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**FRANŠĪZES ŅĒMĒJU ATLASE: FRANŠĪZES ŅĒMĒJU
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**FRANCHISEE SELECTION: FACTORS INFLUENCING THE
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ANNOTATION

A value chain incorporates many steps and demonstrates efficient cost management between effective units. Individual units within vertical marketing systems depend on each other; and units are chosen to cooperate efficiently with each other. The level of success of this cooperation is dependent on key success factors. One of the key success factors is the choice of the adequate individual leading a cooperating unit. As an example of vertical marketing systems, franchising has to emphasize the adequate selection of franchise partners. Candidates have to meet necessary requirements and bear sufficient potential. Wrong decisions may influence the business environment for a long time and bear great risk, to the extent of the loss of an existence.¹ Success mostly depends on right choices.

This is the first approach of searching for franchisee selection criteria, in a triple step approach, including literature, experts, and franchisors. No other current study examines franchisors' categorization of their most successful and also their most unsuccessful franchisee characteristics. In addition, no other current study filters the compared characteristics by multiple logistic regression analysis, which is followed by main component analysis to find out the most important skills set for franchisees. This research unveils several insights into favorable franchisee selection. First, descriptive statistics show direct differences between successful and unsuccessful franchisees. Second, a principal component analysis demonstrates which variables explain most variance. Third, hypothesis and related presumptions are tested. Fourth, logistical regression analysis is executed to find out about the importance of each individual category. Fifth, correlations are discussed and univariate analysis according to ANOVA concludes the results. Lastly, expert feedback and franchisor feedback is compared. All statistical methods lead to new results, which have not yet been examined from the presented point of view.

Managers and franchisors can use the findings as reference for future selection processes and set up additional criteria for their established procedures. Finally the research supports effective partner management and spurs the prospering potential of franchise partnerships. Long-term positive relationships are the base for a positive image of the partnerships, the respective company, and the business type.

The dissertation contains 153 pages, 10 images, 28 tables, 244 references, and 35 appendices. The document is comprised of three chapters, followed by appendices.

¹ In Germany in 2014 Burger King lost one franchisee owning 89 restaurants with around 3000 employees due to legal non-compliance in hygienic matters. The brand, employees, franchisee, and the economic situation of the franchisee's company suffered major damage Dpa 2014.

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INTRODUCTION

Vertical marketing systems are numerous and offer different strategic advantages. One type of vertical marketing systems is franchising, including its sub systems, and ownership constructs. The goal of franchising is multiplying a successful existing business concept and implementing it in different locations. Franchising is a vertical cooperation construct. It resembles one alternative to vertical integration, besides wholesaler, retailer, and contractual constructs.

Franchising offers possibilities to overcome general challenges, which entrepreneurs face when starting and operating their business. Researchers find far less risk and a higher survival rate for franchisees and franchisors² compared to independent business. Figures show that 95% of franchised businesses survive the first five years. This way, the chances of fruitful business operations are higher and benefits to the economy and to entrepreneurs go hand in hand. Reasons for this are the fact that franchising offers a strong package, including training, marketing, and management.³ Additional advantages for franchisors and franchisees are numerous. Brand expansion and respective brand recognition are part of the head start a franchisee buys once entering a system. Beginning the entrepreneurial life and not having to start from zero means passing by potential errors, which can cost money and time, both of which a start-up usually does not have. A proven concept at hand, plus assistance from the experienced franchisor, support for purchasing, shared advertising, and regular meetings with all franchise partners are typical factors, which benefit the franchisee.

Due to globalization and numerous trade agreements, the world has experienced unique business network strategies and increasingly more international business transactions. To operate a firm efficiently, local and regional markets alone are often not sufficient on a long-term base. Existing markets may have matured or are too difficult for further development. Long-term perspectives nurture the idea of tapping national and international markets, often in addition to existing markets. Within this scenario of growing business volumes, faster connectivity between firms and customers, increasing human mobility, rapid communication channels, as well as the wish for faster economic establishment, the need for today's economic environment calls for a promising strategy. Hence, high attention has been given to franchising over the last decades. Countless entrepreneurs have chosen this business type over other formats, to enter or continue independently in the workforce.

² D. Ahlert et al. 2005, p. 2

³ Welsh & Alon 2005, p. 51-52

Big names constantly expand to other countries via franchising, including McDonalds, Subway, Burger King, and Pizza Hut.⁴ The trend of franchising has reached Europe decades ago. Franchisors are willing to further diffuse their reach to customers by extending their systems. Germany, as the European economic powerhouse and country with most inhabitants, displays a largely positive development of franchising. Sales in 2012 soared to 61.2 billion Euro compared to 2002 with 23.8 billion Euro and show growth of 157.2% in one decade. In the same period the number of franchisors grew by 29.7% from 760 to 985.⁵ Should this trend continue in Germany, the numbers of franchisors would rise to over 1.200 by 2022 and reach an economic output of nearly 100 billion Euro. These facts reflect the internationality and also the growth potential of the topic.

Actuality of the topic

Vertical co-operations have demonstrated powerful potential in retailing and service industries amongst others. It is necessary to plan carefully how to pair parties in order to build strong networks and to develop competitive advantages. Franchisee selection therefore is a critical issue. Common goals and sustainable coordination between the franchisee and franchisor spur the strength of the networks as a whole. Attention for franchising has been rising and it has developed into an internationally recognized and reputable network strategy amongst small, mid-size, and large companies around the world. By nature, franchising stimulates rapid expansion within a company,⁶ while at the same time it saves scarce resources of franchisees and franchisors. History shows that in the case of one franchisee collapsing, the entire system can be at risk.

The quality of a network is grounded in the selection method and determines future performance.⁷ Research shows that appropriate selection of a network partner is a highly important strategic duty. It is a key factor for fruitful commercial alliances.⁸ Chain performance depends on partner selection. It further has immediate impact on brand quality and growth of the network.⁹ Nevertheless, only few studies about selection criteria in regards to entrepreneurial firms exist.¹⁰ In order for a franchise system to prosper, many management decisions come into play, including strategic, financial, and human resource choices. Researchers and practitioners agree that the significant growth of networks obliges to search for improved synergies. One key element for positive, long-term, and fruitful

⁴ Entrepreneur 2013

⁵ German Franchise Federation 2012; www.franchiseverband.com/franchise-statistiken.html as of 20th May 2013

⁶ "Company" without further reference in this dissertation is referred to as the company network for a franchise system, including franchisor and franchisee.

⁷ Saraogi 2009, p. 33

⁸ Moeller 2010, p. 44

⁹ Wang & Altinay 2008, p. 234

¹⁰ Das & He 2006, p. 138

cooperation between franchisor and franchisee is partner selection. The resulting question of how to efficiently select, manage, and terminate relationships, has been discussed in literature originating from various geographic locations, different industries, and business types. As personality traits are important to be taken into account,¹¹ Soontiens and Lacroix base their study of examining relationships between personality traits and franchisee performance for the restaurant sector.¹² The combination of positively influencing qualifications of candidates is one solution to the challenge. Therefore, this study explores sets of abilities, which influence franchisee performance.

Germany bears 1.000 franchise systems, out of which 250 operate actively and efficiently, out of that number 50 systems operate internationally.¹³ This research approaches 250 systems and received answers from 100 systems. This means, that the study contains information of 40% of the actively and efficiently operation population. It further means that the study includes 66% of internationally operating firms n=33.

Novelty of the research

In order to focus on the determinants of effective performance in a franchising relationship and the impact of certain specific factors, it is necessary to undertake empirical research. Studies have been carried out, but none has taken into account the international component in the German-speaking franchise environment.

The thesis provides the following novelties:

1. A framework with three components to determine franchisee successfulness is developed. It includes task-related, partner-related criteria, learning-related criteria, risk-related criteria, which are transformed into franchise specific groups of soft skills, hard skills, and local knowledge.
2. The thesis contains the first in depth study of German speaking franchisors on franchisee selection processes stating their most important selection criteria: soft skills are most influential determining the degree of successfulness of franchisees.
3. Six new indicators for the determination of successful and unsuccessful franchisees are composed.

Research subject: Franchisee selection criteria

¹¹ Tatham et al. 1972, p. 17

¹² Soontiens & Lacroix 2009, p. 238

¹³ Telephone conversation with Thorsten Brodersen, managing director of the German Franchise Federation, dated 8th June 2012. For official written proof see appendix 35.

Research object: Performance boosting franchisee characteristics soft skills, hard skills, and local knowledge

Research question

Which are the most influencing characteristics of a successful franchisee and to which degree are they relevant? To get to this answer, the following questions were answered stepwise. Which characteristics describe successful franchisees? How do successful franchisees differ to unsuccessful franchisees? Which characteristics of franchisees are significant for which business sector?

Main hypothesis:

Successful franchisees differ significantly in skills compared to unsuccessful franchisees.

Statements to be defended:

Presumption 1: Successful franchisees differ significantly in soft skills compared to unsuccessful franchisees.

Presumption 2: Successful franchisees differ significantly in hard skills compared to unsuccessful franchisees.

Presumption 3: Successful franchisees differ significantly in local knowledge compared to unsuccessful franchisees.

Aim and tasks

The aim of this dissertation is to find out positively influencing franchisee characteristics from a franchisor point of view, which lead to more profitable franchisee performance. Tasks to reach the aim included:

1. Examination of current state of franchisee selection processes and summary.
2. Collection of business success factors and performance measures.
3. Re-grouping of certain criteria to come up with a group of three main components to determine successfulness.
4. Construction of framework via input from literature review. Testing of framework with expert feedback and franchisor feedback via questionnaires.
5. Collecting of data in two steps from mainly German, Austrian, and Swiss franchisors, which have established national and also international franchisees. Input for successful and unsuccessful franchisees was collected separately.

6. Analysis of differences between successful and unsuccessful franchisee groups and finding the key aspects, which form successful franchisees.
7. Concluded findings about national and also international selection processes.
8. Establishing of a comparison between expert opinion and franchisor opinion.
9. Determining of business sector specific success criteria.
10. Drawing conclusions for research community and business community.

Content of dissertation

The first chapter displays a review of fundamental literature on franchising. In addition, specific types of franchising as an expansion strategy are outlined. Classical economic theories of transaction cost, principal agency, and resource scarcity are explained. Also competence theories and management of competences are put into perspective. General and specific success factors and performance measures are shown to pave the way for a collection of partner selection criteria. All factors are grouped and put into perspective with one another. The first chapter concludes with an insight into entrepreneurial expansion strategy via franchising. In the second chapter the franchisee selection framework is developed. This section focuses on the cause and effect relationship between certain characteristics of a partner and the level of success. The chapter groups franchisor and franchisee views and takes their geographic origin into account. As next step, these views are compared to the concept of task- and partner-related criteria. The framework emerges by converting the concept into soft skills, hard skills, and local knowledge. The empirical testing is set up by hypotheses for each of the three components. The third chapter explains the data collection from franchisors and franchisees. Moreover, it statistically analyzes the importance of the three components in relation to success on a quantitative and qualitative base. Hypotheses are rejected and alternative hypotheses are temporarily accepted. Further, experts and franchisors results are compared, as well as a business sector analysis is performed. Finally, conclusions and suggestions round up the dissertation.

Methodology of the study

The empirical work and the development of the framework are based on extensive scientific literature review. Scientific publications and data from different databases in German, Spanish, and English is explored and analyzed to find the development and role of franchisee selection. The focus lies on the selection processes and specifically on characteristics of franchisee candidates. Business success measures are necessary to provide a foundation of the performance argumentation. To examine the assumed performance indicators in franchisee candidates, the empirical work requires an in-depth

analysis of the relevance of the franchisee characteristics. Important characteristics based on international literature and 35 collected expert opinions make up the theoretic framework. In order to verify the assumed framework a survey was passed to mainly German franchisors. Also a small proportion of Austrian and Swiss franchisors took part in the survey.

The questionnaire for successful franchisees –as determined by franchisors according to profits, goals, conformity, level of participation in operations, and satisfaction- was developed by the author, based on analysis of scientific literature. Out of 250 efficiently operating franchise systems a total of 149 answers were collected in the period 12th May 2014 to 21st July 2014. This implies a response rate of 60%. The questionnaire for unsuccessful franchisees was developed in the same way but was slightly adapted based on the feedback collected during the previous data collection. Out of 250 efficiently operating franchise systems a total of 59 answers for unsuccessful franchisees were generated in the period between 21th July and 18nd August 2014. This implies a response rate of 24%. The group of successful and unsuccessful franchisees contains altogether 208 valuable answers. Both questionnaires were available online using the provider Survey Monkey and each of the companies was approached personally. The reason for using two different sample collection dates and separated questionnaires for successful and for unsuccessful franchisees is due to the fact, that the author aims for two independent samples. The interviewees shall not be triggered to simply claim the opposite for the different groups, when filling in answers. Interviewees were approached personally during the Franchise-Forum in Munich, Germany between 19th to 21st May 2014, via email with addresses from German print publications, and via business contacts to franchisor.

To perform numerous tests, SPSS was used as statistical software. Descriptive statistics including arithmetic mean, mode and median, indicators of variability, and indicators of skewness and kurtosis lead to the highest ranked characteristics of successful franchisees. A principal component analysis with all variables is conducted and results into six main indicators, which then undergo a reliability analysis resulting in the first and second component to be highly reliable. Non-parametric tests of hypotheses show normal distribution of the two samples: successful and unsuccessful franchisees. Correlational analysis Pearson reveals non-relevant correlations between all six newly formed indicators. Finally, logistic regression analysis results in two equations to estimate a franchisee's degree of success on a theoretical basis.

Used sources

The literature review is based in success factors related to partner selection and show an overview of different company strategies. Scientific journals, such as *Journal of International Business Studies*,

Journal of Small Business Management, International Small Business Journal, International Journal of Hospitality Management, Journal of Management, Journal of Services Marketing, International Journal of Entrepreneurial Behavior and Research, Journal of Business Venturing, European Journal of Marketing, Journal of Business Venturing, Journal of Marketing, and Journal of Retailing mainly influenced the literature review. The most relevant influential authors in partner selection and specialized in franchising include Ahlert, M., Brock, C. & Evanschitzky, H., 2006; Altinay, L., 2006; Jambulingam, T. & Nevin, J.R., 1999; and Jambulingam, T. & Nevin, J., 1997. The franchisee selection framework is highly influenced by competence ideas originating from mainly Geringer, J.M., 1991; Das, T.K. & He, I.Y., 2006; Cummings, J.L. & Holmberg, S.R., 2012; and Altinay, L., 2006. The model refers to Geringer's 1991 task-related and partner-related criteria of individuals. Primary data was sourced from experts via in-depth interviews and from franchisors via questionnaires.

Approbation of the research results

The author has presented the advance of the ongoing research within the scientific community by presenting in international conferences in the years 2012, 2013, 2014, and 2015. The contribution of the scientific community supported the improvement of the framework and methods, and helped to include other opinions for a well-rounded view on the topic. Nine scientific papers have been published and continuous practical input from the franchising industry has been taken into consideration, while preparing the dissertation.

International conferences:

1. 'THE DIFFERENCE BETWEEN SUCCESSFUL AND UNSUCCESSFUL FRANCHISEES: AN INSIGHT INTO GERMAN FRANCHISE NETWORKS'. Advances in Business-Related Scientific Research Conference by GEA College, Venice, Italy, 25-27 March 2015.
2. 'WHAT FRANCHISORS LOOK FOR IN FRANCHISEE CANDIDATES: SELECTION MODEL FOR FRANCHISEES'. "International Journal of Arts and Sciences Prague Conference" by *International Journal of Arts and Sciences* at Anglo-American University in Prague, Czech Republic, 10-13 June 2014.
3. 'WHAT FRANCHISORS LOOK FOR IN FRANCHISEE CANDIDATES: SELECTION MODEL FOR FRANCHISEES'. "The Clute International Business & Education Conference" by Clute Institute, Munich Germany, 8-12 June 2014.

4. 'HOW A GERMAN FRANCHISOR DESCRIBES FAVORABLEFRANCHISE PARTNERS'. "International Business and Economics Conference" at the University of Applied Sciences Kufstein, Kufstein Austria, 29-30 November 2013.
5. 'THEORETICAL APPROACH TO FRANCHISING'. "QUAERE" by MAGNANIMITAS academic association e-conference www.quaere.conferenc.cz Hradec Králové, Czech Republic, 20-24 May 2013.
6. 'DETERMINANTS OF SUCCESSFUL PARTNERSHIPS IN FRANCHISING'. "International Business and Economics Conference" at University of Applied Sciences Kufstein, Kufstein, Austria, 3-5 August 2012.
7. 'INTERNATIONAL EXPANSIONS-FRANCHISING WITH ONE STANDARD CONCEPT?'. "Recent Development in Business Management Research", at the University of Applied Sciences Fulda, Fulda, Germany, 2-4 December 2011.

International conferences in Latvia:

8. 'INTERNATIONAL FRANCHISE PARTNER SELECTION MODEL'. "Scientific Conference New Challenges of Economics and Business Development" at University of Latvia, Riga Latvia, 8-10 May 2014.
9. 'PARTNER SELECTION PROCESS IN FRANCHISING'. "New Challenges of Economic and Business Development" at University of Latvia, Riga Latvia, 9-11 May 2013.
10. 'PSYCHOLOGICAL ASPECTS IN INTERNATIONAL FRANCHISING'. "New Challenges of Economic and Business Development" at University of Latvia, Riga Latvia, 10-12 May 2012.

National conferences in Latvia:

11. 'MODEL FOR FRANCHISEE SELECTION'. "72th Annual Scientific Conference", at University of Latvia, Riga Latvia, 5 February 2014.

Public conferences:

1. Salzburger Franchise Tag: Franchisee Acquisition 23th November 2013, Salzburg Austria. Organized by Cox Orange Marketing & PR GmbH.

Scientific publications:

1. Gaul C. 2015 'WHAT IT TAKES TO BE A PROFITABLE FRANCHISEE: CHARACTERISTICS SUPPORTING SUCCESS'. *Regional Review*. No. 11. pp.74-94, ISSN 1691-6115. Available via http://humanitiessocial.lv/wp-content/uploads/2016/01/Regionalais-Zinojums-11_DRUKAtabula.pdf. Indexed in **EBSCO, ProQuest, WINIR data bases**.
2. Gaul, C. 2015 'THE DIFFERENCE BETWEEN SUCCESSFUL AND UNSUCCESSFUL FRANCHISEES: AN INSIGHT INTO GERMAN FRANCHISE NETWORKS'. In international conference proceedings "Advances in Business-Related Scientific Research Conference". GEA College, Venice. CD with ISBN 978-961-6347-56-3. Available via <http://www.absrc.org/publications/past-conference-proceedings/proceedings-venice-2015/>.
3. Gaul. C. 2015. 'WHAT MAKES A FRANCHISEE SUCCESSFUL: ATTITUDES AND PRE-REQUISITES OF PROFITABLE FRANCHISE PARTNERS'. *International Business & Economic Research Journal*, Volume 14, issue 2, pp.387-394. ISSN 2157-9393. Available via open access <http://www.cluteinstitute.com/ojs/index.php/IBER/issue/view/957>
4. Gaul, C. 2014. 'WHAT FRANCHISORS LOOK FOR IN FRANCHISEE CANDIDATES: SELECTION MODEL FOR FRANCHISEES'. *International Journal of Business and Management Studies* 3 2, pp. 309-315. ISSN: 2158-1479
5. Gaul, C., Pfeffer R., 2014. 'HOW A GERMAN FRANCHISOR DESCRIBES FAVORABLE FRANCHISE PARTNERS'. *IfM-Impulse* – 2014, issue 11. Institut für Management in Salzburg, Austria, pp. 4-17. ISBN 978-3-9503594-0-4.
6. Gaul, C. 2014. 'INTERNATIONAL FRACHISE PARTNER SELECTION MODEL'. In International Conference Proceedings "New Challenges of Economic and Business Development". University of Latvia, Riga, pp. 201-214. ISBN 978-9984-45-836-6. Available at **Thomson Reuters Web of Science** data basis.
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9. Gaul, C. 2012. 'PSYCHOLOGICAL ASPECTS IN INTERNATIONAL FRANCHISING'. In International Conference Proceedings "Current Issues in Management of Business and Society Development". University of Latvia, Riga, pp. 201-214. ISBN 978-9984-45-519-6. Available at *Thomson Reuters Web of Science* data basis.

Limitations of the study

1. The data and their respective findings are based on existing franchisees, since their degree of success is evaluated. No potential franchisees were taken into account. Since it is possible to develop certain skills over time, the absence of certain relevant skills during the initial stage of a franchise may therefore not determine the final success of an operation.
2. This study takes the German speaking markets into account.

Main results

1. The results support the fact that franchisee selection is a very important process for a successful franchise partnership.
2. Franchisors prefer franchisees, which actively take part in business, instead of pure investors.
3. Characteristics between successful and unsuccessful franchisees differ clearly.
4. Null hypothesis is rejected and the alternative hypothesis is temporarily accepted. Successful franchisees always score higher in the posed questiones.
5. The most important category out of soft skills, hard skills, and local knowledge, are soft skills.
6. The least important selection criteria are theoretical and practical knowledge.
7. The framework called Franchisee Selection Framework 2016 after factor analysis contains six components: soft skills, sales skills, local attachment, theoretical and practical knowledge, franchise preparation, participation and financial involvement.
8. Components for soft skills barely vary after principal component analysis and emphasize their strong standing amongst all components.
9. Business sector specific results indicate that four components do not differ by business sectors: soft skills, local attachment, theoretic and practical experience, and sales skills.
10. Business sector specific result show that two components differ by business sectors: franchise preparation and participation and financial involvement.
11. Especially for international operations the highest ranked characteristics are speaking the language on site fluently and having a good knowledge of the business code of conduct on site.

The ranking shows that communication abilities and knowing how to behave in terms of business are the most important criteria to be successful.

Main conclusions and suggestions

1. Although hard skills are easier to test when recruiting new franchisees, more emphasis should be put on soft skills.
2. Franchisors should closely monitor especially leadership abilities and the potential of system conformity of the candidate.
3. Not all skills can easily be tested during the selection process, as some of them can be only recognized once the partner is operating. Therefore, the franchisors should include a test phase in the beginning of the partnership, where these skills are verified and closely monitored.
4. Franchisors are advised to choose candidates with sufficient financial backup.
5. In national and international operations, emphasis should be put on internal and external communication abilities of a franchisee.

WORD OF GRATITUDE

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1. THEORETICAL BACKGROUND TO FRANCHISING AND LITERATURE REVIEW

1.1. Explanation of vertical cooperation systems: functionality and advantages of this network strategy

A value chain incorporates many steps and demonstrates efficient cost management. The steps are glued together in the most effective way. They can be executed by numerous and independent businesses at the same time. For this process to be efficient, several challenges arise. One challenge is the efficient connectivity between the interfaces of consecutively following steps inside the value chain. From the first step to the last, from planning production until after sales, these steps need to be harmonic, coordinated, and integrated in order not to lose value during the processes. One example of a value chain is a vertical cooperation system. A vertical cooperation system succeeds in unifying its distribution channel members, cooperating as one team, to meet consumer needs.¹⁴ The key is the connection between these steps between producers and suppliers. Classical cooperation channels include independent producers, wholesalers, and retailers. Each of the parties works its ‘input-processing-output chain’ separately and hands it on to the next party. Vertical cooperation systems act together. They represent themselves externally as one unit. However, one channel member takes over the power over the others and guarantees cooperation.¹⁵ Vertically integrated systems keep competing with non-integrated systems over customers¹⁶.¹⁷ This competitive setting allows for a dynamic process of change and continuous improvement in channel operations. One advantage of cooperative systems is the centralized management and the decentralized management responsibilities.

Advantages of vertical marketing systems lie in the cooperation, and at the same time, the division of tasks. Nevertheless, the members work under one umbrella to achieve their individual goals. They also maximize profits as a whole for their customers and themselves alike. The value created along the way of integrated product management, is the advantage of vertical cooperation systems. Value creation includes coordination of processes and decision making, ensuring transfer of knowledge, focusing on competitive advantage, providing logistics and delivery, manage production and sales, and others aspects. All parts have to interact smoothly to gain maximum value for each party involved. Effective and efficient networking strategies are the key.

¹⁴ Haas & Neumair 2006, p. 635

¹⁵ Kotler & Keller 2008, p. 466

¹⁶ In the course of this dissertation, the definition of “customer” includes two categories: consumers and commercial customer.

¹⁷ Ahlert & Schefer 2013, p. 60

Internal conflict resolution, improvement of bargaining power, and more efficient services to other parties and finally the customer, result from strong channel members' coordination. Three types of vertical marketing systems can be categorized: corporate, administered, and contractual.¹⁸ Corporate vertical marketing systems are related to the unification of production and distribution in one firm's ownership, whereby it is irrelevant which party of the production or distribution chain unifies the steps. Administered vertical marketing systems are characterized by coordinating production and distribution by size and power of its members. Strong brand manufacturers ensure trade cooperation and support from resellers. They use distribution programming to meet the needs of manufacturing member and distributing members. Contractual vertical marketing systems link production and distribution on a contractual basis to result in more efficient sales impact, than if the parties worked independently. These types of vertical cooperation are value-adding partnerships.¹⁹ The separate steps are executed by contracted companies, which receive advice on quality, type, and technical steps to produce the relevant part.²⁰ Three categories of contractual vertical marketing systems exist and can be explained as follows: First, the 'wholesaler-sponsored voluntary chain' is the process of wholesalers selling to a large number of retailers to achieve buying economies. Second, retailers continuing the wholesale character and organizing production parts. They are called 'retailer cooperatives'. Third, linking production and distribution processes is called 'franchise'. Franchise is described in various distinct versions. Certain types of franchises operate in a dual system, where vertical integration and also market governance take place. Vertical integration in this context is the process of the franchisor giving the right of a partner to operate a certain business, which is then responsible to serve the client. Market governance²¹ comes into play when the franchisor operates the units himself.^{22,23} Conventional marketing systems are different to vertical marketing systems. Conventional marketing systems are composed of independent producers, wholesalers, and retailers. "Each is a separate business, seeking to maximize its own profits, even if this goal reduces profits of the system as a whole. No channel member has complete or substantial control over other members."²⁴ Buvik and John describe vertical marketing systems as "purposive organization of activities and information flow between independent firms." These activity patterns and information flows possess two related features. First, they are not enforced through legal ordering. Second, profits from these patterns and flows are split up through

¹⁸ Kotler & Keller 2008, 466

¹⁹ Buvik & John 2000, p. 52

²⁰ Haas & Neumair 2006, p. 624

²¹ Market governance: refers to open market transactions

²² Kotler & Keller 2008, p. 466

²³ Only for practical reasons, this dissertation uses the masculine term whenever masculine and feminine terms are applicable.

²⁴ Kotler & Keller 2008, p. 466

ongoing adjustments and bargaining, rather than contractually specified *ex ante*.²⁵ Vertical cooperative systems exist due to resource scarcity, time scarcity, cost reduction, market seeking issues, range of sales influence, and other factors. Common vertical cooperating systems are joint ventures, contract manufacturing, contract distribution, contract management, licensing, and franchising. Their common component is their value chain. It is connected and they jointly work from production until sales. Their steps are independent, but still supportive of each other, to produce profits for the entire cooperative effort. Joint venture parties cooperate in different growth stages, distinct processes, production types, or resources. However, joint ownership may also provoke drawbacks, such as disagreement over further investment, development, or strategic plans. Contract manufacturing means shared production steps with other companies. This results in rising quality standards, and secure supply material and stabilization and improvement of the production process. In this cooperation construct, production tends to take place locally to shorten shipping or supply distances. Nevertheless, marketing and sales duties stay with the initial company.²⁶ A contract distribution relationship is similar, with the difference that the cooperation refers to distribution of goods, instead of production. Contract management is often used in the hotel sector, where a hotel chain offers to manage hotel operations with its professional management and own established brand name, but at the cost of the owner of the hotel.

Another form of vertical cooperation is licensing. It is a strategy to increase product presence and to open distribution channels. For the exchange of a small fee, the producer gains access to additional marketing and sales channels. The licensee on the other hand, has little risk and can use local knowledge to distribute goods and services, which may have already gained a well-known reputation or have established a popular brand name. Licensing distinguishes itself from franchising by a more loose relationship between the licensee and the licensor, including less support, less influence on the licensee, and less intensive contact between the parties. Licensees neither follow set rules to keep the system image in line, nor do they work with a specific marketing concept for the respective products. In contrast to licensing, franchising is a more complete system, with a marketing and service package, and intense consulting offers. The details for franchising are laid out within the following paragraphs.²⁷

Franchising is a vertical cooperation system, however differences between franchisees and entrepreneurs exist. At first sight, a franchise structure is not visible to customers, as customers foremost recognize the brand. The majority considers all entities operating under the brand, as one unit. Nevertheless, outlet units are owned and managed by entrepreneurs. These entrepreneurs are part of a

²⁵ Buvik & John 2000, p. 53

²⁶ Haas & Neumair 2006, p. 624

²⁷ Information on the history of franchising is displayed in appendix 1.

brand and franchised outlets must not be confused with retail or wholesale outlets. Entrepreneurial motivation, taking risk, and investing in the business are all characteristics a franchisee has to adopt, in contrast to an employed outlet manager. Many discussions arise about the entrepreneurial aspect of franchisees and whether they can be seen as “real” entrepreneurs. One group of researcher argues against franchisees reflecting the entrepreneurial spirit, since the franchisee only follows the given paths of the franchisor of which many are legally defined in the franchise contract. Another argument is the risk of a new market entry, which is shared between franchisor and franchisee; business opportunities are normally identified by the franchisor. Others critique and argue for a second group, as they see franchisees as managers. In their view, franchisees only manage their franchised units but do not pursue a significant overall growth strategy.²⁸ The discussion to what degree franchisees are entrepreneurs, has been around in several dialogues; uncountable different point of views exist. Whether franchisees control their business themselves or are being controlled, influences the autonomy of the person operating the franchise and resultantly influences the franchise relationship.²⁹ Kasselmann et al. describe the franchisee entrepreneur to be similar to “intrapreneurs who develop profitable businesses within the confines of an existing business entity.” Intrapreneurs share the entrepreneurial spirit and adhere to corporate guidelines, and at the same time they show independency and creativity.³⁰ Withane calls the position of a franchisee as being placed in an independence-dependence continuum,³¹ meaning the continuous relationship between franchisor and partner(s). Ahlert et al. cites Casson by stating that an entrepreneur is a person, “who specializes in taking judgmental decisions about the coordination of scarce resources”.³² In the opinion of the author, this applies to all entrepreneurs, including franchisees. Wattel³³ argues that franchisee are not entrepreneurs, as they are not fully responsible for all their tasks and they are rather followers than decision makers. Still, franchisees have knowledge about local markets and are the ones improving and solving operational problems. Research also shows that franchises often are family run businesses,³⁴ be it franchisors or franchisees. Family run businesses tend to be owned by people with entrepreneurial tendencies, who have a strong will to control businesses by themselves and put in the necessary effort to be successful. Qualities of both are needed. On one hand, non-entrepreneurial characteristics support obeying to guidelines and receiving support of the franchisor. The franchisor is

²⁸ Ketchen Jr. et al. 2011, p. 587-588

²⁹ J. Stanworth 1999, p. 74 citing Felstead 1994

³⁰ Pinchot 1985 cited in Kasselmann et al. 2002, p. 156

³¹ Withane 1991, p. 23

³² Casson 2003 cited in Ahlert et al. 2005, p. 80

³³ Wattel 1968, p. 68

³⁴ Kaufmann & Stanworth 1995, p. 22

in the position to have already gained experience, which now the franchisee does not necessarily need to gain himself. On the other hand, franchisors encourage the help of the franchisee toward the system and bring along innovative thoughts and support.³⁵ Nevertheless, Stanworth states that in his research it was the franchisees, which continuously seek help from the franchisor, regarding technical and operating problems.³⁶ This implies that franchisees are seen independent. They are also in the favorable position to always have the possibility to check with a party who can advise about correct action and behavior. As a team, both can add their best ideas to build upon an economic breakthrough. Despite these advantages, franchisees still have to deal with marketing, financial aspects, group efforts, adaption, and market knowledge.³⁷ Franchisees might not be seen as entrepreneurs by everyone, since they have not invented the business idea. They also may have taken over an existing franchiseship;³⁸ or they have built on the stability of an existing system.³⁹ Due to their obligation to act within given boundaries and apply stated standards this argument is valid and comprehensible.

To emphasize their position, franchisees cannot be seen as only salesmen or sales facilitator. Franchisees act within a network and are considered self-contained entrepreneur, whose duty is to sell a franchisor's, or registered supplier's products and services to final customers.⁴⁰ Also the degree of power within the system varies depending on certain company structures and high number of years of belonging to the systems, as well as depending on franchisees' sales results.⁴¹ Resulting from these different points of view, franchising can be considered a hybrid business form, with interdependence roles. Entrepreneurs are needed as well as corporate manager abilities. Hence, a third view considers franchisees with a status between managers and entrepreneurs; and as far as their decision-making is concerned, franchisees are independent within their business type rules.⁴² The author believes franchisees create a unique position "where they are self-employed managers; resulting that they are not completely free in making their decisions but they have far more room to add their personal ideas to operations than employed managers have."⁴³ This hybrid form makes a franchisee neither fully an entrepreneur, nor entirely a manager. Depending on distinct literature, the status of an entrepreneur either applies fully or partially to a franchisee. Depending on how much freedom is necessary for the overall definition of an entrepreneur, the decision stays in the eye of the beholder. Arguments for both sides are valid and will continue to stay open for interpretation. Not only one's own point of view

³⁵ Dada et al. 2012, p. 576

³⁶ Stanworth 1995b, p. 166

³⁷ Combs et al. 2011, p. 421

³⁸ Franchiseship is a franchise partnership between franchisor and franchisee

³⁹ Chlosta & Kissel 2011, p. 947

⁴⁰ Flohr 2008 cited in Flohr & Gramlich 2009, p. 28

⁴¹ Peterson & Dant 1990, p. 48-49

⁴² Knight 1986, p. 55

⁴³ Gaul 2013, p. 60

influences the personal view, but also the type of business structure and philosophy within a system guide the status of the franchisee. Overall, to the franchisor a definition and the actions of a franchisee is less important, than the output the franchisee produces for the network.

Franchising is a vertical cooperation system, which shows interdependency characteristics between franchisor and franchisee.⁴⁴ Both take responsibility in their actions, as they are heavily connected and act as one whole entity. The franchisor provides the tested and continuously improves marketing strategy, for the franchisee. It builds on a proven base and features its individual business success factors. Given the general power of a franchisor, he controls the individually exercised marketing actions to a certain extent, but also ensures conformity by an overall marketing and brand strategy coming from the headquarters of the organization. Both parties work jointly for their common benefit on different levels of the organization. Their cooperation leave them not only room to survive, but even creates room for development.⁴⁵ Further, a franchise system is also an option for distribution strategies of a firm. Its characteristics are decentralized sales locations, which are managed directly by franchisees on site. The advantage lies in improving and tapping new sales potential at the specific location. Since sales and distribution is the responsibility of a franchisee, which knows best about prevailing market situations, each location is controlled flexibly and as needed. Especially small distribution outlets benefit from the partnerships. Its adaptability and flexibility allows franchising to expand rapidly into many business sectors, as well as numerous products and services. Neither country boundaries, nor centuries have limited this business strategy. Today and also hundreds of years ago, efficient expansion tools were and still are in high demand. Hence, it was natural, that a growth plan using promising network strategies will survive and develop further into modern times. The construct of franchising is composed of one franchisor and one or more franchisees, resulting in a partnership called franchiseship. The goal is to replicate and multiply an existing business idea with joint forces, to quickly penetrate a market at comparably low cost⁴⁶ with a known brand or service.⁴⁷ Ideally, the skills and resources of franchisors and franchisees complement each other.⁴⁸ Replication and multiplication of the proven business idea can take place in different geographic locations, within country borders or cross-country borders. Franchisees take advantage of the franchisor's experience and benefits of the system, and in return they compensate the franchisor. As rapid expansion strategy, franchising is a favorable tool to save a franchisor's own human resources and investments, since suitable franchisees

⁴⁴ Grace et al. 2013, p. 221 citing Zachary et al. 2011, p. 631

⁴⁵ Bellone 2014, p. 12

⁴⁶ Hoffman & F. Preble 1991 cited in J. F. Preble & Hoffman 1994, p. 7

⁴⁷ Richard & J. F. Preble 1993, p. 35

⁴⁸ Hitt et al. 2000, p. 450

have knowledge of local markets, specifically cultural, geographical, linguistic, and political knowledge. Franchise systems have developed over time, adapted to special business needs, and increased network sizes. Franchising allows distributing a certain service or product through a developed business idea, or by providing franchisees access to certain sources of knowledge, technicalities, or other resources.

Franchisors offer managerial assistance while in return the franchisee agrees to manage the business, according to the rules, set by the franchisor. Further, franchisees offer their managerial skills, either directly as part of the operations team, or indirectly by selecting a manager to operate the business for them.⁴⁹ In addition, locally prevailing legal frameworks are of a franchisee's knowledge.⁵⁰ Economically, franchising belongs to the so-called franchise and cooperation networks. It is defined by a system head, which oversees the structures below. To a large degree, franchise network partners are legally and economically independent from each other, however can be in competition to each other.⁵¹ Franchising may be implemented to pursue different strategies. It resembles a market entry strategy, network strategy, vertical marketing strategy, and distribution strategy. The selection of alliances is useful to access resources and to enjoy learning opportunities.⁵² As a market entry strategy, compared to other strategies, such as direct investment, export, joint venture, franchising offers numerous advantages. These advantages include low cost market entry, low political risk, low failure risk, as the franchisee bears the most cost. For this reason it is a comparably simple implementation of brand and system. The franchisee is also a source of new ideas to the network.^{53,54} Franchising is also an option for a specific network strategy. Franchise systems are known to interact with one another and to create, use, and forward synergy effects in various areas of the organization. All units together bundle their forces and energy, since individual business units generally have a more difficult standing. The continuous and fast change of the competitive environment, and its financial requirement change the competence requirements of companies. It is an advantage to be part of a group. The connection with a

⁴⁹ Norton 1988, p. 197

⁵⁰ Grewal et al. 2011, p. 583

⁵¹ D. Ahlert & M. Ahlert 2010, p. 47

⁵² Hitt et al. 2000, p. 461

⁵³ Phatak et al. 2009, p. 217

⁵⁴ The definition of franchising by European Franchise Federation 2005 includes statements of D. Ahlert, M. Ahlert, Hero, Lafontaine amongst others: "A system of marketing goods and/or services and/or technology, which is based upon a close and ongoing collaboration between legally and financially separate and independent undertakings, the Franchisor and its individual Franchisees, whereby the Franchisor grants its individual Franchisee the right, and imposes the obligation, to conduct a business in accordance with the Franchisor's concept. The right entitles and compels the individual Franchisee, in exchange for a direct or indirect financial consideration, to use the Franchisor's trade name, and/or trade mark and /or service mark, know-how, business and technical methods, procedural system, and other industrial and /or intellectual property rights, supported by continuing provision of commercial and technical assistance, within the framework and for the term of a written franchise agreement, concluded between parties for this purpose."

strong franchise system, gives not only survival support but also leaves room for development.⁵⁵ Network strategies, for this reason, are the platform for strong and long-term business constructs.

1.2. Different types of franchising

Depending on the intensity - product franchising, service franchising, business format franchising, subordination franchising, franchising in partnership, and network franchising, legal scope single-unit franchising, multi-unit franchising, master franchising, and business extent full franchising, partial franchising - franchising forms vary in their appearance.⁵⁶ The two main franchise types, as far as intensity is concerned, are traditional franchising and business format franchising. Traditional franchising emphasizes the manufacturing sector and its right to distribute products through franchisees, which are licensed. This type of franchise prevails in the automobiles, soft-drink bottling, beer, and gasoline sector. Traditional franchising is foremost concerned with distribution systems and whether own distribution is more suitable or whether an external distribution should be involved. In comparison, “business format franchise is a network of legally independent organizations, which jointly exploit a common asset-the franchisor’s plan for provision of a product or service to customers.”⁵⁷ The systems differ by emphasizing the trade dress instead of production aspects. Business format franchising focuses on the one hand on the franchisor’s brand, and on the other hand on the supply of goods and services to customers. This type of franchising is rather seen in the service sectors, such as hospitality health, accounting, and real estates. Typical for business format franchising⁵⁸ is that the franchisee receives a package of a concept with a valuable brand name and guidelines. Within companies operating in the service sector, business format franchising has experienced a significant importance for expansions, as services cannot be exported as easily.⁵⁹ Regarding business extent and legal scope, the following franchise types are common and listed in table 1.1: Master franchising, sub franchising, multiple franchising, and development or also called area franchising.

Master franchising is an indirect way of franchising, where the master franchisee contracts sub franchisees. A sub franchisee is also in charge of specific regions or units. The master franchisee is responsible for legally binding and maintaining sub franchisees and their respective performance and adherence to given rules. Master franchising allows for significant growth, however, it increases

⁵⁵ German Franchise Federation 2013, p. 12

⁵⁶ D. Ahlert & M. Ahlert 2010, p. 35

⁵⁷ Shane & Foo 1999 cited in Shane et al. 2006, p. 774

⁵⁸ Business format franchising is also called “package franchise“, as it includes a marketing strategy, manuals and standards, intense communication between franchisor and franchisee and quality control J. F. Preble & Hoffman 1994, p. 7.

⁵⁹ Altinay 2004, p. 426

agency cost, since the managerial distance between franchisor and sub-franchisee is comparably larger, than from the franchisor to the franchisee. This reduces financial risks and the provision of human resources for the franchisors. Especially for international retail franchising, master agreements are most popular.⁶⁰ Direct franchise is a construct, where a franchisee is legally connected to the franchisor, but has no right to acquire sub-franchisees. In this context, a sub franchisee is a party connected to a master franchisee. A sub-franchisee is delegated by its master franchisee, and the master franchisee is responsible for the sub-franchisee. Hence, the master franchisee acts as a franchisor. The sub-franchisee generally has no right to acquire another sub, working under him.

