property rights view. *Economics letters*, *73*(2), 219-226.

Windsperger, J. (2004). Centralization of franchising networks: evidence from the Austrian franchise sector. *Journal of Business Research*, *57*(12), 1361-1369.

Windsperger, J. (2004). Centralization of franchising networks: evidence from the Austrian franchise sector. *Journal of Business Research*, *57*(12), 1361-1369.

Windsperger, J. (2013). Governance of franchising networks. *Handbook of Economic Organization*. Integrating Economic and Organization Theory. 522-553.

Windsperger, J., & Dant, R. P. (2006). Contractibility and ownership redirection in franchising: A property rights view. *Journal of retailing*, *82*(3), 259-272

Windsperger, J., Kocsis, E., & Rosta, M. (2009). Exploring the relationship between decision and ownership rights in joint ventures: evidence from Hungarian joint ventures. *International Studies of Management & Organization*, *39*(4), 43-59.

Wheelen, T, L; Hunger, J, D; Hoffman, A. N; Banford, C, E. (2018). Concepts in Strategic Management and Business Policy. Globalization, Innovation and Sustainability. 15 th edition. *Pearson education.*

Yin, X., & Zajac, E. J. (2004). The strategy/governance structure fit relationship: Theory and evidence in franchising arrangements. *Strategic management journal*, *25*(4), 365-383.

Fakultät für Wirtschaftswissenschaften und Statistik
Institut für Betriebswirtschaftslehre

Univ. Prof. Dr. Josef Windsperger
Projektmitarbeiter: Ing. Aveed Raha, PhD; Ilir Hajdini, PhD
Oskar-Morgenstern-Platz 1
A-1090 Wien
Tel.: +43-1-4277-38180
josef.windsperger@univie.ac.at
http://im.univie.ac.at/windsperger/

Wien, 25 .6. 2019

Faculty of Business, Economics and Statistics

Sehr geehrte Frau Geschäftsführerin/Sehr geehrter Herr Geschäftsführer!

Das Institut für Betriebswirtschaftslehre der Universität Wien führt unter meiner Leitung ein Forschungsprojekt zum Thema „***Strategie und Organisation von Franchisesystemen***" durch.

Die Untersuchung wird mit Hilfe eines Fragebogens durchgeführt, der allen Franchisegebern übermittelt wird. Die erfolgreiche Durchführung der Fragebogenuntersuchung setzt eine enge Zusammenarbeit zwischen Unternehmenspraxis und Wissenschaft voraus. Die wissenschaftliche Verwertbarkeit der Ergebnisse ist nur dann sichergestellt, wenn eine große Anzahl von Franchisegebern den Fragebogen ausfüllt.

Wir wissen, dass Ihre Unternehmertätigkeit kaum Zeit für zusätzliche Aufgaben lässt. Andererseits ist die Wissenschaft auf eine enge Zusammenarbeit mit der Unternehmenspraxis angewiesen, um neue Forschungsergebnisse zu erzielen, die auch für die Praxis von Relevanz sind.

Wir ersuchen Sie daher höflichst, uns bei dieser wissenschaftlichen Untersuchung zu unterstützen und den Fragebogen auszufüllen. Sie finden den Fragebogen auch unter folgendem Link: http://im.univie.ac.at/Windsperger/news/?no_cache=1. Diesen können sie uns faxen (00431427738174) oder per Post übermitteln.
Ferner können Sie auch eine Online-Version ausfüllen: https://www.soscisurvey.de/FranchiseRelationships/?q=de

Für etwaige Probleme beim Ausfüllen des Fragebogens stehe ich Ihnen gerne persönlich zur Verfügung (Email: josef.windsperger@univie.ac.at oder 00431427738180).

Projektmitarbeiter: Ing. Aveed Raha, PhD, aveed.raha@univie.ac.at, Tel: 004368860517068; Ilir Hajdini, PhD, ilir.hajdini@univie.ac.at.

Als Projektleiter möchte ich mich für Ihre freundliche Unterstützung schon im Voraus recht herzlich bedanken. Die Untersuchungsergebnisse werden im Rahmen eines Workshops an der Universität Wien präsentiert, zu dem Sie eingeladen werden.