Multiple units franchising is the right of a franchisee to own more than one unit,⁶¹ be it as sub, direct, or as master franchisee. Advantages from multi-unit franchising are numerous and include economies of scope. Different reasons can influence a franchisee to own and operate more than one unit. Development franchising describes a third party, an area developer, who is entitled to advance expansion plans to acquire franchisees and is authorized by the franchisor for a certain area. An area developer supports the growth strategy of a franchise system, lending expertise and connections to the franchisor, allowing cost effective support and concentration of firm growth in a certain territory. Therefore, they may play a relative significant strategic role within a system.⁶² Not every franchise type applies well to every franchise system. The different types of franchising are displayed in table 1.1.

Table 1.1: Description of main franchise types

Type of franchise	Description of type
Master franchise	Has the right to sell franchise to different sub franchisees in his territory and acts as a franchisor, including duties and rights to sub franchisees
Direct franchise	Has the right to operate only one outlet
Sub franchise	Operates under a master franchisor
Multiple unit franchise	Has the right to open or sell several sub franchises and could be a master franchisor or an area developer
Development franchising/ area developer	Has the exclusive right to open a certain number of outlets within a designated area and certain period.

Source: Author's own composition based on *International Franchise Association*⁶³

Companies follow different marketing strategies, depending on their products, customers, needs, supplies, and environmental circumstances. To a certain extend franchisees can be considered clients to

⁶⁰ Quinn & Alexander 2002, p. 266

⁶¹ Lowell 2006 cited in Weaven & Frazer 2007, p. 107

⁶² Garg et al. 2005, p. 197

⁶³ International Franchise Association 2013

the franchisor. They pay for goods and services given to them and are contracted for a medium to long-term period. To facilitate continuous growth potential and innovation, the network relies on both: the headquarters and the network partners. The center role of strategic marketing planning includes choosing a place to offer products and services. The place in the case of franchising is determined by the selection of the franchisee. Selecting the right franchise strategy is crucial to the survival of the company and different options are possible, such as master, direct, sub, multiple unit franchisee, or area developer. Sub-categories of unit franchising and its variations according to literature, include area development, sub-franchising, area representation, and franchise brokerage (image 1.1).

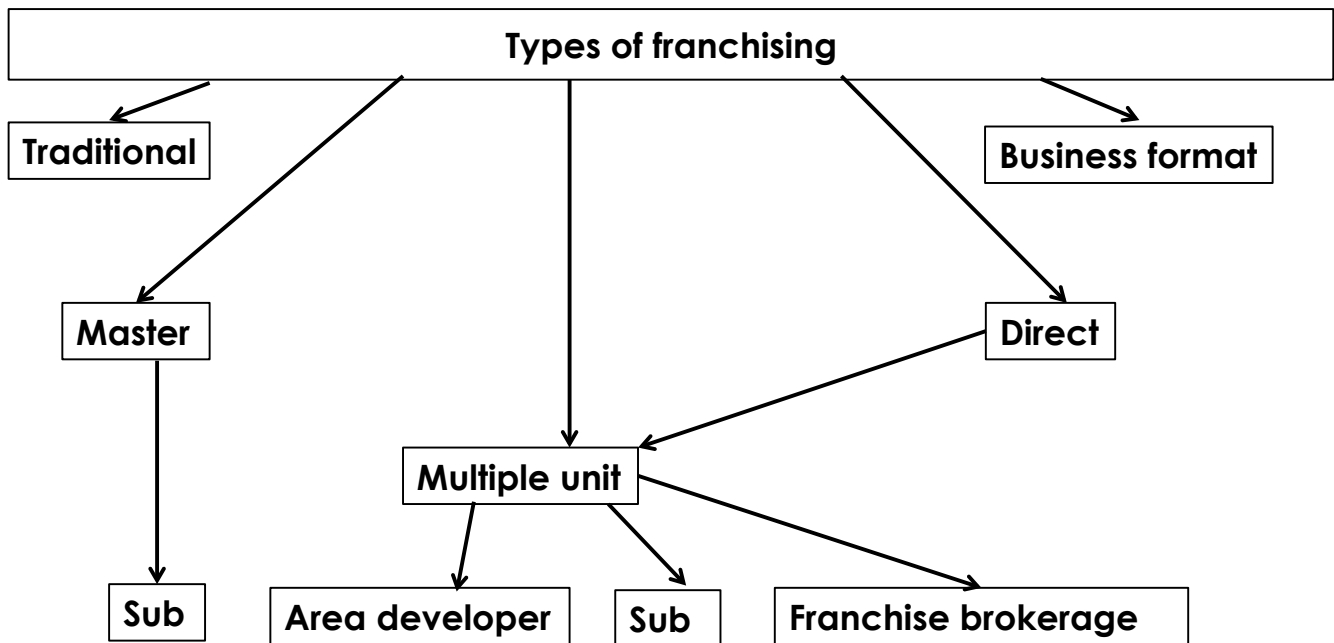


Image 1.1: Description of main franchise types

Source: Author's own composition based on literature

It is the right and duty to operate a unit or outlet in an agreed location or territory, normally without the right to expand further. Multi-unit franchising is a form of expansion, whereby a franchisee buys the license for more than one branch or location. According to Grewal et al.⁶⁴ and Welsh⁶⁵ there is a strong tendency for multi-unit franchising. Overall, single unit franchising is rare and a minority of unit franchisors operate the majority of units in a system.⁶⁶ This is especially true in the United States,

⁶⁴ Grewal 2011, p. 537

⁶⁵ Welsh & Alon 2002, p. 17

⁶⁶ Grewal et al. 2011, p. 537

however not in the UK.⁶⁷ Multi-unit franchisees tend to be entrepreneurs, who often invest in several franchises of different brands at the same time. Their growth potential generally is higher and due to their experience with other franchises, they tend to negotiate and work in a more professional manner.⁶⁸ Reasons for multi-unit franchising can be economies of scale seeking or enhanced influence seeking over the franchisor, due to ownership of several outlets.⁶⁹ Boulay and Stan categorize this type of franchisee as opportunistic investor, with pro-active traits, and a long-term financial return vision.⁷⁰ Nevertheless, abuses of a franchisee's autonomy should not be feared.⁷¹ Grünhagen and Mittelstaedt distinguish between sequential multi-unit franchisees and area developers. They state that sequential operators have a higher degree of entrepreneurial motivation, but the two groups do not differ in investment motivation.⁷² Growing firms are more likely to offer multi-unit franchising, as it accelerates their plan to expand quickly. In addition, franchisors offering multiple units for one franchisee require more managerial experience from their system partner and expect openness to share their knowledge within the network.⁷³ Since less governance for these partners is required, efficiency for the franchisor in this matter increases⁷⁴ and encourages a multi-unit system strategy. Although, multi-unit owner can turn out more financially beneficial to the franchisor, single unit owner are found to be more conscientious, more emotional stable, and work on strengthen the relationship with the franchisor.⁷⁵

Amongst multi-unit franchising are several categories, including area development, sub-franchising, area representation, and franchise brokerage. An area developer has the right and duty to start and operate units inside an agreed geographic area. An area developer may enter partnerships, but he is the only partner for the franchisor. The area developer has to have various resources to develop the area. A risk for the franchisor is the potential of raising a dominant counterpart. A sub-franchiser is a party, which is legally contracted by the master franchisor, who gains the right to operate the business in a region, which is part of the territory of the master franchisor. An advantage is possible accelerated expansion, but a disadvantage is risk of loss of control. An area representation has no rights to contract franchisees but with the duty of attracting new ones and supporting existing franchisees with training, inspecting, consulting, and advertising. The advantage is direct control over the franchisee via the area preventative, which is contracted by the franchisor. The disadvantage is the complexity of the agreement and the quality control with the connected duties of the area representative. A franchise

⁶⁷ Dada et al. 2012, p. 578

⁶⁸ D. Ahlert & M. Ahlert 2010, p. 556-557

⁶⁹ Grünhagen & Mittelstaedt 2002, p. 197

⁷⁰ Boulay & Stan 2011, p. 11

⁷¹ Dant & Gundlach 1999, p. 55

⁷² Grünhagen & Mittelstaedt 2005, p. 219

⁷³ Combs, Ketchen Jr, et al. 2011, p. 418

⁷⁴ Cochet et al. 2008, p. 66

⁷⁵ Dant et al. 2008, p. 26

brokerage is only involved in soliciting franchisees. The franchisor may lose control over the sales process of licenses, but has the chance to sell quicker. He is also alleviated with the possibly long process of selling. These types have the following common characteristics. High speed of expansion, beneficial leverage of financial and human resources, and increased local presence. Depending on the situation of the business, each type of multi-unit franchising has its advantages. Generally speaking they all offer opportunities to share risk and knowledge with other people, gain quick access to cash from unit sales, establish presence in various locations while gaining credibility and knowledge of the prevailing local environment. Also competitiveness rises and learning from it allows for more specifically tailored offers to franchisees. A common disadvantage is giving up control over the units to another maybe powerful person, who takes a large proportion of earnings, and possible liabilities toward the franchisor. Another challenge is the rising complexity and interrelationship of these business constructs, and the weak influence of franchisors to enforce agreements.⁷⁶ A description of multiple unit franchise types is displayed in table 1.2. This table differs from table 1.1 by the fact, that multiple franchise types may apply to any of the franchise types mentioned in table 1.2.

Table 1.2: Sub-categories of multiple unit franchise types

Multiple unit franchise types	Description
Area development	Starts and operates several units within a certain area
Sub-franchise	Owns and operates a business within territory of master franchisee
Area representation	Solicits and supports new and existing franchisees
Franchise brokerage	Solicits franchisees

Source: Author's own composition based on Lowell⁷⁷

It may occur, that wrongly selected master franchisees and multi-unit franchisees, bear the risk for the franchisor to block a certain region or country. In addition to the decision of single or multi-unit franchisees, other factors need to be adapted to the exact needs of the system, to follow an individual and successful strategy. These factors include the selection of the unit location, type of franchise relationship, entry and royalty fees, brand strategy, system size, expansion plans, and the choice of person to add to the system. Large cost, missed revenues, and personal inconvenience may be the result of a malfunctioning and badly planned relationship. Strategic management is one method to plan ahead and minimize risk. According to Schminke and Fees⁷⁸ this method uses the “analysis of external environment, its internal capabilities, and the targets of stakeholders.” Internal capabilities are

⁷⁶ Lowell 2006, p. 1-5

⁷⁷ Lowell 2006, p. 1-5

⁷⁸ Schminke & Fees 2012, p. 15

enhanced by knowledge about how to approach task with less risk. Risk is generally lower, if preparation is effective. Risk and uncertainty make international business more hazardous, but competitive advantages can make up for the dangers of running operations outside the home country. Thus, the degree of internationalization of a company is a hint for possible psychometric problems in cross-border franchise operations.⁷⁹ From an opportunistic angle, franchisors can select adequate franchise partners with their profile advantages, such as local market knowledge, to complement the franchisors strategy abroad. Some franchisors prefer focusing on their national markets to bundle their resources.⁸⁰ Either way bears advantages, depending on the strategy of the company.

Franchising as a network strategy bears strengths and weaknesses. As a business construct, franchising is more favorable in certain circumstances, than in others. In most cases, risks for both parties appear if one party behaves in an unfair manner. In that case the entire concept loses strength and cannot prevail efficiently in the long run. Moreover, business sectors, which require a large knowledge transfer in chemical or technical situations, franchising may be challenging to apply. However, in service oriented business niches, it is a more advantageous strategy. Franchising is a concept, which can be expressed as 'business to go'. The ready concept is sold to a candidate, who should be in a favorable position to execute, manage, perform, and actively contribute to the system goals. The franchisee is in the entrepreneurial position to operate one or several units, and to plan processes on site. The entrepreneurial franchisee concentrates on the implementation of the given concept on site. Entrepreneurs using franchising walk a less complex way of setting up a proven business. Franchising is an advantageous option for all who seek self-employment, but do not have an idea which direction to pursue. Countless companies use franchising as expansion strategy and representatives for nearly every sector are available. Even if a candidate has little or no experience in the chosen sector, the way franchising is set up, it is still possible for most companies to accept highly motivated individuals, who show their willingness to work hard and learn about new tasks. The possibility to use the franchisor's experience and established brand prevents them to not commit common mistakes, and operate a known brand from one day to the other. This allows to save money and time and to achieve faster sales success. According to Bennett et al. franchising offers a high possibility of gaining superior standard of living, the option to receiving training on the job, and the chance to being one's own boss⁸¹ while being backed up by an entire system. Franchising is an opportunity for job seekers, in case employment possibilities are scarce. However, especially young

⁷⁹ McIntyre & Huszagh 1995, p. 52

⁸⁰ Oxenfeld & Thompson 1969, p. 10

⁸¹ Bennett et al. 2010, p. 102

people may see a hurdle in paying the entry fee up front. The franchise fee is partly necessary to provide sufficient training to franchisees. These trainings influence franchisee satisfaction and may include sales, customer service orientation, time management, client conflict resolution, strategic business planning, leadership techniques, telephone behavior, client relationship, business knowledge, marketing knowledge, rhetoric, and presentation abilities.⁸² In addition to trainings, another benefit of franchising lies in the regionally anchored social connections of franchisees on site. Most franchisors prefer franchisees, who have extensive local knowledge and who are well connected on site. These prerequisites help to establish and run a company. Understanding the prevailing political environment and the way business is done in the region is a plus for any business operations.

Numerous additional aspects can be named. First, the franchisee knows clients' preferences better than the franchisor and can improve customer loyalty, as the distance to the customer on site is small. This setting allows quick reactions and an increased flow of information between final customer and the seller, the franchisee. Second, building up a valuable brand name is facilitated by the increasing number of outlets operated by individual entrepreneurs, which results in a win-win situation for the franchisor and franchisee alike. The rule of unifying individual entrepreneurs under one brand name, helps the entire network to establish and maintain an imprinted brand reputation. Third, clear structures and processes stress quality control and emphasize norms of products or service. Fourth, recognition of brand bears another plus for the group. Strong and effective promotions are facilitated by cross regional, national, or even international advertising of products and services. The common advertising effort by headquarters and individual outlets can lead to airing campaigns with high effectiveness in many geographic areas, due to the financial contribution of each franchisee. Fifth, a regular retail expansion is costly and includes high fix costs, especially in human resources. Expansion via franchising in contrast does not require the risk of high human resources fix cost. The contrary is the case. The franchisee even finances part of the services provided by the headquarters by paying entry fee and continuous fees to the franchisor. Sixth, a franchisee is stronger motivated than a retail outlet manager. A franchisee is self-employed and to a certain degree independent in entrepreneurial activities. He is the one who quickly recognizes changes in the consumer market and can react out to the customer, as well as reach out to the franchise system by passing on the information.⁸³ Adapting the business to local conditions via entrepreneurs, who have local knowledge, is one reason to opt for franchising as business form in specific locations. Nevertheless, it occurs that franchisors and franchisees are challenged by the right to operate in a territory or country. The challenges include

⁸² BEITRAINING et al. 2014, p. 29

⁸³ Bellone 2014, p. 12-15

market information to be researched, introduce concepts are unknown to the community, and distinct governmental control mechanism.⁸⁴ Franchising is popular; nevertheless its rules are not always clear to all parties and challenges may arise. Depending on the rules and regulations, business development, or laws in a country, parties have different ways of interpretation. One problem is the connotation of former mismanaging of certain franchise systems. There, the term franchising was put in connection with unethical business behavior. A few, or even one irresponsible franchisee can hurt the entire system. The franchise chain may suffer severe damages due to one negative incident. Harm can be caused already by one franchisor, which took advantage of recently added franchisees⁸⁵ only by collecting the initial fee and not giving adequate support in return. Also the economic environment benefits from franchising. Stable and well-connected companies have a higher potential to endure and to grow in a healthy way. This creates a variety of jobs,⁸⁶ provides the opportunity for family members to draw from it in the future,⁸⁷ and triggers satisfaction among the population. Especially entrepreneurs with smaller operations are still in the position to survive and to develop their operations, as they are backed up by a larger system. In addition, market needs can be satisfied on a regional and local base. Cultural sensitivity can be approached more flexible and the brand can expand its uniform presence.

One major and decisive task is finding adequate franchise partner, selecting them, and matching them to according to the company's specific profile. Disadvantages of not choosing a well matching franchisee can result in a collapse of the bought unit. Also, the investments of a master franchisee's investments have no insurance that the transaction will be profitable. A certain level of risk remains for the franchisor and the franchisee alike. However, the franchisor is in the position to select or deny a potential franchisee applicant. When pairing up with a business partner, the choice of a suitable party is challenging. A franchise system requires individual partner selection.⁸⁸ Making the right choice supports the system, and failing can cause severe damage to all individuals. The future success of a franchise system is strongly related to the correct choice of a potential system partner.⁸⁹ One critical element in a franchiseship is trust. It resembles the division of power and therefore allows for social control.⁹⁰ Once a partner has lost trust or understanding, he may think about leaving the agreement. Relating to customer loyalty, franchise loyalty also has to be kept up and invested in on a regular basis to spur the symbiosis of benefits. One argument that triggers dissatisfaction is for example lack of

⁸⁴ Hoffman & F. Preble 1991, p. 79

⁸⁵ D. Ahlert & M. Ahlert 2010, p. 239

⁸⁶ Richard & J. F. Preble 1993, p. 35

⁸⁷ Kaufmann & Stanworth 1995, p. 24

⁸⁸ Jambulingam & Nevin 1999, p. 363; Clarkin & Swavely 2006, p.134 ; Altinay 2006, p. 108

⁸⁹ Olm et al. 1988, p. 1

⁹⁰ Hoffman & Preble 1991, p. 82

promised support. This might be due to the lack of resources at the headquarter.⁹¹ The relationship between franchisor and franchisee is dynamic and demanding. The franchisee might find himself with restricted financial funds. He also might be in a subordinate position compared to the franchisor. Motivating a franchisee is a continuous duty to franchisors, as well as a concern. A healthy equilibrium of control and freedom is favorable to not decrease the level of motivation.⁹² A propensity to franchise can be identified when considering monitoring cost to control and manage company-employed managers instead.⁹³ In case policies and standards are not kept according to the predefined rules, franchisors may buy back the incompatible units⁹⁴ to limit damage to system.

1.3. Key business success factors of franchising and the role of partner choice

Many sources have investigated whether normal entrepreneurs have a disadvantage over franchisees, when founding their enterprise. Franchising it no guarantee for success, even great systems can fail over time. But there are several factors that form key elements for calling franchising more successful than other types of vertical systems. Nevertheless, only complying and fair systems can take advantage of the benefits. They are then in the position to hand them on to their partners. Still, elements that can spur success of franchise systems are numerous. Ahlert et al. found out that several factors are related to the lower dropout rate in franchising. First, the higher the entry fee, the longer the contracts, and the lower the closing rates. One explanation is that franchisees know about their long-term responsibility and could be more cautious. Second, management performance is significantly related to drop out percentages. The more onsite control is executed, the stronger the cooperative ties between franchisee and franchisor, the more know how is transferred and implemented at the franchisee, and the lower the number of partners giving up their business. Third, the more a franchisor is transparent and complying with the standards of umbrella organizations executing regular system checks, the higher the chance that the franchisor is correct and knowledgeable on how to operate a franchise system.⁹⁵ Taking over a proven business concept has many advantages for the partner. Activities and cycles have been practiced and smoothened. Starting with a helping hand, seems less risky when beginning an entrepreneurial carrier. Through these prerequisites, candidates enjoy a quicker start, compared to beginning their own independent business venture. The possibility to combine sales support from franchisor with the manpower of the franchisee, presents a more simple

⁹¹ Dormann & Ehrmann 2007, p. 653; 667; Knight 1984, p. 58

⁹² Oxenfeld & Thompson 1969, p. 8

⁹³ Brickley & Dark 1987, p. 420

⁹⁴ Hoffman & Preble 1991, p. 79

⁹⁵ Ahlert et al. 2005, p. 3-6

start into the growth process. Nathan emphasizes the success of the franchising system and ties its success to a well-trusted relationship all partners strive for.⁹⁶ Franchisees can concentrate on their own business and delivery of service, while the franchisor takes over and bundles tasks for the entire network. This keeps the individual units free of additional duties, such as supply, marketing, and other strategic work, so they can concentrate on selling and delivering.⁹⁷

Although a new franchisee might be educated and have business experience, the specific experience for being responsible for an own company, plus the special knowledge needed to operate that company, may be missing. Therefore, training offered by the franchisor is vital to understand the business concept and to live it.⁹⁸ Face to face interaction and interpersonal connections, which are made through individual training on site or at the headquarters, help people to better connect with their network partners. It is also the network feature that supports the growth of the individual. Continuous communication and innovation makes franchising a flexible and quickly developing platform. Another key success factor is the possibility to work on an entrepreneurial basis with a known brand name.⁹⁹ The presence and attractiveness of a popular and strong brand name facilitates building upon an existing value, although the franchisee is only about to start the business. Especially in an international context, the help of trademarks is the key to a quick start into the market.¹⁰⁰ Through the binding contract, franchisees gain access to intangible assets of the franchisor, who is obliged to continuously improve and better its assets. The close ties, a franchise systems embodies with its network, are also crucial to success is also. These ties are spurred by an intense communication strategy with interaction activities, which include intranets and trainings, product information, and supply matters. The close connection is also helpful for the franchisor to monitor the network and its performance.¹⁰¹ Via regular control and the obligation to comply with headquarter standards, the good standing of the entire network is supported; and its beneficiaries are the individual unit owners. A further well-known crux of the matter is finding the right fit. The right franchisee for the respective system and managing franchise partner relationships are directly connected to the success of a system.¹⁰² An applicant may have a favorable profile at first sight. However, finding out whether that person also fits the respective system, its culture, and goals, this has to be determined on a case-to-case basis before the contract is signed. “Strategic alliance partner selection is a critical aspect of successful alliance development; even

⁹⁶ Nathan 2000 cited in Merrilees & Frazer 2006, p. 74

⁹⁷ Stanworth 1999 cited in Merrilees & Frazer 2006, p. 74

⁹⁸ Withane 1991, p. 26

⁹⁹ Combs, Ketchen, et al. 2011, p. 100-102

¹⁰⁰ Doherty 2007, p. 194

¹⁰¹ Watson et al. 2005, p. 26, 30 cited in Polo-Redondo et al. 2011, p. 172

¹⁰² Weaven & Frazer 2007 cited in Brookes & Roper 2011, p. 1258

superior alliance management may not be sufficient to overcome poor initial partner screening and selection efforts.”¹⁰³ Although there are few or no feelings involved, business partnerships need to prosper, otherwise they are not worth the compound effort. Poor screening and poor selection efforts hinder fruitful alliances and cost money instead of earn money. These challenges have existed for a long time and have not only kept business parties occupied, but also academic researchers. Researchers are united in the thought of selecting qualified franchisees; it is perceived as the franchisor’s single most pervasive operating problem. Proper selection of franchisees can have outstanding results, while poor choices can lead to continuing problems for the franchise system.¹⁰⁴ Altinay refers to the sophistication of the company by stating that the emphasis placed on the partner characteristics depends on sophistication.¹⁰⁵ Several procedures have been examined over the decades about different franchisee selection processes and pre-selection procedures. Industry and firm specific differences guide the individual recruiting steps. Also certain qualifications for franchise opportunities are of high importance. A network grows and vanishes with its members, as other organizations build their success on their employees and prosper with suitable international cooperating partners. The quality of the relationship between franchise partners is the base for long-term economic success of the network.¹⁰⁶

Not only franchisees need to be selected to suit network needs, but franchisors also have to have the overview on what criteria to focus on, to minimize the risk of failure rates for candidate profile. To keep the number of failures of franchisees low, it is of help to see the potential of good performance and an above average rate of own assets. If the entry fee is high, the franchisee will try to cooperate for a longer period of time. Also, franchisees that tend to sanction their network partner will have higher rates of failure during the first four years of founding the franchisee’s company.¹⁰⁷

To transmit an honest and inviting environment within the franchise family it is absolutely necessary to deliver transparency from the beginning onwards and continuous support toward the applying franchisee candidate. In addition, transparency is a necessary part within the legal framework of franchise contracts.¹⁰⁸ Due to information asymmetry, a fair handling of information flow is a must. Different studies examined a wide variety of cooperating relationships. These works have observed various industries in numerous countries, distinct types of cooperation, and many dissimilar processes. The literature review in chapter 2 contributes to discussing ideal franchisee profiles and favorable

¹⁰³ Cummings & Holmberg 2012, p. 137

¹⁰⁴ Jambulingam & Nevin 1999, p. 363 cited in J. E. Clarkin & Swavelly 2006, p. 134; Justis & Judd 1989 cited in Saraogi 2009 p. 32

¹⁰⁵ Altinay 2006, p. 113

¹⁰⁶ Internationales Centrum für Franchising und Cooperation / PricewaterhouseCoopers AG 2011, p. 18; Rahatullah & Raeside 2009, p. 36

¹⁰⁷ Ahlert et al. 2006, p. 54

¹⁰⁸ Flohr & Gramlich 2009 , p. 60

characteristics of potential candidates. This dissertation works on sets of success factors to improve franchisee selection.

1.4. Economic theories within the franchising context: Transaction cost theory, principal-agent theory, and resource scarcity theory

Franchising touches distinct well-known economic theories. Amongst them are transaction cost theory, principal-agent theory, and resources scarcity theory, which all play vital roles in national and international franchising environments. They include the franchisors' and also the franchisees' point of view. Transaction cost¹⁰⁹ can be observed in economic institutions, such as markets, firms, and any mixed forms. Transaction cost theory is applicable to all transactions¹¹⁰ incurred in a business. Due to complex business processes, even in less complicated systems, transaction costs apply at any stage. Coase, in his classical and path-breaking¹¹¹ piece "The nature of the firm", explains transaction costs as the cost of forming and running an organization by distributing resources. Further, he distinguishes several types of transactions, including transactions within a firm, transactions with the open market, and transactions with the government. Factors such as the size of a firm and its efficiency come into play.¹¹² Franchising emerged by strongly being affected by transaction cost theory and developed into being a significant business strategy to reduce transaction cost.¹¹³ The entrepreneur of a firm has to make efficient choices and decides whether the cost of the transaction is lower when executed inside or outside the firm. This thought refers to the vertical integration challenges typically dealt with in a franchising context: The franchisor contracts the franchisee to do business on his behalf. Letting the business be done by a suitable party should go hand in hand with the expansion strategy of the franchisor, and it should result in an efficient plan for both parties. Once a firm has managed to control frictions in its operations, transaction cost decreases and it frees resources for other areas. Trust is a vital factor to decrease transaction cost, since believing strongly supports relationships and triggers an environment of harmony.¹¹⁴ Sufficient trust therefore should also decrease opportunistic behavior, moral hazard, and adverse selection.¹¹⁵ For small and medium size businesses in particular, the management should be alert to emphasize trust and harmony in its internal, external, national, as well

¹⁰⁹ Definition of transaction cost: The ex ante costs of drafting, negotiation, and safeguarding an agreement and, more especially, the ex post cost of maladaptation and adjustment that arise when contract execution is misaligned as a result of gaps, errors, omissions and unanticipated disturbances; the cost of running the economic system Williamson 1996, p. 379.

¹¹⁰ Definition of a transaction: Transaction is the microanalytic unit of analysis in transaction cost economics. A transaction occurs when a good or service is transferred across a technologically separable interface. Transactions are mediated by governance structures markets, hybrids, hierarchies Williamson 1996, p. 379.

¹¹¹ Huszagh et al. 1992, p. 8

¹¹² Coase 1937, p. 392-394

¹¹³ Jones 1995 cited in John Stanworth & Curran 1999, p. 330-331

¹¹⁴ Ahlert et al. 2008 cited in D. Ahlert & M. Ahlert 2010, p. 40

¹¹⁵ Bromiley & L. L. Cummings 1995 cited in D. Ahlert & M. Ahlert 2010, p. 396

as international relationships to decrease the cost of transactions. Organizational change relies on firm specific factors, which decide for example the type of governance and the time frame for a certain geographic expansion.¹¹⁶ Expansions triggering growth are necessary, especially in the initial years of a franchise system; later growth may even constrain the survival.¹¹⁷ Nevertheless, growth in franchise systems means also increasing transactions caused by a new partner. Therefore, the new partner must be worth the transaction and all costs involved. This will only happen when choosing partners with relevant potential – meaning, choosing the most suitable partners. The difficulty in defining a preferred profile and then finding a fitting match for this desired profile is challenging; however, adequate decision-making results in a competitive advantage. Suitable selection reduces cost created by possible opportunistic behavior of the franchisee¹¹⁸ or has at least a higher potential to do so.¹¹⁹ Franchisors prefer franchisees that participate in investments to lower transaction cost for franchisors. This behavior supports trust between the parties and influences the franchisor to act less opportunistic towards the franchisee. In addition, opportunistic behavior harms the franchisor directly and indirectly the franchisee, too; as well as other franchisees, and the entire network. Moreover, opportunistic behavior increases transaction cost in franchise systems. On the contrary, cooperative interactions between franchisor and franchisee lesson bargaining cost.¹²⁰ Opportunistic behavior prevails especially in countries where no franchising laws exist or no franchising laws are executed.¹²¹ Some researchers consider the choice of culturally similar nationalities as their business partners a strategy to lower transaction costs.¹²² Geographic distance and cultural similarity of potential partners influence risk and uncertainty for franchisors. A franchisor may engage in opportunistic behavior should he collect regular fees from the franchisee, while not giving adequate support.¹²³ Franchising is the preferred choice for local entrepreneurs to increasing efficiency.¹²⁴ Transaction cost analysis gives way for the decision, whether owning or franchising a unit. As long as it is cheaper to sell a unit to a franchisee and not allow the market to operate it, the franchisor is viable.¹²⁵ The contractual agreement between the franchisor and the franchisee assumes that its establishment has a higher value to the franchisor than contracting a manager for the outlet or territory. If the franchisor is risk neutral, instead of risk averse,

¹¹⁶ Martin et al. 1998, p. 594

¹¹⁷ Shane & Foo 1999, p. 156

¹¹⁸ Ramírez-Hurtado et al. 2011, p. 49;

¹¹⁹ Saraogi 2009, p. 34

¹²⁰ Robert Dahlstrom & Arne Nygaard 1999 cited in Saraogi 2009, p. 34

¹²¹ Dant et al. 2011, p. 256

¹²² Glaister & Buckley 1997, p. 202

¹²³ D. Ahlert & M. Ahlert 2010, p. 53

¹²⁴ Caves & Murphy 1976, p. 584

¹²⁵ Coase 1937, p. 394

the franchisor will own instead of franchise.¹²⁶ Franchisors have a tendency to buy back profitable franchised units.¹²⁷ Therefore, profitability shows to be one dimension for the decision to franchise or own. Although franchising lowers monitoring cost, it may also increase monitoring cost if franchisors engage in buy backs due to franchisees' shirking and free-riding.¹²⁸ Especially brand names are subject to free-riding behavior by franchisees.¹²⁹ Another dimension that influences the decision to franchise or own, is the geographic proximity of the outlet to the headquarters: the farther and the more geographically isolated, the higher the probability to franchise.¹³⁰ Moreover, agency problems arise, which influence the decision to own or franchise, since monitoring cost of employed company managers can turn out higher than the cost of franchising the unit. Brickley and Dark¹³¹ refer to these behavior as inefficient risk bearing. Transaction cost can be seen as combination of rational assumptions and self-interest seeking assumptions. One result of the topic, amongst others, is a taste of guile.¹³² The alternative to transaction when handling a franchisee, is the applicable transaction cost for a company own manager. Whichever framework fits the company is dependent on the strategy and the individual possibilities of the firm.

One of the principal challenges of principal-agent theory is displayed in asymmetry of information. Should information asymmetries prevail and "valued outcomes cannot be tied unambiguously to agent performance, a situation of moral hazard exists that forms the course of the agency problem".¹³³ To counter act in this known problem, theory suggests modifying the contractual base between franchisor and franchisee, in order to prevent asymmetry of information.¹³⁴ Typical for the principal-agency theory is the association of free riding behavior¹³⁵ and the maximization of individual interests, as well as shirking behavior, monitoring cost, and moral hazard.¹³⁶ A few, or even one irresponsible franchisee can hurt the entire system. The franchise chain may suffer severe damages due to one negative incident. Putting principal-agency theory in the franchising context, the principal is the franchisor and the agent is the franchisee. This idea of franchising touches on the assumed franchisee's and franchisor's risk aversion and moral hazards. Especially the franchisee searches for incentives,¹³⁷ and may cross the limit by taking advantage of the other party, as monitoring can be complicated for the

¹²⁶ Lafontaine 1992, p. 266

¹²⁷ Hunt 1973, p. 12

¹²⁸ Falbe & Welsh 1998, p. 158

¹²⁹ Caves & Murphy 1976, p. 403

¹³⁰ Brickley & Dark 1987, p. 414; Caves & Murphy 1976, p. 583 cited in Lafontaine 1992, p. 278

¹³¹ Brickley and Dark 1987, p. 405

¹³² Williamson 1996, p. 56

¹³³ Ross 1973 cited in Garg et al. 2005, p. 188-189

¹³⁴ Lafontaine 1992, p. 280

¹³⁵ Caves & Murphy 1976, p. 408

¹³⁶ Gauzente 2010, p. 273

¹³⁷ Lafontaine 1992, p. 266; Wright & Grace 2011, p. 487

franchisor. Nevertheless, in business life the concept of risk sharing between the principal and the agent prevails. Since decision-making comes mostly from the franchisor as head of the organization, which delegates the business concept and the innovations to the franchisee, the franchisee may feel taken advantage of at a certain point in time. One result is dissatisfaction. Another result is the strive to play a more decisive role. A failure of the system can be missing control of a franchisee's opportunistic behavior, which tries to maximize personal gains on the expense of the system. Free riding damages brand reputation, as well as long-term firm survival, followed by harming the entire system's performance.¹³⁸ "Agency cost is as real as any other cost" state Jensen and Meckling already in 1976.¹³⁹ Although they might be slowly crawling upon the bearer and not obvious all the time, they are present and need to be addressed in a professional matter. Vertical principal-agency theory involves incentives of franchisor system management and incentives of internal management of the franchisor, whereas horizontal principal-agency theory involves free riding behavior, brand image, and graphical distribution.¹⁴⁰ A franchise system has to decide whether to own or franchise its outlets. When taking this decision, transaction costs influence uncertainty. They explain the ownership of outlets.¹⁴¹ In the past, agency theory and resource scarcity theory have been the main underlying theories to form answers to this thought.¹⁴² Agency theory in franchising supports the idea of franchisors bringing relevant limitations to the table, negotiate a common project with franchisees, and establish a franchise relationship to create a win-win situation. These limitations include lack of time to execute expansions, such as training managers and building organizations.¹⁴³ In the beginning most franchisors start out by owning outlets. Within the first few years this number remains constant, although franchised outlets are added.¹⁴⁴ Most franchise systems combine owned and franchised units.¹⁴⁵ Motives to decide for franchised units and against owned units are numerous. According to Hunt, motives first include the lack of the franchisor's capital to open a unit, and second the efficiency of franchising entrepreneurs to develop the market without the franchisor investing a comparable sum. Additional motives are rapid expansion possibilities of the system, development of geographically isolated units, and establishment of a low profit unit with relative high margin. Also, regular fees called royalty are incentives to franchise. He also mentions four reasons in favor of owning units, instead of franchising them: higher profits per unit, greater control over the unit, legal problems with units, and new restrictive

¹³⁸ Kidwell et al. 2007, p. 537

¹³⁹ van Dick & Meckling 1976

¹⁴⁰ Gauzente 2010, p. 273-274

¹⁴¹ Windsperger 2004, p. 69

¹⁴² Combs, Ketchen, et al. 2011, p. 103

¹⁴³ Shane 1995 and Thompson 1994 Combs cited in Ketchen, et al. 2011, p. 103

¹⁴⁴ Lafontaine 1992, p. 279

¹⁴⁵ Caves & Murphy 1976, p. 580

legislation.¹⁴⁶ Moral hazard caused by shirking behavior is a major concern for owned units. The lack of monitoring employed managers and their tendency of not performing their best, is often discussed when considering franchising units.¹⁴⁷ As a result, principals favor uniting their individual goals with their agent goals. This problem can be avoided through the recruitment of a franchisee, who either manages the unit himself, or who pays strong attention to the unit manager. The less compatible the franchisor with the franchisee, the higher the chance for conflicts between them, which possibly increase monitoring cost.¹⁴⁸ One option to save on monitoring cost,¹⁴⁹ is investing in recruiting the right partner from the beginning. Even in the mature state of a life cycle, firms can economize on monitoring cost and gain competitiveness when they franchise. Adding units spurs quick growth and reduces the pace of the corresponding monitoring cost.¹⁵⁰ Growing by adding units and having them operated by talented entrepreneurs created a win-win situation for the entire franchise system.

Resource scarcity is a general economic theory and strongly applicable in the case of franchising. Combs, Ketchen, et al.¹⁵¹ mention two main predictions, of which both have some evidence. First, franchisors acquire franchisees to expand their network geographically and to take advantage of their managerial and local knowledge. This saves time and frees internal resources. Second, franchisors with economies of scale tend to purchase profitable outlets, a strategy, which is called ownership redirection. It is discussed controversy and does not seem to find clear evidence. According to Dant and Kaufmann, some evidence is still given. The older and the more established franchisors are, the more they aim at converting franchised units to owned units. Those units are bigger and bear greater financial and managerial sources.¹⁵² This may be based in the fact that it is in the nature of partnerships that conflicts arise. Resource scarcity theory supports the thought that “franchisors prefer to manage company-owned units rather than franchised units, but franchise to extend limited managerial and financial resources”.¹⁵³ Hunt suggests that before the units turn profitable, they are franchised due to capital constraints. Later on, the network changes its strategy and builds up more company owned units.¹⁵⁴ Windsperger explains the dual ownership structure in his study of Austrian franchise companies which is due to the division of “system-specific and local market assets between franchisors and franchisees.”¹⁵⁵ He elaborates on his findings by stating that the larger the franchise experience

¹⁴⁶ Hunt 1973, p. 4-7

¹⁴⁷ Fladmoe-Lindquist & Jacque 1995, p. 1239

¹⁴⁸ Jambulingam & Nevin 1999, p. 387

¹⁴⁹ Boulay & Stan 2011, p. 24

¹⁵⁰ Garg et al. 2005, p. 186

¹⁵¹ Combs, Ketchen, et al. 2011, p. 103-105

¹⁵² Dant & Kaufmann 2003, p. 72

¹⁵³ Alon et al. 2011, p. 4

¹⁵⁴ Hunt 1973, p. 12 cited in Alon et al. 2011, p. 4

¹⁵⁵ Windsperger 2004, p. 83

within a system, the more influence system specific assets have relative to local market assets on company-owned outlets. This idea gives thoughts to his additional findings where only information scarcity is supported to be positively related to the percentage of company-owned outlets, but not financial scarcity and asset specific scarcity. This means, that this specific study does not support the idea that financial scarcity drives franchisors into franchising, rather than owning. Further, resource scarcity may turn out problematic considering monitoring cost and the phenomenon of free riding. This concern leads to rather franchise than buy back units and to keep them as franchised units.¹⁵⁶ The spiral of lack of resources with the franchisor, which may turn into the lack of monitoring the franchisee network, which then may increase freeriding results in the loss of control and possible income, as well as it may lead to degradation of brand value and appearance. Franchised outlets bear the risk of bad performance, due to pure resource scarcity.¹⁵⁷ A study revealed three strategic groups of franchisors: agency franchisors, agency franchise minimizers, and resource scarce franchisors. The resource scarce franchisors typically long for more market knowledge, more managerial expertise, and show high capital scarcity. Agency franchisors put their emphasis on the agency contracts and franchise for that reason. Agency franchise minimizers are geographically less developed but bear great potential in their brand name and therefore signalized strong assets.¹⁵⁸ This result lacks proper support for the franchisees and hence, franchisees do not get the needed access to financial and human capital.¹⁵⁹ A first mover advantage can be gained by finding suitable cooperating franchise partners, resulting in easily tapping new markets,¹⁶⁰ if acting wisely. Rahatulla and Raeside state that resource-based and agency based arguments do not seem to always be the reason for franchising, but rather maturity stages, size considerations, and the types of the business. These are the driving forces to determine a franchisor's strategy.¹⁶¹

When reviewing the three theories above, the overlapping areas are numerous and make clear that the construct of franchising affects several points simultaneously. "Economic theories were found to be 'too narrow', providing incomplete rationales for why firms choose to franchise, and failing to explain the dynamics observed in empirical studies of franchise firms."¹⁶² For this reason and to gain a well-rounded impression on the topic, a literature review of current and significant research in chapter two gives an even better overview on research processes and their findings related to the subject. It is clear,

¹⁵⁶ Combs, Ketchen, et al. 2011, p. 108

¹⁵⁷ Resource scarcities include, managerial expertise, local market knowledge, and capital amongst other factors.

¹⁵⁸ Combs et al. 2004, p. 890

¹⁵⁹ Meek et al. 2011, p. 558

¹⁶⁰ Wang & Altinay 2008, p. 227

¹⁶¹ Rahatullah & Raeside 2009, p. 7

¹⁶² Elango & Fried 1997 and C. M. Falbe & Dandridge 1992 cited in J. E. Clarkin & Swavelly 2006, p. 134

that well selected pairs of franchisors, and franchisees help to overcome and minimize the problems stated above. Hence, to maximize economic output and to spur future franchiseships, correct matching of partners is the goal.

Competences in companies have to be flexible in order to respond to supporting and non-supporting changes in the environment of the firm. Competence-based theories are resource-based and belong to evolutionary theories, which describe capabilities.¹⁶³ A definition what competences are is stated by Freiling et al.¹⁶⁴ as follows:

“Competences mean a repeatable, non-random ability to render competitive output. This ability is based on knowledge, channeled by rules and patterns. The more competences are applied, the less room there is for windfall profits. Competences direct goal-oriented processes for surfacing future performance potential while offering concrete input to the market.”

Freiling et al. add, that competences are no guarantee for success and suggest shaping external conditions to receive a more favorable result. One crucial organizational competence is leadership. Leadership by Morden is defined by “getting things done through people.”¹⁶⁵ It appears in many different styles. Leaders have the ability to tap unknown potential in others, but they can also crush individuals. Leaders can motivate, demotivate, guide, correct, support, limit, and hinder their environment. Some leaders can address nations; other leaders can only influence certain individuals. Leadership styles vary according to the person and his or her abilities. Well-known styles are defined as autocratic, bureaucratic, charismatic, democratic, laissez-faire, people-oriented, servant, task-oriented, transactional, situational, and transformational.¹⁶⁶ Global business competences, capabilities, and skills make a firm’s strategy more efficient and effective. The identification of main competences, capabilities, and skills are a must to improve mechanisms and understand requirements of the

¹⁶³ Hodgson 1998, p. 25

¹⁶⁴ Freiling et al. 2008, p. 1151

¹⁶⁵ Morden 2013, p. 519

¹⁶⁶ While an autocratic leadership refers to scenarios resembled in a dictatorship, such as obedience – often without explanations-from subordinates, bureaucratic leaders perform strictly by set rules and given procedures. Charismatic leadership spreads its authority via charisma, self-image, and appearance to others. Democratic leading allows participation and shared decision-making. Laissez-faire, as the English translation from French says ‘let it be’ is a relaxed form of leading, with no or only few directions given; power and authority are given away to followers. People oriented leadership focuses on developing the team or the individuals in it, while the special relationship between leader and team is stressed. Servant leaders serve and listen rather than lead in the classical way. Task-oriented leaders are highly focused getting the job done and do not spent efforts in the surrounding circumstances or the team’s situation. Transactional leaders are often found in large, bureaucratic environments and appear as guiding by the books. Situational leadership depends on the situation; different moments may require different actions by the leader. Finally, transformation leadership is generally the opposite of transactional leadership and is seen especially in dynamic environments.

international competitive environment.¹⁶⁷ According to Sanchez, the competence view has increased the theoretical and practical knowledge of researchers implementing modern management strategies.¹⁶⁸ Starting with the concern of industry structure in the 1970s, the emphasis changed to seeing companies as unique bundles of resources in the 1980s. Later, in the 1990s the focus was given to the conceptualization of competences and their analysis. Key competences include skills, capabilities, knowledge, learning, coordination, organization, and relationships.¹⁶⁹ Sanchez introduces five modes of competences, which differ in their level of activities within an open organization: cognitive flexibility to imagine alternative strategic logics, cognitive flexibility to imagine alternative management processes, coordination flexibility to identify, configure, and deploy resources, resource flexibility to be used in alternative operations, and operating flexibility in applying skills and capabilities to available resources. All modes influence the stability, development, and dynamic of a competitive environment. In Sanchez's view, improving the resources of an organization means improving the skills profiles of an individual and the capabilities of teams.¹⁷⁰ The connection to franchising lies in the selection of skills and capabilities of future partners. Nevertheless, also managerial competence for selecting partners needs to be considered. Managerial competences, in contrast to labor competences, have already been mentioned and seen necessary to be divided by Adam Smith and Karl Marx.¹⁷¹ They recognize the division of labor to develop skills as key rationale for the development of the firm. Smith argued already in 1776,¹⁷² that skills can be enhanced by hands-on learning. The better the skills, the higher the productivity, the larger the sales, the larger the market.

Within the context of managerial abilities for selecting adequate partners, the financial sector, banks for instance, investigates entrepreneurial competence, in order to evaluate the risk of permitting credits to clients. Publically available information paired with voluntarily disclosed information from the base for decision making in banks to whether allowing credit or not, or to what extent. In the case of credit asking entrepreneurs, perceived competence of these entrepreneurs can result different information disclosure duties. It can also result in more favorable decisions, in the specific cases the outcomes are reduced interest rates.¹⁷³ This asymmetry of information between bank and entrepreneur is similar to the asymmetry of information between franchisor and franchisee. The franchisor who knows the business and the applying candidate, who has to judge whether to opt for this self-

¹⁶⁷ Koch 1997, p. 122, 148

¹⁶⁸ Sanchez 2004, p. 518

¹⁶⁹ Schoemaker 1992

¹⁷⁰ Sanchez 2004, p. 523-527, 531

¹⁷¹ Hodgson 1998, p. 25, 36

¹⁷² Smith 1970

¹⁷³ Moro et al. 2012, p. 527

employment by the information provided. In both cases, the bank and the franchisee have to rely on all information provided by official channels, as well as by personal communication, to make their competent judgment on the suitability of the candidate.

Learning is a major part of competences. Learning effects prevail in the following instances: Organizational competence and training improve human resources allocation. Organizational learning takes advantage of expert knowledge and existing knowledge. Organizational knowledge helps planning, programming and operation processes. It is directly related to solving technical and managerial problems. Managers are in charge of developing performance indicators for effective operations strategy.¹⁷⁴ Bove et al. emphasize that more than one or two success factors are necessary to achieve excellency. It is rather relevant to develop a matrix of interrelated and balanced factors that trigger performance and success.¹⁷⁵ A selection of various success factors, including specific aspects for the franchising sector, are outlined in the following chapters.

1.5. Business success factors and performance measures in entrepreneurial business environment

Success is the desired outcome for business activities. However, success may not bear the same definition to everyone, although pursuing similar goals. The definition of success can vary from individuals to groups. Even between genders, different trends are noted for achieving tasks. Men seek rather external standards e. g. prestige, recognition, while women seek rather internal standards e. g. checking, whether they accomplished their goals..¹⁷⁶ A study amongst entrepreneurs by Fisher et al. results in several items to be proposed for the definition of entrepreneurial success. These items include the personal satisfaction with life and business, growth of one's own business, doing only what the person wants to do in life and business, exceeding set business goals, building a business which sustains beyond personal involvement, receiving public recognitions, awards, board seats, speaker invitations, selling business for profit, and never fail. The authors conclude their search for defining success as having two indicators, which form a multidimensional construct based on individual indicators and macro level indicators.¹⁷⁷

In order to be successful in ones endeavors, certain skills, amongst other factors, help to achieve set goals. These skills “once learnt are discounted, undervalued and largely ignored, excepting when they

¹⁷⁴ da Silva Gonçalves Zangiski et al. 2013 p. 84

¹⁷⁵ Bove et al. 2000, p. 23-44

¹⁷⁶ Burger 2008, p. 478

¹⁷⁷ Fisher et al. 2014, p. 485, 488

are not executed.”¹⁷⁸ Skills are multidimensional, continuous and context related. Amongst the most important skills for entrepreneurs are leadership, management, and innovation. Skills are need for talents, abilities, and capacities. They are defined as technical, social, relationship, or conceptual skills for example. Skills and behavior necessary for entrepreneurs include also recognition of opportunity, identification of opportunity, awareness of factors conducive to opportunity exploitation, prior knowledge pertinent to identification of opportunity, recognition of social need and market need, ability to convince others of value of opportunity, trust in own judgment, ability to manage other people. It further includes the ability to manage risk and shoulder responsibilities, networking and social embedding, ability to learn rules, ability to endure and cope with difficulties, ability to apply appropriate skills, ability to grow and sustain the enterprise, and decision making ability.¹⁷⁹ These considerations allow the understanding that skills are numerous. Depending in which context they are needed, the skill set may vary slightly. For an entrepreneur to be successful it takes various components, which not all are in his or her power. Certain external components are out of a person’s influence and can be summarized under circumstances, such as environmental factors, political factors, or economic factors. Also being at the right place at the right time might not always be influenced by a rational decision-making. Some opportunities are more promising than others and when approaching them with the right skill factors and providing adequate success components, the risk of failure is lower; however it does not vanish.

Success factors are a widely researched field and in the context of this dissertation specifically business and entrepreneurial success factors are most relevant. As an entrepreneur it is of value to have had a considerate preparation for self-employment. This is supported by the findings of Dickson et al., who examine the results of specific educational training for entrepreneurs, who receive valuable input before they start their business venture. “The findings [...] highlight the general consensus across research from multiple countries, which indicates a significant and positive relationship between education and entrepreneurial performance.”¹⁸⁰ Coaching happens in franchising, as the franchisee is entitled to initial and continuous training provided by the franchisor. Although, specific training for a franchisee is not happening until the contract is agreed upon, the positive effect of triggering a better performance should be noted, due to explicit instructions given by the franchisor. In this entrepreneurial context, of ‘training and executing’ the study of Audet and Couteret¹⁸¹ found out that the most relevant characteristic is an open attitude to change. This is the case for training lead by a

¹⁷⁸ Chell 2013, p. 8

¹⁷⁹ Chell 2013 p. 7-13

¹⁸⁰ Dickson et al. 2008, p. 253

¹⁸¹ Audet & Couteret 2012, p. 526

coach and learning by an individual entrepreneur. In franchising, network meetings and intra-network connections are additional tools to learn from others inside the system. Within the idea of learning, the will to advance, meaning the commitment towards the relationship is named as success factor. In summary, Audet and Couteret opionate that coaching for entrepreneurs is highly successful, when the entrepreneur is willing and committed to learn. Rather financial aspects are stated by Maqueda-Lafuente. In their study on success factors for creating new businesses, monetary factors appear more important. Investigating Spanish startups, they found out those financial needs, marketing actions, continued innovation, and effort are vital elements for succeeding with a startup.¹⁸² Non-financial life-style criteria can be more important than financial criteria. This is the suggestion made by Walter and Brown,¹⁸³ who say that for small business owners personal satisfaction, achievement, pride in the job, and a flexible life style are worth more than the creation of wealth. In addition, the creation of jobs and the increase in work force are not seen as relevant success measures, as the majority of small enterprises do not employ. When looking at success factors within a non-entrepreneurial firm, communication is number one and therefore considered as most important. It is said to be crucial for measuring information. The flow of information to set goals, output, and processes is strongly supported by communication. In addition, the idea of quality information conveyed, which is seen also highly relevant, is set in relation with the need of knowledge of processes. Without knowledge, no quality information can be transferred. Therefore, another success factor is knowledge of processes.¹⁸⁴

Relationship strength refers to the depth of connection between partners and relates strong performance with strong relationships. Hausman conceptualizes relationship strength with shared commitment, mutual trust, and dyadic relationalism. The consequences of relationship strength are high satisfaction levels, greater performance, increase in adaptability, less coercive influence, long-term survival, increased cooperation, decreased conflict, increased market share, locational advantages, and decreased uncertainty. Hausman sees these consequences as positive outcomes and the base for stronger performance.¹⁸⁵ Gaul and Pfeffer propose that performance of franchisees is influenced by the quality of the relationship between franchisor and franchisee.¹⁸⁶ Wright and Grace investigate on trust and commitment in franchise relationships. Their view on a well working franchiseship lies in goal congruence, organizational culture, and communication between the two parties. These findings are reported from a franchisee point of view.¹⁸⁷

¹⁸² Maqueda Lafuente et al. 2013, p. 1932

¹⁸³ Walker & Brown 2004, p. 588

¹⁸⁴ Blasini & Leist 2013, p. 487-489

¹⁸⁵ Hausman 2006, p. 602-3, 611

¹⁸⁶ Gaul & Pfeffer 2014, p. 12

¹⁸⁷ Wright & Grace 2011, p. 497

Table 1.3: Summary of business success factors in the entrepreneurial context

Author/ Year/ Name of publication	Success factors described in corresponding article
Burger 2008 "Personality"	Factors differ between gender: <ul style="list-style-type: none"> - Women seek rather internal standards - Men seek rather external standards
Fisher et al. 2014 "Evaluating Entrepreneurs' Perception of Success"	<ul style="list-style-type: none"> - Personal satisfaction with life and business - Growth of one's own business - Doing only what the person wants to do in life and business - Exceeding set business goals - Building a business which sustains beyond personal involvement - Receiving public recognitions - Awards, board seats, speaker invitations - Selling business for profit - Never fail
Chell 2013 "Review of Skill and the Entrepreneurial Process"	<ul style="list-style-type: none"> - Leadership - Management - Innovation - Skills and behavior necessary for entrepreneurs: - Recognition of opportunity - Identification of opportunity - Awareness of factors conducive to opportunity exploitation - Prior knowledge pertinent to identification of opportunity - Recognition of social need and market need - Ability to convince others of value of opportunity - Trust in own judgment - Ability to manage other people - Ability to manage risk and shoulder responsibilities - Networking and social embedding - Ability to learn rules - Ability to endure and cope with difficulties - Ability to apply appropriate skills - Ability to grow and sustain the enterprise - Decision making ability - Being at the right place at the right time - External factors: - Environmental factors - Political factors - Economic factors
Dickson et al. 2008 "Entrepreneurial Selection and Success: Does Education Matter?"	<ul style="list-style-type: none"> - Education
Audet & Couteret 2012 "Coaching the Entrepreneur: Features and Success Factors"	<ul style="list-style-type: none"> - Open attitude to change - Commitment toward relationship
Maqueda Lafuente et al. 2013 "Key Factors for Entrepreneurial Success"	<ul style="list-style-type: none"> - Financial needs - Marketing actions - Continued innovation - Effort
Walker & Brown 2004 "What Success Factors are Important to Small Business Owners?"	<ul style="list-style-type: none"> - Personal satisfaction - Achievement

	<ul style="list-style-type: none"> - Pride in the job - Flexible life style
Blasini & Leist 2013 “Success Factors in Process Performance Management”	<ul style="list-style-type: none"> - Communication - Quality information - Knowledge of process
Hausman 2006 “Variations in Relationships Strength and its Impact on Performance and Satisfaction in Business Relationships”	<ul style="list-style-type: none"> - Relationship strength
Gaul and Pfeffer 2014 “ How a German Franchisor Describes Favorable Franchise Partners”	<ul style="list-style-type: none"> - Relationship quality
Wright and Grace 2011 “Trust and Commitment within Franchise Systems: an Australian and New Zealand Perspective	<ul style="list-style-type: none"> - Goal congruence - Organizational Culture - Communication

Source: Author’s own table based on analysis of scientific publications about business success factors from 2004 till 2014

Although many hazards may arise along the way to success, keeping the mentioned criteria in mind, they are presenting possibilities to overcome, which then may lead to success summary in table 1.3. The summary shows a variety of success factors of which the author believes can vary slightly depending on the business type.

Performance measures have a long history. One significant calculation is return on investment, which was introduced by the Du Pont brothers in the early twentieth century. It is one of the earliest possibilities to measuring profitability of investments in a modern institution.¹⁸⁸ Neely states, further to this development of measuring cost and profitability, win and loss, over a long time and short time, measures were critiqued for not resulting in the desired and constant outcome. Under these circumstances, performance measures cannot be seen as one fits all. An appropriate measure mix has to be found, tailored to the specific circumstances of the business and for the desired business analysis. The rationale for performance measures are numerous. They include for example the need to aid top management in formulating clear strategies and goals, aligning goals of different departments, reducing labor, integrating manufacturing just in time, total quality management, gaining an insight into the future, recognizing causal relationships, seeing the financial health of the company, identifying operational efficiency, and forecasting long-term profitability. Its main goal though, is to control performance.¹⁸⁹ Neely considers performance measures important, as they appear to change the nature of work, increase competition, initiate improvement, lead to quality awards, change organizational roles and external demands, and are based on the power of information technology.¹⁹⁰ Nevertheless, choosing adequate measures depend on the type of business. It is not always obvious, which ones fit

¹⁸⁸ Chandler 1977

¹⁸⁹ Lehtinen & Ahola 2010, p. 186 -188

¹⁹⁰ Neely 1999, p. 222-225

the purpose. Also measures may change over time. Life cycles, management, purposes, strategies of the firm, the products, and other factors can influence the choice of how to measure performance. Performance measures help to control and inform shareholders. However, several constraints to performance measures have to be noted. According to Walsh the information gathered may not be entirely correct, as the interviewees could be tired of answering questions. Moreover, the data collected on a regular basis, e. g. yearly may take too long to be prepared thoroughly for decisions making. The necessary steps resulting from the data may have to be taken earlier. Further, measurements are easily multi-dimensional and highly complex to set up and later to evaluate. In addition, the availability of adequate and accessible sources can be problematic. Lastly, in case of the necessity of collecting data manually, the act of data collection may be massive and difficult to coordinate in a timely and costly manner.¹⁹¹ Despite all named and unnamed challenges in the course of data collection and performance measuring, several possibilities are introduced in the following paragraphs. The following presents an extract of commonly used measures in entrepreneurial franchise enterprises.

Obvious performance measures, such as actual sales, sales revenue, and profit elements are used in Kidwell's et al. contribution. These measures operationalize the level to which cooperative activities e. g. marketing, training courses, and management and control are considered fruitful. If the actions are considered fruitful performance the network is impacted positively.¹⁹² In another consideration of performance measures, Jambulingam and Nevin investigate the influence of franchisee selection criteria on franchisee performance. Performance measures include franchisee satisfaction with the business, franchisee satisfaction concerning relationship, overall performance of the franchisee with respect to expectations, and the extent of the cooperative relationship with the franchisor. Their study lays out measures for desired firm performance. These measures are operationalized with attitude towards business, financial capability, experience and management skills, demographics, and franchisee performance. Attitude towards business includes the constructs perceived innovativeness, desire for personal development, seeking work related challenges, environmental predictability, personal commitment to business, and business risk-taking. Financial capability includes only personal investment. Experience and management skills are based on prior experience, prior self-employment, own other business, management of day-to-day operations. Demographics are measured by age, gender, education, ethnicity, and marital status. Franchisee performance includes the constructs satisfaction with business, satisfaction with relationships, performance with respect to expectations,

¹⁹¹ Walsh 2005, p. 38-39

¹⁹² Kidwell et al. 2007, p. 531

and cooperation relationship with franchisor.¹⁹³ Fenwick and Strombom are interested in determinants of franchisee performance and use total sales, net profit, total assets, annual sales per square meter, and return on total assets as their dependent variable. By questioning entrepreneurial tendencies, managerial competencies, and other variables, the study reveals that location is the most influential factor on the dependent variables.¹⁹⁴ Soontiens and Lacroix look at personality traits and link them with franchisee performance in the restaurant sector in Australia. They measure performance by sales over time and profit over time and reach the conclusions that success of McDonalds lies in the higher conscientiousness and extraversion, and lower in neuroticism level, compared to the average person.¹⁹⁵

Banker et al. prefers financial figures to measure franchisee performance. As reliant indicators the authors propose annual sales and sales growth. Sales growth refers to and builds up financial security. It also enhances profit performance of the franchisee system. Growth performance is generally the primary criterion for assessing franchise success. However, Banker et al. do not define which growth in particular.¹⁹⁶ In contrast to Banker, Kasselmann et al. define very well, how to measure performance. Successful franchisees are compared by customer evaluation, sales growth, and customer satisfaction. Particularly in the fast food sector, profitability is put together by sales growth and restaurant evaluations.¹⁹⁷ A combination of non-financial measures and financial measures of performance is mentioned in Saraogi's study on Indian franchisees to predict performance of franchisees. Her investigation takes perceived cooperation and opportunistic behavior into account, when elaborating about franchisee performance. Perceived cooperation is operationalized by information exchange, organizational and operational flexibility, and restraint of power. Opportunism is operationalized with altering facts, keeping promises and being honest, taking advantage of information, and breaching contracts.¹⁹⁸ Contrasting measures are taken in a study on Brazilian franchises, Neunfeldt et al. use gross monthly income, sales conditions of products, added value to the product, and financial gains by fees charged to franchisees.¹⁹⁹ Another strategy for measuring performance is realized in Combs et al., who mention three performance dimensions to evaluate a franchiseship: accounting returns, and sales growth, and market performance. Accounting returns are measured in return on assets. Sales growth is measured in average annual increase in sales, and market performance is measured by market-to-book-value through net present value of future earnings.²⁰⁰ Schneider considers ratio of results to a resource

¹⁹³ Jambulingam & Nevin 1997, p. 10

¹⁹⁴ Fenwick & Strombom 1998, p. 34

¹⁹⁵ Soontiens & Lacroix 2009, p. 237

¹⁹⁶ Banker et al. 1996, p. 924

¹⁹⁷ Kasselmann et al. 2002, p. 169

¹⁹⁸ Saraogi 2009, p. 37-38, 57

¹⁹⁹ Neunfeldt Júnior et al. 2015, p. 10

²⁰⁰ Combs et al. 2004, p. 893, 885

consumed to be popular in use to determine productivity, however their disadvantages lie in their comparability. Sales cannot be compared if businesses are different in nature. For this reason he suggests an output measure, which he calls people value added and considers it to be a strategic solution. It is a ratio that measures the economic value created per dollar invested in employee cost in the organization. Measuring effectiveness is the goal of this ratio.²⁰¹ When considering performance evaluation of an entire franchise group, which also reflects the effort of individual units and is based on all franchisees' output, it should be noted that return on assets, market to book value, and capital scarcity are relevant measures. These items could also be measured individually from each franchisee and therefore count as reportable facts for the listing in this chapter. The overview in table 1.4 is a guide of different options to be taken into account to conduct research on the topic for successful franchisees.

For comparison between franchised and non-franchised restaurants, Madanoglu et al.²⁰² uses performance measures, which can very well be calculated for stock corporation. The research uses Sharpe Ratio, Treynor Ratio, Jensen Index, Sortino Ratio, and Upside Potential Ratio. All measures show a better performance for franchised restaurants compared to non-franchised restaurants. For the same purpose of comparing franchised companies with non-franchised enterprises, Castrogiovanni et al.²⁰³ concluded that a suitable performance measure is the failure rate of units in the system taking closures over a three year period versus company owned and franchised units and dividing the result by three years. Alternatively, for future research, measures of capital intensity were suggested to be used also for more detailed examination of the topic. The variety of performance measures in franchised companies is wide and gives numerous possibilities to examine success and failure of businesses. Based on the examined literature, performance measures selected for this research include: satisfaction of partners, profits by partners, reaching common goals, system conformity, and type of franchisee investor or actively taking part.

The concept of financial measures such as profits and sales are commonly used measures numerous articles in order to examine performance of a company.²⁰⁴ They include sales revenue, profits, actual sales, annual sales, and sales growth. In this research the idea of profits is operationalized to partially determine the outcome, meaning franchisee performance.

²⁰¹ Schneider 1997, p. 16

²⁰² Madanoglu et al. 2011, p. 414-415

²⁰³ Castrogiovanni et al. 1993, p. 107-108

²⁰⁴ For example: Kidwell et al. 2007, Fenwick & Strombom 1998, Soontiens & Lacroix 2009, Banker et al. 1996, Neuenfeldt Júnior et al. 2015

Table 1.4: Performance measures considered relevant

Author/ Year/ Name of publication	Performance/Success measures
Kidwell et al. 2007 “Antecedents and Effects of Free Riding in the Franchisor–Franchisee Relationship”	<ul style="list-style-type: none"> - Actual sales - Sales revenue - Profit elements
Jambulingam and Nevin 1997 “Influence of Franchisee Selection Criteria on Franchisee Performance”	From franchisee standpoint executed via self-reporting <ul style="list-style-type: none"> - Satisfaction with business - Expectations of franchisee - Franchisee satisfaction - Extend of cooperative relationship with franchisor
Fenwick and Strombom 1998 “The Determinants of Franchisee Performance: An Empirical Investigation”	<ul style="list-style-type: none"> - Total sales - Net profit - Total assets - Annual sales per square meter - Return on total assets
Soontiens and Lacroix 2009 “Personality Traits of Franchisees – McDonald’ s Restaurants in Australia”	<ul style="list-style-type: none"> - Sales over time - Profit over time
Wright & Grace 2011 “Trust and Commitment within Franchise Systems: an Australian and New Zealand perspective”	<ul style="list-style-type: none"> - Trust via evaluations - Commitment via evaluations
Banker et al. 1996 “Contextual Analysis of Performance Impacts of Outcome-based Incentive Compensation”	<ul style="list-style-type: none"> - Annual sales - Growth performance
Kasselmann et al. 2002 “Personality Attributes of Successful Franchisees in the Fast Food Sector in South Africa”	<ul style="list-style-type: none"> - Customer evaluations - Sales growth - Customer satisfaction
Saraogi 2009 “Exploring Franchisor Franchisee Relationship: Building a Predictive Model of Franchisee Performance”	<ul style="list-style-type: none"> - Perceived cooperation - Opportunistic behavior
Neuenfeldt et al. 2015 “Hierarchy of the Sectoral Performance Indicators for Brazilian Franchises”	<ul style="list-style-type: none"> - Gross monthly income - Sales conditions of products - Added value - Financial gains by fees charged to franchisees
Combs et al. 2004 “A Strategic Groups Approach to the Franchising Performance Relationship”	<ul style="list-style-type: none"> - Return on assets - Market to book value - Capital scarcity
Schneider 1997 “People Value Added: The New Performance Measure”	<ul style="list-style-type: none"> - People value added ratio
Madanoglu et al. 2011 “Franchising and Firm Financial Performance among U. S. Restaurants”	<ul style="list-style-type: none"> - Sharpe ration - Treynor ratio - Jensen index - Sortino ration - Upside potential ratio
Castrogiovanni et al. 1993 “Franchised Failure Rates: An Assessment of Magnitude and Influencing Factors”	<ul style="list-style-type: none"> - Failure rate
Marnburg et al. 2004 “Uncovering Aspects of Franchisees’ Incentives: an Explorative Investigation”	<ul style="list-style-type: none"> - System commitment - System conformity - Franchisees’ self-efficacy - Employed managers self-efficacy

Source: Author’s own table based on analysis of scientific publications between 1993 and 2015

Fisher²⁰⁵ uses the idea of exceeding business goals, Maqueda Lafuente²⁰⁶ values the effort put into, while Walker and Brown²⁰⁷ regard achievement, and Wright and Grace²⁰⁸ emphasize goal congruence. In this research the idea of reaching goals together is operationalized to partially determine the outcome, meaning franchisee performance. Satisfaction of partners can be traced in Fisher et al.²⁰⁹ as personal satisfaction with life and business. Chell²¹⁰ describes it as networking and social embedding, as well as convince others of the value of opportunity, which plays a role in business success factors. Moreover, Hausman²¹¹ touches on this topic by stressing relationship strength. Gaul and Pfeffer²¹² refer to relationship quality as important business success factor. In this research the idea of satisfaction between partners is operationalized to partially determine the outcome, meaning franchisee performance. Another way of describing performance in franchise networks is system conformity. Bellone²¹³ touches on the importance of conformity to concentrate forces, to strengthen the standing of the entire network, and to bundle advantages in terms of brand, supplier sourcing, and clear structures.

In this research the idea of system conformity is operationalized to determine the outcome, meaning franchisee performance. Marnburg et al.²¹⁴ speak about system conformity as one success factors. As mentioned in organizational theory, standardization spurs product conformity and therefore indirectly product quality. Routines and conformity ease procedures and pave the way for efficient operations. One more aspect is looked at in order to partially determine franchisee performance in this research. The author decides to take up the point of either being an active franchisee or being an investor franchisee which less hands on work personally. The investor type is described least favorable by Boulay and Stan²¹⁵ while an in-store craftsman franchisee is most preferred. This type of franchisee is very focused and depends heavily on the income of this business. He runs the business by himself and focuses on human relationships. The difference of the active franchisee and the investor is their involvement in daily business and their dedication towards a specific one franchise business. Castrogiovanni²¹⁶ mentions failure rate as a success criterion. The failure rate is taken up in this framework, by using the franchisors' evaluation of successful or unsuccessful classification. In this

²⁰⁵ Fisher et al. 2014

²⁰⁶ Maqueda Lafuente et al. 2013

²⁰⁷ Walker & Brown 2004

²⁰⁸ Wright & Grace 2011

²⁰⁹ Fisher et al. 2014

²¹⁰ Chell 2013

²¹¹ Hausman 2006

²¹² Gaul & Pfeffer 2014

²¹³ Bellone 2014, p. 12-14

²¹⁴ Marnburg et al. 2004, p. 120

²¹⁵ Boulay & Stan 2011

²¹⁶ Castrogiovanni et al. 1993

sense, the classification is made by the party, who is in the position of continuing the franchise contract or cancelling it. This, at the end, is the final decision about failure or success. Therefore the criterion is part of the study. Resulting from the above, the following connections are established in image 1.2.

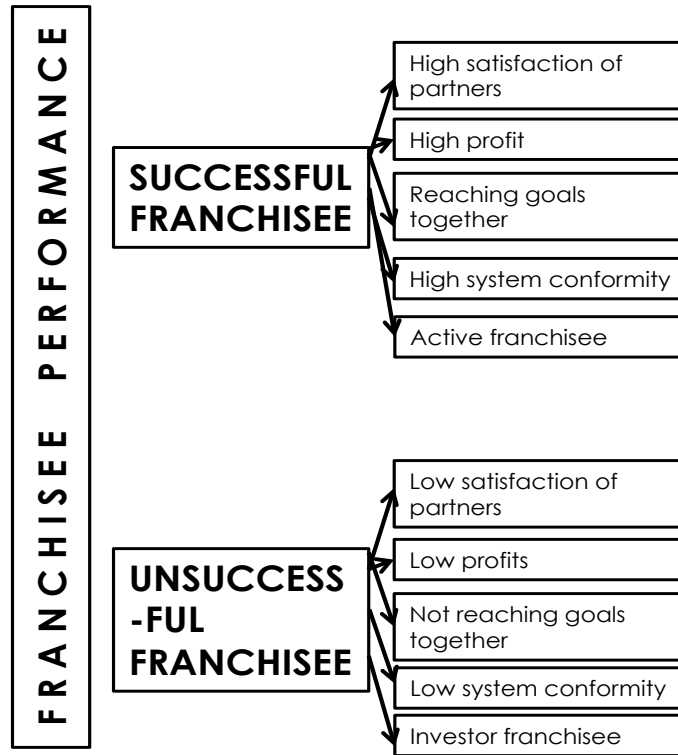


Image 1.2: Performance measures considered in this research

Source: Author's own image to demonstrate the outcome variables of the later proposed framework

The coming chapters use this partial construct to build upon the full framework of this research.

2. DEVELOPMENT OF A FRANCHISE PARTNER SELECTION FRAMEWORK

2.1. Franchise partner selection criteria – Franchising as strategy of growth

When looking at partner selection, two points of views can be recognized. One view is from the franchisors to the franchisee, which is the view this dissertation is based on, and another view is from franchisees and experts to the franchisor. In most cases their angles are similar, however their exact opinions differ. For this reason, this literature reviews distinguishes between the two views and groups the sources accordingly. Doherty sets up two approaches for market selection and partner selection in international retail franchising: an opportunistic and a strategic approach. With the opportunistic approach, partner selection influences market selection. With a strategic approach, market selection influences partner selection. She found out that financial background, business know-how, local knowledge, shared understanding of business are key aspects for suitable prospects.²¹⁷ This result shows that the decision for a potential candidate has strong influence on several future steps of the business, as it reflects the market possibilities the candidate performs in. Altinay uses Geringer's task and partner-related criteria²¹⁸ to group certain intangible assets and to infer an adequate choice for future franchisees in the hotel industry. Altinay names important partner-related aspects, such as reliability, commitment, culture, and experience, and defines significant task-related aspects, such as operational skills and resources. Depending on the stage in the selection process, task or partner-related criteria are of more or less importance. In the divisional/company level the emphasis is on task-related criteria, which can be seen in the importance given to managerial experience. Also, financial resources are highly important, as they are seen as vital point together with managerial experience to successfully operate a franchise unit. As far as marketing is concerned, customer perception reaches high important. This results in the need for a franchisee to understand intangible asset issues. Another point is raised regarding knowledge and expertise, which the company determines vital and declares a high need for transmission among organizational member.²¹⁹ Nevertheless, relationships are of great significance and should be based on mutual evaluation long before an agreement is struck. Partner-related characteristics are the center of Clarkin and Swavely study of a variety of industries, in which personal characteristics are compared and related. The characteristics examined are consistent to Jambulingam

²¹⁷ Doherty 2009, p. 532-533

²¹⁸ Geringer 1991 first came up with task and partner-related grouping of characteristics

²¹⁹ Altinay 2006, p. 124-126

and Nevin's categories of financial, individual background, and personal characteristics. Though, in Clarkin and Swavely's study, personal interviews were rated most important, followed by the applicant's financial net worth, and general business experience. Industry experience was rated least important.²²⁰ By citing Stanworth, Clarkin and Swavely announce that still many franchisors take their intuition and gut feeling into account. This result stresses the importance of attitude and personality of candidates.²²¹ It goes hand in hand with Jambulingam and Nevin's result, which also emphasizes the influence on personal attributes, when selecting a franchisee. In a previous contribution, Clarkin and Swavely²²² had similar outcomes, as personal interviews were rated highest. Interesting is the component of financial background, as the majority rated it third and fourth. Formal education and specific industry experience are seen to be less important and therefore support Jambulingam and Nevin's importance ranking. Should formal education influence a potential franchisee's ability to learn, then the training provided from the franchisor may have the desired effect. As seen in the results and to overcome this challenge, franchisors which rate formal education higher, provide more training days to their franchisees. Also franchisors who rate a franchisee background highly important, offer more training.²²³ Considering Olm et al. the result for required financial background is different. Their sample shows a suitable financial qualification as second most important criteria out of four. The other qualifications are personality, skills, and background. The academic background appears not to be rated vital to the franchisors, much rather general business experience. To measure financial qualifications indicators, such as credit ranking, personal cash, personal assets, business reference, and family assets were taken into consideration. In addition, this sample suggests franchisees to be primarily male entrepreneurs combined with a hardworking and self-motivated attitude to perform successfully. The top three general franchisee characteristics are reputation, followed by family commitment, followed by health. Afterwards self-employment, citizenship, disabilities, residency, celebrity status, and marital status are ranked in the order respectively.²²⁴ This study makes clear that franchisors in this sample evaluate not only the applicant, but also the family surrounding by noting family commitment and family assets.

Over time, this seems not to have changed, as already in 1976 a study by Edens et al. investigates family background, to learn more about the personal situation of the applicant.²²⁵ This is particularly of

²²⁰ Clarkin & Swavely 2006, p.138-140

²²¹ Stanworth & Kaufann 1995 cited in Clarkin & Swavely 2006, p. 140

²²² Clarkin & Swavely 2003

²²³ J. Clarkin & Swavely 2003, p. 17-18

²²⁴ Olm et al. 1988, p. 10-16

²²⁵ Edens et al. 1976, p. 40

interest in countries, where franchise companies are characterized and seen as family-run businesses.²²⁶ Olm et al. outlay indicators for personality and attitudes in detail: industrious behavior, motivation, perseverance, attitude towards others, precision work capability, energy, sincerity, decision-maker, initiative, sense of business autonomy, leadership, and risk aversion, respectively. Also knowledge and capabilities are measured and ranked with the following criteria: general management, previous work experience, management of personnel, expertise in the field, public relations, accounting and book keeping, merchandising, and grade point average. Ramirez-Hurtado et al. describe the service sector ranking desirable attributes and profiles of a franchisee candidate. In their work of the Spanish national service industry, they found out that most important attributes are loyalty to the franchisor, managerial capacity, and willingness to work hard. The least important attributes are financial capacity, and previous experience. The method of this simulation is based on four hypothetical franchisee profiles, in order to proceed with a conjoint analysis, onto which the empirical work is building up.²²⁷ In another study of the Spanish market within the same period Ramírez-Hurtado, Rondán-Cataluña, et al. come to very similar results. Again, conjoint analysis was used.²²⁸ However, that study included other business sectors apart from the service sector, and therefore resulted in a larger sample size. In a previous work, Hurtado et al. consider three business sectors: beauty and cosmetics, fashion and assessors, and hotel and restaurant businesses. Final outcomes show less important attributes, such as professional work experience, entrepreneurial character, and extroversion. However, overall loyalty and honesty toward the franchisor is a characteristic that has turned out to be the base for any future cooperation. Especially in hospitality, a high level of leadership skills and the ability to work hard are absolutely necessary, compared to the fashion industry, where leadership skills are not relevant. The overall preferred profile is an individual with good leadership skills, with entrepreneurial character, extroverted, who fully dedicates all time available to the franchised unit, who is loyal to all instructions from the franchisor, who wishes to succeed, who has business experience of some kind, who has perseverance, and who is financially capable to invest in more than only the initial requirements.²²⁹ Compared to most other studies, Boulay and Stan focused on future instead of existing candidates. In the attempt to categorize ideal potential franchisees, Boulay and Stan define three main groups: system-developer, in-store craftsman, and opportunistic investors. The preferred profile varies according to the business sector and the agreement term. However, the majority of the interviewees comment, that in-store craftsmen are most suitable as member of the franchise network. In-store craftsmen focus on their activity and their

²²⁶ Altinay & Miles 2006, p. 430

²²⁷ Ramírez-Hurtado et al. 2011, p. 59

²²⁸ Ramírez-Hurtado, Rondán-Cataluña, et al. 2011

²²⁹ Hurtado et al. 2006, p. 24, 30-31

control over it, while emphasizing human relationships and take responsible position in the local environment.²³⁰ McCosker studies Austrian franchisors, and besides financial capitals to start the business, franchisees are required a positive work attitude, including work ethic, enthusiasm, and motivation. Further, the questioned franchisors see the need for business management or industry experience and ability, plus adequate communication ability, people skills, team behavior, and customer focus. They also weigh personality, honesty, and integrity very strongly. Besides, sales and marketing experience and the willingness to follow the system are also highly relevant. The following disputes with franchisees were most current to franchisors: none or underpayment of fees, non-adherence to the system, misrepresentation of issues, and profitability. Unfortunately, these aspects are measured after the candidate already entered the franchise relationship. Therefore, a more careful and intensive selection process helps for a smoother relationship. McCosker comes to the conclusion, that there is a need for more than one screening method before selecting candidates to grasp higher quality future franchisees.²³¹ In a study of German franchisors, Ahlert et al. found out that several factors influence franchisee commitment and satisfaction. Statements from their contribution are that satisfaction is higher for unmarried and also for former employed candidates. Satisfaction diminishes during the age of 36 years and above. As far as commitment is concerned, daily challenges as seen as motivational factors. Also trust building activities via transparency and communication are major elements for franchisee commitment.²³² In order to setting up successful franchisee, these criteria should be taken into consideration and could be applicable also outside Germany. Withane found entrepreneurial characteristics, which are related to franchisee jobs. These characteristics named by Canadian franchisors include the franchisees need for achievement, initiative, self-reliance, competitiveness, internal control, autonomy, and risk-taking. In addition, franchises should be also risk-taking and give room for image building and development of goodwill. Searching for information, being alert to opportunities, and being innovative and organized is another criterion for successful operations in franchise systems.²³³

Researchers have collected many types of desired prerequisites that franchisors hope to see reflected in their candidates. The most welcomed characteristics and traits can be grouped into soft and hard skills. Summarizing the considered studies, it shows that as far as soft skills are concerned the wish for an individual with the willingness to work hard and the motivation to continuously improve, are among the more relevant criteria. In addition, trust in the system and trust in the individuals

²³⁰ Boulay & Stan 2013, p. 101; 104; 107

²³¹ McCosker 2000, p. 5, 7

²³² Ahlert, Wunderlich, Kossin, et al. 2002, p. 54-62

²³³ Withane 1991, p. 25

representing the system, is necessary to build a well function relationship. Plus, chemistry between the franchisor and the franchisee supports the ties and cooperation between the parties. Considering hard skills, the financial situation of the applicant is of high value to the franchisor. It determines the strength of a startup and can influence the set up and growth period tremendously. Also, business experience is an often-named criterion. It is not always specified, whether the experience is relevant to the specific business sector or whether it is general experience. Nevertheless, the applicant should have gained practice on the job and be familiar with work settings and structured work processes.

The following paragraphs examine joint views of franchise partnerships from franchisors, franchisees, and experts.