Mit freundlichen Grüßen,

universität wien

1. Bitte bewerten Sie, welche der folgenden Aussagen den Bedingungen Ihres Marktes am besten entspricht.

	Stimme überhaupt nicht zu 1	2	3	4	5	6	Stimme vollständig zu 7
In unserem Geschäftsbereich ändern sich die Produkte im Laufe der Zeit häufig	☐	☐	☐	☐	☐	☐	☐
Unsere Kunden tendieren dazu, nach neuen Produkten oder Dienstleistungen zu suchen, um ihre Bedürfnisse zu befriedigen.	☐	☐	☐	☐	☐	☐	☐
Die Umsatzentwicklung in den lokalen Standorten ist schwer zu prognostizieren	☐	☐	☐	☐	☐	☐	☐
Es ist sehr schwierig, die Marktentwicklung in den lokalen Märkten vorherzusagen	☐	☐	☐	☐	☐	☐	☐
Das wirtschaftliche Umfeld in den lokalen Märkten ändert sich schnell	☐	☐	☐	☐	☐	☐	☐
Die technologische Entwicklung der Produkte in dieser Branche verändert sich rasant	☐	☐	☐	☐	☐	☐	☐
Innovationen in dieser Branche sind nicht sehr häufig	☐	☐	☐	☐	☐	☐	☐
Der technologische Wandel bietet große Chancen in unserer Branche	☐	☐	☐	☐	☐	☐	☐
Viele neue Produktideen wurden durch den technologischen Fortschritt in unserer Branche ermöglicht	☐	☐	☐	☐	☐	☐	☐
Die Absatzmenge auf den lokalen Standorten ist starken Schwankungen unterworfen	☐	☐	☐	☐	☐	☐	☐

2. Bitte geben Sie an inwieweit Sie den folgenden Aussagen zustimmen?

	Stimme überhaupt nicht zu 1	2	3	4	5	6	Stimme vollständig zu 7
Wir sind häufig die Ersten, die neue Produkt- oder Dienstleistungskonzepte auf den Markt bringen	☐	☐	☐	☐	☐	☐	☐
Wir zögern nicht in neue Marktsegmente einzutreten, welche uns neue Möglichkeiten bieten	☐	☐	☐	☐	☐	☐	☐
Wir bieten die innovativsten Produkte bzw. Dienstleistungen an, unabhängig davon, ob es dadurch zu einer wesentlichen Leistungssteigerung oder zu einer Kostenreduzierung kommt	☐	☐	☐	☐	☐	☐	☐
Wir konzentrieren uns darauf, Produkte anzubieten, welche die bisherige Performance übersteigen	☐	☐	☐	☐	☐	☐	☐
Wir sind selten die Ersten, die neue Produkte oder Dienstleistungen anbieten	☐	☐	☐	☐	☐	☐	☐
Wir versuchen durch aggressive Maßnahmen unsere Position auf dem Produktmarkt möglichst stabil zu halten	☐	☐	☐	☐	☐	☐	☐
Durch ständige Marktbeobachtung versuchen wir die Branchenführer zu imitieren um eine effizientere Strategie, verbesserten Kundennutzen oder geringeren Gesamtkosten realisieren	☐	☐	☐	☐	☐	☐	☐
Wir konzentrieren uns darauf, Waren oder Dienstleistungen so effizient wie möglich zu produzieren	☐	☐	☐	☐	☐	☐	☐
Wir konzentrieren uns darauf, den bestehenden Marktanteil zu erhöhen, indem wir Produkte zu den besten Preisen anbieten	☐	☐	☐	☐	☐	☐	☐
Wir konzentrieren uns auf das Anbieten von erstklassiger Dienstleistung und / oder Produktqualität	☐	☐	☐	☐	☐	☐	☐
Unsere Dienstleistungen / Produkte liegen normalerweise über dem Branchendurchschnitt	☐	☐	☐	☐	☐	☐	☐

3. In welchem Ausmaß entscheidet der Franchisenehmer über folgende Bereiche?

	Überhaupt nicht 1	2	3	4	5	6	In sehr großem Ausmaß 7
Durchführung von Investitionsprojekten am lokalen Standort	☐	☐	☐	☐	☐	☐	☐
Finanzierung von lokalen Investitionsprojekten	☐	☐	☐	☐	☐	☐	☐
Auswahl von Lieferanten	☐	☐	☐	☐	☐	☐	☐
Anstellung von Mitarbeitern am lokalen Standort	☐	☐	☐	☐	☐	☐	☐
Ausbildung der Mitarbeiter am lokalen Standort	☐	☐	☐	☐	☐	☐	☐
Produkt- bzw. Dienstleistungsangebot am lokalen Markt	☐	☐	☐	☐	☐	☐	☐