Jambulingam and Nevin made a numerously cited study in 1999, which is referred to in many articles around the world over decades. It indicates favorable criteria for desired outcomes by the franchisor. Desired outcomes are cooperation, franchisee opportunism, and satisfaction with business decision.²³⁴ Referring to Olm, Jambulingam and Nevin state in their literature review the classical categories so far examined in franchisee selection research are: “financial capabilities, experience and managerial factors, demographic factors, attitudes/personality, and other.”²³⁵ The results of asking current franchisees, instead of potential franchisees, demonstrate that franchisee selection criteria do influence franchisee outcome and improve the efficiency of relationship during the time of the agreement. Out of five dimensions perceived, innovativeness and personal commitment were significant in all of the three frameworks used in the study, whereas the desire for personal development was not significant. Also prior experience and risk taking made it on the list of top criteria. Demographics in general have no effect on outcomes, but age and gender do have a significant effect on opportunism, with men being more opportunistic than women, and women being more satisfied with their business decision. In addition, franchisee satisfaction rises, the more years a system has been franchising.²³⁶ In Germany, Ahlert et al. replicate Jambulingam and Nevin’s US study of 1999 and compare the German results with the US. Although the sample is much smaller than in the US study, a snapshot of the German situation is possible. The outcome in Germany showed an overall importance on sales orientation,²³⁷ commercial and trading knowledge, experience in the relevant business sector, and strong personal commitment. When differentiating the ideal profile between retail and service industries, financial background forms a major element in the service industry, while the most important characteristic in retails is commercial or trade experience. The study further

²³⁴ Jambulingam & Nevin 1999, p. 387-390

²³⁵ Olm et al. 1988 cited in Jambulingam & Nevin 1999, p. 367

²³⁶ Jambulingam & Nevin 1999, p. 387-390

²³⁷ Sales orientation unites elements of service and customer oriented, show communication talents.

distinguishes between small, middle, and large systems. In systems of up to 30 members, among the most important characteristic is personal commitment to continue the spirit and development. Larger systems put more emphasis on the financial background of their franchisees. Overall, large systems demand more profile characteristics than smaller systems. This is due to their experience and need for expertise to continue a successful and running system.²³⁸ DeCeglie collected several statements from franchisees about their opinion on most important characteristics and duties for being part of the network within the service sector. Among the most critical topics mentioned are ability to work with people, being able to provide training to employees, being growth oriented, willing to invest time and money, and putting in a lot of effort. Nevertheless, the franchisor still emphasizes the financial background as a prerequisite to start and advance the new business. Plus, a background in business or management, and industry experience are also necessities considered by the franchisor. Obeying to corporate rules and valuing the system by not inventing another strategy, is a must for the network and extremely important to the head of the questioned company of the study.²³⁹ Soontiens and Lacroix dedicated their time to an in depth investigation of the McDonald's organization in Australia. Measuring five factors of personality traits within the franchisee network thorough self-reporting, the McDonald's franchisee average profile was compared to the overall Australian habitant profile. Considering the vast experience McDonald's has gained over centuries, one can expect a well-developed franchisee selection process resulting in favorable candidates. McDonald's candidates show a comparably higher degree of organization, conscientiousness, outgoingness, activity, extraversion, spirit, hardness, security, relaxation, and are less neurotic. Soontiens and Lacroix state, that personality measures, amongst other factors, qualify to select appropriate franchisees or an organization.²⁴⁰ Kassermann et al. first summarize three primary categories, which have been considered relevant in franchisee qualifications: traits, demographics, and behaviors. Using questionnaires and asking South African fast food franchisees about their 16 personality factors, entrepreneurial attitude, and making a personal profile analysis, Kassermann et al. combine the results with two selected performance criteria. These criteria were valued by the franchisor and included customer satisfaction and restaurant evaluations. The group of well performing franchisees shows high emotional discipline, more caution, and more constraints, great attention to detail, follow calculating and factual work methods, demonstrate a high degree of interpersonal insight, are significantly self-assured, and highly competent. Due to having a group of well performing and badly performing franchisees, the authors declared one

²³⁸ Martin Ahlert et al. 2006, p. 36-38

²³⁹ DeCeglie 1993, p. 58

²⁴⁰ Soontiens & Lacroix 2009, p. 241-242

performance evaluation equation for each group. It allows plugging in the pre-selected data of personality factors, entrepreneurial attitude, and personal profile analysis to estimate the success rate of a franchisee under the examined circumstances.²⁴¹ Lim and Frazer in their contribution “Matching-Franchisor-Franchisee Roles and Competencies” compare literature and pilot interviews with franchisors and franchisees. The authors look at roles of franchisees and competencies of franchisors. Four roles stick out for franchisees. On the one hand, a franchisee firstly has a similar status as a client, as he pays for service and is interested in his own business. Under these circumstances, and the status he has, a franchisee is asked to act as co-producer and must be willing to learn and adapt to improve his business. Second, a franchisee is a protégé, who is responsible for his learning, and who has to be motivated, plus must display a strong feeling for initiatives. Third, a franchisee has a type of employee status, since he has to work within rules; but he is also offered independence inside an employment-type network. Finally, a franchisee is an entrepreneur who should possess an entrepreneurial and innovative mind, with local market and product knowledge. On the other hand, a franchisee needs several competencies, including motivation, commitment, and learning abilities. Also franchisors have competencies. Firstly, a franchisor has to have enough experience to mentor franchisees, since they need to convey sales and marketing skills, as much as management, negotiation, planning, production, technical, and problem solving skills. Second, knowledge about the business environment and target markets is a must. Third, franchisors need tangible skills, such as managerial and technical talents, and intangible skills, such as human and communication abilities. Lastly, the attitude conveyed to a franchisee should come across as participative managing and supportive leading, although a franchisor has the authority over the franchisee network.²⁴² Overall, a trustworthy franchisor can trigger many needed franchisee behaviors and spurs the franchise relationship. Hsu and Chen came up with a model to determine success selection criteria for franchisors. Using the Delphi Technique in the Taiwanese durable goods industry, store location and personal conditions of candidates were chose to determine promising franchisees. At the end, personal conditions are considered more important, than store location facts. In the personal conditions section the most important factors turned out to be financial ability, business ability, experience, and personality. The following aspects were determined as least important: social intercourse, age, and educational background.²⁴³ These finding are comply with

²⁴¹ Kasselmann et al. 2002, p. 159

²⁴² Lim & Frazer 2004, p. 7-14

²⁴³ Hsu & Chen 2008, p. 50-53

general findings of Jambulingam and Nevin²⁴⁴ but contrast Ramírez -Hurtado et al.²⁴⁵ and Brookes and Altinay,²⁴⁶ who consider financial aspects as less relevant.

Examining international joint ventures, Glaister and Buckley use factor analysis to determine relevant task-related and partner-related criteria, when entering the partnership. Their study is based on UK companies with partners in Western Europe, USA, and Japan. The most important task-related criteria according to the research are access to knowledge of local market, access to distribution channels, access to links with major buyers, and access to knowledge of local culture. As for partner-related criteria, trust between top management teams, relatedness of partner's business, and reputation is ranked highest. Glaister and Buckley found out that the importance of partner-related selection criteria is seen higher than the importance of task-related selection criteria. Further, the outcome shows that partner-related selection criteria are more general and tend to vary less with the specificities of the business.²⁴⁷ Cummings and Holmberg examine critical success factors CSF for partner selection considerations. The authors group four main factors relevant in strategic alliance partnerships: task-related, risk-related, learning-factors, and relational factors. Via international literature review these four groups influence dynamic partner selection consideration: "Task-related CSFs facilitate or inhibit the successful completion of desired alliance objectives; learning-related CSFs are critical, desired attributes in potential alliance partners that enhance learning outcomes; partnering-related CSFs are relational factors, that can enhance or inhibit how the alliance unfolds and therefore affect its outcomes; and risk-related CSFs arise from the interdependent nature of alliances, which are often neglected in practice."²⁴⁸ With these categories Cummings and Holmberg group critical success factors for selection and processes. Their base to form categories is academic literature, professional literature, and practical cooperation with strategic alliance managers. As a result for their cases, task-related CSF are Europe wide distribution channels, strong local brands, strong-host government relations, and a compatible supply chain management. For partner-related CSF, the following aspects need to be met: similarity of organizational cultures, collaboration track records, and senior management compatibility. For risk-related CSF the authors name negative reputation of alliance fails, spillover of proprietary knowledge, and the likelihood of lock out if the parties fails to ally.²⁴⁹ Knight questions franchisors and franchisees in Canada and brings together personal characteristics, which both parties consider most important and least important. These common views reflect the following most important criteria:

²⁴⁴ Jambulingam & Nevin 1999

²⁴⁵ Ramírez-Hurtado, Guerrero-Casas, et al. 2011

²⁴⁶ Brookes & Altinay 2011

²⁴⁷ Glaister & Buckley 1997, p. 207-208, 219

²⁴⁸ Cummings & Holmberg 2012, p. 136

²⁴⁹ Cummings & Holmberg 2012

willingness to work hard, desire to success, management ability, financial backing, strong people skills, and support from family. Least important aspects are considered previous management experience in the same industry, creativity, and previous experience in own business. Overall, the study reveals that the franchise scene has brought numerous illegitimate operators to the field. The conclusion is a strong need for government disclosure regulations.²⁵⁰ This may also influence further development of the sector. It may also change the view of franchisors regarding possible prerequisites required.

The following paragraph takes franchisor point of views into account, looking at franchise partner selection.

Also two main views are dominant, when looking at partner selection process. The author again considers on the one hand the angle from franchisor to franchisee, on the other hand the angle from experts and franchisees to the franchisor. As seen in the previous literature reviews, in most cases the angles are similar, however their exact opinions differ. For this reason, this literature reviews distinguishes again between the two views and groups the sources of point of views.

Altinay and Wang examine the effect of the components learning and knowledge which shows to play a decisive role in partner selection, especially in the hotel industry. The authors state that prior knowledge of franchisors gives room for more efficient coordination during the selection process and includes the difficulty of cultural aspects. Recruiting expertise gained by franchisors allows to educate franchise candidates and to take advantage of managerial expertise within the system. The findings therefore imply a learning curve in the recruitment process by experience and time. Moreover, the authors emphasize a cooperative environment, which nurtures good relationships, and assess each other before the contract is signed, since the cooperation generally is long-term. Altinay and Wang identify three contextual variables in which the franchisee has to either be fit or has to be educated to be fit: nature of the business, different country markets, and the strategic context of the organization.²⁵¹ Altinay²⁵² researches the internationalization process and decision, making process in the European hotel industry via a qualitative case study. In his view, the internationalization process is, as stated by Eroglu,²⁵³ determined by organizational internal and environmental external aspects, which lead to an estimate of perceived risk and perceived benefits. In context with the internationalization process, Altinay focuses on task and partner-related criteria²⁵⁴ during the selection process. These criteria include the following thoughts about: strategy of franchisor, market considerations, financial analysis

²⁵⁰ Knight 1986, p. 11

²⁵¹ Altinay & Wang 2006, p. 439

²⁵² Altinay 2006, p. 120-123, 125

²⁵³ Eroglu 1992 cited in Altinay 2006, p. 110-111

²⁵⁴ Established by Geringer 1991

to conclude the justification of the project, details on the potential franchisee in regard to financial background, expertise, and strategy, and a property overview to determine the condition of the property. Personal interaction with the potential partner is seen highly important. Also culture plays a relevant role, the possible partner needs to comprehend the organization's values and strategy. A clear mutual understanding of expectations and brand requirements needs to be ensured. Besides, complementariness of the candidate is checked by reliability, commitment, culture, and experience. The examined hotel chain chooses a cross-departmental approach, to discuss and evaluate the candidates. This way, different aspects of the business such as marketing, finance, operations, and other departments can give their perspectives about the future franchisee. The paper suggests interactions and mutual evaluations, since "a significant part of the relationship develops before an agreement is struck."²⁵⁵ Overall, the study claims three major contextual variables, which need to be transferred externally and discussed internally: the strategic context, country markets, and the nature of the business. One article by Wang and Altinay²⁵⁶ concentrate on the franchisor point of view. They state the challenge of finding suitable partners in an international context and found out that between European countries the perception of the franchising concept differs, which results in the need of cultural awareness of the franchisor when entering foreign markets. Moreover, to convey all the information during the initial stage of the selection process, the franchisor in this study emphasizes the advantage of cross-functional teams. "Cross-functional teams integrate all relevant expertise and link the strategic and operational learning process."²⁵⁷ Further, this strategy minimizes possible misunderstandings regarding set up and operations, as a clear mutual understanding is nurtured. Every department has different aspects to emphasize within their responsibilities. Country managers for example, focus on local adaption, quick expansion rate, exploiting existing knowledge, maintaining brand quality, and achieving standardization and efficiencies. Overall the company uses distinct exploratory and exploitative learning processes when engaging in the selection process. Altinay and Okumus²⁵⁸ reflect different decision making approaches in various academic disciplines and identifies four models: rational model, bounded rational model, process model, garbage can model, and political model.²⁵⁹ Out of these decision-making approaches the three overlapping international franchisee decision-making process are formed: initial lead, selection, and committee approval. The first step, initial lead, is in the case of the international hotel industry a clear overview of the future project for all

²⁵⁵ Altinay 2006, p. 125

²⁵⁶ Wang & Altinay 2008, p. 231

²⁵⁷ Mahajan et al. 1994 cited in Wang & Altinay 2008, p. 232

²⁵⁸ Altinay & Okumus 2010, p. 931-938

²⁵⁹ Okumus 2003 cited in Altinay & Okumus 2010, p. 930

parties and the result of the first contact with candidates. In this context the researchers emphasize the positive effect of developing a personal relationship with partners, which spurs the chemistry. In addition, a possible cultural gap is crucial to overcome for both parties during the initial lead. The second step, selection, means examination of brand strategy, assessment of financial benefits, and ensuring the contribution to shareholders. Ongoing communication between the franchisor's team and the potential franchisee pave the way for the negotiation period, where possible conflicts of interest are found and addressed. In the last step, committee approval involves the scope of a wider audience and their input. After all decision makers have given their feedback, the decision is taken. The above motioned steps enhance the rationality of the process; however they are also dependent on interrelated antecedents of decision-making, such as a company's strategy, leadership style prevailing in the company, cross functional interface with candidates, type of organizational structure in the network, and communication style.²⁶⁰ Considering the outlaid process, international franchisee selection process follows the rational approach mentioned earlier. Then the power of decision-making is distributed to several management levels. The study also confirms the processual model and political model. Overall, a company's style of determining new franchisees is dependent on the individual environment and one approach may be favored over the other. Clarkin and Swavely²⁶¹ emphasize the relevance of personal characteristics in franchisee selection. This idea goes hand in hand with the points of view of Jambulingam and Nevin's²⁶² conclusion, and also Stanworth's²⁶³ opinion of franchisors relying on instincts, when considering an applicant. It further comply with Clarkin and Swavely²⁶⁴ findings about the high importance of a personal interview with candidates. Through secondary data collection, the study covered a large sample of North American franchisors and showed the following importance ranking for the franchisee selection process: personal interview, financial net worth, general business experience, psychological profiling, formal education, and industry experience. Apart from the ranking, Clarkin and Swavely confirm, "...personal characteristics have the greatest influence on cooperation, more so than financial qualifications and experience."²⁶⁵ This confirms that the interpersonal level is significant for good franchise partnerships, but in combination with a favorable financial background the connection is or more benefits for franchisee and franchisor alike. Shane et al. focuses on the financial involvement of franchisee in order to encourage a maximum growth strategy at a young stage of the system. When cooperating with franchisees, franchisors should keep the initial investment and

²⁶⁰ Altinay & Wang 2006 cited in Altinay & Okumus 2010, p. 931

²⁶¹ Clarkin & Swavely 2006, p. 138

²⁶² Jambulingam & Nevin 1999, p. 387

²⁶³ Stanworth 1995, p. 1

²⁶⁴ Clarkin & Swavely 2003, p. 17

²⁶⁵ Clarkin & Swavely 2006, p. 135

the franchise fee low and also offer financing options to franchisees. Another recommendation for supporting a larger size of networks is to lower royalty rates as the system ages. Further, the authors suggest keeping the ownership of units low and reducing them over time.²⁶⁶ This approach lightens the burden on the franchisee and takes away the emphasis on the weight of the requested financial background a candidate has to bring along. Nevertheless, according to the literature overall, it still stays to be an important selection criteria. Altinay and Vaishnav argue that during the selection process candidates often approach franchisors due to the popularity of the brand, the perceived profitability of the business, and positive reputation of the company. Generally, franchisees want to know about the background, market presence, and dominance of the company. In this process franchisors use mix of task and partner related skills for their selection. Their evaluation includes culture and education, as both criteria affect selection. Mutual cultural understanding triggers trust between franchisor and franchisee.²⁶⁷ “Six out of seven partners consider culture as strong influencing factors.”²⁶⁸ Especially language, values, beliefs, ethics are points that influence a business relationship. The more language differs, the more is the difference of risk perception. Altinay and Vaishnav²⁶⁹ say that language puts constraints and pressure on business relationships; it can damage them and mislead the receiver of the message. As far as the educational background is concerned, the examined corporation searches for knowledgeable and understanding candidates, so learning from other partners increases performance.²⁷⁰

Followed by this challenge, Bennett et al. from the Griffith University explore desirable franchisee attributes and investigate eight themes. One of which are desirable franchisee attributes, such as the ability to raise the purchase price, degree of determination and passion, customer relations’ ability, honesty, integrity, business acumen, industry experience, academic qualifications, growth opportunities, and entrepreneurial seeking challenges. Further, personal characteristics especially gender, age, and physical fitness influence the recruitment.²⁷¹ As previously commented, the component gender has been described as influential and to effect commitment.²⁷² Bennett et al. state, that “larger systems did not appear to have difficulty in recruitment, probably due to their experience and size. [...] Overall, the results indicate that there appears to be an emphasis by the franchisors on presenting the franchising model, rather than the actual business opportunity.”²⁷³ Bennett et al. suggest

²⁶⁶ Shane et al. 2006, p. 784-785

²⁶⁷ Vaishnav & Altinay 2009, p. 56-57

²⁶⁸ Vaishnav & Altinay 2009, p. 59

²⁶⁹ Feely & Harzing 2003 cited in Vaishnav & Altinay 2009, p. 59

²⁷⁰ Lorange & Roos 1991 cited in Vaishnav & Altinay 2009, p. 60

²⁷¹ Bennett et al. 2007, p. 4

²⁷² Jambulingam & Nevin 1999, p. 387-390

²⁷³ Bennett et al. 2007, p. 5

to take larger systems as benchmarks and to profile their candidates to increase their chance of suitable franchisee selection.

Now, joint views of franchisors and franchisees about franchise partner selection are looked at.

Rahatullah and Raeside discover that a firm's size, age, and business type highly influence the choice of a franchise candidate. The researchers conclude the process is dynamic. Influential components change over time and hence, they change the strategy of the firm. Eight main criteria are identified: technical competence, managerial ability, trust and security, cultural compatibility, financial ability, references, flexibility, and experience. The study is developed by inquiring literature results combined with exploratory interviews, which lead to a questionnaire that was sent out to franchisors. Trust and security, plus managerial and financial ability, and flexibility are the three most important key factors, according to the questioned franchisors. Less important is technical competence and no importance is given to past experience, reference, and cultural compatibility.²⁷⁴ Thompson and Stanton wrote one of few studies, which take the internationalization of the franchise selection process into special consideration by commenting on the franchisor and franchisee side of the franchise internationalization process. Although international partner selection criteria are mostly analyzed regarding financial capability, experience and managerial factors, demographics, attitudes, personality, and other factors such as health and reputation, Thompson and Stanton come to the conclusion that international partner selection criteria stress the significance of trust.²⁷⁵ Trust is the base of a business relationship. Before internationalization, the master should have a plan involving a strategy of choosing, screening, and supporting international franchisees.²⁷⁶ Further, "the international partner must understand the cultural context of their market, specifically the business and social environment."²⁷⁷ In addition, pre-contractual research minimizes post-contractual agency problems²⁷⁸ and a defined selection criteria process helps to increase performance of the system, supports reducing long-term monitoring costs for the franchisor,²⁷⁹ and potentially reducing adverse selection.²⁸⁰ Brookes and Altinay²⁸¹ take a close look at both views, from a franchisor and a franchisee side to list characteristics relevant for the selection process in the hotel industry. Looking at the franchisor side, the ability to retain control through ownership structure, perception of mutual value, and risk is important. Moreover, the chemistry between individuals, similarity of organization vision, goals, and

²⁷⁴ Rahatullah & Raeside 2009, p. 45

²⁷⁵ M. Thompson & Stanton 2010, p. 694

²⁷⁶ Grünhagen & Mittelstaedt 2005 cited in M. Thompson & Stanton 2010, p. 696

²⁷⁷ M. Thompson & Stanton 2010, p. 700

²⁷⁸ Jambulingam & Nevin 1999 cited in M. Thompson & Stanton 2010, p. 692

²⁷⁹ Bergen et al. 1992 cited in M. Thompson & Stanton 2010, p. 693

²⁸⁰ Altinay 2006 cited in M. Thompson & Stanton 2010, p. 696

²⁸¹ Brookes & Altinay 2011, p. 343-345

values are also relevant. Not to forget local expertise, reputation and credibility, and credit worthiness. The top three necessities from a franchisee point of view are ability to retain control of portfolio, ability to retain identity, and perception of mutual risk and value. Both parties name mutual risk as common perception about the undertaking. Further, the authors recognize that personal chemistry does not only act as selection criteria, but plays a decisive role during the pre-contractual negotiation process. Overall, personal chemistry and communication support the process of finding and selecting suitable partners and seems non-negotiable. Therefore, task-related and partner-related criteria are relevant for franchisor and franchisees during the selection process. While partner-related criteria are consistent and more dominant in the selection process, task-related criteria refer to defining goals for the cooperation.

In their common approach to determine franchise unit success factors, the team of three lead by Scott from the Griffith University in Australia found out that franchisee selection criteria and the respective entrepreneurial talent have significant impact. According to their study, defining success in most cases relates to profit. Additional factors of success are franchisor support and the entrepreneurial ability. In contrast, franchisor franchisee relationship does not influence the success of a franchised unit; it rather measures success of a franchised unit. The interviewees name the pressure for growth as a reason to possible inappropriate selection criteria with the result of following problems in the system.²⁸² Stanworth gives hints on what questions to ask a candidate during the selection process. He also provides favorable answer for the questions to cross check. Positive characteristics include being able to survive feelings of isolation, exercise self-discipline, having the need to work harder than before, learning from failure, taking unpopular decisions, and competing without self-imposed standards. Moreover, the candidate should answer to be able to resist impetuous or emotional behavior, having the facility of taking advice, demonstrate financial ability, have support from their spouse, and demonstrate enterprise background, as well as show profit motivation and sales orientation. Further, the applicant should be receptive towards training, have the ability to delegate, and have a long-term view and growth orientation.²⁸³ Above all, the person has to make things happen. All characteristics describe a person, who is willing to succeed and not afraid of a challenges to come.

The franchise partner selection process reveals numerous strategies, as seen from the above descriptions. A selection process strategy is made from the franchisor, for that reason, sole franchisee point of views do not appear compared to the literature review on selection criteria. Another distinction of the presented literature can be made by the parameter geography. The literature is now grouped into European studies, North American studies, and other countries' studies. Within Europe, the authors

²⁸² Scott et al. 2004, p. 2-4,

²⁸³ Stanworth 1995a, p. 8-10

Doherty, Ahlert, Rahatulla, Ramirez-Hurtado, Guerrero-Casas, Rondán-Cataluña, Boulay, Stan, Brookes, Altinay, and Stanworth dominate franchisee selection research. All authors contribute significantly to finding out about selection criteria, processes, and strategies. Mainly franchisors are questioned on their view of preferences in system partners. A summary of European research and their content is displayed in appendix 2. For Europe, the table shows a focus on questioning franchisors, instead of franchisees. The results of this literature review include hard skills, as well as experience, and knowledge. The selection process is described in Altinay²⁸⁴, whereas the selection criteria are described in Doherty,²⁸⁵ Ahlert, Brock and Evanschitzky,²⁸⁶ Rahatullah and Raeside,²⁸⁷ Ramírez-Hurtado, Guerrero-Casas, and Rondán-Cataluña,²⁸⁸ Ramírez Hurtado, Guerrero Casas, Rondán-Cataluña, Berbel-Pineda,²⁸⁹ Ramírez -Hurtado, and Guerrero Casas, Rondán-Cataluña,²⁹⁰ Boulay and Stan,²⁹¹ and Stanworth.²⁹² Within North America, the authors Jambulingam, Nevin, Clarkin, Swavely, Olm, Eddy, Adaniya, DeCeglie, Shane, Shankar, Withane, Knight, Cummings, and Holmberg dominate franchisee selection research. All authors contribute significantly to finding out about selection criteria, processes, and strategies. Mainly franchisors are questioned on their view of preferences in system partners. The view of franchisees plays a less relevant role in the studies mentioned, which may lead to biased point of views, if the results are looked at separately. A summary of US and Canadian contributions and their content is displayed in appendix 3. The listed authors do neither mutually exclude themselves, nor does the list claim to be complete.

For North America, the table again shows a focus on questioning franchisors, instead of franchisees. The results of this literature review included hard skills, as well as experience, and knowledge. The selection process is described in Clarkin and Swavely,²⁹³ Shane, Shankar, Aravindakshan,²⁹⁴ and Cummings and Holmberg,²⁹⁵ whereas the selection criteria are described in Jambulingam and Nevin,²⁹⁶ Clarkin and Swavely,²⁹⁷ Olm, Eddy, and Adaniya,²⁹⁸ DeCeglie,²⁹⁹ Withane,³⁰⁰ and Knight.³⁰¹ Outside Europe and North America, the authors Altinay, Wang,

²⁸⁴ Altinay 2006

²⁸⁵ Doherty 2009

²⁸⁶ Ahlert et al. 2006

²⁸⁷ Rahatullah & Raeside 2009

²⁸⁸ Ramírez-Hurtado, Guerrero-Casas, et al. 2011

²⁸⁹ Ramírez-Hurtado, Rondán-Cataluña, et al. 2011

²⁹⁰ Hurtado et al. 2006

²⁹¹ Boulay & Stan 2011

²⁹² Stanworth 1995a

²⁹³ Clarkin & Swavely 2006

²⁹⁴ Shane et al. 2006

²⁹⁵ Cummings & Holmberg 2012

²⁹⁶ Jambulingam & Nevin 1999

²⁹⁷ Clarkin & Swavely 2003

²⁹⁸ Olm et al. 1988

²⁹⁹ DeCeglie 1993

³⁰⁰ Withane 1991

Kasselmann, de Beer, Vermeulen, Soontiens, Lacroix, Thompson, Stanton, Lim, Frazer, McCosker, Okumus, Vaishnav, Hsu, Chen, Scott, Frazer, and Weaven dominate franchisee selection research. All authors contribute significantly to finding out about selection criteria, processes, and strategies. Mainly franchisors are questioned on their view of preferences in system partners. A summary of African, Middle Eastern, Australian, Indian, and Taiwanese articles and their content is displayed in appendix 4. For countries outside Europe and North America, the table shows a focus on questioning franchisors instead of franchisees. The results of this literature review included hard skills, as well as experience, and knowledge. The selection process is described Altinay,³⁰² Wang and Altinay,³⁰³ Altinay and Okumus,³⁰⁴ and Scott, Frazer, and Weaven,³⁰⁵ whereas the selection criteria are described Altinay and Wang,³⁰⁶ Kasselmann, de Beer, and Vermeulen,³⁰⁷ Soontiens and Lacroix,³⁰⁸ Thompson and Stanton,³⁰⁹ Lim and Frazer,³¹⁰ McCosker,³¹¹ Vaishnav and Altinay,³¹² Hsu and Chen,³¹³ and Glaister and Buckley.³¹⁴

Table 2.1: Important themes for franchisee selection, as recognized in literature

Theme	Items
Experience before becoming a franchisee	In business, in sales, in different or same business sector
Financial background	Capability of paying entrance fee and supporting himself until after break even
Cultural awareness	Local knowledge, social connections, cultural compatibility, understanding for international business partners
Entrepreneurial abilities	Hard working, self-motivated, commitment, flexibility, managerial ability, risk-taker, entrepreneurial background, confront challenges, learning-oriented, accounting capabilities, stress intolerant,
Sales orientation	Being a sales man, people skills, communicative, extraversion,
Leadership abilities	Trust, credibility, reliability, understanding of expectations, learn from failure, attitude,
Other	Family support, education, team player, age, technology affine

Source: Author's own summary based on analysis of examined literature

³⁰¹ Knight 1986
³⁰² Altinay 2006
³⁰³ Wang & Altinay 2008
³⁰⁴ Altinay & Okumus 2010
³⁰⁵ Scott et al. 2004
³⁰⁶ Altinay & Wang 2006
³⁰⁷ Kasselmann et al. 2002
³⁰⁸ Soontiens & Lacroix 2009
³⁰⁹ Thompson & Stanton 2010
³¹⁰ Lim & Frazer 2004a
³¹¹ McCosker 2000
³¹² Vaishnav & Altinay 2009
³¹³ Hsu & Chen 2008
³¹⁴ Glaister & Buckley 1997

Summarizing the examined literature, one can see that some steps stick out, due to their importance given by the franchisor. Establishing well-conceptualized processes inside the company before entering the selection procedure on a personal basis is an absolute necessary step to discovering talented individuals. First, decision making involving more department heads is an advantage to increase the quality of the finally selected applicant. This allows to covering and screen for a wider spectrum of demanded skills. The candidate is assessed more critical and missing qualifications can be addressed and corrected early. Second, the understanding of the difference of country markets, including culture is another relevant focus the headquarter needs to include in its expansion strategy. Most important themes are summarized in table 2.1. The tables appendix 2, 3, 4 summarize all findings of researchers in the specific field of franchising and give an overview of selection criteria collected from research since 1988. A total of 34 articles and books were summarized, intensively analyzed, and grouped. The geographic scope of the collected data includes foremost information from Europe and North America, but also shows numerous cases from Asia and Australia. This is an important point, as different countries understand the context of franchising from distinct cultural aspects.³¹⁵ Often case studies with in-depth exploratory interviews make up the study or complement quantitative studies. Altinay³¹⁶ tends to use the hotel industry for his research while Kasselmann et. al,³¹⁷ Lim and Frazer,³¹⁸ DeCeglie,³¹⁹ Scott et. al,³²⁰ Olm et. al,³²¹ and Ramirez-Hurtado et. al³²² focus more on general services. The collected literature shows several common views regarding certain favorable franchisee selection criteria. The concept of task-related and partner-related criteria play a large role in Geringer's³²³ contribution, as he established the terms and initiated the research for these two factors in particular. Brookes and Altinay,³²⁴ and Glaister and Buckley³²⁵ also used Geringer's task-and partner related factors as base for their investigations. Cummings and Holmberg³²⁶ amplify their critical success factors by including risk-related, relational-related, and learning related factors. The research and preparation for these potential knowledge gaps get a company closer to understanding the individuals interested in a specific franchise market. Then, a franchisee selection process flows empathetically and later misunderstandings in this regard are minimized. Nevertheless, decision makers may be biased by

³¹⁵ Altinay 2006, p. 121, 231

³¹⁶ Altinay & Wang 2008, Altinay & Wang 2006, Brookes and Altinay 2011, Altinay 2006,

³¹⁷ Kasselmann et. al 2002

³¹⁸ Lim & Frazer 2004

³¹⁹ DeCeglie 1993

³²⁰ Scott et. al 2004

³²¹ Olm et. al 1988

³²² Ramirez-Hurtado et. al 2011, Ramirez-Hurtado et. al 2011

³²³ Geringer 1991

³²⁴ Brookes & Altinay 2011

³²⁵ Glaister & Buckley 1997

³²⁶ Cummings & Holmberg 2012

their personal view. As Cals et al.³²⁷ state, economic rationality may contradict an individual's social objectives, experience, or available information. The more detailed and thorough the preparation of the selection process, the more likely is the chance of selecting a higher performing franchisee. This again increases the level of satisfaction of the franchisor and franchisee alike, and results in less future cost, mismatches, and dissatisfaction.³²⁸ The literature review does not claim to be exhaustive regarding studies in the field of franchisee selection criteria and processes, but allows the view the trend of result collected over time. Nevertheless, the entire literature review of this chapter includes the most relevant studies of the topic of franchisee selection published to date. With industrialization and modern technology many business tactics have changed. Modern tools of communication were about to start to revolutionize everyday life in companies and institutions. New ways of doing business were suddenly possible and foreign countries were easier to reach. This major influence impacted corporate strategies. For example, in 1972 only 2,758 units of US franchise companies were established in the Canadian market. By 1986 this number rose to 9,031 units. A similar drastic increase happened to Continental Europe and the United Kingdom. In Continental Europe in 1972 the number was at 866 and in 1986 reached 4.844. In the United Kingdom the development was from 586 registered cases to 2.415 in the same time period.³²⁹ National transactions differ from international transactions by many factors. Taking the company to an international level, it is to expect that the preparation, financial resources, and human resources are similar compared to founding and establishing a franchise system.³³⁰ An outlook from the 1990s by Huszagh et al., which compared internationalization data from 1972 and 1986, forecasts an increase in telecommunication and computational help. This sector is seen as a tool to reduce monitoring cost for internationally operating franchise systems.³³¹ It is not to deny that since the 1990s, communication possibilities have multiplied and facilitated many cross-regional and cross-country strategies. The pressing need for capital to cover monitoring cost 30 years ago differs to the need today, as many former monitoring obstacles have shifted to more advanced and quicker communication tools. In 2007, Doherty collected reasons of three decades, why franchise firms internationalize. Amongst them are exploiting international markets, increasing sales profits, expansion of markets, domestic market saturation, and the desire to be known as international firm. Other reasons are the perceived favorability of the external environment, firm size, and the desire to grow, large

³²⁷ Simon 1997 cited in Cals et al. 2012, p. 126

³²⁸ Gaul 2013a, p. 249

³²⁹ US Department of Commerce 1974 and US Department of Commerce 1988 cited in Huszagh et al. 1992, p. 6

³³⁰ D. Ahlert & M. Ahlert 2010, p. 560

³³¹ Huszagh et al. 1992, p. 17

operating expenses, perception of the firm's competitive advantage, top management's international experience, and franchise interests, as well as contact from third parties.³³²

International franchising is an additional decision a franchisor may take. Geographic distance, cultural distance, and international experience influence a company's decision to franchise internationally. The larger the geographic distance, the larger the cultural distance. The more international experience a firm has, the more it is likely to franchise its units.³³³ Nevertheless, countries geographically and culturally close to the home market are initial locations for cross border operations.³³⁴ With growing legal and cultural distance, adaption of the system is necessary and the transferability decreases.³³⁵ Cultural similarity helps to understand each other and forms a favorable base for working together. Also expectations and behaviors are more easily shared and foreseen.³³⁶ International franchising bears minimal risks and is a quick market entry strategy.³³⁷ Nevertheless, selecting suitable business partners abroad stays a noteworthy research problem.³³⁸ Changes need to be made in the system to suit demands in other countries. This often requires substantial financial backup.³³⁹ Doherty summarizes further reasons in favor of international franchising in the following groups: exploitation of potential markets, interested franchisee parties, possibility of higher sales and profits, expansion of markets, desire to operate as international enterprise, more favorable standing as perceived by others, domestic market saturation, wish to grow, risk willing, search for competitive advantage, and external influence.³⁴⁰ Decision factors to go international can be the status of development in the market, competitive environment, and financial resources of the mother company. D. Ahlert et al. found out that international hybrid systems³⁴¹ appear relatively interesting to franchisors, because their positive operation in existing markets proves feasibility to future franchisees in that market. The study also revealed that the popularity of the brand name, the possibility to increase sales, and taking advantage of synergies, are the main factors for franchisors to tap new markets abroad. Potential risks are the cultural distance to the home market and the more difficult control over and guidance for international franchisees.³⁴² The goal is to provide global operations at comparably low cost.³⁴³ According to Eroglu, the intention to internationalize a franchise is set by determinants of

³³² Doherty 2007, p. 186

³³³ Fladmoe-Lindquist & Jacque 1995, p. 1247

³³⁴ Quinn & Alexander 2002, p. 268

³³⁵ Welsh & Alon 2002, p. 22

³³⁶ Emden et al. 2006 p. 337-338

³³⁷ Alon 2006, p. 1

³³⁸ M. Thompson & Stanton 2010, p. 691

³³⁹ Perlitz 2008, p. 10

³⁴⁰ Doherty 2007, p. 186-187

³⁴¹ Hybrid systems in this context are systems that combine company owned units with franchised units in one market.

³⁴² D. Ahlert et al. 2002, p. 24-26

³⁴³ Quinn & Alexander 2002, p. 264

organizational and environmental origin, which express perceived benefits and perceived risk. These determinants finally influence the intention to internationalize. The intention to internationalize is stronger when decision makers perceive more benefits than risks. Within this model, it is known that processing data and also the unavailability of data influences perception.³⁴⁴ "Perceived risk is defined as the uncertainty an individual faces, when he or she cannot foresee the consequences of their decision."³⁴⁵ Eroglu repeats five types of risk mentioned by Jacoby and Kaplan:³⁴⁶ financial, performance, physical, psychological, and social risk. "Perceived benefits associated with a course of action are conceptualized as being a function of the probability and importance of expected gains."³⁴⁷ The most critical risks for franchise internationalization in Eroglu's view, have been identified of political and legal origin. Image 2.1 visualizes Eroglu's framework.

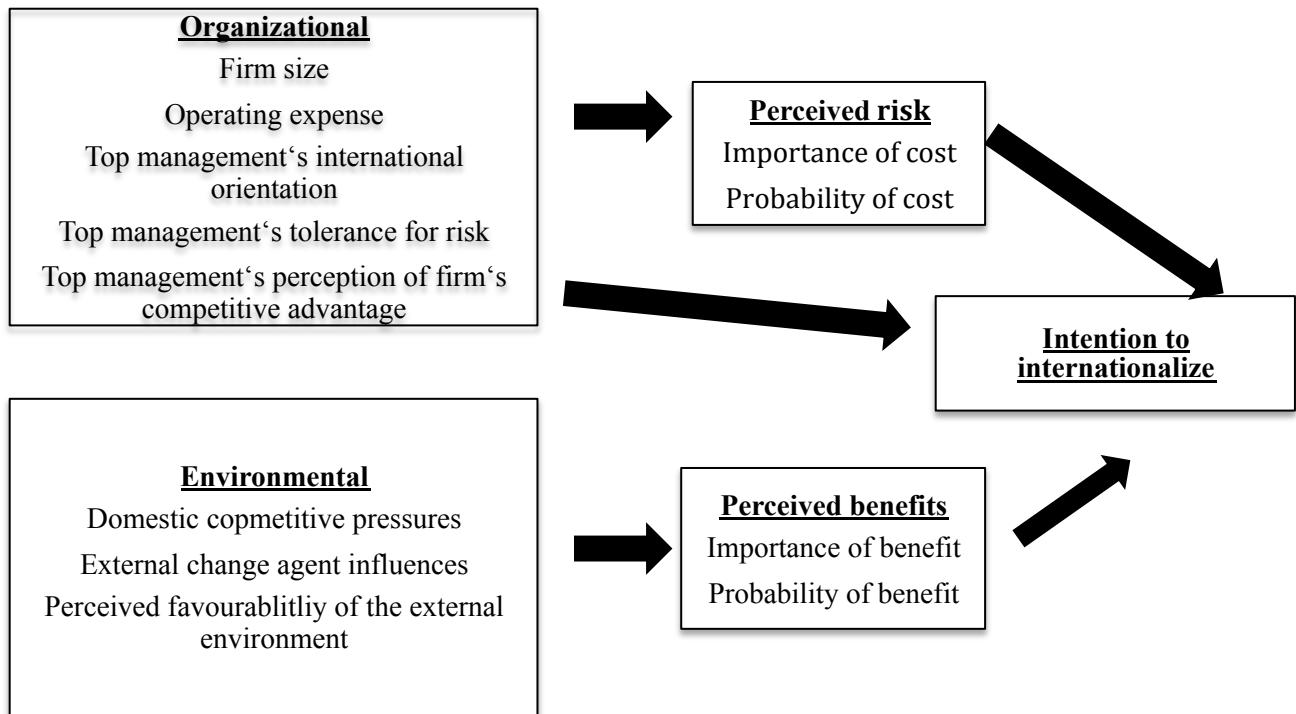


Image 2.1: Conceptual framework of the determinants of franchise internationalization

Source: Image according to Eroglu³⁴⁸

³⁴⁴ Eroglu 1992, p. 22-23

³⁴⁵ Eroglu 1992, p. 23

³⁴⁶ Jacoby & Kaplan 1972 cited in Eroglu 1992, p. 23

³⁴⁷ Eroglu 1992, p. 23

³⁴⁸ Eroglu 1992, p. 22

Eroglu's is one way for successful internationalization of firms. It emphasizes organizational and environmental aspects and their influence on perceived benefits and risks. As the discussion in this subchapter shows, the international factor plays a vital role in business. Therefore the author decides to include it in this research. World trade continues to grow and internationally operating firms can take advantage of the prevailing situation. Especially franchise systems are oriented towards growth and are not limited to stay within borders, but rather search for homogenous markets.³⁴⁹ World trade continuous to grow and internationally operating firms can take advantage of the prevailing situation. Especially franchise systems are oriented towards growth and are not limited to stay within borders, but rather search for homogenous markets.³⁵⁰ The United States of America have been using franchising as huge export industry, as this business system has experienced rapid expansion since the 1970s. A study from the year 2001 shows that the vast majority of franchisors would repeat the decision to go international,³⁵¹ as the firms benefit from this step. The pressure on global concepts and reachable popular brands around the world spurs the strive for franchising, as it has the ability to strengthen a franchisor's and franchisee's competitive position, while at the same time staying in touch with local market needs. Within Germany, a study by International Centre for Franchising and Cooperation found out that the proportion of international operating systems was around 39% in the year 2002. 21% of the companies, operating nationally had planned to expand into foreign markets.³⁵² Both parties have to be aware of prevailing differences and resulting challenges, as it is equally difficult for a franchisor to export a certain system into problematic market, as it is for a franchisee to import a non-fitting system into a specific market. Doherty names major reasons for retailers to expand their operations internationally, and identifies organizational and environmental factors. As organizational factor Doherty names business sector experience, financial resources, brand presence, influence of key staff, and firm reformations as most relevant. For environmental factors she calls opportunistic approaches, market complexities, competition influences, and the accessibility of possible franchise partners.³⁵³ Disadvantages for the franchisor include the risk of misuse of the franchisor's image, low degree of control due to a missing management-employee relationship, difficulty of franchisor to implement changes, and similar business, which use the brand's popularity to establish competitive businesses.³⁵⁴ International franchisors are market seekers and with this step they strengthen their overall strategy.

³⁴⁹ D. Ahlert et al. 2004, p. 1-2

³⁵⁰ Ahlert et al. 2004, p. 1-2

³⁵¹ Welsh & Alon 2002, p. 47-48

³⁵² Ahlert et al. 2005 cited in Perlitz 2008, p. 10

³⁵³ Doherty 2007, p. 201

³⁵⁴ Phatak et al. 2009, p. 217

Primarily, they see knowledge gaining and strategic learning as important part of their move abroad.³⁵⁵ Franchising is favorable for small business and spurs its growth strategy. Stanworth states: “High turbulence and attrition rates in the formative years of franchise businesses result in an industry profile whereby, at any one time, around half of all franchise systems are less than five years old with less than 10 outlets.”³⁵⁶ Franchisee financing is another relevant aspect for national and international franchise operations. Financial resources needed by franchisor and franchisee for setting up a business abroad, can easily outgrow forecasts. False promises and bad planning lead to failure. Defining financial requirements and selecting partners according to those requirements, support a promising franchiseship. A clear defined break-even analysis generated from pilot businesses leads to a more transparent view. Also for the internationalization process the selection of format is important. Most franchisors wonder, whether they should continue with the format they were successful in their home market. The correct decision depends on the future goal of the company and the agenda planned out long-term. Nevertheless, a suitable franchisee must have the profile to work in line with this agenda and also bring along the required financial and organizational, as well as personal qualifications. Whether direct franchising, area developer, or another form of franchising is most suitable, depends on the risk and chances the franchisor prefers to take table 2.2.

Table 2.2: Summary of chances and risks by market entry modes in international franchising

Type	Chances	Risks
Direct foreign franchising	<ul style="list-style-type: none"> - Cost effective - Information and communication IT - Simplify controlling and supervision 	<ul style="list-style-type: none"> - Difficult communication - Not suitable for countries, which majorly differ from home country of franchisor
Indirect foreign franchising sub franchising	<ul style="list-style-type: none"> - Suitable for larger markets - Presence of affiliate simplifies supervision 	<ul style="list-style-type: none"> - Capital and manpower requirement initial investments/ continuous costs - Legal problem when founding the company
Master franchising	<ul style="list-style-type: none"> - Speed of expansion - Low capital requirement - Local knowledge of master franchisee 	<ul style="list-style-type: none"> - Selection of the master franchisee - Power of the master franchisee - Need for training
Area development franchising	<ul style="list-style-type: none"> - Speed of expansion - Simpler handling compared to master franchising - Low capital requirement 	<ul style="list-style-type: none"> - Area developer’s need for capital requirements - Area developer as potential competitor - Termination of contractual agreement

Source: Author’s own table based on analysis of Ahlert and Wunderlich³⁵⁷

³⁵⁵ Pak 2002, p. 35

³⁵⁶ Stanworth 2004, p. 539

³⁵⁷ Ahlert & Wunderlich 2002, p. 13

In addition to the general advantages of using franchising as business system, the international context includes the onsite help of the franchisor. However, franchisees should be equipped with the much needed local knowledge and prevailing language ability, as well as know cultural aspects of communication. “Langston and Teas found that the international orientation of US firm's top management correlates with whether or not they had lived abroad, could speak foreign languages, and whether their foreign experiences were favorable or not.”³⁵⁸ This statement shows, that according to Langstom and Teas, the success of international operations also depends on the internationality of staff working at the headquarters. Doherty and Quinn reflect that problems in international retail franchising may arise from cultural barriers and language barriers, plus different local operating practices. For this reason, the local candidate is seen as rich source of information, beside a financial empowerment of the system.³⁵⁹ Nevertheless, managers working at the franchisor, shall also be able to contribute with their internationality, in order for cross border business to be successful. To date, specific international franchisee recruitment has not thoroughly been explored by literature; consequently relevant factors are yet to be determined.

The launch and the steps of the internationalization process are dependent on the strategists of a company. Altinay and Roper in their study within the hotel business uncovered, that the most crucial decision makers who plan the process, are not senior decision makers, but rather development directors, which are placed in the host country. In addition, these development directors are more successful and increase the performance of their company, the more entrepreneurial characteristics they display in license sales processes.³⁶⁰ The findings show that managers, who acquire franchisees and who have to deal with candidates and on site, are the ones spurring the cross-country expansion process, as compared to upper management. Upper management is less familiar with cultural and personal differences of applying candidates. For this reason, staff working directly with candidates majorly influences the internationalization process. This may have a direct influence on the selection process and hence, on the potential franchisees taken on board the network.

Specific laws and procedures have regulated the franchising activities in many countries and also made it more secure for franchisors and franchisee alike to negotiate and do business together. Countries differ in their regulations; some are very strict and outlay their laws explicitly. Other countries leave the market rather liberal and prefer less legal interference. These different legal environments are challenging for every company and require professional assistance for firms

³⁵⁸ Langston & Teas 1976 cited in Eroglu 1992, p. 22

³⁵⁹ Doherty & Quinn 2007, p. 230

³⁶⁰ Altinay & Roper 2005, p. 237-238

expanding abroad. The European Code of Ethics resembles the main rights and duties of the bilateral franchiseship and is a non-binding guideline for international franchisors and franchisees alike. It supports good faith, emphasizes fair treatment, adequate risk management, responsible company leadership, and control of the board of directors by supervisors.³⁶¹ The European Code of Ethics is established by the European Franchise Federation and resembles the guidelines for its members. It states the cooperation between franchisor and franchisee, their main duties and rights, suggestions for partner selection, pre-contract clearings, and the minimum of binding points between parties.³⁶²

Strict franchise regulations exist in the United States, where disclosure laws help rising transparency within the franchise industry. Apart from disclosure requirement, some US states have additional regulations to set terms of franchise contracts. 15 states developed registration or disclosure laws, which seek to protect franchisee candidates from misinformation on the franchisor side, before an agreement between the parties is struck.³⁶³ In contrast to franchise specific regulations in the US, Germany has no specific franchise laws. Decisions are made in accordance with basic verdicts of the highest appealing court in Germany for civil and criminal cases.³⁶⁴ Firms have to take into account the prevailing situations in every specific nation, to not commit errors which could possibly destroy their expansion plans before the future franchisee draws profits from the business idea. As literature shows, the international component in business activities is highly influential and stresses the importance of being included in the future framework of this research.

2.2. Concepts influencing relationships: introducing task-related and partner-related criteria

Franchisee's skills and abilities, as well as pre-requisites are numerous, and as diverse, and uniquely distributed as humans can be. Relevant abilities, which have already been examined in the first chapter, indicate the large range of characteristics that are searched for by franchisors. As Bennett et al. state, it is the duty of the franchisor to develop unique profiles for matching future franchisees and the respective necessary attributes, as well as setting up mind map of what their respective system does.³⁶⁵ Several example in the business world have shown that choosing inadequate partners may lead to great financial loss, strategic draw backs, unfavorable legal circumstances, time waste, bankruptcies on either side, and a lot of hurt feelings if not even the loss of one's existence. There is no doubt that adequate partner selection enforces satisfaction, mutual trust, and economic output. Main concepts,

³⁶¹ German Franchise Federation 2008

³⁶² European Franchise Federation 2003

³⁶³ Wurm 2010, p. 70

³⁶⁴ Flohr & Gramlich 2009, p. 25

³⁶⁵ Bennett et al. 2007, p. 5

which influence valuable partnerships, arise from the examined literature. The specific concept of task-related criteria, and partner-related criteria is used in this research. The text previously touched on task-related and partner-related criteria to be a valuable tool to separate influential aspects in partnerships.

In the year 1991, Geringer made an important contribution to the determinants for strategic partner selection criteria. Numerous empirical studies use Geringer’s task- and partner-related categories, indicated in table 2.3. By setting two groups defined as task-related and partner-related criteria, Geringer categorized different abilities and skills of business partners. “[I]t appears possible to distinguish between criteria associated with the operational skills and resources which a venture required for its competitive success i. e., “task-related” criteria and criteria associated with the efficiency and effectiveness of partners’ cooperation i. e., “partner-related” criteria.”³⁶⁶ According to Geringer, the definition of task-related criteria reflects “variables, which are intimately related to the viability of a proposed venture’s operation regardless of whether the chosen investment mode involves multiple partners.”³⁶⁷ In contrast, partner-related criteria refer to “those variables, which become relevant only if the chosen investment mode involves the presence of multiple partners,”³⁶⁸ which is the case in a franchiseship. This categorization has frequently been used in partner selection processes and spread widely amongst researchers.³⁶⁹

Table 2.3: Geringer’s task-related and partner-related criteria

Task-related criteria	Partner-related criteria
<ul style="list-style-type: none"> - Influence the feasibility of operations, without reference to type of investment or number of partners - Associated with operational skills and resources <ul style="list-style-type: none"> o Tangible or intangible o Human or non-human o Technical know-how o Financial resources o Experienced managerial personnel o Access to marketing and distribution systems 	<ul style="list-style-type: none"> - Efficiency and effectiveness of partners' cooperation - Relevant variables if investment includes more than one partner <ul style="list-style-type: none"> o Partner’s national or corporate culture o Degree of past association between partners o Compatibility o Trust o Organizational size or structure

Source: Author’s own table based on analysis on scientific publication by Geringer³⁷⁰

Specifically in the hotel industry, Altinay realized that both, task and partner-related criteria should be identified early in the selection process to find hints on whether the applicant has the necessary

³⁶⁶ Geringer 1991, p. 42

³⁶⁷ Geringer 1991, p. 42

³⁶⁸ Geringer 1991, p. 42

³⁶⁹ Examples of authors acknowledging task and partner related-criteria in current research: Cummings & Holmberg 2012, Tatoglu 2000, Brookes & Altinay 2011, Altinay & Brookes 2012, Altinay et al. 2013

³⁷⁰ Geringer 1991: task-related and partner-related criteria

potential to fit the required profile.³⁷¹ In an international qualitative study, Altinay emphasizes the different weight given to each criterion during specific steps of the recruiting process.³⁷² This concept can be used for both parties: first, in the search for a franchisee and second, in the search for a franchisor. Altinay displays a compiled list of task-related and partner-related criteria in the franchise industry as summarized in table 2.4, for the scenario franchisees investigating franchisors.

Table 2.4: Altinay’s summary of task-related and partner-related criteria

Task-related criteria	Partner-related criteria
<ul style="list-style-type: none"> - Financial resources/ access to capital - Materials/natural resources - Technological resources - Knowledge of local market/ culture - Distribution channels/ links with major buyers - Product - Knowledge of production processes - Access to regulatory permits - Access to labor 	<ul style="list-style-type: none"> - Past association - Partner status - Partner reputation - Trust between top management teams - Complementary of: <ul style="list-style-type: none"> o Organizational or national culture o Resources o Marketing and distribution systems o Size and structure

Source: Author’s own table based on Altinay’s summary of criteria³⁷³

Further Das and He³⁷⁴ also define their understanding of task-related and partner-related criteria table 2.5. The difference is marginal and mostly refers to an additional context, such as future, by including strategy and goals. This means that Das and He rather complement Geringer’s definitions than actually see different classifications.

Table 2.5: Das and He’s summary of task-related and partner-related criteria

Task-related criteria	Partner-related criteria
<ul style="list-style-type: none"> - Complementary products or skills - Financial resources - Technology capabilities or uniqueness - Location - Marketing or distribution systems - Established customer base - Reputation and image - Managerial capabilities - Government relationship - Fast entry to target market - Industry attractiveness 	<ul style="list-style-type: none"> - Strategic fit or interdependence - Compatible goals - Compatible or cooperative culture and ethics - Prior ties and successful prior association - Trust between managers - Strong commitment - Similar status including size and structure - Reciprocal relationship - Commensurate risk - Ease of communication

Source: Author’s own table based on Das and He’s summary of criteria³⁷⁵

³⁷¹ Altinay 2006 cited in Altinay et al. 2013, p. 177

³⁷² Altinay 2006, p. 126

³⁷³ Al-Khalifa & Peterson 1999, Glaister & Buckley 1997, Tatoglu 2000 cited in Altinay et al. 2013, p. 177

³⁷⁴ Das & He 2006

³⁷⁵ Das & He 2006

Cummings and Holmberg used the framework as base and extend it by adding learning- related and risk-related factors table 2.6. Their study creates awareness that in case all critical success factors would have been taken into account in the beginning of a investigating a potential relationship, many mistakes could have been omitted and costs could have been saved.³⁷⁶ Learning-related factors enhance learning outcomes, while risk-related critical success factors “arise from independent nature of alliances, which are often neglected in practice”.³⁷⁷ All four criteria reflect a methodology to enhance the selection of partners. Moreover, the authors add environmental factors, corporate factors, and alliance factors to their alliance partner selection framework. The goal for Cummings and Holmberg is to balance needs of partners, in regards to specific task and goals of alliances, learning aspects, relational issues, potential risks that need to be mitigated, and the dynamic aspects of interaction.³⁷⁸ All four factors form a well-rounded approach and include a wide span of criteria to define favorable pre-requisites for the potential of high quality partnerships in general.

Table 2.6: Cummings and Holmberg’s summary of task-related, partner-related, risk-related, and learning-related criteria

Task-related critical success factors	Partner-related critical success factors
<ul style="list-style-type: none"> - Gain synergy advantages - Achieve greater specialization - Accessing new capabilities - Increase speed to accomplish goals 	<ul style="list-style-type: none"> - Shared goals and values - Joint rules and norms - Convergent interests - Incentive to collaborate - Relational harmony - Administrative control - Knowledge-processing capacities
Risk-related critical success factors	Learning-related critical success factors
<ul style="list-style-type: none"> - Independent nature of alliances - Performance risk - Relational risk - Inequality shared risks - Emergent competition risks - Customer relationship risks - Quality risks 	<ul style="list-style-type: none"> - Enhance learning outcomes - Locate certain, specific knowledge - Obtain the needed knowledge in timely and efficient manner - Improved strategic soothsaying, forecasting and research - Leveraging partner’s knowledge network

Source: Author’s own table based on Cummings and Holmberg’s summary of criteria³⁷⁹

Based on the framework of task-and partner-related criteria, this dissertation builds its concept on the terminology of skills. The definition of so called soft and hard skills is commonly used in general language. It is the framework for the upcoming framework and hypotheses development. While soft

³⁷⁶ Cummings & Holmberg 2012, p. 136
³⁷⁷ Cummings & Holmberg 2012, p. 136
³⁷⁸ Cummings & Holmberg 2012, p. 104
³⁷⁹ Cummings & Holmberg 2012

skills include for example sales orientation, involvement, team ability, flexibility, and leadership potential, hard skills give evidence about business experience, age, own assets, trading and commercial experience.³⁸⁰ Local knowledge, in contrast, considers international as well as cultural components. Most desired characteristics of franchisee candidates combine skills of all categories.

Literature shows that soft, as well as hard skills, are relevant factors to determine a favorable candidate profile. Referring to the list of collected selection criteria, references to soft skills are reflected as much as hard skills. Geringer’s grouping of task-related and partner-related criteria, as well as the further developed frameworks are the base for the author’s own upcoming framework. The author re-groups relevant characteristics to describe franchise partner criteria, as for franchising it appears to be a more suitable description. Re-grouping of criteria is also used in other studies.³⁸¹ It often depends on the perception of how deeply criteria can fit and what purpose they are supposed to fulfill. The author takes task-related, partner-related, learning-related, and risk-related conceptions and converses them into the framework of soft skills, hard skills, and local knowledge. This way the framework is more descriptive, compact and commonly understood. In addition the author considers it to be more suitable for the case of franchising. The four “related” conceptions are tailored into three, which fit the relevant purpose of this research more precisely image 2.2.

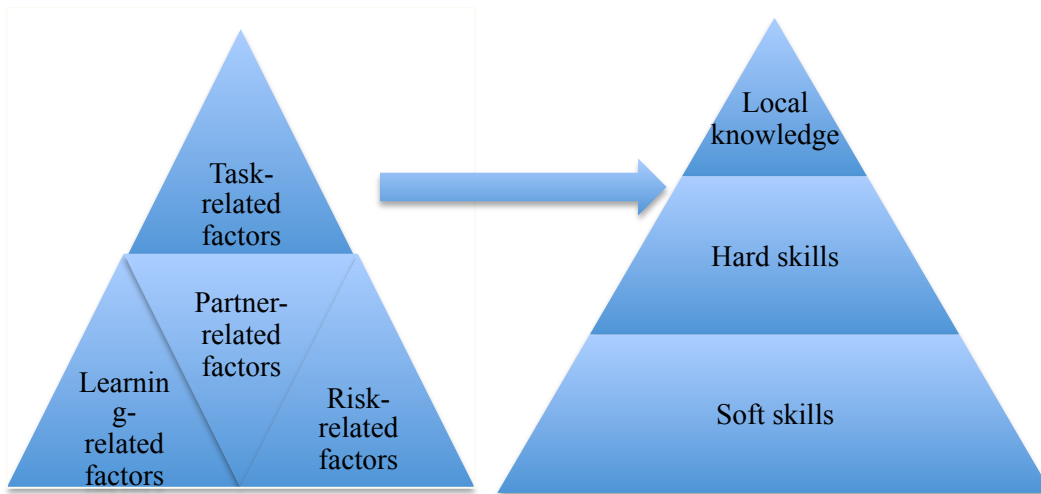


Image 2.2: Base for framework and its conversion

Source: Author’s conversion of factors from literature into own framework

Possessing certain skills does help to execute tasks and overcome challenges. Andrews and Higson recognize the “increasingly wide gap between the skills and capabilities of graduates, and the

³⁸⁰ Ahlert et al. 2006, p. 44

³⁸¹ Das & He 2006, p. 126

requirements and demands of the work environment”³⁸². In the case of franchising, skills and capabilities are the necessary fundament, which is then complemented by specific training given by the franchisor at the beginning and continuously thereafter. Recognizing the wide use in academia of the basic concept of task-related and partner-related criteria in business relationship, the author decides to take on this re-grouped approach to establish the framework of soft skills, hard skills, and local knowledge.

2.2.1. Hypothesis building for soft skills, hard skills, and local knowledge and operationalization of variables

Soft skills are also called intrapersonal skills and give evidence about how a person is able to manage oneself and how the interaction with others takes place,³⁸³ including communication skills, written skills, interpersonal skills, judgmental and analytical skills.³⁸⁴ By taking several of the critical success factors and selection criteria summarized in the tables before, the category of soft skills used in this context emerge. Das and He, plus Cummings describe strategic fits or interdependency, shared goals and values, and joint rules and norms as partner-related tasks. The author takes these aspects and groups them in the category system conformity. The author operationalizes system conformity by standardized appearance as also used by Hurrell et al.,³⁸⁵ following regulations as taken into account by Ahlert et al.,³⁸⁶ and personal involvement.³⁸⁷ The aspects of capacity for teamwork and communication are also rather partner-related referred issue, as stated by Das and He and Cummings. Altinay and Vaishnav³⁸⁸ see trust and commitment as necessary base for open communication. Moreover, communication is also seen as top 10 necessary soft skills in today’s workplace.³⁸⁹ The aspect is operationalized with trustworthiness,³⁹⁰ responsibility,³⁹¹ sticking to deadlines, and communication³⁹² in clear terms and internal and external channels. All points are seen part of a base for business relationships. Leadership abilities are apparently task-related and partner-related. Falbe and Welsh and Morden³⁹³ confirm in their study that leadership is an important characteristic for successful franchisee business or within the entrepreneurial process, respectively. Morden diversifies between numerous issues, which lead to leadership competencies. They include identifying and developing potential,

³⁸² Yunus & Li 2005 cited in Andrews & Higson 2008 p. 411

³⁸³ Laker & Powell 2011 cited in Culpin & Scott 2012, p. 567

³⁸⁴ Ballantine & McCourt 2004 cited in Culpin & Scott 2012, p. 567

³⁸⁵ Hurrell et al. 2012, p. 174

³⁸⁶ Ahlert et al. 2003, p. 16

³⁸⁷ Walker & Brown 2004, p. 584-584

³⁸⁸ Vaishnav & Altinay 2009, p. 62

³⁸⁹ Robles 2012, p. 462,

³⁹⁰ Wright & Grace 2011, p. 497; Moeller 2010, p. 44

³⁹¹ Robles 2012, p. 462, Altinay & Roper 2005 p. 227

³⁹² Robles 2012, p. 462,

³⁹³ Falbe & Welsh 1998, p. 162, Morden 2013, p. 525

paying attention to details, and manage core competencies. Based on this view, the author of this research formulates questions to franchisors in regards to exemplifying work, motivate staff, and spur for economic efficiency. For the aspect of attitude towards business and willingness to work hard, several partner-related points were found with Das and He.³⁹⁴ Views which can be collected under this point are strong commitment, compatible or cooperative culture and ethics, and reciprocal relationship. Commitment is a central issue for various academics.³⁹⁵ It is connected with loyalty and is operationalized with hard work, importance of system in life, the active participation in business, price, extension of franchise contract, and the recommendation of the system. An additional aspect is satisfaction, which can be determined to be rather partner-related criteria.³⁹⁶ Satisfaction can be influenced by trust between top management teams, trust between managers, and prior ties and successful previous association. Ahlert et al. operationalizes satisfaction by critiques about business and value for money for the franchisee. The authors decides to add active solution searching as another value to operationalize satisfaction between parties, as it helps enormously to solve problems and to equilibrate the energies in relationships.³⁹⁷ Moreover, the item of sales attitude is seen to be rather task-related criteria. Described by ideas of marketing or distribution systems, increase speed to accomplish goals, and operational skills and resources, sales attitude is part of the circle of business input and output. Especially Saxe and Weitz³⁹⁸ cover details about sales by measuring involvement with customer, cooperation with clients, and way of selling to clients. These items operationalize sales attitude in this research. A summary of criteria used for describing soft skills is shown in table 2.7.

The table indicates the relative emphasis on task- and partner-related influences of different criteria. Soft skills as composed in this research are a combination of task- related and partner-related criteria with a larger tendency towards partner-related criteria. Resulting from the above-mentioned criteria, the following hypothesis is formed.

³⁹⁴ Das & He 2006

³⁹⁵ Ahlert et al. 2003, p. 8, 14, 16, Saraogi 2009, p. 58, Wright & Grace 2011, p. 497, Jambulingam & Nevin 1999, p. 369

³⁹⁶ Altinay 2006, p. 126

³⁹⁷ This concept is referred to in Erdal 2009, p. 73 by stating that “negative problem orientation, positive problem orientation, and avoidance style significantly predicted self-esteem. In addition, rational problem solving, positive problem orientation, and avoidance style significantly predicted life satisfaction.”

³⁹⁸ Saxe et al. 1982, p. 348

Table 2.7: Concept of related criteria within framework of soft skills

Aspect: System conformity	Author	Criteria
Strategic fit or interdependence	Das and He	Partner-related
Shared goals and values	Cummings	Partner-related
Joint rules and norms	Cummings	Partner-related
<i>Tendency</i>		<i>Partner related</i>
Aspect: Capacity for teamwork	Author	Criteria
Reciprocal relationship	Das and He	Partner-related
Incentive to collaborate	Cummings	Partner-related
Compatible goals	Das and He	Partner-related
Gain synergy advantages	Cummings	Task-related
Reciprocal relationship	Das and He	Partner-related
<i>Tendency</i>		<i>Partner-related</i>
Aspect: Communication	Author	Criteria
Ease of communication	Das and He	Partner-related
- Communication grounded on commitment	Das and He	Partner-related
- Communication grounded on trust	Altinay	Partner-related
<i>Tendency</i>		<i>Partner-related</i>
Aspect: Leadership ability	Author	Criteria
Managerial capabilities	Das and He	Task-related
Experienced managerial personnel	Geringer	Task-related
Relational harmony	Cummings	Partner-related
<i>Tendency</i>		<i>Task-related</i>
Aspect: Attitude towards business/ willingness to work hard	Author	Criteria
Strong commitment	Das and He	Partner-related
Compatible or cooperative culture and ethics	Das and He	Partner-related
Reciprocal relationship	Das and He	Partner-related
<i>Tendency</i>		<i>Partner-related</i>
Aspect: Satisfaction	Author	Criteria
Trust between top management teams	Altinay	Partner-related
Trust between managers	Altinay	Partner-related
Prior ties and successful prior association	Altinay	Partner-related
<i>Tendency</i>		<i>Partner-related</i>
Aspect: Sales attitude	Author	Criteria
Marketing or distribution systems	Das and He	Task-related
Increase speed to accomplish goals	Cummings	Task-related
Operational skills and resources	Geringer	Task-related
<i>Tendency</i>		<i>Task-related</i>

Source: Author's own table based on literature review

Hypothesis for soft skills: Soft skills differ significantly between successful and unsuccessful franchisees.

Specific soft skills can be classified within several research results. In Jambulingam and Nevin's study the four examined categories of selection criteria are financial capability, experience and management skills, demographic characteristics, and attitudes towards business.³⁹⁹ One of them is related to soft skills, namely attitude towards business. More soft skills are found to be relevant by Hsu and Chen.⁴⁰⁰ The article states that business ability, experience, and personality are the most important characteristics for candidates. Also Ramirez-Hurtado et al.⁴⁰¹ describe loyalty to the franchisor and the willingness to work hard as their main components for franchisee selection. Soontiens and Lacroix mention to be extraverted and to be organized as highly important appearances.⁴⁰² It is to conclude that communication skills then also play a relevant role to convey messages to staff as well as to clients and suppliers.

Drawing from the above, the following hypothesis-related presumptions are formed and listed below.

Hypothesis-related presumption 1 for soft skills: System conformity differs significantly between successful and unsuccessful franchisees.

Hypothesis-related presumption 2 for soft skills: Capacity for teamwork differs significantly between successful and unsuccessful franchisees.

Hypothesis-related presumption 3 for soft skills: Leadership abilities differ significantly between successful and unsuccessful franchisees.

Hypothesis-related presumption 4 for soft skills: Communication differs significantly between successful and unsuccessful franchisees.

³⁹⁹ Jambulingam & Nevin 1999

⁴⁰⁰ Hsu & Chen 2008

⁴⁰¹ Ramirez-Hurtado, Rondán-Cataluña, et al. 2011

⁴⁰² Soontiens & Lacroix 2009, p. 241-242

Hypothesis-related presumption 5 for soft skills: Attitude towards business differs significantly between successful and unsuccessful franchisees.

Hypothesis-related presumption 6 for soft skills: The degree of satisfaction differs significantly between successful and unsuccessful franchisees.

Hypothesis-related presumption 7 for soft skills: Sales attitude differs significantly between successful and unsuccessful franchisees

To summarize all components of relevant skills in this sub-chapter, the following can be stated. The category of soft skills includes information on seven topics: system conformity, capacity for teamwork, communication skills, leadership ability, attitude towards business, satisfaction, and sales attitude. The first factor, system conformity, has shown high importance, as per literature, when defining successful franchisees. The term includes information on adhering to standardized brand appearance, following system regulations, and personal involvement of the franchisee in the business operations. The second factor, capacity for teamwork, is divided in aspects of trustworthiness, responsibility, and meeting deadlines. Literature shows that punctuality and reliability are important characteristics for successful franchisees. Communication emerges as third factors and refers to internal communication with employees and the franchisors, as well as external communication to clients and the public. Communication is stated as being very important and implies to be well understandable on a written and oral basis. The fourth factor is leadership ability. It emerges as a decisive factor for franchisees, as literature demonstrates. For this research it includes the topics of leading by example, being motivated, and being able to work efficiently with economic company data. The fifth factor is attitude toward business and the willingness to work hard. It refers to the entrepreneurial spirit of a franchisee and is highly emphasized by literature regarding decisive selection criteria. Franchisors are asked whether they are convinced of the system, and whether they actively participate in daily operations. In this research, franchisors are asked for their personal commitment and loyalty toward the franchise system. Loyalty includes pride of being a member of the system, whether the franchisee would recommend the system to others, and whether he would extend the franchise contract in the future. The sixth factor is satisfaction. It is composed of whether franchisees criticize the systems, how well the value for money is, and whether franchisees search actively for solutions. Satisfaction of partners is seen as part of literature's view of successful franchisees. Lastly, the factor of sales attitude is part of soft skills measures. Literatures considers sales abilities as one of the four decisive categories for successful

franchisees. Franchisors are asked about the involvement of customer, the degree of cooperation with clients, and the possibility to sell more than once to the same client.

2.2.2. Hypothesis building for hard skills operationalization of variables

Hard skills can reflect issues taught in primary and secondary schools, as well as undergraduate and graduate schools. Regular schools and higher education institutions emphasize the teaching of hard skills, rather than soft skills. The hard skills conveyed in these institutions are mostly related to mechanical education, such as machine operating and construction. Other skills transmitted by these institutions may be administrative education, such as accounting, preparing budgets and business plans, supply chain management, human resource management, and organizational behavior. Especially for small businesses factors such as, starting with adequate working capital, managing financials and accounting aspects, using elementary modern technology such as the internet, and making personal efforts are amongst the significant aspects for performing strongly.⁴⁰³

Literature gives an overview about different skills and abilities a candidate should possess to qualify for franchisee selection. In comparison to the mentioned soft skills, hard skills are rather facts, which can be measured more easily. Hard skills include working with equipment⁴⁰⁴ and technical knowledge.⁴⁰⁵ It is possible that specific hard skills are necessary for certain business sectors or types of businesses. Ahlert et al. stresses commercial and trading knowledge, as well as experience in the field are desired factors to franchisors.⁴⁰⁶ In Jambulingam and Nevin's study the four examined categories of selection criteria are financial capability, experience and management skills, demographic characteristics, and attitudes towards business.⁴⁰⁷ Three of them can be related to hard skills, namely financial capability, experience and management skills, and demographic characteristics. Moreover, Doherty identifies financial background, business know-how, shared understanding of business as qualifying hard skills highly important.⁴⁰⁸ Financial background is one of the most continuous stated criteria for selection. It forms the base for future investments and the monetary guarantee of existence. In addition, age as a parameter can increase the possibility of access to capital.⁴⁰⁹ In this context, the relation between demographics and hard skills is coming of evidence. Further, criteria such as family commitment, citizenship, marital status, and self-employment are relevant points for Olm et al.⁴¹⁰ It is

⁴⁰³ Halabí & Lussier 2014

⁴⁰⁴ Laker & Powell 2011 cited in Culpin & Scott 2012, p. 567

⁴⁰⁵ Morgan & Adams 2009 cited in Culpin & Scott 2012, p. 567

⁴⁰⁶ Ahlert et al. 2006

⁴⁰⁷ Jambulingam & Nevin 1999

⁴⁰⁸ Doherty 2009, p. 532-533

⁴⁰⁹ McCosker & L. 1998 cited in Frazer et al. 2007, p. 1039

⁴¹⁰ Olm et al. 1988, p. 12

self-explanatory that a very young candidate most likely is not as well-rounded as desired by franchisor. Nevertheless, it is not certain that a middle age person complies with all necessary demanded criteria.

As listed in appendix 14, one way of examining financial background is described with the indices of sufficient funding, which has been used by numerous authors also to protect the entire franchise system from financial misplaning in case sufficient funding is not provided. The indices of a franchisee having debt with a franchisor have been a critical aspect. Especially Altinay and Okumus describe the case for Germany, where courts decide in favor of debt collection over cancelling the franchise contract for defaulted payments.⁴¹¹ Therefore the author decides to add three indices in support of the evaluation of the financial background by the aspect of punctual payment (appendix 13). The indices of sales experience includes aspects, which all spur the turnover of products and services. This vital part of operations, is emphasized in Das and He,⁴¹² Bennett et al.,⁴¹³ and complemented by the authors emphasis of internal leaders teaching their staff to follow the companies guidelines but holding seminars themselves (appendix 13).

Practical experience and the ability of managing operations as well as humans are influential pre-requisites for a direct start into entrepreneurial activities for franchisees. The named points are used by Das and He⁴¹⁴ as well as Geringer⁴¹⁵ to determine task-related and partner-related criteria in order to evaluate business partners. Proven by countless researchers the aspects of self-employment, ability to market oneself, business administration education, experience in the business sector, leadership ability, and the attitude towards company philosophy can support entrepreneurial activities (appendix 13). All named aspects have been taken from authors, who examine especially franchise operations and their way of optimizing economic activities. Each point covers influential views to describe a potential partner's pre-requisites for a promising start into entrepreneurship. As shown in Altinay's and Geringer's point of view, demographic associations are recognized as partner-related criteria. Questions regarding marital status, academic education, gender, and age are commonly used (appendix 13). A summary of criteria used for describing hard skills is shown in table 2.8.

⁴¹¹ Altinay & Okumus 2010, p. 940

⁴¹² Das & He 2006, p. 127

⁴¹³ Bennett et al. 2007, p. 4

⁴¹⁴ Das & He 2006

⁴¹⁵ Geringer 1991

Table 2.8: Concept of related criteria within framework of hard skills

Aspect: Financial background	Author	Group
Financial resources	Geringer	Task-related
Financial resources/ access to capital	Altinay	Task-related
Financial resources	Das and He	Task-related
<i>Tendency</i>		<i>Task-related</i>
Aspect: Sales experience	Author	Group
Marketing or distribution systems	Das and He	Task-related
Increase speed to accomplish goals	Cummings	Task -related
Operational skills and resources	Geringer	Partner-related
<i>Tendency</i>		<i>Task-related</i>
Aspect: Experience/ management talent	Author	Group
Managerial capabilities	Das and He	Task-related
Experienced managerial personnel	Geringer	Task -related
Prior ties and successful prior association	Das and He	Task -related
<i>Tendency</i>		<i>Task-related</i>
Aspect: Demographics	Author	Group
Organizational size or structure	Geringer	Task-related
Past association	Altinay	Task -related
Partner status	Altinay	Partner-related
Partner reputation	Altinay	Partner-related
<i>No clear Tendency</i>		

Source: Author's own table based on literature review

The table indicates the relative emphasis of task-related influence of different criteria. A minor influence of partner-related criteria can be noted. Resulting from the above-mentioned criteria, the following hypothesis is formed:

Hypothesis for hard skills: Hard skills differ significantly between successful and unsuccessful franchisees.

Considering all points above, hypothesis-related presumptions are stated below.

Hypothesis-related presumption 1 for hard skills: The financial background differs significantly between successful and unsuccessful franchisees.

Hypothesis-related presumption 2 for hard skills: Experience and management talent differs significantly between successful and unsuccessful franchisees.

Hypothesis-related presumption 3 for hard skills: Sales experience differs significantly between successful and unsuccessful franchisees.

Hypothesis-related presumption 4 for hard skills: Demographic values differs significantly between successful and unsuccessful franchisees.

To summarize all components of relevant skills in this sub-chapter, the following can be stated. The author decides to define the category of hard skills by four influential factors: the financial background of a franchisee, experience and management talent of the person, prevailing sales experience, and demographic data. The first factor, a suitable financial background, is found to be the top criteria of necessary characteristics for successful franchisees, as literature demonstrates. It includes questions on sufficient funding beyond the initial investment to start the business, whether the franchisee has debt with the franchisor, and if the franchisee pays fees on time. The second factor, experience and management talent includes information on business administration knowledge, self-employment history, experience in the business sector, and work experience. All of this information was rated between highly important as literature shows. The third factor is sales ability. Sales ability is one of the decisive selection criteria, as literature reflects. In this research, questions are posed on whether the franchisee had sales experience before being a franchisee, whether he embodied sales characteristics, and if he had conducted sales seminars in the past. The fourth and last factor is demographic information. It is composed of whether the franchisee is married, whether he has an academic background, and his gender. Various researchers mention family support for a franchisee to be helpful and spur the understanding of entrepreneurship within the family circle.

In the course of this research, hard skills include the indices experience and management talent, which is sub-divided into business administration basic knowledge, previous self-employment, experience in business sector, and work experience. The reason to classify experience and management talent as hard skills is because the measures of its sub-divisions, which mostly are related to years. It is not referred to success rates or achievements.

2.2.3. Hypothesis building for local knowledge operationalization of variables

An information asymmetry prevails between franchisor and franchisee, as the knowledge of one party toward the know-how of the business is larger on the one side. The understanding of the other party toward the specific market is main parts comprehensive on the other side. To overcome this

difference, the parties agree to a legally binding document, in which the mutually benefitting roles are laid out. The network prospers from the distinct prerequisites of the respective other party. The different capabilities between franchisor and franchisee complement each other. They allow the adaptation to local requirements at the same time. In addition, the local knowledge and resulting potential adaption triggers a rapid response to clients' needs. This creates efficiency, which is even more supported by modern communication tools. Efficiency is triggered by quick adaption to the market and sharing of knowledge, which make up a large part of the advantage of vertical systems. Beside, vertical elements are more and more included into horizontal structures, as they have proven successful.⁴¹⁶

As franchising is a flexible format adapting to business sector, professions, and time frames alike, it is a favorable choice of business type. Two trends in particular fueled its popularity: One is the growth in the service sector due to the maturing economy. The other is the fast pace of society nowadays, where households often have double incomes and therefore less time.⁴¹⁷ Although moving to other places, families have the desire to find familiar products. All attributes go hand in hand with the wish of humans to obtain known brands and products in many different places. This development is also tied with the increased use of automobiles, and the mobility of end users, who seek familiar services and goods in other places,⁴¹⁸ as they are used from home.⁴¹⁹ Even mobile franchising,⁴²⁰ offered directly to the doorstep, is a form of sales. It can be more lucrative as franchisees act on a timely manner,⁴²¹ meaning on site. They offer service in a comfortable location, meaning at the buyer's home.

Developing countries use franchising to receive quick access to knowledge and skills, while taking advantage of a tested business concept. Franchisee satisfaction is a key contribution to business success and further motivation. Positive development in franchisee satisfaction allows development and growth of the system. Franchising is a partnership with gives and takes, where the franchisor continuously improves services, so the franchisee can improve performance.⁴²² As Šavriņa and Schneider⁴²³ state, performance can replicate behavior. This implies, that a well-performing franchisor, possibly with own units, may influence the performance of franchisees positively by exemplary behavior.

⁴¹⁶ D. Ahlert & M. Ahlert 2010, p. 121-126

⁴¹⁷ J. F. Preble & Hoffman 1994, p. 5, 8

⁴¹⁸ Hoffman & J. F. Preble 1993, p. 35

⁴¹⁹ Oxenfeld & Thompson 1969, p. 4

⁴²⁰ Mobile franchising started in the 1960s and developed rapidly in the 1980s. It refers to products and services that can be brought directly to residential and commercial consumers, adding significant value to the product or service. Improvement of communications technology supported mobile franchising to turn into a competitive advantage J. F. Preble & Hoffman 1994, p. 6-7.

⁴²¹ J. F. Preble & Hoffman 1994, p. 11

⁴²² D. Ahlert & M. Ahlert 2010, p. 129-130

⁴²³ Daniels 1985 cited in Savrina & Schneider 2012, p. 143

Doherty considers local knowledge as part of the understanding of a business and its brand. Doherty further considers local knowledge as influential criteria for the chemistry between the franchising parties.⁴²⁴ “Since international franchising intensively deals with connections of businessmen and businesswomen around the world, it is important to recognize the cultural differences.”⁴²⁵ Vaishnav and Altinay recognized cultural and ethical values, as well as commitment to be necessary selection criteria for future franchisees.⁴²⁶ Altinay and Wang emphasize the multinational context of cross border business. A franchisee should be aware of the possible difference in a country, due to the possible cultural distance between franchisor country and franchisee country.⁴²⁷ In addition, Rahatullah and Raeside consider cultural compatibility as a success factor for franchising and important selection criteria.⁴²⁸ When selecting partners in an international franchise organization, which might also displays cross-functional teams, it is highly recommendable to find compatible partners, who feel confident in the international environment of the franchiseship.⁴²⁹ For franchisors it is of high value to find someone who already has the local market knowledge,⁴³⁰ so the franchisee is compatible with the market and has access to the market. Local knowledge is part of specific knowledge, which can help a franchisee to perform better. Regional and international aspects can describe local knowledge. While regional aspects show more coherence with partner-related criteria, international aspects seem to be more conforming to task-related aspects. Literature shows several approaches by Glaister and Buckley⁴³¹ and Tatoglu⁴³² to cover Altinay’s and Cummings criteria. Glaister and Buckley, as well as Tatoglu look closely at cultural compatibilities between business partners. Also Olm⁴³³ touches on the regional idea by using the on-site residence as a relevant factor.

International aspects are covered in literature by mostly task-related criteria. Especially Das and He, but also Altinay and Cummings determine international related aspect to be central. Local or national identity plays a relevant role also for Geringer. International experience, connections to local community are named by Glaister and Buckley and Tatoglu to be significant. Tatoglu⁴³⁴ asks for knowledge of local market, ability to negotiate with local partners, and the partner international experience. All of these aspects are taken into account in this research. For Tatoglu access to knowledge of local market and access to local culture were valued amongst the most important factors.

⁴²⁴ Doherty 2009

⁴²⁵ Gaul 2012, p. 210

⁴²⁶ Vaishnav and Altinay 2009

⁴²⁷ Altinay and Wang 2006

⁴²⁸ Rahatullah and Raeside 2009

⁴²⁹ Altinay 2006, p. 126

⁴³⁰ Brookes and Altinay 2011

⁴³¹ Glaister & Buckley 1997

⁴³² Tatoglu 2000, p. 143-144

⁴³³ Olm et al. 1988

⁴³⁴ Tatoglu 2000, p. 143-144

This shows a relevant reason to take up these aspects into this research and specify them by asking for whether living at the location during childhood and living at the location now is given. Also taking into account whether the candidate knows the about the culture, including business conducts and the social situations. Finally, the connections in the local community are stated relevant by Brouthers⁴³⁵ and Kumar.⁴³⁶ A summary of criteria used for describing local knowledge is shown in table 3.8.

Table 2.9: Concept of related criteria within framework of local knowledge

Aspect: Regional aspects	Author	Criteria
Knowledge of local market/ culture	Altinay	Task-related
Partner's national or corporate culture	Altinay	Partner-related
Locate certain, specific knowledge	Cummings	Learning-related
Shared goals and values	Cummings	Partner-related
Joint rules and norms	Cummings	Partner-related
<i>Tendency</i>		<i>Partner-related</i>
Aspect: International aspects	Author	Criteria
Location	Das and He	Task-related
Fast entry to target market	Das and He	Task -related
Established customer base	Das and He	Task -related
Distribution channels/ links with major buyers	Altinay	Task-related
Leveraging partner's knowledge network	Cumming	Learning -related
<i>Tendency</i>		<i>Task-related</i>

Source: Author's own table based on literature review

The table indicates the relative emphasis on task- and partner-related influences of different criteria. Local knowledge, as composed in this research, is a combination of task- related, partner-related, and learning related criteria with a lesser tendency towards learning-related criteria.

Resulting from the previous thoughts on internationalization of franchise systems the following hypothesis is formed regarding international franchisee selection criteria. The main hypothesis considers the connection between a franchisees local knowledge and the respective performance it delivers.

Hypothesis for local knowledge: Local knowledge differs significantly between successful and unsuccessful franchisees.

⁴³⁵ Brouthers et al. 1995

⁴³⁶ Kumar 1995, p. 76

Going deeper into the main hypothesis, the factors local knowledge can be described by on site knowledge and international aspects, in case of cross border franchising. On site knowledge is part of a candidate's local knowledge and determines specifically knowledge about code of conduct on site, including knowledge gained over many years. Cultural differences between locations are a well-known fact. Furthermore, cultural distance in franchise partnerships present challenges and may influence relationship management.⁴³⁷ Since, this aspect has broken countless business relationships, it is a vital aspect, which needs to be included in the search for favorable franchisee characteristics. Hofstede explains cultural aspects. They differ in depth from country to country, and also between geographic regions.⁴³⁸ Moreover, Glaister and Buckley consider knowledge of local market and local culture as relevant task-related selection criteria.⁴³⁹ Therefore, the fit between franchisee and the region of operation is formulated in the following hypothesis related presumption.

Hypothesis-related presumption 1 for local knowledge: Local knowledge regional aspects differs significantly between successful and unsuccessful franchisees.

In international business, an additional fit is decisive. As far as relational alignment between parties is concerned, Emden et al. names cultural compatibility with categories of language abilities, propensity to adapt, and long-term orientation as most important reasons for a partnership to prosper. Language abilities are crucial, as communication is the connection between franchisee, franchisor, and the supportive network. Partners should speak the same language to being able to communicate new products, markets, and ideas and even more important to exchange knowledge.⁴⁴⁰ The connectivity between franchisee and franchisor also has to suit both parties well, in order to create a comfortable climate with room for a mutually benefitting future. For this reason, the internationality of a franchisee is supposed to be of high relevance. The hypothesis related presumption for internationality is formed as follows.

Hypothesis-related presumption 2 for local knowledge: International skills differ significantly between successful and unsuccessful franchisees.