Verkaufspreise am lokalen Standort	☐	☐	☐	☐	☐	☐	☐
Einsatz von Werbe- und Verkaufsförderungsmaßnahmen	☐	☐	☐	☐	☐	☐	☐
Ausstattung des Franchisenehmer-Standortes	☐	☐	☐	☐	☐	☐	☐
Beschaffung der Betriebsmittel/Vorprodukte	☐	☐	☐	☐	☐	☐	☐
Einführung neuer Produkte am lokalen Markt	☐	☐	☐	☐	☐	☐	☐
Einsatz des Controllingsystems am lokalen Standort	☐	☐	☐	☐	☐	☐	☐

4. Inwieweit stimmen Sie folgenden Aussagen zu?

	Stimme überhaupt nicht zu						**Stimme vollständig zu**
	1	**2**	**3**	**4**	**5**	**6**	**7**
Wir produzieren Produkte/Dienstleistungen billiger als unsere Konkurrenten	☐	☐	☐	☐	☐	☐	☐
Wir senken die Kosten bei der Produktherstellung und/oder Dienstleistung stärker als unsere Konkurrenten	☐	☐	☐	☐	☐	☐	☐
Wir nutzen innovativere Geschäftsprozesse als unsere Konkurrenten	☐	☐	☐	☐	☐	☐	☐
Wir erzielen höhere Größenvorteile als unsere Konkurrenten	☐	☐	☐	☐	☐	☐	☐
Wir nutzen unser Kapazitäts- / Produktionspotenzial stärker als unsere Konkurrenten	☐	☐	☐	☐	☐	☐	☐
Wir sind produktiver als unsere Konkurrenten	☐	☐	☐	☐	☐	☐	☐
Wir sind innovativer in Marketingtechniken als unsere Konkurrenten	☐	☐	☐	☐	☐	☐	☐
Wir legen mehr Wert auf die Marketingabteilung als unsere Konkurrenten	☐	☐	☐	☐	☐	☐	☐
Wir nutzen mehr Werbung als unsere Konkurrenten	☐	☐	☐	☐	☐	☐	☐
Wir investieren mehr in gut ausgebildete Verkaufskräfte als unsere Konkurrenten	☐	☐	☐	☐	☐	☐	☐
Wir fördern das Image unserer Firma mehr als unsere Konkurrenten	☐	☐	☐	☐	☐	☐	☐
Wir konzentrieren uns mehr auf Kunden mit hohem Einkommen als an unsere Konkurrenten	☐	☐	☐	☐	☐	☐	☐
Wir bieten unseren Kunden mehr zusätzliche Dienstleistungen als unsere Konkurrenten an	☐	☐	☐	☐	☐	☐	☐
Wir investieren mehr in Forschung und Entwicklung für die Produktentwicklung als unsere Konkurrenten	☐	☐	☐	☐	☐	☐	☐
Die Häufigkeit von Prozessinnovationen in unseren Franchisesystemen ist höher als die unserer Konkurrenten	☐	☐	☐	☐	☐	☐	☐
Wir sind im Wettbewerb unseren Konkurrenten voraus	☐	☐	☐	☐	☐	☐	☐
Die Häufigkeit von Produktinnovationen in unseren Franchisesystemen ist höher als die unserer Konkurrenten	☐	☐	☐	☐	☐	☐	☐
Wir liefern unsere Produkte / Dienstleistungen schneller als unsere Konkurrenten	☐	☐	☐	☐	☐	☐	☐

5. Bitte bewerten Sie die folgenden Aussagen basierend auf Ihren Erfahrungen mit den folgenden Stakeholdern während des letzten Jahres.