To summarize all components of relevant skills in this sub-chapter, the following can be stated. The category of local knowledge is added as an equal factor to soft and hard skills, to incorporate an

⁴³⁷ Altinay & Brookes 2012, p. 278

⁴³⁸ Hofstede 1973

⁴³⁹ Glaister & Buckley 1997, p. 2007

⁴⁴⁰ Emden et al. 2006, p. 337-338

international aspect and to gain further insight into increasingly common cross border business. Local knowledge is sub-divided into regional aspects and international aspects. The first factor is the regional aspect, referring to on-site knowledge. It takes into account whether the franchisee has spent his childhood in the area, whether he lives on-site, knows the culture, business conduct, social situation on-site, and whether he is well connected in the geographic area. Knowing business procedures is seen valuable by literature for successful franchisee operations; further it is considered highly important. The second factor is the international aspect. It can be divided into language abilities and contact abilities. The operationalization of international skills in this dissertation includes the ability to negotiate in the local language, living on site, having grown up on site, having a basic knowledge on the legal system, recognizing and understanding local culture and social situation, and maintaining a local personal network of friends. In addition, the connectivity to the franchisor comparing national and international franchisees is questioned. Further, the ability of use of modern communication forms part of the measurement of international aspects. Putting all relevant factors and criteria taken from literature and preliminary research together, the Franchisee Selection Framework 2016 therefore can be displayed graphically in image 2.4.

The entire course of investigation is executed in several steps. These interlocking steps can be displayed visually, as seen in image 2.3. First literature is conducted and hypotheses are formed; the framework emerges.

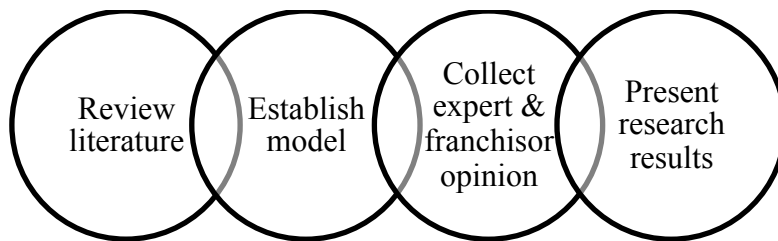


Image 2.3: Validation of research results

Source: Author's plan to gather, analyze, and validate information and findings

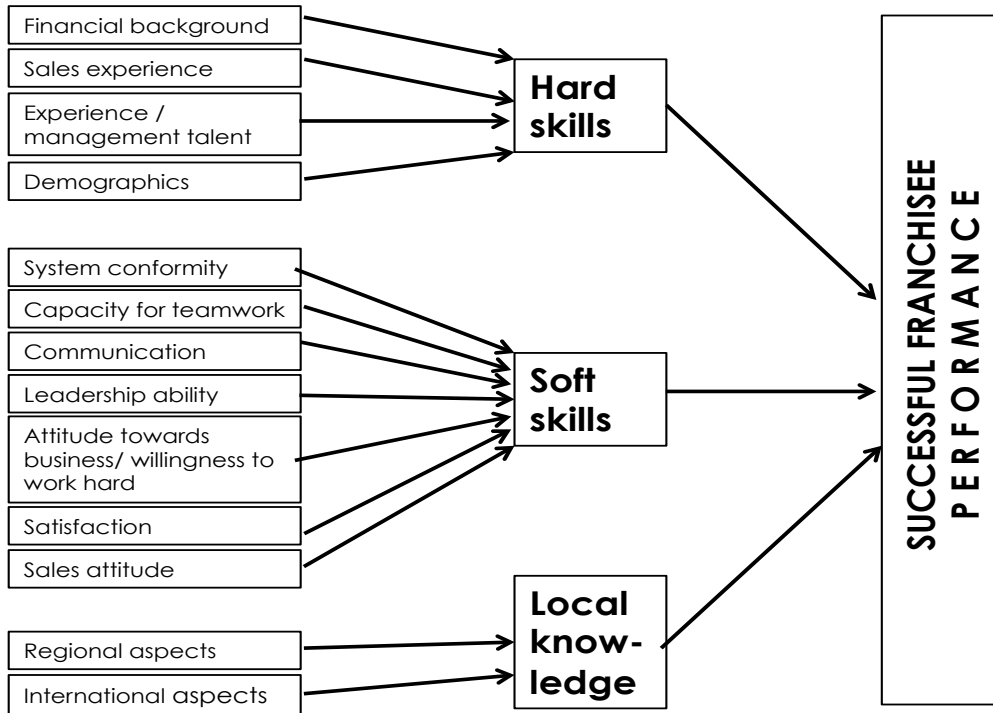


Image 2.4: Franchisee Selection Framework 2016

Source: Author's own elaboration on theoretic model of franchisee selection criteria based on task-related and partner-related criteria by Geringer

The next chapter uses this framework as underlying framework for empirical analysis. Questionnaires are formed and data is collected from experts and also franchisors in three different steps. The following text explains the data and analyses it in the relevant context. Afterwards, detailed results are displayed and conclusions as well as suggestions are formulated.

3. EMPIRICAL RESULTS, ANALYSIS, AND INTERPRETATION

3.1. Description of data collection via in-depth interviews to experts and corresponding results

Franchisors select adequate franchisees to boost the overall profit for franchisees and franchisors alike. Based on the gained information of performance measures from literature in chapter 1 table 2.2, an expert interview questions are displayed in appendix 9 was set up and distributed to renowned experts in the German-speaking franchise environment. A pre-test was done with three experts. Questions to experts were developed by the author, based on literature findings and trade publications. 66 experts were approached personally and 35 took part in the interview. This results in a response rate of 53%. All questions find their roots in practical and theoretical evidence. Major parts of the aspects in the posed questions are expert opinions on communication abilities, financing possibilities, cultural aspects, international franchising aspects, definition about the ideal franchisee, educational background, entrepreneurship abilities, and distinctions of attributes in case of different types of franchise licenses. In-depth interviews with experts consist of open-ended questions and closed-ended questions. The participants included experts from Germany and Austria working in the German speaking market for inbound and outbound franchising. These experts consist of consultants related to the German Franchise Federation as associates, experts, and lawyers not associated with the German Franchise Federation but renown in the field, lawyers associated with the German Franchise Federation, and franchisors who are associated with the German Franchise Federation as being members of certain committees within the federation (appendix 5 and 6). Purposive sampling⁴⁴¹ was used to choose the informants by their proximity to the franchisor's decision-making process. Purposive sampling is used to allow researchers to select cases that best resemble lived reality. This type of sampling is frequently used for small sample sizes and mostly used in informative cases.⁴⁴² Experts were approached during a meeting of the group "International Franchise Committee" of the German Franchise Federation (appendix 5) on 12 February 2013 in Hamburg. Experts were also contacted via the network of the board of directors of the German Franchise Federation and personally via email and telephone according to the list of experts of the German franchise Federation see appendix 6. The interview period was from 19th February 2014 to 25th April 2014. Seven questions use

⁴⁴¹ Definition of purposive sampling: "Purposive sampling may also be used by researchers adopting the grounded theory strategy. For such research, findings from data collected from your initial sample inform the way you extend your sample into subsequent cases Section 13.8. Such samples, however, cannot be considered to be statistically representative of the total population. The logic on which you base your strategy for selecting cases for a purposive sample should be dependent on your research questions and objectives." Saunders et al. 2002, p. 239

⁴⁴² Wang & Altinay 2008, p. 229

a five point Likert scale. A five-point scale is facilitates the rating to the interviewee, as its stages refer to the school grading system in Germany and Austria. In addition, it allows for tendencies to be expressed thoroughly enough. Further, it is possible to opt for a middle number, should the interviewee have the opinion that no trend exists. Ten questions are open questions, where the experts may answer in own words. One question asks for a top two ranking. 20 interviews were conducted written, 10 oral by phone, 5 oral by personal meeting, depending on the interviewees' preference. The interviews lasted about 30 to 45 minutes and used questions displayed in appendix 9. The answers formed the base for the relevance of certain franchisee selection characteristics. Expert feedback is shown in descriptive statistics results visualized in appendix 7 and 8. The displayed values range from one, meaning not important, to five, meaning essential. In addition, the figures show the minimum value and the maximum value recorded, as well as the median value, and the mode value of all 35 interviewees. The order of the named abilities corresponds to the order asked in the interview. Figures show that the lower the mode, the lower the average value. Mean and mode react fairly similar, if one question yield a high mean, the mode generally is also high. In contrast, the median values are not so coherent and rather differ from their counterparts mean and mode. Median range between two and five. The lowest median with a value of two is noted for academic education, knowledge about franchising, increase in staff, and number of years being part of the system. The highest median with a value of five applies to secure financing in the first year, ability of speaking the local/national language on site, and loyalty towards franchise system. Modes range between the value two and five. The lowest modes are noted for ability to speak English, academic education, and knowledge about franchising. The highest mode values are shown for secure financing in the first year, ability to speak the local/national language on site, ability to speak German, follow system instructions, and loyalty towards franchise system. Mode and median share the highest values for secure financing in the first year, ability to speak the local/national language on site, and the loyalty toward franchise system. Median and mode also share the lowest values for academic education and knowledge about franchising. Maximum values yield the value 5 in all cases except two: academic education maximum value 3 and finance and accounting maximum value 4. Although, 30 experts out of 35 experts questioned had a university degree, they majority believes that secondary education is not of significant value for being a successful franchisee. Also finance and accounting knowledge does not seem to play a major role. This could be due to the fact that many thoughtful entrepreneurs cooperate closely with their tax accountants and bankers that the necessary information is brought to them by a professional. In this case, the decision-making is based on a solid ground. In 23 cases, the minimum value is stated at 1, meaning not important. The highest minimum values are recorded with a value of 3 "important" for four items: ability to speak the

local or national language on site, knowledge of business procedures on site, willingness to work hard, and loyalty toward franchise system. These items seem to have highest relevance amongst all, according to their minimum values.⁴⁴³ The largest variance is reported for number of years being part of the system 1.84, ability to speak German 1.77, ability to speak English 1.72, entrepreneurship abilities 1.67, knowledge of respective business sectors 1.57, and the use of computers on a daily basis 1.38. The least variance is seen for loyalty toward franchise system 0.31, academic education 0.32, willingness to work hard 0.41, secure financing in the first year 0.48, and ability of speaking local/national language on site 0.50. Negative skewness is reported for the majority of all values, which implies that the tail on the left side of the probability density function is longer. The curve is concentrated on the right side. This result supports the mode values, which tend to be closer to the maximum value of 5 than the minimum value of 1. The more negative the skewness, the more the variable shows a high importance. The most negative values for skewness below -1.0 are recorded for secure financing for the first year -2.32, increase in sales -1.48., internal communication -1.15, secure financing for the second year -1.15, internal communication -1.11, above average sales -1.11, and satisfaction -1.11. The most positive skewness values appear for increase in staff 0.65, knowing legal setting on site .61, knowledge about franchising 0.54, general business knowledge 0.51, and number of years being part of the system .42. Experts therefore see these variables as less important; the curve has its bulky part on the left side. Neutral skewness is recorded for ability to speak English .00, knowing of respective business sector .00, and knowing business procedures on site .00. The flatter the curve, the more negative the kurtosis. Values are distributed with a higher variety on the given scale from 1 to 5. In that case the trend values for the variable are less obvious noticeable. Negative kurtosis is noted for about one third of all variables, specifically the top three: entrepreneurship -1.32, knowing business procedures on site -1.31, and ability to speak German -1.33. Positive kurtosis emphasizes trends in variables. The highest values for kurtosis are seen in secure financing 5.96, increase in sales 2.69, and satisfaction 1.72. According to kurtosis analysis, this variables show a clear trend; experts seem to have a more unified opinion. Neutral kurtosis is recognized for knowledge about franchising .00. Using a 5 point Likert scale, the top five most important attributes for successful franchisees according to mean values are secure financing in the first year 4.6, loyalty towards franchise system 4.6, ability to speak the local/national language on site 4.4, willingness to work hard 4.3, and following the system instructions. The least important five aspects as seen by experts are academic education 1.7, increase in staff 2.3, number of staff 2.3, knowledge of franchising 2.3, and number of years being part of the

⁴⁴³ Results were published first in Gaul 2014b

system 2.3. Also financing and accounting abilities 2.7, knowledge of business sector 2.8, and analytical abilities 3.0 are not considered highly relevant. Analyzing these numbers, the author concludes that experts view aspects of attitude higher than aspects of related business figures, such as number of staff and year of being part of the system.

A summary of ranked mean values of successful attributes as seen by experts is shown in appendix 10. As far as the open-ended questions are concerned the following observation among experts can be made. Question 8 asked about the definition of successful franchisees. Most answers could be put into one of the created four emerging categories: satisfaction of partners, profit, reaching goals together, system conformity. Table 3.1 shows the summary of the answers. Table 3.2 displays not only financial goals but also non-financially driven aspects, such as harmony within the system and common rules of appearance for all system members. The results show that experts define a successful franchisee with the need for sales and non-sales driven attributes. The answers imply that franchisee success not only depends on monetary goals, but also working as a team within the network of entrepreneurs. Most number of answers were collected in the category reaching goals together. Least number of answer were classified as satisfaction with partner.

When asked about the decisive attributes of a franchisee in question 10, experts' answers were grouped into four categories in nearly all of the cases: sales, financials, entrepreneurial spirit, and leadership. When comparing these categories with answers of questions 8 definition of a successful franchisee, similarities in the area of financials, and profit are obvious. Nevertheless, a stronger emphasis is put on the selling ability and selling process. This implies a stronger emphasis on incoming money flow for the franchisee. Connected with the financial part, the entrepreneurial spirit is highly stressed and most often mentioned. Characteristics of entrepreneurs include motivation, knowledge and experience, discipline, active behavior, independent acting, and running risks. Table 3.5 shows the summary of the answers. Most number of answers were collected in the category entrepreneurial spirit. Least number of answer were classified as financials. Here, the prevailing aspects are all clustered around the need of sufficient financial resources to start and operate the business. This aspect can also be seen as one of the initial pre-requisites when deciding for entrepreneurship. Within the category entrepreneurial spirit, typical attributes, such as discipline, willingness to work hard, self-motivation, activeness, open-mindedness, and team ability were mostly mentioned. After entrepreneurial spirit, leadership was classified with second most answers. These answers include aspects such as communication abilities, learning, and trust. As far as the category sales is concerned, the most mentioned attributes include experience, knowledge and talent to sell.

Table 3.1: Summary of main key words from experts when defining successful franchisees

Satisfaction of partners	Profit	Reaching goals together	System conformity
Happy entrepreneur	Sales oriented	Communicative and networking	Adheres to corporate identity
Feels well taken care of by franchisor	Economic success	Strong in applying business concept	Trust in concept and its application
Seeing franchise system as family	Economic success of partners	Good team player	Excite franchisee with strong brand and system loyalty
No conflict with franchisor	More successful than competitor	Proactive, contributes with ideas, entrepreneurial spirit	Follows the system
	Profitable, solid business	Engages in social activities also outside work	Loyal to the system
	Ready to invest to grow into next life-cycle	Supports other franchisees	Identification with system
	Economically satisfied partners, who recommend the system	Ambitious, goal oriented, willing to accept criticism	System conform behavior, loyalty of the system
	Sustainable profit	Interactive exchange of experience	Follows rules of the system
	Makes above average profit and pays above average royalties	Puts entrepreneurial mission and visions in action	
	Strong financial results	Needs a sales gen, continuous motivation	
	Sustainable business conduct	Motivates staff	
		Putting system criteria in action	
		Suggests possible improvements of the system	

Source: Author's own research results based on primary data collected from experts; n=35

Taking all these results into thought, a certain direction of important criteria for successful franchisee selection emerges. Summarizing main aspects from literature and expert answers, the author concludes the following. When defining a successful franchisee, four main categories can be recognized: satisfaction of partners, making profit, reaching goals together, and adhering to system conformity. When asked about decisive characteristics about successful franchisees, experts answer key words for the following four categories: sales capabilities, suitable financial background, entrepreneurial spirit, and leadership abilities. The top five necessary characteristics for successful franchisees, as outlined in the questions to experts are: secure financing, loyalty towards franchise system, ability of speaking the local or national language of the country where the franchise is operated by the franchisee, willingness to work hard, and following system instructions.

Table 3.2: Experts' statements of decisive selection criteria for successful franchisees

Sales	Financials	Entrepreneurial spirited	Leadership
Sales knowledge	Minimum of 10 thousand Euro equity	Strong self-motivation	Leadership abilities
Sales experience	Equity and possibility to finance	Stand conflicts	Personnel leadership
Sales experience	Equity/ financial securities	Business knowledge	Leadership experience, including work experience and business success
Strong in closing sales	Sufficient financial funds	Entrepreneurial motivation	Engage in sympathy and having charisma
Sales and organization experience	Financial liquidity	Growth philosophy	Leading
Able to acquire clients	Sufficient resources	Adaptive, understanding	Objective
Strong sales abilities	Sufficient own resources	Discipline	Trustful without being critical
Sales person	Well-funded	Implement instructions and still keep motivation up	Contribute to the franchise system
Sales experience		Business sector experience	Able to train
Sales oriented		Experience in entrepreneurial spirit	Communicative
Sales abilities		Realization of actions	Assertive
Talented in sales		Business knowledge	Leadership abilities
Sales professional		Willing to work in operations	Service oriented

Source: Author's own research results based on primary data collected from experts;⁴⁴⁴ n=35

3.2. Description of data collection via questionnaires to franchisors and analysis of data

The reason for using two different sample collection dates and separated questionnaires for successful and for unsuccessful franchisees is due to the fact, that the author aims for two independent samples. The interviewees shall not be triggered to simply claim the opposite answer for a different groups, when filling in answers. Therefore, a more in depth thinking process is possible, when the questions for successful and unsuccessful franchisees are collected in dependently.

The questionnaire for successful franchisees was developed by the author based on literature. The questionnaire for successful franchisees uses 19 closed-ended questions and is directed to franchisors of German speaking countries to describe their most successful and profitable franchisees. Seven questions refer to general information on the company, one question asks for the preferable type of franchisee. Another question asks for the internationality of the company, the interviewee works for. In case the company operates international, the questionnaire continues with specific questions. If it is a

⁴⁴⁴ Full table in appendix 11

nationally operating company, the questionnaire ends. A five point Likert scale pattern, plus the option of no answer is given in eight questions. This questionnaire to franchisors was distributed online via the company Survey Monkey. This questionnaire to franchisors is similar, but more in-depth, than the questionnaire to experts. A pre-test of 6 questionnaires was distributed. No significant changes were made. A total of 250 systems was approached. About 100 systems took part in the survey and generated 208 answers for successful n=149; response rate= 60% and unsuccessful n=59; response rate 24% franchisees. Franchisors are defined as individuals who own, manage, or recruit franchisees for their company, as well as individuals who support the franchisee relations team. On the one hand, interviewees were selected personally during the Franchise-Forum in Munich, Germany between 19th to 21st May 2014, when questionnaires were filled on iPads. On the other hand, email addresses were taken from the yearly German print publication of the German Franchise Federation called Franchise-Ratgeber 2013/2014.⁴⁴⁵ In addition, email addresses from the printed Verzeichnis der Franchise Wirtschaft 2013/2014⁴⁴⁶ were selected if they operated internationally. In the period between 12th May and 21st July 2014 a total of 149 answers was generated. The questionnaire for unsuccessful franchisees was developed by the author based on literature. The questionnaire for unsuccessful franchises uses 19 closed-ended questions and is directed to franchisors of German speaking countries to describe their most unsuccessful and profitless franchisees. This questionnaire was slightly adapted and directed to email addresses published in the yearly German print trade magazine of the German Franchise Federation called Franchise-Ratgeber 2013/2014.⁴⁴⁷ In addition, email addresses from the printed Verzeichnis der Franchise Wirtschaft 2013/2014⁴⁴⁸ were selected if they operated internationally. Email reminders were sent after one week of the initial approach. A total of 59 answers was generated in the period between 21th July and 18nd August 2014. Three questions refer to general information on the company. One late question asks for the internationality of the company the interviewee works for. If the company operates international, the questionnaire continues with specific questions regarding cross-border business. If it is a nationally operating company, the questionnaire ends. A five point Likert scale pattern, plus the option of no answer is given in six questions. This questionnaire to franchisor was also distributed online via Survey Monkey. For joint analysis of the successful and unsuccessful group, the index experience and management talent was conducted without the three items “experience in business sector before”, “were successful in their profession before”, “experience in different business sector before”, as they were not questioned for unsuccessful franchisees. For this

⁴⁴⁵ German Franchise Federation 2013

⁴⁴⁶ Martin Schaefer 2014

⁴⁴⁷ German Franchise Federation 2013

⁴⁴⁸ Martin Schaefer 2014

reason, they were not compared. The same case applies to the questions on age of franchisees. This question was posed only for successful franchisee, not for unsuccessful ones. Age therefore was not included in the index demographics.

The steps of the statistical analysis for the two groups of successful and unsuccessful franchisees are as follows. First, descriptive statistics are conducted for the successful and unsuccessful franchisee group. Second, a principal component analysis with all variables is conducted to filter the variables, which explain most variance. Third, a reliability analysis is executed, which is followed by correlation analysis. Fourth, the groups are tested for normal distribution via Kolmogorov Smirnov test, which is the prerequisite for the t-test. Fifth, t-tests for two independent groups, namely successful and unsuccessful franchisees are conducted for six main components. Sixth, hypotheses are tested and results are stated. Seventh, to estimate the effect strength, calculations for Cohen's d are conducted. Eighth, a logistical regression analysis is executed to find out about the importance of each individual category. Ninth, respective correlations and multi-collinearity are discussed. Tenth, a univariate analysis is conducted.

Several main methods are used in this evaluation of results: principal component analysis,⁴⁴⁹ t-tests, including the Levene test and the Kolmogorov-Smirnov test, analysis of variance,⁴⁵⁰ and logistic regression. The t-test results predict, whether the means of a variable within two samples are systematically different from one another and therefore can be marked significant.⁴⁵¹ With this testing method it is possible to find out, whether the two groups of successful and unsuccessful franchisees are different or not, according to their examined characteristics.⁴⁵² To prepare for t-testing, a test for homogeneity of variance is conducted via the Levene test. Homogeneity of variance can be assumed, if the value of the Levene test has a p -value $> .10$; only then, the t-test delivers reliable results. If the p -value is below the significance level $\alpha = .10$, the degrees of freedom have to be corrected. Since the error of second degree prevails for Levene-test, the significance level α is set to $.05$. The error of

⁴⁴⁹ Goal of the principal component analysis PCA is to structure large data sets, to simplify them and to make clear which of the many variables be used as main components to still make a strong statement.

⁴⁵⁰ A variance analysis compares more than two groups. It simultaneously compares mean values and therefore avoids the accumulation of α -errors and the lower power of the test. Both problems occur if several t-tests are applied. A variance analysis parts the total variance by leaving a systematical and a residual variance Rasch et al. 2010, p. 35.

⁴⁵¹ Rasch et al. 2010, p. 43-60

⁴⁵² The specific t-test value of the samples results in the difference of the group mean values $\bar{x}_1 - \bar{x}_2$. In order to calculate the t-value, the theoretic mean difference is subtracted from the empirical mean difference, and divided by the estimated standard error of the mean difference $\sigma_{\bar{x}_1 - \bar{x}_2}$. In most cases and also in the applicable case of this dissertation, the t-test is used for null hypotheses and also the theoretical mean difference is 0, the formular for the t-value can be written $t_{df} = \frac{\bar{x}_1 - \bar{x}_2}{\sigma_{\bar{x}_1 - \bar{x}_2}}$ with degrees of freedom being $df = n_1 + n_2 - 2$. n_1 und n_2 describes the sample sizes of the two groups. The null hypothesis assumes that the resulting mean value is coincident and it also assumes that the samples are taken from two populations with the same mean value. Under this assumption, the t-test calculates the probability for the resulting or for a larger difference. Therefore a smaller p -smaller than the set level of significance α of $.05$ means that the null hypothesis most likely is incorrect. And that the computed difference of the two groups actually is based on difference means and therefore it is systematically. In that case the alternative hypothesis would be temporarily accepted, not the null hypothesis.

second degree can be controlled indirectly by increasing the error of first degree.⁴⁵³ Another prerequisite for t-tests is a normal distribution for both groups. It can be tested with the Kolmogorov-Smirnov test. As again the error of second degree should not grow high, the significance level for the Kolmogorov-Smirnov test is set to .10. After t-testing, regressions are performed. Logistic regressions are used when the dependent variable is binary.⁴⁵⁴ The goal is the same as with a regular regression: finding an equation, which demonstrates the connection between a dependent variable and several independent variables. A binary regression forecasts the belonging to one of the two groups of dependent variables with the support of one or several predictors. However, its affiliation cannot be forecasted directly but the probability to belong to a group is considered. To be exact, a logistic regression resembles the connection between the change of categorical or continuous independent variables on one side, and the probability of belonging to a category of a dependent variable on the other side. In order to find a suitable regression equation the two groups are coded 1 the event will happen and 0 the event will not happen. The connection between probability of the event $y=1$ $pp=1$ is not linear, as it is in a linear regression, but is modeled as follows: First, the odds are considered. The odds describe the proportion of the probability between the event happening compared to the event not happening.

$$\text{Odds} = \frac{py=1py=0}{p(y=0)} = \frac{py=11-py=11-p y=1}{1-p(y=1)}$$

In the specific case of this research, odds are the chances that a franchisee is successful compared to be unsuccessful.

In the next step, the odds are logarithmized, so all values are possible between $[-\infty; +\infty]$

$$1 \quad \log(odds) = b_0 + b_1x_{i1} + b_2x_{i2} + b_3x_{i3} + \dots + b_kx_{ik}$$

After restructuring, this estimation equation results for $py_i = 1$:⁴⁵⁵

$$2 \quad p(y_i = 1) = \frac{1}{1+e^{-z_i}} \quad \text{with } z_i = b_0 + b_1x_{i1} + b_2x_{i2} + b_3x_{i3} + \dots + b_kx_{ik}$$

b_0 : constant

b_j : regression coefficient of one x_{ij} ; $i = 1, \dots, N$; $j = 1, \dots, k$

⁴⁵³ Bortz & Schuster 2010, p. 108

⁴⁵⁴ Outcomes can be successful or unsuccessful, in this case.

⁴⁵⁵ Independent variables in this specific case: soft skills, hard skills, local knowledge and their respective sub-categories.

x_{ij} : individual value of a person's characteristic for one specific indices $j, i = 1, \dots, N; j = 1, \dots, k$
 $y_i = 1$, person i is a successful franchisee
 $y_i = 0$, person i is an unsuccessful franchisee

When interpreting the regression coefficient b_j ,⁴⁵⁶ it is important to prevent linear connections between the independent variable and the probability of the event happening. For this reason, only the positive or negative sign before b_j is considered. b_j informs about the direction of the influence. A negative sign means that when the value of the considered variable increases, the probability $py_i = 1$ decreases. A positive sign means, that the probability increases. In order to better estimate the meaning of the variable, the value e^{b_j} is used. If the independent variable x_j increases by one unit, the odds for the event $y = 1$ increases by the factor e^{b_j} in SPSS: ExpB is also called the effect coefficient. If the effect coefficient is larger than 0, the chance for the happening $y = 1$ decreases, compared to the chance of not happening. If this coefficient is smaller than 0, it increases. In case of $e^{b_j}=1$, the chance stays the same. Due to binary logistic regression analysis, b -coefficients can be estimated. This results in an equation, which allows separating the tendencies of the dependent variables. For this procedure the Maximum-Likelihood method is used. It is not a prerequisite to assume normal distribution but the predictors should not prove multi-collinearity. The absolute minimum number of observations for both groups is 25. In the case of this research, the sample size passes this minimum.⁴⁵⁷ Via SPSS various tests, it is possible to calculate hints on the quality of the adaption to the framework. The likelihood ratio test is useful to test the entire framework. Within this procedure, hypotheses are tested and ensured that all regression coefficients b_j are equal to zero. Pseudo R^2 -statistics, such as Nagelkerkes R^2 with values between 0 and 1 inform about how much variance of the framework framework is explained. The hit rate the per cent rate for correctly classifying unsuccessful and successful franchisees and the Hosmer-Lemeshow test help to assess the classification results. The Hosmer-Lemeshow test compared the observed values with forecasted values and tests the null hypotheses, so the difference is zero. An estimate of whether an independent variable has influence or not can be found out via the Wald-statistic null hypothesis: The regression coefficient b_j equals zero.⁴⁵⁸ Wald-statistic is used in the following calculations.

⁴⁵⁶ Interpretation follows in logistic regression analysis sub-chapter 4.4 and 4.5

⁴⁵⁷ Fromm 2012, p. 108-112

⁴⁵⁸ Schendera 2008, p. 139

3.2.1. Descriptive statistics of research data

For the group of successful questionnaire in appendix 12 and unsuccessful questionnaire in appendix 13 franchisees descriptive statistics in appendix 15 and 16 give an overview of the two samples. One sample includes 144 questioned persons, who answered questions about successful franchisees All of them answer questions about national selection. 86 answers out of 144 answers include national and international information on selection criteria. The other sample includes 51 persons, which only answered questions about unsuccessful franchisees. Out of these 51 national answers, also 33 answers concerned the international selection criteria. Interviewing regarding successful franchisees was done during a different time span, than interviewing regarding unsuccessful franchisees. The collected data is displayed in categories of soft skills, hard skills, local knowledge and their sub-categories. In the case of successful franchisees, a total of 144 answers were taken into account and in the case of unsuccessful franchisees a total of 51 answers were taken into consideration see Table 4.1. The sample group of successful franchisees is comprised of 21% restaurants, 17% trade, 13% crafts, 39% other services, and 10% other business sectors. 85% of the franchisors are from Germany, 5% from Austria, 3% from Switzerland, and 1% from the United States, and 7% from other countries. The division of origins of the franchise system is noted with 72% from Germany, 13% from the United States, 7% from Austria, 1% from Switzerland, and 7% from other countries. Image 3.1 shows the answers graphically.

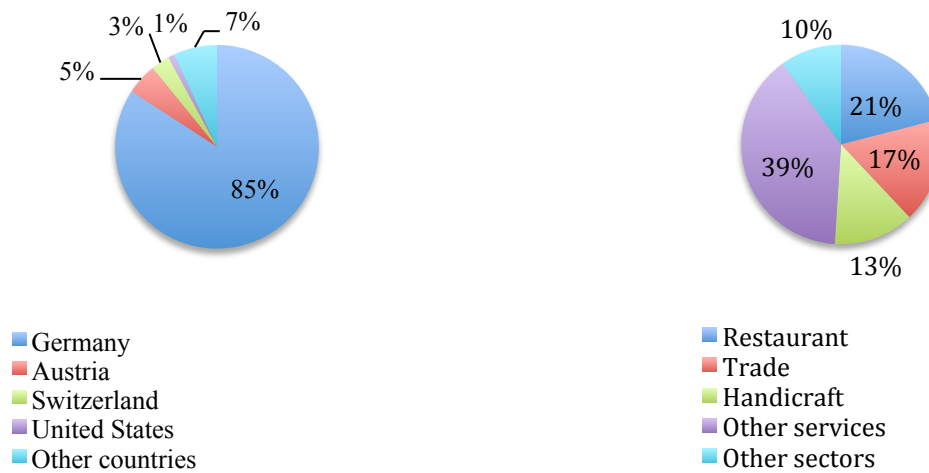


Image 3.1: Business sectors and system nationalities represented in the sample of successful franchisees

Source: Author's own research results based on primary data collected from franchisors n=149

The number of franchisees in the systems questioned range from over 50 franchisees in 53% of the cases, between 21 and 50 in 20% of the cases, 11-20 franchisees in 12%, 5-10 franchisees in 5%, 1-4 franchisees in 5%, and other in 5% of the cases. For the group of unsuccessful franchisees 24% restaurants, 15% trade, 9% crafts, 47% other services, and 5% other business sectors. Image 3.2 shows the answers graphically.

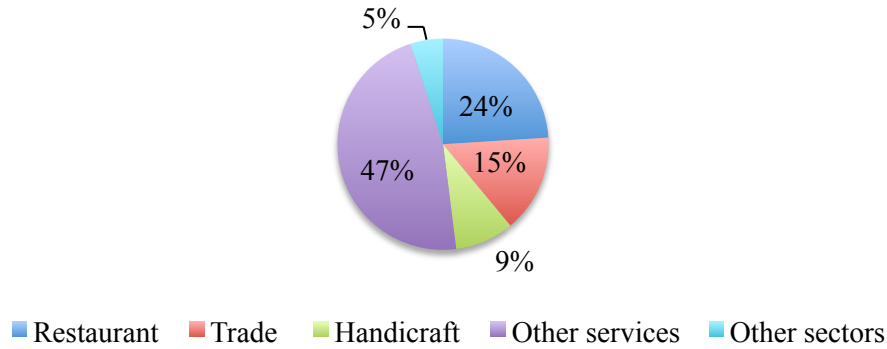


Image 3.2: Business sectors represented in the sample of unsuccessful franchisees

Source: Author’s own research results based on primary data collected from franchisors n=59

The vast majority, namely 94% of the franchisors prefer franchisees, which actively participate in daily business. Only 3% prefer investor franchisees. This may be connected to the fact, that people who are involved in daily operations pay more attention to details and, overall are more involved in decision making than those who are not present. The degree of paying close attention to operations also increases the knowledge of the business. The franchisee gains valuable experience. Image 3.3 shows the answers graphically.

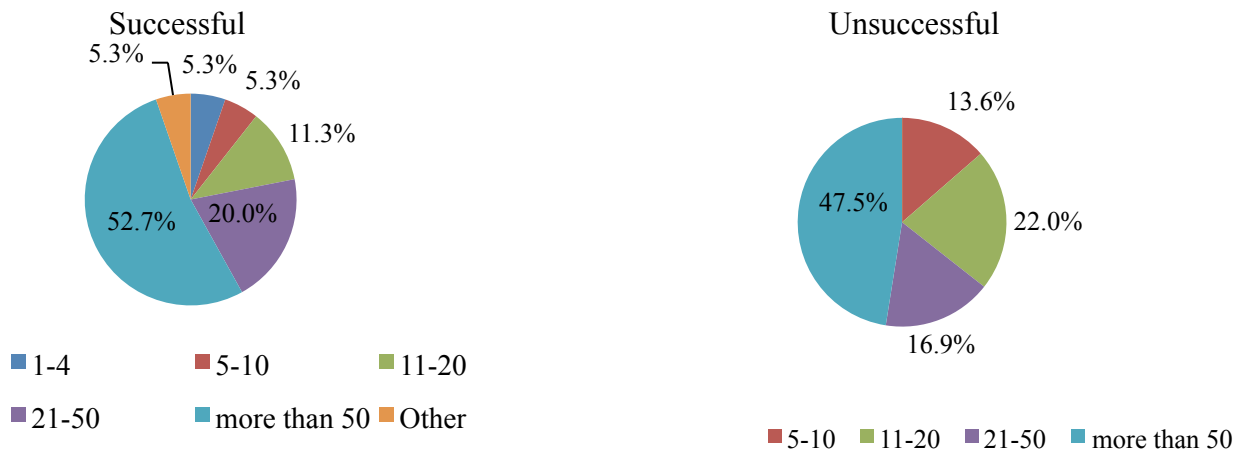


Image 3.3: Number of franchisees in the system for the sample for successful and unsuccessful franchisees

Source: Author’s own research results based on primary data collected from franchisors n=149

The sample of successful franchisees bears a larger proportion of systems with more than 50 partners 52.7% and also a larger proportion of systems with 1-4 partners 5.3%. In general, the sample of unsuccessful franchisees, bears less observations and less diversity, as far as the number of partners in the system is concerned. Other services still represent the largest proportion of participants of the study, and restaurants the second largest, followed by trade in both samples. The smallest is other sectors. Image 4.4 shows the answers graphically.

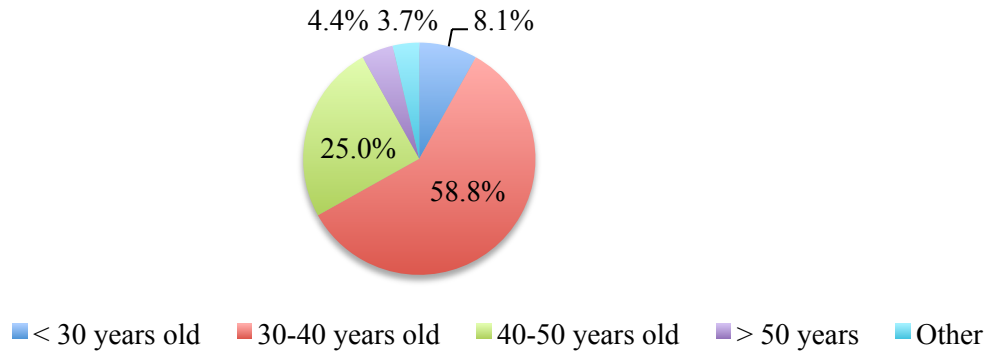


Image 3.4: Age when entering the system represented in the sample of successful franchisees

Source: Author’s own research results based on primary data collected from franchisors n=136

The sample of successful franchisees entered the franchise system mostly when they were between 30 and 40 year old 59%. The second largest group of new franchisees were between 40 and 50 years old 25%. The smallest group starting a new franchise business is above 50 years.

The values of the questions posed, range from one never to five absolutely on a Likert scale. Interviewees consider the full range choices to answering questions. Minimum values for unsuccessful franchisees range generally lower and for successful franchisees maximum values ranger higher. Moreover, means range higher for successful franchisees than for unsuccessful franchisees, which is expected. These results show, that the questions posed do outlay characteristics, which show a distinction between the two groups. The following percentile analysis shows which components are condensed in which percentile group. As far as 75th percentiles of the data for successful franchisees is concerned, soft skills show the highest value 4.49, followed by local knowledge 4.21, and hard skills 3.90. For the unsuccessful franchisees these values are 2.75, 3.67, and 3.04, respectively. A large difference can be noted between groups. Out of components in the successful group, the highest 75th percentile is reached by sales attitude 5, regional aspects, system conformity, capacity for teamwork, attitude towards business, financial background, and regional aspects all 4.67. These aspects in

successful franchisee selection seem to be respected from most franchisors. The lowest values in the same 75th percentile are demographics 3.33, international aspects 3.83. They appear not to play a large role, as per all questioned franchisors. The 75th percentile for unsuccessful franchisees is loaded with these values: regional aspects 4.0, financial background 3.46, and attitude towards business 3.17. The lowest values in the same 75th percentile are communication 2.67 and leadership ability 2.33. No component is noted to be part of both groups either high 75th percentile or low 75th percentile. This reflects the level of difference of data between the two groups. All percentiles can be seen in appendix 15.

Skewness determines the asymmetry of probability distributions. Negative values for skewness results in curves that lean to the right and have more values, which are higher than the mean. Positive skewness, which result in curves that lean to the left and have more values, which are lower than the mean. The skewness of all components for the successful group is mostly negative. The most negative values out of 11 negative skewness values are system conformity -.93, sales attitude -.57, and attitude towards business -.47. The distributions of these variables all lean to the left as their skewness values are negative. This means that higher index values appear more often than lower index values. Only experience and managements talent .37, international aspects .67, demographic .57, hard skills .26, and local knowledge .27 are slightly positive. For unsuccessful franchisees the skewness is only negative for financial background -.19, capacity for teamwork -.50, regional aspects -.61 hard skills -.12 and local knowledge -.72. The remaining 11 values are all positive, with the most positive being international aspect .73, demographic .65, and attitude towards business .48. All other components are positive. The distributions of these variables all lean to the right as their skewness values are positive. This means that lower index values appear more often than higher index values. Successful franchisees display more negative skewness results than unsuccessful franchisees. Skewness values are displayed in appendix 14. Again, the two groups differ significantly in the level of skewness, as well as they do in percentiles.

Kurtosis describes the slope or steepness of the curve. Positive kurtosis resembles a steep peak and negative kurtosis shows a rather round peak of the distribution curve. Positive kurtosis means the values are condensed at the center and at the ends of the curve. Kurtosis values for successful franchisees is negative 9 out of 16 times, as well as for unsuccessful franchisees. 5 components are negative in both groups and therefore are less closely distributed, although their values have a comparably low range: capacity for team work, attitude towards business, sales attitude, financial background, and sales experience. The most positive kurtosis for successful franchisees is noted for system conformity 1.50 and international aspects 1.11. The positive results for kurtosis emphasize the

strong development of certain characteristics. The fluctuation of values around the mode value is low. The values fluctuate in a very small area. In the unsuccessful group the largest positive kurtosis is international aspects 2.63 and leadership ability 1.01. Kurtosis values are displayed in appendix 15.

The most narrow range for successful franchisees is shown in local knowledge 1.58 and soft skills 1.83. The range value is calculated by the difference between the highest and lowest evaluation in the respective distribution. The smaller the range values, the more consensus is shown by franchisors when describing franchisee characteristics. For unsuccessful franchisees these values are again local knowledge 1.85 and hard skills 1.77. The widest range appears for successful franchisees in communication 3.67 and demographics 3.67. The widest range for unsuccessful franchisee is displayed for financial background 3.33 and regional aspects 3.17. The importance of these components apparently are not seen similar by franchisors. The four minimum values sales experience, capacity for teamwork, communication, leadership ability at value 1.0 are, as expected, counted for unsuccessful franchisees. For successful franchisees, maximum values of 5.0 are reached for all components. Soft skills have a maximum of 4.96, hard skills 4.98, and local knowledge, 4.83. Their respective minimum values are 3.13, 2.65, and 3.25. and fairly high compared to the minimum values of soft skills 1.63, hard skills 1.86, and local knowledge 2.25 for unsuccessful franchisees.

Summarizing the interpretation of kurtosis values, skewness values, and range values it is to say that the majority of the results emphasize one similar trend. Franchisors agree to most parts on which characteristics successful and unsuccessful franchisee have. Franchisors are rather united in their view on which characteristic are required for being successful or unsuccessful operating a franchise unit.

A ranking of mean values of all soft skills shows different results for successful and unsuccessful franchisees. Overall in the successful group, the highest means can be observed for “Will renew franchise contract most likely” with a mean value of 4.61, “Would recommend the system” 4.56, and “Are responsible” 4.46. This means, that a successful franchisee rates around 4.5 out of 5.0 in the top three positions. The mean value for soft skills for this group is 4.1. appendix 17.