5.1. Die hier angeführte Stakeholdergruppen haben im vergangenen Jahr von unserem Management-Team hohe Priorität erhalten:

	Stimme überhaupt nicht zu						**Stimme vollständig zu**
	1	**2**	**3**	**4**	**5**	**6**	**7**
Unsere Franchisenehmer	☐	☐	☐	☐	☐	☐	☐
Unsere Shareholder	☐	☐	☐	☐	☐	☐	☐
Unsere Kunden	☐	☐	☐	☐	☐	☐	☐
Unsere MitarbeiterInnen	☐	☐	☐	☐	☐	☐	☐
Unsere Lieferanten	☐	☐	☐	☐	☐	☐	☐
Die lokale Community	☐	☐	☐	☐	☐	☐	☐
Unsere Konkurrenten	☐	☐	☐	☐	☐	☐	☐
Unsere Geldgeber z.B. Banken oder andere Fremdkapitalgeber	☐	☐	☐	☐	☐	☐	☐
Unsere Geschäftspartner	☐	☐	☐	☐	☐	☐	☐

5.2. Wir haben im vergangenen Jahr die Interessen der folgenden Stakeholdergruppen bei wichtigen Entscheidungen berücksichtigt:

	Stimme überhaupt nicht zu 1	2	3	4	5	6	Stimme vollständig zu 7
Unsere Franchisenehmer	☐	☐	☐	☐	☐	☐	☐
Unsere Shareholder	☐	☐	☐	☐	☐	☐	☐
Unsere Kunden	☐	☐	☐	☐	☐	☐	☐
Unsere MitarbeiterInnen	☐	☐	☐	☐	☐	☐	☐
Unsere Lieferanten	☐	☐	☐	☐	☐	☐	☐
Die lokale Community	☐	☐	☐	☐	☐	☐	☐
Unsere Konkurrenten	☐	☐	☐	☐	☐	☐	☐
Unsere Geldgeber z.B. Banken oder andere Fremdkapitalgeber	☐	☐	☐	☐	☐	☐	☐
Unsere Geschäftspartner	☐	☐	☐	☐	☐	☐	☐

5.3. In unseren routinemäßigen Meetings haben wir häufig über die Erwartungen der folgenden Stakeholder diskutiert:

	Stimme überhaupt nicht zu 1	2	3	4	5	6	Stimme vollständig zu 7
Unsere Franchisenehmer	☐	☐	☐	☐	☐	☐	☐
Unsere Shareholder	☐	☐	☐	☐	☐	☐	☐
Unsere Kunden	☐	☐	☐	☐	☐	☐	☐
Unsere MitarbeiterInnen	☐	☐	☐	☐	☐	☐	☐
Unsere Lieferanten	☐	☐	☐	☐	☐	☐	☐
Die lokale Community	☐	☐	☐	☐	☐	☐	☐
Unsere Konkurrenten	☐	☐	☐	☐	☐	☐	☐
Unsere Geldgeber z.B. Banken oder andere Fremdkapitalgeber	☐	☐	☐	☐	☐	☐	☐
Unsere Geschäftspartner	☐	☐	☐	☐	☐	☐	☐

5.4. Wir haben einen beträchtlichen Teil unserer Zeit und Ressourcen (finanziell oder nichtfinanziell) aufgewendet, um die Bedürfnisse der folgenden Stakeholdergruppen zu befriedigen:

	Stimme überhaupt nicht zu 1	2	3	4	5	6	Stimme vollständig zu 7
Unsere Franchisenehmer	☐	☐	☐	☐	☐	☐	☐
Unsere Shareholder	☐	☐	☐	☐	☐	☐	☐
Unsere Kunden	☐	☐	☐	☐	☐	☐	☐
Unsere MitarbeiterInnen	☐	☐	☐	☐	☐	☐	☐
Unsere Lieferanten	☐	☐	☐	☐	☐	☐	☐
Die lokale Community	☐	☐	☐	☐	☐	☐	☐
Unsere Konkurrenten	☐	☐	☐	☐	☐	☐	☐
Unsere Geldgeber z.B. Banken oder andere Fremdkapitalgeber	☐	☐	☐	☐	☐	☐	☐
Unsere Geschäftspartner	☐	☐	☐	☐	☐	☐	☐

5.5. Wir haben uns stets bemüht, die Interessen der folgenden Stakeholder zu berücksichtigen:

	Stimme überhaupt nicht zu 1	2	3	4	5	6	Stimme vollständig zu 7
Unsere Franchisenehmer	☐	☐	☐	☐	☐	☐	☐
Unsere Shareholder	☐	☐	☐	☐	☐	☐	☐
Unsere Kunden	☐	☐	☐	☐	☐	☐	☐
Unsere MitarbeiterInnen	☐	☐	☐	☐	☐	☐	☐
Unsere Lieferanten	☐	☐	☐	☐	☐	☐	☐
Die lokale Community	☐	☐	☐	☐	☐	☐	☐
Unsere Konkurrenten	☐	☐	☐	☐	☐	☐	☐
Unsere Geldgeber z.B. Banken oder andere Fremdkapitalgeber	☐	☐	☐	☐	☐	☐	☐
Unsere Geschäftspartner	☐	☐	☐	☐	☐	☐	☐

5.6. Wir haben ständig daran gearbeitet, auf offene Probleme mit folgenden Stakeholdern einzugehen:

	Stimme überhaupt nicht zu 1	2	3	4	5	6	Stimme vollständig zu 7

Unsere Franchisenehmer	☐	☐	☐	☐	☐	☐	☐
Unsere Shareholder	☐	☐	☐	☐	☐	☐	☐
Unsere Kunden	☐	☐	☐	☐	☐	☐	☐
Unsere MitarbeiterInnen	☐	☐	☐	☐	☐	☐	☐
Unsere Lieferanten	☐	☐	☐	☐	☐	☐	☐
Die lokale Community	☐	☐	☐	☐	☐	☐	☐
Unsere Konkurrenten	☐	☐	☐	☐	☐	☐	☐
Unsere Geldgeber z.B. Banken oder andere Fremdkapitalgeber	☐	☐	☐	☐	☐	☐	☐
Unsere Geschäftspartner	☐	☐	☐	☐	☐	☐	☐

6. Inwieweit stimmen Sie folgenden Aussagen zu?

	Stimme überhaupt nicht zu						**Stimme vollständig zu**
	1	**2**	**3**	**4**	**5**	**6**	**7**
Von unseren Franchisenehmern werden nur wenige Maßnahmen ergriffen, die nicht den standardisierten Arbeitsanweisungen entsprechen	☐	☐	☐	☐	☐	☐	☐
Franchisepartner unseres Franchisesystems bezeichnen dieses häufig als bürokratisch	☐	☐	☐	☐	☐	☐	☐
Wenn Franchisenehmer ihre eigenen Entscheidungen treffen möchten, werden sie schnell auf ein Handbuch verwiesen	☐	☐	☐	☐	☐	☐	☐
In diesem System werden Entscheidungen in der Regel auf einer höheren Hierarchieebene getroffen	☐	☐	☐	☐	☐	☐	☐
Unsere Franchisenehmer haben einen großen Spielraum bei der Auswahl der Mittel, um Ziele zu erreichen	☐	☐	☐	☐	☐	☐	☐
Den Franchisenehmern wird Flexibilität bei der Erledigung ihrer Aufgaben eingeräumt	☐	☐	☐	☐	☐	☐	☐
Es wird einem Franchisenehmer schnell davon abgeraten eigene Entscheidungen zu treffen	☐	☐	☐	☐	☐	☐	☐
Selbst kleine Angelegenheiten wird auf eine höhere Hierarchieebene im Franchisesystem verwiesen, um eine Entscheidung zu treffen	☐	☐	☐	☐	☐	☐	☐
Viele wichtige Entscheidungen werden eher lokal als zentral getroffen	☐	☐	☐	☐	☐	☐	☐

7. Inwieweit haben Sie im letzten Jahr die Ziele in Bezug auf folgende Punkte besser realisiert als Ihre Konkurrenten?

	überhaupt nicht besser						**viel besser**
	1	**2**	**3**	**4**	**5**	**6**	**7**
Systemwachstum	☐	☐	☐	☐	☐	☐	☐
Kostenreduktion	☐	☐	☐	☐	☐	☐	☐
Erlöse	☐	☐	☐	☐	☐	☐	☐
Innovationen	☐	☐	☐	☐	☐	☐	☐
Profitabilität	☐	☐	☐	☐	☐	☐	☐
Verbessertes Kundenservice	☐	☐	☐	☐	☐	☐	☐
Marktanteil	☐	☐	☐	☐	☐	☐	☐
Verbesserte Reputation	☐	☐	☐	☐	☐	☐	☐
Gesamtkapitalrentabilität	☐	☐	☐	☐	☐	☐	☐
F&E Fähigkeiten	☐	☐	☐	☐	☐	☐	☐
Management Fähigkeit	☐	☐	☐	☐	☐	☐	☐
Firmenimage							