To compare now with the unsuccessful group in the highest means can be observed for “Are actively taking part in operations” with a mean value of 3.55, “Work over time on a regular basis without affecting them” 2.89, and “Would recommend the system” 2.83. This means, that an unsuccessful franchisee rates just above the middle value of 2.5 in the top three positions. The lowest values are recorded for “Work efficiently with own business figures” 1.29, “Exemplify the business to others through own life” 2, and “Motivate others” 2.06. These statements mean, that unsuccessful franchisees are rather unmotivated in their acts and inefficiently working with their finances. The average value for soft skills for this group is 2.5 (appendix 18).

In the group of successful franchisees and the category of hard skills, the highest value is given to “Pay their franchise fees on time” 4.42, “Display corresponding attitude for company philosophy” 4.36, and “Do know their business sector very well” 4.24. These answers still range above the value of 4 and can be considered distinct. This group is extremely aware of their business situation and acts as part of the entire system. The average value for hard skills for this group is 3.2 (appendix 19).

In the category of hard skills, unsuccessful franchisees perform worst in “Leading their team well” 2.11, “Coach their own sales team” 2.18, and have a low mean value for being “Women” 2.21. The reasons for low values in the gender question, may be due to the general lower number of women taking the step of self-employment and therefore the average value is volatile. According to the data, leadership skills and training skills seem underdeveloped. The average value for hard skills for this group is 2.7 (appendix 20).

Local knowledge for the successful group is led by extreme values of “Speaking the language on site fluently” 4.78, “Use modern means of communication” 4.58, and “Good knowledge of business code of conduct on site” 4.48. The top and third ranked criteria emphasize the urge to choose a local person from the area of the franchised unit. In addition, the ranking highlights the need for being up to date with modern technology, in order to take advantage of generally provided tools, but it is also an indicator of being able to use the tools provided by the franchisor, such as technical equipment and sales tool for example. The average value for local knowledge for this group is 3.7 (appendix 21).

In the category local knowledge, unsuccessful franchisees rated the following criteria lowest: “Communicate in a third language with franchisor neither German nor English” 1.38, “Speak English to communicate with franchisor” 1.97, and “Are well connected on site” 3. As one can see, the language ability and the personal connections on site are only barely developed and form part of the low performance context, in which the candidate is operating. When speaking English or a third language to communicate with the franchisor, there is a high potential of misunderstandings, in case neither or only one party talks in their mother tongue. The average value for local knowledge for this group is 3.4 (appendix 22).

Overall, the highest ranked means for successful franchisees are the willingness to renew the franchise contract, the use of modern communications, and the recommendation of the system. Especially for international operations the highest ranked characteristics are speaking the language on site fluently and a good knowledge of the business code of conduct on site. Overall, the lowest ranked means for unsuccessful franchisees are motivating others, exemplifying the business to others through their own life, and working efficiently with own business figures. Especially for international

operations the most unsuccessful franchisees communicate either in English or in a third language neither German nor English with the franchisor.

Mean values differ strongly between the two groups (appendix 16). The highest mean value is noted for local knowledge 4.0 in the successful group. The lowest mean value is stated for soft skills 2.5 in the unsuccessful group. According to these numbers, soft skills 4.2 are rated most developed for profitable franchise partners, whereas hard skills 3.6 show the lowest development amongst the skill set. The range of values differs least for local knowledge 1.6 and most for hard skills 2.4. This information hints towards a popular attitude of franchisors to value soft skills most, as the answers differ less. As local knowledge yields a very high value in mean and a low range value, it is strongly assumed that the items surveyed were highly relevant to franchisors and their opinion is fairly similar. Even for unsuccessful partners, the range of values for local knowledge is low 1.9.

Table 3.3 serves as basic summary for the sample analysis. The reason for not taking all interviewees into account lies in the fact that the missing ones did not answer enough questions, to take them into consideration. They stopped answering the online survey too early and the author cannot use the feedback. The category local knowledge is divided into regional aspects and international aspects. Answers in that category are comparably few, as not all franchisees operate internationally. Only internationally operating franchisees qualified for the sub category international aspects. For the group successful franchisees a total of 86 qualify for national and international operations, and for the group unsuccessful franchisees a total of 33 qualify for national and international operations. Considering that only 50 Germany based franchise companies operate internationally,⁴⁵⁹ this data collection represents the majority of the population.

Table 3.3: Overview of steps executed for data collection from experts and franchisors

Date	Step	N generated	N national taken into account	N national and international
19 February 2014 -25 April 2014	Expert interviews	35	35	35
12 May 2014 -21 July 2014	Group: successful franchisees	149	144	86
21 July 2014 -18 August 2014	Group: unsuccessful franchisees	59	51	33
	<i>Total answers for franchisees</i>	<i>208 149+59</i>	<i>195 144+51</i>	<i>119 86+33</i>

Source: Author's own table describing primary data sources used in this research

⁴⁵⁹ Personal conversation on 11. July 2013 with Vice-president of the German Franchise Association Holger Blaufuss

Considering the raking of items for the definition of successful and unsuccessful franchisees as by franchisors, the following paragraph displays the collected data. Percentage-wise, the top three definitions of successful franchisees are selected by franchisors as follows: work actively for the system, make profits over a longer period of time, make above average profits, and is satisfied with the system. In comparison, the definition of unsuccessful franchisees contains selling below average, being a bad seller, and making below average profits. The definition is created by ranking three of the given definition options. Definition options presented to franchisors are based on literature and presented in table 3.4.

Table 3.4: Successful franchisees definition as seen by franchisors

Answer Options	Response rate in %
Participate actively in the system	66.0
Makes profits over longer period of time	57.3
Makes above average profits.	36.0
Is satisfied with the system	36.0
Is a good seller	34.7
Is cooperative	28.7
Makes above average sales	25.3
Other	4.7

Source: Author's own research results based on primary data collected from franchisors during data collection regarding successful franchisees n=150 taken into account for this specific questions

Experts define successful franchisees with being satisfied with the franchisor, profit making, reaching goals together, behaving system conform table 3.1. The structure of the definition of experts and franchisors is very similar. Both name profits and satisfaction within their top four criteria. Being able to operate a franchise outlet by making good money and on top being satisfied with the working environment is a healthy base for a long and mutually fruitful franchiseship. As stated by experts, one decisive selection criteria can be related to the top rating by franchisors of participating franchisees: leadership. Although, a good leader does not have to show a lot of presence, he or she can serve a positive role model, when he or she actively participates in the system. Answers are presented in table 3.5.

Table 3.5: Unsuccessful franchisees definition as seen by franchisors

Answer	Response rate in %
Sell below average	66.7
Are bad sellers	52.6
Make below average profits	38.6
Do not cooperate	33.3
Are unsatisfied with system	26.3
Other	19.3
Make losses over long period	14.0
Participate actively in the system	3.5

Source: Author's own research results based on primary data collected from franchisors during data collection regarding successful franchisees $n=57$ taken into account for this specific questions

Following this in-depth descriptive analysis and ranking of definition factors for successful franchisees, non-descriptive analysis is presented next.

3.2.2. Principal component analysis with data collected from franchisors

The principal component analysis (appendix 23 and 24) was executed with Varimax rotation of all variables belonging to the items of soft skills, hard skills, and local knowledge. However, for local knowledge only variables of regional aspects were used, as only those were answered by all participants. Therefore this principal component analysis used 50 variables. As factor extraction is a pure mathematical way of interpretation, it is common, that the new factors generated cannot always be argued for rationally. Therefore, statistical measures intend to prevent cross loadings by rotation of factors.⁴⁶⁰ Nevertheless, cross loadings still occur.

The Bartlett test shows a highly significant results $p<.001$, which supports the execution of the principal component analysis. The measure of Kaiser-Meyer-Oking KMO^{461} is .92, which supports the suitability of the data for executing the principal component analysis. All communalities are higher than .5 and most of them are higher than .70. According to the criteria for Eigenvalue, 9 principal components have to be extracted. However, only three Eigenvalues are larger than 1, the author decides to extract 6 principal components, which explain a total of 67% of the total variance. The first component explains 32% of the total variance, which is about half of all explained variance. The second component explains 9%, the third and fourth component explain each 8%. The fifth and sixth

⁴⁶⁰ Fromm 2012, p. 67

⁴⁶¹ KMO values appear between 0 and 1. The value is larger, the smaller the partial correlations. KMO values larger than .9 are highly useful, values between .8 and .9 are good, values between .7 and .79 are still fine, values between .6 and .69 are not so well, values between .5 and .59 are bad, and below .59 the values are incompatible for calculations.

component explain each 5% of the total variance.⁴⁶² The new names of the respective components are displayed in table 3.6. A graphical visualization of the principal component analysis can be found in appendix 25 and table 3.7.

Table 3.6: Total variance explained by first six components during principal component analysis of data from franchisors

Component / new name of group	% of total variance explained by corresponding component
First / Soft skills	32
Second / Local attachment	9
Third / Theoretical and practical experience	8
Fourth / Sales skills	8
Fifth / Franchise preparation	5
Sixth / Participation and financial involvement	5

Source: Author's own research based on primary data collected from franchisors n=207

It is to note, that no simple structure can be reached, which is also displayed in appendix 26 principal component analysis with Varimax rotation. Factor analysis with Varimax rotation was not used, as numerous cross loadings prevail. This makes the interpretation of the principal component analysis more difficult. For this reason, an oblique Promax rotation is used. The result is the reduction of cross loadings to only four (appendix 27). The item “are women”, which loads weakly on the first and the sixth principal component is not grouped to any competence, as a meaningful interpretation cannot be found for either.

The interpretation of the six principal components follows. Instead of the suggested three complex factors or components soft skills, hard skills, and local knowledge, six principal components emerge. These six complex factors or components are named from first to sixth respectively: soft skills, local attachment, theoretical and practical experience, sales skills, franchise preparation, and participation and financial involvement. The new grouping is more detailed and allows for more specific partition of skills. Especially the grouping of sales skills and theoretical experience allow for a better understanding of what skills are demanded from a franchisee. The new group of franchise preparation now expresses three aspects which support well prepared start into franchiseship. As far as the sixth component is concerned, the cluster now shows a collection of items, which is comprised of financial aspects, except one “actively participate in the business”. This item is hard to rationally add to one of the new components, but seems to best fit in the sixth component.

⁴⁶² Appendix 16: Scree plot: The plot shows the Eigenvalues of the factors in a falling curve. The first factor explains most variance.

Table 3.7: Principal component analysis with Promax rotation

Loadings	Component					
	1	2	3	4	5	6
	Soft skills	Local attachment	Theoretical / practical experience	Sales skills	Franchise preparation	Participation and financial involvement
Aim for standardized brand appearance.	0.91					
Follow system regulations.	0.85					
Get personally involved with the system.	0.78					
Are trustworthy.	0.81					
Are responsible.	0.78					
Rarely miss deadlines.	0.78					
Communicate with franchisor clearly and logical.	0.88					
Communicate clearly and logical within the company.	0.79					
Communicate clearly and sophisticated, written and orally.	0.80					
Live business by example.	0.64					
Motivate others.	0.74					
Work with and interpreted own business figures very well.	0.68					
Work overtime without it bothering them.	0.58					
Believe the franchise system is one of the most important things in their lives.	0.48					
Are proud to be franchisees.	0.71					
Will most likely renew their franchise contract.	0.70					
Would recommend the franchise.	0.72					
Barely critique the franchisor's services.	0.67					
Are satisfied with value offered for their money.	0.81					
Do not look for dispute but for a solution.	0.91					
Integrate their client into the sales process.	0.56					
Do have a cooperative connection with their client.	0.56					
Lead their team well.	0.60			0.44		
Do have the right attitude towards company philosophy.	0.74					
Are married.		0.48				
Grown up in the region in which they are now operating as franchisee.		0.73				
Live on site.		0.85				
Know the culture on site.		0.82				
Know the business code of conduct on site.		0.73				
Know the social setting on site.		0.76				
Are well connected.		0.45		0.44		
Have a business degree.			0.73			
Did have leadership and management experience before entering the system.			0.57			
Were successful in business before entering the system.			0.50			
Did have work experience in different companies before entering the system.			0.61			
Are academics.			0.80			
Sell more than once to the same client.				0.48		
Market themselves very well.				0.43		
Do know about their business sector now very well.				0.54		

Did have sales knowledge before entering the system.			0.41	0.67		
"Live" sales.				0.64		
Train their own sales team in sales.				0.67		
Were self-employed before entering the system.					0.60	
Had experience within the business sector before entering the system.					0.83	
Did have work experience in similar companies before entering the system.					0.79	
Actively participate in the business.						0.64
When entering the system they did have more financial capital than only the initial investment.						0.56
During the franchiseship they were not or barely in debt with the franchisor.						0.52
Pay their franchise fees on time.						0.46
Are woman.	.41					-0.43

Source: Author's own research based on primary data collected from franchisors n=207

The former group of soft skills compounded of 24 items stayed mostly the same. Only the items “Sell several times to same customer” and “actively participate in business” do not load upon the group anymore. “Sell several times to the same customer” loads onto the fourth group, which is comprised of sales aspects and therefore seems a very good fit, together with “market themselves very well”, “do know about their business sector now very well”, “did have sales knowledge before entering the system”, “lives sales”, and “train their own sales team”. The former group of soft skills loads two other components instead “lead their team well”, and “do have the right attitude towards company philosophy”. Both items make good sense for the new group of soft skills. The second component called local attachment loads exactly the same items as the previous group of local knowledge, plus one more item: “are married”. This item does not seem to leave much room for a well fit. The third component named theoretical and practical experience loads former hard skills: “have a business degree”, “did have leadership and management experience before entering the system”, were successful in business before entering the system”, did have work experience in difficult companies before entering the system”, and “are academics”.

Cross loads are calculated for the soft skills component “lead their team well”, which loads also to a lesser extent .44 on the fourth component sales skill. In addition, “are well connected” as well loads to a lesser extent .44 on the fourth component, instead of the second component. Further, the items “did have sales knowledge before entering the system” cross loads on the third component to a lesser extent .41. The author groups all cross loads to the higher value, as their position is acceptable and reasonable. The only exemption to this decision is “are women”. This items loads on soft skills .41 as well as on participation and financial involvement -.43. As neither declaration has a rational explanation, the

author decides to exempt this item.⁴⁶³ The factor demographics has been divided into theoretical and practical experience are academics, local attachment are married, and one item is exempted are married, due to the low value of .41, or also -.40 due to cross loading.

According to the mentioned conditions to determine the reliability of the found factor structure, it is to say that the first and the second principal component are highly reliable and least influenced by chance. The components three and four only load three of the necessary four items with a value higher .60. The fifth component loads only three items, however their value is larger or equal to .60. One reason may be the small sample size, which prevents the author from a general interpretation. The last principal component contains only one loading with a value larger than .60. This result influences the interpretation of the data collected. A summary of the principal component analysis with Varimax rotation and extraction of 6 main components with their respective communalities is shown in appendix 26. The results of the principal component analysis with Varimax rotation and extraction of 6 main components is the base for the principal component analysis with Promax rotation. The principal component analysis with Promax rotation is shown in appendix 27. The principal component analysis indicates a more fundamental approach to identify core differences is by re-formulating the input groups to sales skills, theoretical and practical knowledge, franchise preparation, participation and financial involvement.

Due to the principal component analysis, the mean value of indices is calculated via the corresponding items. Cronbach's alpha is then calculated for each index. This is the base for the reliability analysis (appendix 28). Values in this research are acceptable. Especially the values for indices 1 .97, 2 .87, and 4 .87 are excellent and good, as seen in table 4.8.⁴⁶⁴ The correlation analysis shows mostly moderate correlations between the principal components. Only the correlation between the first and fourth principal component shows a high result of .82 table 3.8. This may cause problems when executing regression analysis.

⁴⁶³ Appendix 26, 27: main component analyses

⁴⁶⁴ Cronbach's alpha values are determined as follows: value > .9 is excellent, value > .8 is good, value > .7 is acceptable, value > .6 is questionable, value > .5 is bad, value <=.5 unacceptable.

Table 3.8: Correlation by Pearson showing also Cronbach's α on the diagonal in parenthesis:

	Soft skills	Local attachment	Theoretical/ practical experience	Sales skills	Franchise preparation	Participation/ financial involvement
Soft skills	(0.97)					
Local attachment	0.54	(0.87)				
Theoretical / practical experience	0.45	0.25	(0.78)			
Sales skills	0.82	0.57	0.47	(0.87)		
Franchise preparation	0.36	0.21	0.22	0.46	(0.71)	
Participation, financial involvement	0.65	0.42	0.47	0.57	0.30	(0.76)

Source: Author's own research results based on primary data collected from franchisors $n=207$

Assumptions now have to be adapted to the results of the main component analysis. The new assumptions are formulated according to the findings of the new six components.

- Main assumption: Successful franchisees differ significantly in skills compared to unsuccessful franchisees.
- Presumption 1: Successful franchisees differ significantly in soft skills compared to unsuccessful franchisees.
- Presumption 2: Successful franchisees differ significantly in local attachment compared to unsuccessful franchisees.
- Presumption 3: Successful franchisees differ significantly in theoretical and practical experience compared to unsuccessful franchisees.
- Presumption 4: Successful franchisees differ significantly in sales skills compared to unsuccessful franchisees.
- Presumption 5: Successful franchisees differ significantly in franchise preparation compared to unsuccessful franchisees.
- Presumption 6: Successful franchisees differ significantly in participation and financial involvement compared to unsuccessful franchisees.

The statistically test the above named 6 presumptions, the following null hypothesis and alternative hypothesis are re-worded and shown in table 3.9.

Table 3.9: Null hypothesis and alternative hypothesis including presumptions, according to results after principal component analysis

Null hypothesis H₀	Successful franchisees do not differ significantly in skills compared to unsuccessful franchisees.
Alternative hypothesis H_a	Successful franchisees differ significantly in skills compared to unsuccessful franchisees.
Hypothesis related presumption 1 for soft skills:	H ₀ : Successful franchisees do not differ significantly in soft skills compared to unsuccessful franchisees.
	H _a : Successful franchisees differ significantly in soft skills compared to unsuccessful franchisees.
Hypothesis related presumption 2 for local attachment:	H ₀ : Successful franchisees do not differ significantly in local attachment compared to unsuccessful franchisees.
	H _a : Successful franchisees differ significantly significantly in local attachment compared to unsuccessful franchisees.
Hypothesis related presumption 3 for theoretical and practical experience:	H ₀ : Successful franchisees do not differ significantly in theoretical and practical experience compared to unsuccessful franchisees.
	H _a : Successful franchisees differ significantly in theoretical and practical experience compared to unsuccessful franchisees.
Hypothesis related presumption 4 for sales skills:	H ₀ : Successful franchisees do not differ significantly in sales skills compared to unsuccessful franchisees.
	H _a : Successful franchisees differ significantly in sales skills compared to unsuccessful franchisees.
Hypothesis related presumption 5 for franchise preparation:	H ₀ : Successful franchisees do not differ significantly in franchise preparation compared to unsuccessful franchisees.
	H _a : Successful franchisees differ significantly in franchise preparation compared to unsuccessful franchisees.
Hypothesis related presumption 6 for participation and financial involvement:	H ₀ : Successful franchisees do not differ significantly in participation and financial involvement compared to unsuccessful franchisees.
	H _a : Successful franchisees differ significantly in participation and financial involvement compared to unsuccessful franchisees.

Source: Author's own research results based on primary data collected from franchisors and further based on main component analysis results

The following paragraphs examine whether the successful and unsuccessful group differs, according to the six principal components. In the next steps, tests for independent samples are calculated. Also the respective pre-requisites for this type of t-tests are checked.

3.2.3. T-test results and statements on hypotheses testing

Box plots of all six principal components⁴⁶⁵ allow hints for a skewed distribution for example participation and financial involvement. In addition, the box plots show different levels of variances in the compared groups e. g. local attachment. Before conducting t-tests, the two samples of successful

⁴⁶⁵ Appendix 20: box plot of main components

and unsuccessful franchisees were tested for normal distributions with the Kolmogorov-Smirnov test. The level of significance is set to .10. As the data shows, some sub dimensions show a violation of normal distributions.⁴⁶⁶ For the successful group, four components have significant diversion from normal distribution. For the unsuccessful group, no p -values are $< .10$. However, the noted diversions from normal distributions for successful franchisees are not of great importance, as the Kolmogorov-Smirnov test already discovers small discrepancies in large samples in regards to normal distributions. In addition, the t-test (appendix 29) reacts very robustly on possible violations in regards to normal distributions, especially if the sample size per group is larger than 30. For both reasons, a t-test is rather considered than for example the Mann-Whitney test. Taking normal distributions for all respective criteria as a base, t-tests are conducted on the six principal components. Results are displayed in table 3.10.

Table 3.10: Kolmogorov Smirnov test for successful and unsuccessful group

	Soft skills	Local attachment	Theoretical/practical experience	Sales skills	Franchise preparation	Participation and financial involvement
N	144	139	138	143	136	143
Kolmogorov-Smirnov	0.061	0.128	0.116	0.093	0.115	0.138
Asymp. Sig. 2-tailed ^a	0.200	<.001	<.001	0.004	<.001	<.001
Exact Sig. 2-tailed	0.637	0.019	0.044	0.158	0.051	0.008
N	51	47	48	51	47	51
Kolmogorov-Smirnov	0.069	0.149	0.152	0.137	0.139	0.138
Asymp. Sig. 2-tailed ^a	0.200	0.011	0.007	0.018	0.024	0.016
Exact Sig. 2-tailed	0.954	0.224	0.194	0.271	0.299	0.260

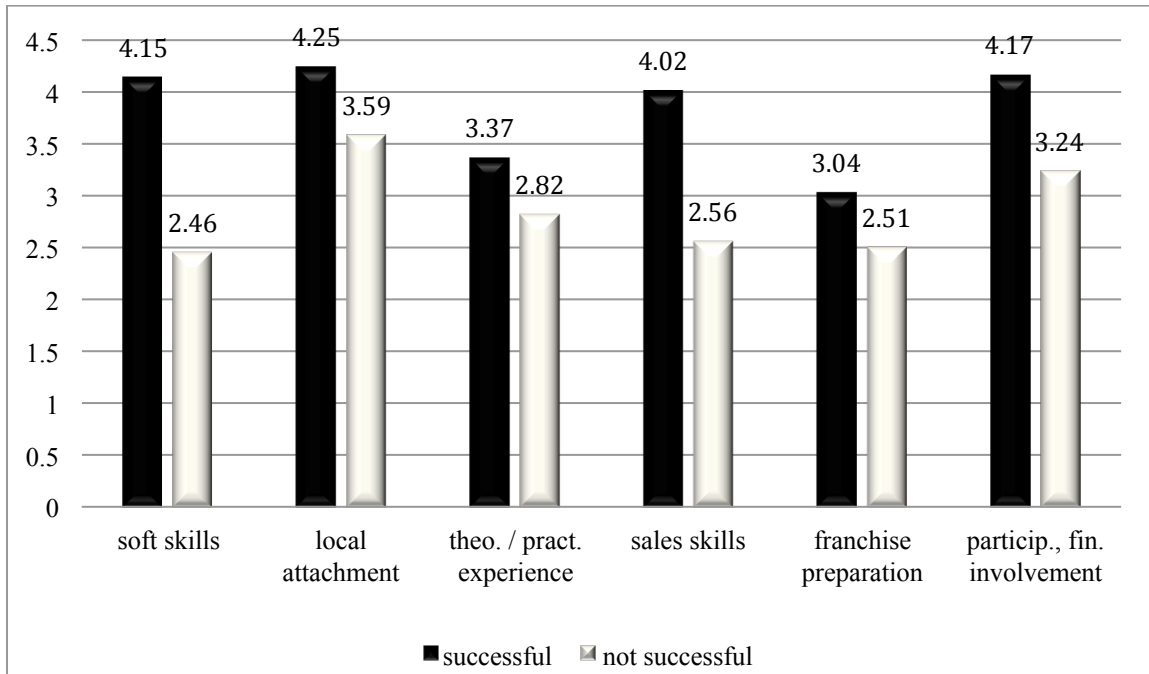
^a For computing the asymptotic p-value the Lilliefors significance correction was used

Source: Author's own research results based on primary data collected from franchisors

The comparison of means between successful and unsuccessful franchises in table 4.11 for all six principal components shows, that the successful group always displays higher mean values than the unsuccessful group. The highest means is noted local attachment for both groups. The lowest mean for unsuccessful franchisees is recognized for soft skills 2.46, closely followed by franchise preparation 2.51 and sales skills 2.56. The second largest mean value for successful franchisees is seen in participation and financial involvement 3.24.

⁴⁶⁶ In table 4.10 the line "Exact Sig. 2-tailed shows whether normal distribution is expected. In case p Exact Sig. 2-tailed $> .10$, normal distribution is expected. The values marked fat show p -values $> .10$.

Table 3.11: Means of six principal components by groups of successful and unsuccessful franchisees



Source: Author’s own research results based on primary data collected table 4.3 from franchisors $n = 144$. The evaluation scale ranges from minimum 1 to maximum 5.

In addition, Cohen’s d^{467} is calculated to find out about the effect strength per variable. However, for the components local attachment, franchise preparation, participation and involvement another prerequisite for t-tests does not prevail: homogeneity of variance is not given. Therefore the following table 3.12 reports the modified t-test of the above-mentioned indices in table 3.10⁴⁶⁸ The t-tests for these three components marked with * were modified and the respective Cohen’s d is therefore also modified.⁴⁶⁹

⁴⁶⁷ Cohen’s d can be interpreted as: <0.2 means small effect, <0.5 --> medium effect, >0.8 --> strong effect; the formula for *Cohen's d* = $t * \sqrt{\left(\frac{1}{n_1} + \frac{1}{n_2}\right)}$

⁴⁶⁸ Homogeneity of variance means, that both groups should be equal. For these cases the t-values, p -values and degree of freedom for unsuccessful franchisees are taken from table 4.10 Summary of main statistic results for successful and unsuccessful franchisee hypothesis testing. Also Cohen’s d is calculated on base of these t-values.

⁴⁶⁹ According to the Levene test, homogeneity of variance is not assumed for the sub-categories system conformity, communication, leadership ability, attitude towards business, financial background, and the category regional aspects. Therefore, modified t-test results are reported and marked with *.

Table 3.12: Summary of main statistics results for successful and unsuccessful franchisees hypothesis testing

	Group	N	Mean	Std. deviation	t-value	df	p-value	Cohen's d	Strength of effect
Soft skills	successful	144	4.15	0.41	25.38	193	<.001	3.65	strong
	unsuccessful	51	2.46	0.39					
Local attachment*	successful	139	4.25	0.46	6.41	63	<.001	1.62	strong
	unsuccessful	47	3.59	0.65					
Theoretical/practical knowledge	successful	138	3.37	0.67	5	184	<.001	0.74	medium
	unsuccessful	48	2.82	0.64					
Sales skills	successful	143	4.02	0.57	15.78	192	<.001	2.28	strong
	unsuccessful	51	2.56	0.57					
Franchise Preparation*	successful	136	3.04	0.86	4.69	117	<.001	0.87	strong
	unsuccessful	47	2.51	0.59					
Participation and financial Involvement*	successful	143	4.17	0.53	8.52	70	<.001	2.03	strong
	unsuccessful	51	3.24	0.72					

Source: Author's own research results based on primary data collected from franchisors, evaluation scale 1-5, where 1-never and 5 - always.

*According to the Levene test, homogeneity of variance is not assumed for the sub-categories system local attachment, franchise preparation and participation and financial involvement. Therefore, modified t-test results are reported and marked with *.

After the principal component analysis was executed, hypotheses are re-worded in table 3.13. The principal components are now assembled again for hypotheses testing.

Mean values in table 3.11 show, that the successful group scores higher for every component, compared to the unsuccessful group. Therefore, the tested skills for successful franchisees are more developed than for unsuccessful franchisees. Continuing with the statistical analysis, two logistic regressions are calculated. With the results of a logistic regression, it is possible to estimate the value of each component in the composition of a successful franchisee.

Table 3.13: Re-formulated hypotheses summary table, according to results of main component analysis and answers to hypotheses

Null hypothesis H_0	Successful franchisees do not differ significantly in skills compared to unsuccessful franchisees.	Reject $p < .001$
Alternative hypothesis H_a	Successful franchisees differ significantly in skills compared to unsuccessful franchisees.	Temporarily accept
Hypothesis related presumption 1 for soft skills:	H_0 : Successful franchisees do not differ significantly in soft skills compared to unsuccessful franchisees.	Reject $p < .001$
	H_a : Successful franchisees differ significantly in soft skills compared to unsuccessful franchisees.	Temporarily accept
Hypothesis related presumption 2 for local attachment:	H_0 : Successful franchisees do not differ significantly in local attachment compared to unsuccessful franchisees.	Reject $p < .001$
	H_a : Successful franchisees differ significantly in local attachment compared to unsuccessful franchisees.	Temporarily accept
Hypothesis related presumption 3 for theoretical and practical experience:	H_0 : Successful franchisees do not differ significantly in theoretical and practical experience compared to unsuccessful franchisees.	Reject $p < .001$
	H_a : Successful franchisees differ significantly in theoretical and practical experience compared to unsuccessful franchisees.	Temporarily accept
Hypothesis related presumption 4 for sales skills:	H_0 : Successful franchisees do not differ significantly in sales skills compared to unsuccessful franchisees.	Reject $p < .001$
	H_a : Successful franchisees differ significantly in sales skills compared to unsuccessful franchisees.	Temporarily accept
Hypothesis related presumption 5 for franchise preparation:	H_0 : Successful franchisees do not differ significantly in franchise preparation compared to unsuccessful franchisees.	Reject $p < .001$
	H_a : Successful franchisees differ significantly in franchise preparation compared to unsuccessful franchisees.	Temporarily accept
Hypothesis related presumption 6 for participation and financial involvement:	H_0 : Successful franchisees do not differ significantly in participation and financial involvement compared to unsuccessful franchisees.	Reject $p < .001$
	H_a : Successful franchisees differ significantly in participation and financial involvement compared to unsuccessful franchisees.	Temporarily accept

Source: Author's own research results based on primary data collected from franchisors

3.3. Regression analysis

In the framework proposed for this dissertation, a regression analysis is performed using soft skills, local attachment, theoretical/practical experience, sales skills, franchise preparation, participation and financial involvement. A total of 183 cases are considered, as 24 cases have missing values.⁴⁷⁰ Before including the six predictors, only the constant is part of the framework. The “Classification table” reveals that in case of no variables in the framework, the optimum strategy for all observations is to classify with the most frequented category, “successful” in this case. Therefore, all cases are classified “1”. In that case the percentage of correctly classified cases is 74.3. The table “Variables in the

⁴⁷⁰ Appendix 32: logistic regression I

equation” shows the odds “ExpB” of 2.89, which implies the chance for being successful instead of unsuccessful.

The next step is to include the variables in the model. First an Omnibus test is conducted, which tells about the effectiveness, and reveals a significant result $\chi^2_6=193.76$, $p<.001$. This means that at least one predictor has relevant influence on the model. Further, Nagelkerkes R^2 shows that the model explains 97% of the variance, a relatively high value and therefore a strong statement. After, a Hosmer and Lemeshow test is conducted to determine the quality of adapting the model. The calculations show $p=1.000$ and therefore larger than 0.05, which result in a very suitably adapted model. The “Classification table” demonstrates this favorable result at the end. When adding predictors to the model, the correct classifications of franchisees can be increased from 74.3% to 98.4%. Only two unsuccessful franchisees and one successful franchisee are classified incorrectly. The degree to which different predictors show influence is visualized in table “Variables in the equation” parameter estimates. Looking at the Wald value to judge the relevant and individual predictors, no p -value is below the significance level of 0.05. However, the parameter estimate for soft skills is closest $p=.055$. These relatively high values of the estimated standard error of b_j –values may be a hint for problems, caused by multi-collinearity.⁴⁷¹ More information on multi-collinearity is disclosed later. The effect coefficient shows that the chance for successful franchisees increases strongly 382,467.93,⁴⁷² if the value for soft skills changes by one unit. A summary of results is shown in table 3.14.

⁴⁷¹ Multi-collinearity according to Schendera 2008, p. 105: „Variance inflation factors VIF and tolerance are special measurements for linearity between predictors. $VIF(X_i)$ measures reliability of the specific coefficient and is based on the squared correlation coefficient R_i^2 of the predictor X_i on all other predictors of $VIF(X_i) = \frac{1}{1-R_i^2}$. If there is no linear connection between predictors, then $R_i^2 = 0$ and therefore $VIF(X_i) = 1$. The larger the linear connection between predictors, the more R_i^2 points to 1 and the larger $VIF(X_i)$. VIF larger than 10 are usually hints for multi-collinearity. Tolerance is the reciprocal value of VIF and can be interpreted as part of prevailing variance of a variable, which cannot be explained by other variables of the model. If all predictors are orthogonal to each other, $VIF(X_i) = 1$. Eigenvalues of the covariance matrix of standardized predictors give hints, whether or how many dimensions between predictors prevail. Small Eigenvalues $<.01$ give hints for collinearity. Also condition figures >15 are the square roots of the relationship of the largest Eigenvalue toward the smallest Eigenvalue in a correlation matrix. If the condition figure is >30 , measures need to be taken accordingly.

⁴⁷² The value is surprisingly large at first sight. However it is understandable when considering standard deviation for soft skills, which has a relative low value of 0.41 for successful franchisees and a value of 0.39 for unsuccessful franchisees. Assuming normal distribution for soft skills, this means for successful franchisees for example, that 95% of all values can be found within range of $2*0.41 = .82$ less than 1 of the mean. The large value for soft skills Exp B demonstrates the high importance of the factor compared to other factors.

Table 3.14: Variables in the equation parameter estimates for logistic regression I

	B	S.E.	Wald	Sig.	ExpB
Step 1 ^a Soft skills	12.854	6.686	3.697	0.055	382,467.932 473
Local attachment	0.363	2.451	0.022	0.882	1.437
Theoretical / practical experience	-0.370	1.644	0.051	0.822	0.690
Sales skills	3.082	2.160	2.036	0.154	21.809
Franchise preparation	-1.254	1.408	0.793	0.373	0.285
Participation and financial involvement	4.466	3.451	1.675	0.196	87.047
Constant	-63.915	39.517	2.616	0.106	0.000

Source: Author's own research results based on primary data collected from franchisors n=207

Moreover, regression models have to be examined for multi-collinearity of predictors. The model shows a high degree of multi-collinearity⁴⁷⁴ which may result in large standard errors in estimates. For example soft skills correlate strongly with sales skills 0.82 and strongly with participation and financial involvement 0.65. If the high correlations of the components turn out problematic, their disturbance can further be determined by a variety of values, such as variance inflation factor VIF, tolerance, condition index, and Eigenvalues,⁴⁷⁵ which are calculated within the process of linear regression computation as follows.⁴⁷⁶ The result shows, that there are only few hints, that collinearity possibly causes problems when estimating the model. All VIF values are smaller than 10 and the tolerance values appear to not appear to be too small. The large VIF values and the low tolerance values are referring to the highly correlating indices of soft skills and sales skills. Two Eigenvalues are lower than 0.01 and one condition index is slightly larger than 30. To gain more insight whether and how much multi-collinearity influences the model, the highly correlating indices soft skills and sales skills are united and called soft and sales skills. As these two indices show the highest degree of correlation, uniting them should have a positive effect on the estimated standard error of the parameter estimate, in case the strong correlation of the two indices is problematic.

Now a logistic regression model is computed (appendix 33) using soft and sales skills, local attachment, theoretical/practical experience, franchise preparation, participation and financial

⁴⁷³ See previous footnote.

⁴⁷⁴ Appendix 32: logistic regressions 1, correlations

⁴⁷⁵ Schendera 2008, p. 136

⁴⁷⁶ Appendix 33: coefficients and collinearity diagnostics

involvement. It includes therefore the predictors soft and sales skills as one index. This is necessary due to high multi-collinearity between soft and sales skills. Further, it includes local attachment, theoretical and practical experience, franchise preparation, and participation and financial involvement.

The Omnibus test shows a very good result of $\chi^2_5=188.36, p<.001$. This means that at least one predictor has relevant influence on the model. Further, Nagelkerkes R^2 shows that the model explains 95% of the variance. After, a Hosmer and Lemeshow test is conducted to determine the quality of adapting the model. The calculations show $p=1.000$ and therefore larger than 0.05, which result in a very suitably adapted model. Now, four franchisees are classified wrongly two successful and two unsuccessful ones, instead of three. In 97.8% of the cases the classification is correct. The estimated standard error of the parameter estimates are decreasing. Considering a significance level of .05, only soft and sales skills are estimated to be significant. The b_j value of 10.98 for soft and sales skills impacts the chance positively for being a successful franchisee. For all other components, no relevant influence can be demonstrated. Estimates of b_j values for participation and financial involvement are only slightly insignificant with a p -value of 0.087. Participation and financial involvement also rather have a positive impact on the success of franchisees, displaying a b_j value of 3.09. A final multi-collinearity diagnosis does not show further hints for problems. Table 3.15 gives an overview of the results.

Table 3.15: Variables in the equation parameter estimates for logistic regression II

	B	S.E.	Wald	Sig.	ExpB
Step 1 ^a Soft and sales skills	10.975	3.403	10.404	0.001	58,403.068 ⁴⁷⁷
Local attachment	0.346	1.936	0.032	0.858	1.414
Theoretical / practical experience	-1.796	1.323	1.844	0.174	0.166
Franchise preparation	-1.671	1.270	1.730	0.188	0.188
Participation / financial involvement	3.088	1.804	2.931	0.087	21.944
Constant	-37.484	16.849	4.949	0.026	0.000

Source: Author's own research results based on primary data collected from franchisors $n= 207$

Due to multi-collinearity between soft skills and sales skills a logistic regression equation is prepared, where soft and sales skills are used as one indices. Preparing logistic regression II soft skills

⁴⁷⁷ This value is comparably high. A similar scenario can be observed for soft skills in table 4.12. The size of the value is so large, because it stresses the importance of the factor soft and sales skills compared to the other factors.

and sales skills, local attachment, theoretical and practical experience, franchise preparation, and participation and financial involvement based on values in table 4.15, the following equation emerges:

$$p(y = 1) = \frac{1}{1 + e^{-z}}$$

with

$$z = -37.48^{**} + 10.98^{**} * \text{soft skills and sales skills} + 0.35 * \text{local attachment} - 1.80 \text{ theoretical and practical experience} - 1.67 * \text{franchise preparation} + 3.09 \text{ participation and financial involvement}$$

where ** means that $p < .05$. One value shows a significant results: soft and sales skills. The other variables local attachment, theoretical and practical experience, franchise preparation, and participation and financial involvement do not influence the level of success.

3.4. Univariate variance analysis according to business sectors of franchisors

A univariate variance analysis – especially a single factor variance analysis- (appendix 34) according to business sectors is executed. Six main components are taken into consideration to see how much the business sectors differ. It is followed by post-hoc-tests by Tukey. Table 3.16 gives an overview of the results.

Table 3.16 Single factor variance analysis for six main components, inclusive post-hoc tests

	Soft skills	Local attachment	Theoretical/practical experience	Sales skills	Franchise preparation	Participation and financial involvement
Trade/retail	3.81 ⁴⁷⁸ .79 ⁴⁷⁹ N=33	4.16 .56 N=31	3.19 .74 N=32	3.93 .75 N=32	3.43 .82^a N=30	4.21 .68^a N=32
Handcraft	3.78 .70 N=21	4.20 .47 N=18	3.31 .74 N=18	3.44 .89 N=21	2.46 .89^a N=18	4.14 .40^{a,b} N=21
Food & beverage	3.81 .78 N=39	3.92 .56 N=39	3.14 .53 N=39	3.77 .64 N=39	3.09 .58^b N=39	3.83 .59^{a,b} N=39
Other services	3.64 .91 N=97	4.12 .61 N=93	3.27 .75 N=92	3.54 .94 N=97	2.74 .82^b N=91	3.83 .79^{a,b} N=97
Total	3.72 .84 N=190	4.09 .58 N=181	3.23 .70 N=181	3.64 .86 N=189	2.91 .83 N=178	3.93 .71 N=189
ANOVA	F3, 66.58 ⁴⁸⁰ =.61 ⁴⁸¹ p=.608	F3,177=1.49 p=.219	F3, 56.99=.55 p=.648	F3, 4.24= 2.61 p=.059	F3,174=8.37 p<.001 significant!	F3,72.32=4.23 p=.008 significant!

Source: Author's own research results based on primary data collected from franchisors

Prerequisites for homogeneity of variance for soft skills, theoretical and practical experience, sales skills, and participation and financial involvement are not given. The reason for differing sample sizes

⁴⁷⁸ Mean value
⁴⁷⁹ Standard deviation
⁴⁸⁰ First and second degree of freedom
⁴⁸¹ f-value

is the fact that not all interviewees have answered all questions. As the groups vary in sample sizes, the results are based on robust tests, according to Welch. Post-hoc tests describe which sectors differ. The first four components: soft skills, local attachment, theoretical and practical experience and sales skills do not differ by business sectors. Comparing mean values of the six principal components between a range of 1 “never” to 5 “always”, it shows that overall local attachment has the highest value 4.09, followed by participation and financial involvement 3.93. The lowest mean value can be observed with component franchise preparation 2.91. Standard deviations range from 0.58 for local attachment to .86 for sales skills. Significant differences between business sectors can only be recognized for preparation, participation and financial involvement. All groups with different exponent letters marked fat, differ significantly from each other. Against the idea that business sectors differ strongly in skills, this assumption shows only some evidence. The reason for franchise preparation to differ between trade/retail and handcraft, as well as between food and beverage and other services may lay in the fact that highly standardized procedures in franchised operations, such as in food and beverage and retail make the franchisee follow a certain path. With valuable previous experience in the same business sector, the franchisee may be influenced to do things as he is used to and not according to the franchised business standards. A franchisor could then state non-compliance and less loyalty because of executing operations different than asked.⁴⁸² In addition, differences can be noted for participation and financial involvement between all four stated sectors. Here the assumptions arises that all sectors offer a different range of investment necessary. Franchise companies with lower investment may have lesser challenges to deal with late payments and other irresponsible financial acting from the franchisee than franchise companies with a large investment. Large investments generally have a higher chance to not be met, than smaller financial commitments.

3.5. Comparison of research results: expert feedback mean values versus franchisor feedback mean values

Overall feedback from both groups differ only slightly and overall are similar in their meaning. It is to point out that the group of experts is made of consultants, professors, lawyers, accountants, and franchise federation board members, while the group of franchisors is made of leading manager or owners of franchise headquarters. The difference of the two groups lies in the level of ownership of the actions towards successful franchisee selection. Experts are more on the passive or theoretical side, and are not necessarily directly impacted by the effect of decisions. Whether the decision is correct or

⁴⁸² This assumption is based on a personal conversation with the Vize President of the German Franchise Federation and upper management member of McDonald's Germany, Holger Blaufuss on 10th June 2014 in Cologne.

incorrect will not have direct economic impact on the consultant, for example. However, the impact may be strong on the existence of the franchisor in the long run. For this reason, the reader has to keep in mind that giving advice to someone's business and actually executing the action in one's own business with direct effect to the executer of the action may present a different situation. Nevertheless, some differences between expert and franchisor feedback can be noted. In the category hard skills, experts (appendix 10) made clear that the most important criteria for a franchisee is the ability to meet the financial requirements to start the business. This includes the initial fee and the set up costs to start the business. Experts made also clear that financial sources need to last not only for the first importance of 4.6 out of 5 but also for the second year importance 4.2. In contrast, franchisors state the importance of successful franchisees to have had sufficient funding exceeding the initial investment with 3.75⁴⁸³ and 4 for never or only minimal having been in debt with franchisor. These values are stated 3.21 and 2.98 for unsuccessful franchisees respectively (appendix 19 and 20). The average value for the indices financial background constitute 4.09 for successful partners and 3.07 for unsuccessful partners (appendix 15). The difference between the statements of franchisors and experts are clear. Experts recommend not to opt for a candidate who is likely to fail to meet the financial requirements. On the franchisor side, the figures show, that even franchisees who turned out to be successful partners, did not provide the financial security demanded by experts. Reasons for this behavior can be the need for a new partner, which provides new economic resources and triggers rapid expansion plans of the company. If these goals are more important for the franchisor than having secure financing, the candidate is still selected and the franchisor opts for a practical decision over a rational one. In the category hard skills, the component of sector experience shows also discrepancies between expert and franchisor opinion. Successful franchisees rank 4.2 (appendix 19) while experts see the knowledge of the business sector as less important with a mean value of 2.8 (appendix 10). Unsuccessful partners show a mean value of 2.5 (appendix 20). The large difference in opinion to whether sectors knowledge and experience support performance can be numerous. One reason could be the believe in the system rules and guidelines which make the franchisee mostly a distributor without innovative duty. The franchisor is the one who needs to be more on top of business sector information, than the franchisee. It can then be seen as supplemental knowledge for the franchisee, which is not decisive for a good performance. Another point of difference is the way and level of communication. In the category soft skills, experts (appendix 10) consider internal communication with an importance of 3.8 and external communication with 4.0. The ability to speak the local or national language on site is rated 4.4. This

⁴⁸³ on a 5 point Likert scale, with 5 being the highest value and 1 the lowest value

ranking is slightly higher than the ranking of franchisors, who name a clear, well spoken, written, and oral communication a skill of value 3.8 for successful and 2.2 for unsuccessful franchisees. Structured and logical communication within the company is rated 3.9 for successful franchisees and 2.3 for unsuccessful partners (appendix 17 and 18). Considering the extremely low values for unsuccessful franchisees, experts do seem to understand the problem of the importance and emphasize it strongly. The average value for the indices communication is 2.2 for unsuccessful and 3.8 for successful partners (appendix 15). Another soft skills component, which leads to discrepancies in feedback between experts and franchisors is leadership ability. Experts rank it 3.6, franchisors 4.3 successful and 2.0 unsuccessful (appendix 14). This is an example where experts consider leadership ability less important than franchisors prove it to be advantageous for successful partners. This difference may be due to different systems, which may be structured tighter or looser. In a tighter structured franchise system processes and handling may need less guidance and leadership than in loose operations handling. Overall, it is more motivating for staff to follow a good leader, using the most suitable leadership style possible, than following a less developed leader. The component leadership was examined in chapter 2 as part of the topic competence management. Experts see analytical abilities and knowledge of finance and accounting as rather less important, with mean values of 2.7 and 3.0 respectively (appendix 10). In contrast, franchisors consider working efficiently with business figures to rank 4.2 (appendix 19) for successful franchisees and 1.92 (appendix 18) for unsuccessful franchisees. This implies that it is highly important to the franchise entrepreneur to meet the demands of working and analyzing figures. It is recommended that experts revise their way of thinking regarding the level of importance, as it shows to be a highly ranked aspect for successful franchisees, according to franchisors. Taking local knowledge into account, the use of modern communications is one component to easily connect internationally. The use of modern means of communication is valued highly by franchisors with 4.6 for successful franchisees (appendix 22 and with for unsuccessful franchisees appendix 23). However, experts seem to value the daily use of computers relatively low 3.2 (appendix 10). The large difference in opinion may be due to a distinct understanding of the sense of the questions, as they were not formulated exactly the same way. Overall, the opinions of experts and franchisors are very similar in the questioned areas of interest. Only the points mentioned in the above paragraphs show differences, which can be explained logically but do not claim to include all possible reasons.

CONCLUSIONS

Multiple conclusions can be drawn from quantitative and qualitative research.

1. This dissertation confirms that the franchisee selection is a very important factor for a successful franchise partnership.
2. Experts define a successful franchisee with four categories: satisfaction of partners, profits, reaching goals together, and system conformity.
3. Experts define decisive selection criteria with four categories: sales, financial situation, entrepreneurial spirit, and leadership.
4. These aspects show, that mostly the attitude of a person is the centerpiece of the named criteria. Overall, the highest ranked means for successful franchisees are the willingness to renew the franchise contract, the use of modern communications, and the recommendation of the system.
5. Overall, the lowest ranked means for unsuccessful franchisees are motivating others, exemplifying the business to others through their own life, and working efficiently with own business figures.
6. In the lowest ranked criteria for unsuccessful franchisees, the attitude, or the lack thereof, overweighs other aspects.
7. Local attachment leads the characteristics of successful franchisees.
8. The biggest difference between well-performing and badly performing franchisees is mainly due to soft skills and sales skills.
9. The least difference between well-performing and badly performing franchisees is mainly due to franchise preparation and theoretical or practical knowledge of franchising.
10. For international operations the highest ranked characteristics are speaking the language on site fluently and having a good knowledge of the business code of conduct on site. The ranking shows that communication abilities and knowing how to behave in terms of business are the most important criteria to be successful.
11. The most unsuccessful franchisees communicate with the franchisor either in English but not in German, or in a third language neither German nor English. In this context, the doubt of miscommunication comes up, if franchisee and franchisor do not use their mother tongue to convey their messages.
12. Although English can be a common business language, it bears risk for non-native speakers.
13. Internationally operating systems are a minority within the examined population. For that reason, international aspects and challenges bear high relevance to franchise systems in German speaking areas, which are planning on expanding international.

14. The framework with three main components soft skills, hard skills, and local knowledge is enhanced by six components soft skills, local attachment, theoretical and practical experience, sales skills, franchise preparation, and participation and financial involvement due to result of principal component analysis.
15. Hypothesis-related presumptions imply that successful franchisees differ significantly in soft skills, local attachment, theoretical knowledge, sales skills, franchise preparation, and participation and involvement.
16. Cohen's d foresaw the results of the logistic regressions. Soft skills have the strongest effect compared to hard skills and local knowledge.
17. Literature shows that main performance measures are financial data and system cooperation.
18. Franchisors state that participating actively in the system and making profits over longer period of time are useful performance measures.
19. Franchisors prefer franchisees, which actively take part in business, instead of investors. Partners, who work in operations and are on-site have a higher degree of involvement and can arrange, organize, correct, and facilitate support for the business.
20. Investors are rather described as inactive and less involved in the business. Hence, there is evidence for a franchisor's preference of active franchisees over investor franchisees.
21. Different business sectors in franchising apply distinct emphasis on certain characteristics, depending on the specific needs within their company. Distinctions between business sectors show, that only franchise preparation and participation and financial involvement differ significantly when comparing trade/retail with handcraft, with food and beverage, with other services.
22. Soft skills, local knowledge, sales skills, and theoretical and practical experience do not differ in importance amongst franchised business sectors.
23. Based on the findings this research is considered realistic and validated.
24. Comparison of expert results and franchisors results
 - a. in regards to soft skills: similar opinion towards financial abilities when beginning the business, however franchisees can also be successful in case the demanded financial security is not given at times.
 - b. in regards to hard skills: knowledge about business sector is seen highly relevant for franchisors but only redundant for experts.
 - c. in regards to local knowledge: use of modern means of communication is seen as highly relevant by franchisors but not by experts.

SUGGESTIONS

Suggestions addressed to franchisors and franchise managers:

1. Although hard facts are easier to test when recruiting new franchisees, more emphasis should be put on soft skills. Consequently, franchisors should prioritize the testing of soft skills of franchisees. This can be done in various ways, for example by working side by side for a few days or by giving a self-reflection test to the applicant, or by questioning the candidates' previous work colleagues and employer.
2. The feedback of the German franchise environment prefers active franchisees over investor franchisees. Investor franchisees mostly buy and finance a franchiseship, but do not take part in daily operations. The power and the initiative of the actively involved owner spur the fruitful progress of the business. Therefore, franchisors should rather seek candidates, which are financially well backed up and also play an active role in their future business, and who are not investor franchisees.
3. Franchisors shall choose candidates with sufficient financial backup. According to experts, financing for the first year is the most important attribute for a candidate to pave the way for future success. Without the background of secure financing the franchisor and the franchisee are pressured for the time to come. The franchisor may be fearful of future outstanding balances and the franchisee may be fearful of his future existence.
4. Experts strongly believe that for a franchisee to be successful in business he/she needs to be satisfied with the franchisor, profit making, goal reaching, and acting in conformity with the system. In order to increase the success rate of franchisees, franchisors have to support franchisees especially regarding the mentioned criteria.
5. Entrepreneurial spirit and sales qualifications of a candidate are elementary. Both criteria are seen by experts as decisive, when selecting future successful franchisees. Franchisors need to make sure their candidate shows these attributes.
6. The franchisors should include a test phase in the beginning of the partnership, where these skills are verified and closely monitored. Not all skills can easily be tested during the selection process, as some of them can be only recognized once the partner is operating.
7. Franchise manager shall be aware that only for the component franchise preparation and participation and financial involvement a difference in skills is observed for business sectors. Soft skills, local knowledge, theoretical and practical experience, as well as sales skills do not differ between business sectors.

Suggestions addressed specifically to franchisors and franchise managers operating internationally

1. The highest ranked characteristics for internationally operating franchisees are speaking the language on site fluently and having a good knowledge of the business code of conduct on site. Hence, it is necessary for franchisors, who are involved in the international selection process, to put an emphasis on these aspects to support the mutually benefitting growth process of the franchisee's business.
2. The mean value ranking shows that communication abilities and knowing how to behave in terms of business are the most important criteria to be successful. The selection process should be concentrated on candidates, who are either from that specific region, or have lived there for a long period of time, to have a higher chance of complying with the required skills.
3. Due to the relevance of international franchisee selection and its difference to national selection, it is an advantage for the franchisor to have a well-prepared franchise manager for selecting international partners. This franchise manager should also be aware of the most important aspects found in this dissertation.

Suggestions addressed to researchers

1. In the future, international franchising requires more attention. For this reason, it is suggested for academics to select a larger sample size of internationally operating franchises and to question their international franchisee performance.
2. To reflect success parameters from a different angle, it is suggested to also take into account the franchisee view. Therefore, researchers should ask franchisees on their success parameters, to be able to compare with the findings in the framework Franchisee Selection Framework 2016.
3. Another interesting test of the presented skills is to compare German-speaking countries on their most relevant skills, with other European countries, or countries from other continents and their most relevant business sectors. This allows seeing whether culture or other factors may influence the importance of selection criteria.

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APPENDICES

1. Appendix: History of franchising from the Middle Ages till today

A franchiseship⁴⁸⁴ is based on partners, which use franchising as their legally binding connection. Franchising is a strategic alliance, suitable for numerous industries and professions,⁴⁸⁵ picturing a successful distribution model, often by using brand value as key factor. The wish for efficient business expansion is strong for entrepreneurs and leading managers alike. Franchising has existed over centuries and adapted to the requirements of the continuously developing business environment. Although franchising is thought to be typical American, its roots go back to ancient China and made its way to feudal times.⁴⁸⁶ Already then, franchising was a way of doing business. The British ‘tied house’ system⁴⁸⁷ used their version of franchising to tie brewers to their distributors. The large consumption of alcohol caused social problems and therefore the sale of it was licensed. Another effect of the tied house system was to maintain brewing secrets within the small group of producers and to control the number and location of outlets. “This type of franchise where an independent outlet is injected with capital in exchange for a ‘tied’ agreement has been termed the ‘first generation’ for franchising.”⁴⁸⁸ The need of a promising distribution structure and the required brand presence in various near and far locations, which cannot be covered only by one’s own personnel, gave birth to the idea. The root of the current word franchise is based in the ancient French language *franche*, meaning free or exempt. In the past, franchising referred to a trading privilege or a collecting privilege, e. g. build roads, organize markets and fairs, collect taxes, maintain law and order. The privilege was given out by a sovereign or ruling institution, such as the church, royalty, or the government.⁴⁸⁹ Kings granted barons the right to collect taxes and barons in return provided soldiers. Also spaces on the markets were franchised for citizens to sell their products. Taking advantage of rights to exploit the needs or will of others, was the base for today’s franchising.⁴⁹⁰ In exchange for the right, the franchisee had to pay a royalty fee to the institution, meaning the franchisor. One of the largest institutions for franchise opportunities is still the government, e.g. cable television, road construction.

Richard and J. F. Preble divide the origins of franchising into three generations: First generation was, in the Middle Ages with King John of England executing tax collection on franchise type basis.

⁴⁸⁴ The construct of franchising is composed of one franchisor and one or more franchisees, resulting in a partnership called franchiseship

⁴⁸⁵ J. F. Preble & Hoffman 1994, p. 1

⁴⁸⁶ Dant & Grünhagen 2014, p. 124.

⁴⁸⁷ Knox 1958, p. 66

⁴⁸⁸ Smith et al. 1990, p. 543

⁴⁸⁹ Blair & Lafontaine 2005, p. 3

⁴⁹⁰ Smith et al. 1990, p. 543

Second generation was in the eighteenth century with German beer brewers refining the distribution system. Third generation was the 1850s with the US company Singer, which re-structured its expansion strategy through franchising.⁴⁹¹ Modern franchising was based and founded by Singer Sewing Machines Company and McCormick Harvesting Machine Company in the United States, whose aim was to sell through a network of agents owning an exclusive right to distribute products in a defined territory.⁴⁹² Singer and McCormick's aim was standardization of his franchised products, which included selling and servicing the machines. At that time "systems are typified by franchisees closely identifying themselves with single manufacturers that practically served as dedicated distributors of the local manufacturers products and arose in the US in the mid-1800s".⁴⁹³ In the specific case of Cyrus McCormick, who invented and commercialized mechanical reapers for farming, the businessman developed his sales strategy in many parts of the United States in the 1850s. McCormick used agents to sell his products to farmers. With a financial plan of paying settlements after the harvest, the business grew enormously. In his philosophy, agents had to be farmer's best friends. The company philosophy and the directions given to agents on how to do their jobs slowly emerged into a strongly regulated environment for agents, similar to car dealerships as they are known today.⁴⁹⁴ Another franchise pioneer was Isaac Merritt Singer, whose last name resembled the sound of the machines he produced and whose strive for success was enormous. He was a very ambitious businessman and built a manufacturing site in 1858, which was even fireproof. Singer had several ups and downs businesswise in which he also encountered a competitor called Elias Howe, whom he managed to have a licensee paid to him for producing lockstitches. In 1854, Singer was instructed by court to pay Howe 25\$ royalty per machine sold, due to dispute over patent rights. Further patent disputes follows and the royalty fees Howe received were lucrative.⁴⁹⁵ Also Martha Matilda Harper was a US franchise pioneer. As non-traditional workingwoman, she was dedicated to mix beauty products and hair dressing. As entrepreneur she made a breakthrough by opening salons, where the ladies came to her, as instead the then common way, the hairdresser came to the customer's private houses. Harper created her system in the early 1890s. At some point her system contained more than 500 Harper Beauty shops in the mid-1920s. She was one of the first ones to not commission agents but looked for working class women like herself, who dared to start a salon as entrepreneurs. They operated Harper Salons, as long as they purchased products produced by Harper. Several benefits were offered for the network members, e. g.

⁴⁹¹ Richard & J. F. Preble 1993, p. 35

⁴⁹² Blair & Lafontaine 2005, p. 5

⁴⁹³ Dant & Grünhagen 2014, p. 124

⁴⁹⁴ Dicke 1992, p. 85-93

⁴⁹⁵ Dicke 1992, p. 94-105

group insurances, retraining in company own facilities, and regular inspections to ensure quality standard. In addition, worldwide advertising was supporting all salons.⁴⁹⁶ In the 1920, franchising developed more into a wholesaler-retailer relationship. The advantage was that the retailer was able to receive discounts for products, as the volume of products grew for the wholesaler. In addition, the retailer had the right to use a brand name which usually was recognized to offer a certain quality. Nevertheless, the retailer worked independently as entrepreneur.⁴⁹⁷ In the example of Ford Motor Company, agents were quickly replaced by franchised dealerships. As McCormick, Ford rapidly developed operations in mass production in 1913 and had to rely on quick and large sales. The established distributions channels via dealerships, were also a possibility to gain quick information from buyers on the sold products. Due to the large quantities sold, Ford was in control of power within the franchise relationships. However, due to historic learning from the Great Depression period, Ford began to emphasize the rights of franchisees, as the dealerships were essential to get the vehicles out into the market in large quantities. Ford began to support its dealers with operating and training materials, improved dealership structures, helped with franchisee financing challenges by cooperating with Universal Credit Cooperation, and introduced the Dealer Policy Board to work towards a more equilibrated relationship between franchisee and franchisor.⁴⁹⁸ Also the social factor made its contribution to franchising. “Its usefulness as a tool for establishing the brand identification of goods sold through specialized outlets was the major reason that sellers of generics turned to the system. Once the franchise became a product in its own right, the public preference for branded goods served to stimulate the sale of franchises as business opportunities.”⁴⁹⁹ Franchising became the alternative to starting into classical entrepreneurship without support.

In the 1950s, franchising heavily increased its popularity in the retail sector in the United States. Especially the automobile and petrol industry took advantage of the favorable system.⁵⁰⁰ General Motors selected businesses, which sold their automobiles exclusively to spread their presence and to lower their necessity of investing into outlets. Franchisee protection from competition by the franchisor gave them a guarantee of large volumes of sales.⁵⁰¹ In case of beverages, Coca Cola and Pepsi franchised bottling concessions and sold syrups or concentrates to their franchisees.⁵⁰² McDonald’s implemented one of the first large and yet known systems in the 1950s,⁵⁰³ by selling their restaurant

⁴⁹⁶ Dicke 1992 , p. 346

⁴⁹⁷ Smith et al. 1990, p. 543

⁴⁹⁸ Dicke 1992, p. 152-153

⁴⁹⁹ Dicke 1992, p. 155

⁵⁰⁰ Oxenfeld & Thompson 1969, p. 3, Welsh & Alon 2002, p. 15

⁵⁰¹ Smith et al. 1990, p. 543

⁵⁰² Dant & Grünhagen 2014, p. 125

⁵⁰³ D. Ahlert & M. Ahlert 2010, p. 30

concept and the recipes for its products. The McDonald's empire was build up by Ray Kroc and is still amongst the most popular and frequently used examples in franchising literature. Coca Cola and McDonald's created a franchising boom and have turned into role models for other systems until today.⁵⁰⁴ Also Burger King rose in the time frame and was pushed by James McLamore and David Edgerton. It was also those men, who pushed for assembly line uniformity in the fast food industry and who strove for a united look and feel of franchised units.⁵⁰⁵ The fast food industry triggered the franchising trend in the 1960s, while in the 1970s business aids, services, and the automotive industry expanded via this expansion strategy.⁵⁰⁶ Starting in the 1970, franchising spread quickly into commercial and service industries in the western world. It nurtured the ground for increased international business activities.⁵⁰⁷ Gas stores, convenient stores motels, flower shops, car products and services, computer sales, childcare and car rental were amongst the industries that "rushed to deliver their customer the advantages of a cloned business experience".⁵⁰⁸ Within the US economy around the 1980s, franchising foremost existed in retail and service industries. Considering especially the type called business format franchising⁵⁰⁹, it was mostly presented in the restaurant sector. Another large presentation was seen in the non-food retailing sector. However, ranking by employment figures, business aids and services sectors were in second place.⁵¹⁰

Recently, franchising as an expansion strategy throughout Latin America, Eastern Europe, Central Europe, East Asia and the Pacific region has been popular. The mentioned emerging markets used franchising as a tool for economic development. It supports the global integration strategy of the regions although it is a fairly new emerging phenomenon.⁵¹¹ Also Dant and Grünhagen⁵¹² forecast a rapid expansion of franchising in markets outside the US. Alon⁵¹³ sees new franchise markets which are culturally different to the US use mostly master franchising for international explanations. Master franchising provides the quickest market entry.⁵¹⁴ Along with institutional theory, rationality influences the propensity to franchise. Internal and external forces, especially social forces, which certainly cannot be ignored, stimulate this propensity.⁵¹⁵ Franchising is "the fastest growing form of retailing in the

⁵⁰⁴ D. Ahlert & M. Ahlert 2010, p. 111

⁵⁰⁵ Dant & Grünhagen 2014, p. 125

⁵⁰⁶ Blair & Lafontaine 2005, p. 18

⁵⁰⁷ Evans 2004

⁵⁰⁸ Dant & Grünhagen 2014, p. 125

⁵⁰⁹ Business format franchising is explained in the following sub-chapter. It refers to a wholistic concept of support measures to the franchisee.

⁵¹⁰ Blair & Lafontaine 2005, p. 9

⁵¹¹ Welsh & Alon 2001 cited in Alon 2004, p. 156

⁵¹² Dant & Grünhagen 2014, p. 126

⁵¹³ Alon 2006

⁵¹⁴ Table 1.1 shows different types of franchising, which are explained in the following sub-chapters.

⁵¹⁵ Combs et al. 2009, p. 1287

world”.⁵¹⁶ This growth resembles the favorable outlook for franchised firms. Comparing data of franchised and non-franchised companies, financial performance show more profitable results for franchised enterprises.⁵¹⁷ The large trend for franchising is therefore justified.

⁵¹⁶ Dant 2008, p. 253

⁵¹⁷ Madanoglu et al. 2011, p 414-415

2. Appendix: Summary of main publications on franchisee selection in Europe

Result of study	Author / year/ title / geographic area of research	Comments on method and of study
Key influencing factors when selecting franchisees: 1) Finance 2) Business know-how 3) Local knowledge 4) Shared understanding of the business and brand 5) Chemistry between partners	Doherty 2009 “Market and Partner Selection Processes in International Retail Franchising” UK	Qualitative case study with 30 interviewees decision makers and influencers in the fashion retail sector.
Franchisee should be/have: 1) Sales oriented 2) Commercial/ trading knowledge 3) Experience in the relevant business sector 4) Personal commitment to business	Ahlert, Brock, Evanschitzky 2006 “F & C Studien: Franchisenehmerselektion am Beispiel deutscher Franchisesysteme” Germany	- Questionnaires to 50 franchisors of different business sectors to distribute to their franchisees. - Results divided in retail and service. - US study of Jambulingam, Nevin 1999 replicated in Germany
Key criteria from interviews: 1) Trust and security 2) Managerial ability 3) Financial ability 4) Flexibility 5) Experience 6) References 7) Cultural compatibility 8) Technical competence	Rahatullah & Raeside 2009 “The Dynamism of Partner Selection Criteria in Franchising”	- Exploratory interviews with 8 franchisors from different industries. - Quantitative study of 124 franchisors - Results divided in age and size of system - Selection process depends on firm’s age, size, and business type - Trustworthiness of partner plays major role - Selection is a strategic need - Selection process is dynamic
Franchisor’s selection criteria: 1) Loyalty to the franchisor 2) Managerial capacity 3) Willingness to work hard 4) Perseverance 5) Capacity for human relation 6) Desire for success 7) Entrepreneurship 8) Financial capacity 9) Previous experience	Ramírez-Hurtado, Guerrero-Casas, Rondán-Cataluña 2011 “Criteria used in the Selection of Franchisees: an Application in the Service Industry” Spain	- 39 experts pre-defined favorable selection criteria Sample of 313 franchisors were questioned based on outcome of expert findings - Study within service industry only - Ideal profile: investing, financial capacity great, less experience - Using conjoint analysis - Based on hypothetical franchisee profiles
Franchisors ranked franchisee selection criteria: 1) Loyalty to franchisor 2) Managerial capacity 3) Willingness to work hard	Ramírez Hurtado, Guerrero Casas, Rondán-Cataluña, Berbel-Pineda 2011 “Identifying the Franchisee Profiles Franchisors Prefer” Spain	- 39 experts pre-defined favorable selection criteria - Sample of 792 franchisors were questioned based on outcome of expert findings - Use study of several industries - Use conjoint analysis
Franchisors ranked franchisee selection criteria: 1) Loyalty to franchisor 2) Managerial capacity	Ramírez -Hurtado, Guerrero Casas, Rondán-Cataluña 2006	- Industries examined: beauty and cosmetics, fashion and assessors, and hotel and restaurant businesses

<p>3 Willingness to work hard</p>	<p>“Utilización del Análisis Conjunto para el Estudio de las Preferencias de los Franquiciadores sobre el Perfil de Franquiciado”</p> <p>Spain</p>	<ul style="list-style-type: none"> - only - 39 experts pre-defined favorable selection criteria - Use conjoint analysis - Study written in Spanish language
<p>Identified three franchisee profiles:</p> <ol style="list-style-type: none"> a. System-developer b. In-store craftsman c. Opportunistic investors <p>In-store craftsmen: focus on their activity and their control over it, while emphasizing human relationships and their responsible position in the local environment.</p>	<p>Boulay, Stan 2013 “How Franchisors Describe their Ideal Entrepreneurial Franchisee”</p> <p>France</p>	<ul style="list-style-type: none"> - Qualitative research: interviewed 14 franchisors managers in charge from mixed industries to find 3 categories of preferred profiles - Quantitative: 90 systems answered and linked their idea picture of a franchisee with 3 profiles given. - Focused on future candidates rather than existing ones
<p>Identified partner selection criteria for franchisors:</p> <ol style="list-style-type: none"> 1) Ability to retain control through ownership structure 2) Perception of mutual value/risk 3) Chemistry between individuals 4) Similarity of organization vision/goals/values 5) Local expertise 6) Reputation/credibility 7) Credit worthiness 	<p>Brookes, Altinay 2011 “Franchise Partner Selection: Perspectives of Franchisors and Franchisees”</p> <p>Europe</p>	<ul style="list-style-type: none"> - US hotel chain with franchisees in Europe - Single, embedded qualitative case study - Importance of influence of partner and task related characteristics - Paper lists relevant partner and task related studies
<p>The selection process includes:</p> <ol style="list-style-type: none"> 1) Strategy of franchisor 2) Market considerations 3) Financial analysis 4) Details on the potential franchisee 5) Property overview 6) Important factors: 7) Personal interaction with potential partner to check partner related factors 8) Clear mutual understanding of expectations and brand requirements 9) Check partner related criteria: reliability, commitment, experience, especially culture 10) Cross-departmental selection approach to check task related factors 	<p>Altinay 2006 “Selecting Partners in an International Franchise Organisation”</p> <p>Europe</p>	<ul style="list-style-type: none"> - Qualitative, single case US hotel chain with franchisee in Europe: - Embedded qualitative case study - Explores partner and task related criteria during selection process - Three major contextual variables, discussed: strategic context, country markets, and the nature of the business.
<p>Successful franchisees:</p> <ol style="list-style-type: none"> 1) Are able to survive feelings of isolation and exercise self-discipline 2) Need to work harder than before 3) Learn from failure and take unpopular decisions 4) Compete without self-imposed standards 5) Resist impetuous or emotional behavior 6) Facility of taking advice 7) Demonstrate financial ability 8) Have support from their spouse 9) Demonstrate enterprise background 10) Profit motivation and sales orientation 11) Receptiveness towards training 12) Ability to delegate 13) Have long-term view and growth orientation 14) Make things happen 	<p>Stanworth 1995 “Developing a Diagnostic Questionnaire as an Aid to Franchisee Selection”</p> <p>UK</p>	<ul style="list-style-type: none"> - Conceptual questionnaire with 20 questions for franchise candidates

<p>Factors influencing franchisee satisfaction and commitment:</p> <ol style="list-style-type: none"> 1) Satisfaction with decision to be franchisee is higher for unmarried candidates 2) Satisfaction of franchisees is higher amongst former employed candidates 3) Satisfaction diminishes during the age of 36 years and above 4) Challenges in daily work are seen as motivational factor 5) Trust building activities via transparency and communication are a major element for franchisee commitment 	<p>Ahlert, Wunderlich, Kossin 2002 “Franchisenehmerakquisition und-Bindung” Germany</p>	<ul style="list-style-type: none"> - Multiple business sectors - Answers to questionnaires from 99 franchisees - 11 franchise companies involved
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Source: Author's own table based on analysis of scientific publications

3. Appendix: Summary of main publications on franchisee selection in North America

Result of study	Author / year/ title / geographic area of research	Comments on method and of study
Franchisee should be/have: <ol style="list-style-type: none"> 1) Perceived innovator 2) Personally committed to business 3) Prior experience 4) Risk taker 	Jambulingam, Nevin 1999 “Influence of Franchisee Selection Criteria on Outcomes Desired by the Franchisor” US	<ul style="list-style-type: none"> - Outcomes measures: cooperation, franchisee opportunism, and satisfaction with business decision. - Franchise systems, which are in operation for a longer time, have more satisfied franchisees.
Franchisors ranked franchisee selection criteria: <ol style="list-style-type: none"> 1) Personal interview 2) Financial net worth 3) General business experience 4) Psychological profiling 5) Formal education 6) Industry experience 	Clarkin & Swavely 2006 “The Importance of Personal Characteristics in Franchisee Selection” North America	<ul style="list-style-type: none"> - Focuses on personal characteristics - Empirical study with questionnaires to 1.206 franchisors of different industries using secondary data - Compares level of importance to two methods of assessing personal characteristics - Supports Jambulingam & Nevin: attitude and personality are important. - Stanworth: stresses gut feeling and instinct
Franchisors ranked franchisee selection criteria: <ol style="list-style-type: none"> 1) Personal interview 2) Financial qualifications 3) General business experience 4) Formal education 5) Specific industry experience 	Clarkin & Swavely 2003 “How Franchisors Choose Franchisees: A Comparison of Prospective Franchisee Evaluation Criteria” North America	<ul style="list-style-type: none"> - Shows franchisee selection criteria of famous companies - Empirical study with questionnaires to 1.206 franchisors of different industries using secondary data - Compares majorly to Stanworth, Jambulingam and Nevin, and Olm
Franchisor’s selection criteria: <ol style="list-style-type: none"> 1) Personality 2) Financial 3) Skills 4) Background Franchisors ranked importance given to franchisee’s: <ol style="list-style-type: none"> 1) Reputation 2) Family commitment 3) Health 4) Self-employment 5) Citizenship 6) Disabilities 7) Resident two years in area 8) Be a celebrity 9) Marital status 	Olm, Eddy, Adaniya 1988 “Selecting Franchisees Prospects” USA	<ul style="list-style-type: none"> - Sample of 130 franchisors - Results divided in service and retails - Fewer women and minorities enter the franchising world - Study displays and ranks indicators for 4 major selection criteria

<p>Franchisees' point of view on what it takes:</p> <ol style="list-style-type: none"> 1) Ability to work with people 2) Provide training 3) Growth oriented 4) Willing to invest time and money 5) Put in a lot of effort <p>Franchisor's point of view on what it takes:</p> <ol style="list-style-type: none"> 1) Financial background 2) Background in business or management, 3) Industry experience 4) Obeying to corporate rules and valuing the system 	<p>DeCeglie 1993 "What Franchisors Took for"</p>	
<p>Franchisee selection process:</p> <ol style="list-style-type: none"> 1) Personal interview 2) Financial net worth 3) General business experience 4) Psychological profiling 5) Formal education 6) Industry experience 	<p>Clarkin, Swavely 2006 "The importance of personal characteristics in franchisee selection" North America</p>	<ul style="list-style-type: none"> - Similar parameter as Jambulingam and Nevin 1999 study - Secondary data of 1043 franchisors of mixed industries
<p>Franchisors cooperation with franchisees:</p> <ol style="list-style-type: none"> 1) Make initial franchisee investment low 2) Finance franchisees 3) Lower royalty rates as systems ages 4) Start with low franchise fees 5) Keep ownership of units low and reduce over time 	<p>Shane, Shankar, Aravindakshan 2006 "The Effects of New Franchisor Partnering Strategies on Franchise System Size" USA</p>	<ul style="list-style-type: none"> - Only business format franchising examine - Focus on financial involvement of franchisee
<p>Entrepreneurial characteristics for franchisees:</p> <ol style="list-style-type: none"> 1) Need for achievement 2) Initiate 3) Self-reliance 4) Competitiveness 5) Internal control 6) Autonomy 7) Risk-taking 	<p>Withane 1991 "Franchising and Franchisee Behavior: An Examination of Opinions, Personal Characteristics, and Motive of Canadian Franchisee Entrepreneurs" Canada</p>	<ul style="list-style-type: none"> - 65 answers from franchisors
<p>Franchisor and franchisee agree to these most important points:</p> <ol style="list-style-type: none"> 1) Willingness to work hard 2) Desire to succeed 3) Management ability 4) Financial backing 5) Strong people skills 6) Support form family <p>Franchisors and franchisees agree to these least important points:</p> <ol style="list-style-type: none"> 1) Previous management experience in the same industry 2) Creativity 3) Previous experience in own business 	<p>Knight 1996 "Franchising from the Franchisor and Franchisee Point of View" Canada</p>	
<p>Task-related critical success factors CSF</p> <ol style="list-style-type: none"> 1) Europe-wide distribution channels 2) Strong local brand 3) Strong host-government 4) Compatible supply chain management system 5) Partner-related CSF: 	<p>Cummings, Holmberg 2012 "Best fit Alliance Partners: The Use of Critical Success Factors in a Comprehensive Partner Selection Process" USA</p>	<p>Strategic alliances research:</p> <ul style="list-style-type: none"> - Task-related critical success factors CSF: factors that facilitate or inhibit the successful completion of desired alliances objectives - Learning-related CSF: critical, desired attributes in potential alliance partners that enhance learning outcome

<ul style="list-style-type: none"> 6) Similarity of organizational cultures 7) Collaboration track records 8) Importance of alliance to partners 9) Senior management compatibility 10) Risk-related CSF: 11) Negative reputation if alliance fails 12) Spillover of proprietary knowledge 13) Likelihood of loci-out if fail to ally 		<ul style="list-style-type: none"> - Partner-related CSF: relational factors that can enhance or inhibit how the alliance unfolds therefore affect its outcomes - Risk-related CSF: factors that arise from the independent nature of alliances, which are often neglected in practice - Conceptual comprehensive partner selection framework that includes dynamic partner selection considerations
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Source: Author's own table based on analysis of scientific publications

4. Appendix: Summary of main publications on franchisee selection outside Europe and North America

Result of study	Author / year/ title / geographic area of research	Comments on method and of study
<p>Emphasizes quality of relationship between franchisee and franchisor</p> <p>Franchisee should learn or know of:</p> <ol style="list-style-type: none"> 1) Nature of the business 2) Difference in country markets 3) Strategic context of the organization. 	<p>Altinay, Wang 2006 “The Role of Prior Knowledge in International Franchise Partner Recruitment”</p> <p>EMEA Europe, Middle East, Africa</p>	<ul style="list-style-type: none"> - Qualitative case study with 45 interviewees decision makers and influencers in the hotel industry.
<p>Investigates the process of franchisee selection:</p> <ol style="list-style-type: none"> 1) Importance of cultural understanding of potential partners 2) Decision making was done by cross-discipline team 3) Divisional/company level stressed task-related selection criteria 4) Strategy of franchisor 5) Market considerations 6) Financial analysis 7) Details on the potential franchisee <p>Important factors:</p> <ol style="list-style-type: none"> 1) Personal interaction with potential partner to check partner related factors 2) Clear mutual understanding of expectations and brand requirements 3) Check partner related criteria: reliability, commitment, experience, especially culture 4) Cross-departmental selection approach to check task related factors 	<p>Altinay 2006 “Selecting Partners in an International Franchise Organisation”</p> <p>EMEA Europe, Middle East, Africa</p>	<ul style="list-style-type: none"> - Embedded qualitative case study with different interviewees decision makers and influencers in the hotel industry. - Explores partner and task related criteria during selection process - Three major contextual variables, discussed: strategic context, country markets, and the nature of the business.
<p>Criteria of successful franchisees:</p> <ol style="list-style-type: none"> 1) High emotional discipline 2) More caution & restraint 3) Great attention to detail 4) Follow calculating and factual work methods 5) High degree of interpersonal insight 6) Significantly self-assured 7) Highly competent 	<p>Kasselmann, de Beer, Vermeulen 2002 “Personality Attributes of Successful Franchisees in the Fast Foods Sector in South Africa”</p> <p>South Africa</p>	<ul style="list-style-type: none"> - Questionnaires to 200 fast food restaurants owners/franchisors - Grouping into well and badly performing franchisees - Questionnaire measures: 16 personality factors, personal profile analysis, entrepreneurial attitude - Performance criteria measured by franchisor: customer satisfaction, restaurant evaluation - Formula for well and badly performing franchisees
<p>McDonald’s franchisees in Australia tend to be more... than average Australian:</p> <ol style="list-style-type: none"> 1) Organized 2) Conscientious 3) More outgoing 4) Active 5) Extraverted 6) High spirited 7) Hardy 	<p>Soontiens, Lacroix 2009 “Personality Traits of Franchisees – McDonald’s Restaurants in Australia”</p> <p>Australia</p>	<ul style="list-style-type: none"> - Questionnaire to 204 franchisees - Results are from just one company and with existing franchisees - Compared results with average Australian citizen

<p>8) Secure 9) Generally relaxed even under stress 10) Less neurotic</p>		
<p>Most important criteria when selecting a new partner: Trust as the base for an international franchise relationship</p>	<p>Thompson, Stanton 2010 “A Framework for Implementing Retail Franchises Internationally” Australia</p>	<ul style="list-style-type: none"> - Research in the retail sector - Pre-contractual research to minimize post-contractual agency problems - Selection process can enhance performance of system and reduce long-term monitoring costs - Master franchisor may reduce adverse selection by developing selection criteria to find suitable international partners - The selection process can be part of master franchisor’s capability before internationalization, involving a strategy of choosing, screening, and supporting international partners
<p>Roles of franchisee:</p> <ol style="list-style-type: none"> 1) Client of the system 2) Protégé 3) Employee 4) Entrepreneur <p>Competencies needed by franchisee:</p> <ol style="list-style-type: none"> 1) Motivation 2) Commitment 3) Learning ability <p>Competencies of a franchisor:</p> <ol style="list-style-type: none"> 1) Attitude 2) Experience 3) Knowledge 4) Skills 	<p>Lim, Frazer 2004 “Matching Franchisor-Franchisee Roles and Competencies” Australia</p>	<ul style="list-style-type: none"> - Case studies of franchisors, plus their high, medium, and low performing franchisees - Survey of Australian franchise systems in the retail and service sector - Roles and competencies of franchisees and franchisors
<p>Exploratory and exploitative learning steps during each selection process:</p>	<p>Wang, Altinay 2008 “International Franchise Partner Selection and Chain Performance through the Lens of Organisational Learning” EMEA Europe, Middle East, Africa</p>	<ul style="list-style-type: none"> - US hotel chain with franchisee in Europe - Perception of franchising concept differs within Europe - Need for cultural awareness - Need for cross-cultural teams for better selection process to integrate relevant expertise and link strategic/operational learning process. - Every department has different aspects to emphasize
<p>Franchisors selection criteria:</p> <ol style="list-style-type: none"> 1) Positive attitude, work ethic, enthusiasm, motivation 2) Business management /industry experience/ 	<p>McCosker 2000 “The Quest for Quality Franchisees: an Exploration for Franchisors’ Performance” Australia</p>	<ul style="list-style-type: none"> - Questionnaires to franchisors of mixed industries - Post contractual disputes: - Non or underpayment of fees - Non-adherence to the system - Misrepresentation issues

<p>ability</p> <p>3) Communication ability, people skills, team player, customer focus</p> <p>4) Personality, honesty, integrity</p> <p>5) Sales/marketing experience/ ability</p> <p>6) 6 Ability/ willingness to follow system</p>		<ul style="list-style-type: none"> - Profitability
<p>Interrelated antecedents of decision making:</p> <p>1) Company's strategy</p> <p>2) Leadership</p> <p>3) Cross functional interface</p> <p>4) Organizational structure</p> <p>5) Communication</p> <p>3 overlapping stages in international</p> <p>1) Initial lead</p> <p>2) Selection</p> <p>3) Committee approval</p>	<p>Altinay, Okumus 2010 "Franchise Partner Selection Decision Making"</p> <p>EMEA Europe, Middle East, Africa</p>	<ul style="list-style-type: none"> - US hotel chain with franchisee in Europe - Decision making approaches: rational model, bounded rational model, process model, garbage can model, political model - Chemistry between partners is important - Single, embedded qualitative case study - 45 semi-structured interviews by purposive sampling - Examines business ability, financial situation, and personal background - Organizations need to understand the influence of different internal organizational parameters
<p>Selection criteria for franchisees and franchisors:</p> <p>1) Culture</p> <p>2) Ethics</p> <p>3) Organizational values</p> <p>4) Pricing</p> <p>5) Commitment</p> <p>6) Experience</p>	<p>Vaishnav, Altinay 2009 "The Franchise Partner Selection Process and Implications for India"</p> <p>India</p>	<ul style="list-style-type: none"> - Semi structured interviews - Hotel industry - Franchisee attracts: brand name, profitability, reputation
<p>Most important franchisee selection criteria:</p> <p>1) Finance ability</p> <p>2) Business ability</p> <p