8. In welchem Ausmaß entstehen dem Franchisegeber am Beginn der Vertragsbeziehung Investitionsaufwendungen?

	überhaupt nicht besser						**in sehr großem Ausmaß**
	1	**2**	**3**	**4**	**5**	**6**	**7**
Aufwendungen für die Franchisenehmerschulungen	☐	☐	☐	☐	☐	☐	☐
Aufwendungen für technische Unterstützung des Franchisenehmers	☐	☐	☐	☐	☐	☐	☐
Aufwendungen für den Aufbau der Organisation des lokalen Standortes	☐	☐	☐	☐	☐	☐	☐

9. Worin sehen Sie die Vorteile durch Franchisenehmerbetriebe im Vergleich zu eigenen Filialbetrieben?

	überhaupt nicht besser						**in sehr großem Ausmaß**
	1	**2**	**3**	**4**	**5**	**6**	**7**
Größere Finanzierungsvorteile durch Franchisenehmer	☐	☐	☐	☐	☐	☐	☐
Bessere Qualitätskontrolle	☐	☐	☐	☐	☐	☐	☐
Mehr Innovationen	☐	☐	☐	☐	☐	☐	☐

Niedrigere Betriebskosten	☐	☐	☐	☐	☐	☐	☐
Größere administrative Fähigkeiten	☐	☐	☐	☐	☐	☐	☐
Effizienteres Personalmanagement	☐	☐	☐	☐	☐	☐	☐
Größeres lokales Marktwissen	☐	☐	☐	☐	☐	☐	☐
Bessere lokale Serviceleistungen	☐	☐	☐	☐	☐	☐	☐

10. Nehmen Sie bitte aus Ihrer Sicht (als Franchisegeber) zu folgenden Aussagen Stellung:

	Trifft überhaupt nicht zu 1	2	3	4	5	6	**Trifft vollständig zu** 7
Es ist sehr schwierig, das Verhalten des Franchisenehmers zu kontrollieren.	☐	☐	☐	☐	☐	☐	☐
Es ist sehr schwierig, die Leistungen des Franchisenehmers zu messen.	☐	☐	☐	☐	☐	☐	☐
Es ist sehr schwierig, die Kompetenzen und Fähigkeiten des Franchisenehmers	☐	☐	☐	☐	☐	☐	☐

11. Welche der folgenden Aussagen treffen auf Ihre Beziehung zu den Franchisenehmern zu?

	Trifft überhaupt nicht zu 1	2	3	4	5	6	**Trifft vollständig zu** 7
Es herrscht großes Vertrauen zwischen uns und dem (den) Franchisenehmer(n).	☐	☐	☐	☐	☐	☐	☐
Es herrscht eine Atmosphäre von Offenheit und Ehrlichkeit.	☐	☐	☐	☐	☐	☐	☐
Der Informationsaustausch geht über das vereinbarte Ausmaß hinaus.	☐	☐	☐	☐	☐	☐	☐
Die Zusammenarbeit beruht auf partnerschaftlicher Basis.	☐	☐	☐	☐	☐	☐	☐

12. Bitte nehmen Sie Stellung zur Anpassung Ihres Franchisemodells an die lokalen Marktgegebenheiten.

	Überhaupt nicht 1	2	3	4	5	6	**In sehr großem Ausmaß** 7
Wir passen unsere Produkte/Dienstleistungen (z.B. Produkt-Mix und Serviceangebote) an den lokalen Markt an.	☐	☐	☐	☐	☐	☐	☐
Wir passen unsere Markenidentität an den lokalen Markt an.	☐	☐	☐	☐	☐	☐	☐
Wir passen die operativen Strategien (z.B. Schulung von Mitarbeitern und Qualitätskontrolle) an den lokalen Markt an.	☐	☐	☐	☐	☐	☐	☐
Wir passen die Managementstrategien (z.B. Handbuch, Preisgestaltung und Marketing) an den lokalen Markt an.	☐	☐	☐	☐	☐	☐	☐

13. Bitte beantworten Sie die folgenden Fragen zu Ihrem Franchisesystem.

Anzahl der Franchisegeber firmeneigenen Filialstandorte Anzahl: _____

Anzahl der Franchisenehmerstandorte: _____

Anzahl der Franchisenehmer: _____

In welchem Land befindet sich der Hauptsitz des Franchisesystems? _____

Wie viele MitarbeiterInnen sind in Ihrem Hauptsitz tätig? _____

Seit wann sind Sie im Franchise-Business? _____

Welche Art von Franchising betreibt Ihr Unternehmen? ☐ Produktion ☐ Vertrieb ☐ Dienstleistung

Welche Art von Unternehmenstätigkeit betreiben Sie (z. B. Kleidung, Restaurants etc.)?_____

Höhe der fixen Einstiegsgebühr zur Eröffnung einer Franchisefiliale in Euro: _____

Höhe der laufenden Gebühr (in % des Umsatzes): _____

Höhe der laufende Werbegebühr (% des Umsatzes): _____

Höhe der Anfangsinvestition (ohne Einstiegsgebühr) für die Eröffnung einer Franchisefiliale in Euro: _____

Wie lange beträgt die durchscnittliche Vertragsdauer, die Sie einem Franchisenehmer anbieten? _____

Anzahl der Franchisenehmer-Schulungstage vor Eröffnung eines Franchisebetriebes: _____

Anzahl der laufenden Schulungstage pro Jahr für einen Franchisenehmer: _____

Anzahl der offiziellen Besuche des Franchisegebers beim Franchisenehmer pro Jahr: _____

Haben Sie eine vertragliche Option, den Franchisebetrieb bei Vertragsbeendigung zurückzukaufen? ☐ Ja ☐ Nein

Muss ein Franchisenehmer mehr als 50% der Rohstoffe/Vorprodukte von Ihnen (Franchisegeber) oder Ihnen vorgegebenen Lieferanten beziehen? ☐ Ja ☐ Nein

Können Franchisenehmer andere Produkte als die des Franchisegebers verkaufen? ☐ Ja ☐ Nein

Setzen Sie unverbindliche Preise für die angebotenen Produkte / Dienstleistungen der Franchisenehmer fest? ☐ Ja ☐ Nein

Ist das Marktgebiet der Franchisenehmer geografisch abgegrenzt? ☐ Ja ☐ Nein

Wie oft finden formelle Treffen zwischen Franchisegeber und Franchisenehmer (z.B. Tagungen, Ausschüsse) pro Jahr statt? _____

14. Bitte kreisen Sie nur EINE der folgenden Beschreibungen ein, die dem Lebenszyklus Ihrer Organisation im letzten Jahr am ehesten entsprach. (Bitte betrachten Sie Ihr Unternehmen als Ganzes und beachten Sie, dass keiner der unten aufgeführten Typen von Natur aus "gut" oder "schlecht" ist.)

Typ 1	In dieser Phase versucht das Unternehmen eine lebensfähige Einheit zu werden.
Typ 2	In dieser Phase erwirbt das Unternehmen seine ausgeprägten Kompetenzen und erzielt erste Erfolge auf dem Produktmarkt. Der Schwerpunkt liegt auf einem schnellen Umsatzwachstum und schnellen Ressourceneinsatz, um Größenvorteile zu erzielen. In der Regel wächst der Umsatz zu diesem Zeitpunkt um mehr als 15%. Einige Entscheidungen werden an mittlere Hierarchieebenen delegiert, und die Prozesse werden formalisiert.
Typ 3	Diese Phase wird nach einer Wachstumsphase erwartet, da sich das Umsatzniveau stabilisiert, der Innovationsgrad sinkt und eine Organisationsstruktur mit einem höheren Bürokratiegrad aufgebaut wird. In dieser Phase sind Unternehmen in der Regel größer, aber ihr Umsatz wächst um weniger als 15%.
Typ 4	Dies ist in der Regel eine Phase der Erweiterung des Produkt- Marktbereiches, um die komplexeren und heterogeneren Märkte zu bewältigen. In dieser Phase sind die Unternehmen sehr groß, und es wird erwartet, dass ihr Umsatz wieder um mehr als 15% steigt.
Typ 5	In dieser Phase des Rückgangs nimmt die Nachfrage nach Produkten / Dienstleistungen ab, weiters vermindert sich die Innovationsintensität, und es werden Preissenkungen durchgeführt und die Rentabilität sinkt. Zu diesem Zeitpunkt sind Unternehmen in der Regel risikoavers; die Unternehmung ist charakterisiert durch formale und bürokratische Strukturen, die auf homogenen Märkten einem intensiven Wettbewerb ausgesetzt sind.

Vielen Dank für Ihren Beitrag zu unserer Studie. Wenn Sie am Ergebnis interessiert sind, geben Sie bitte Ihre E-Mail-Adresse
Email: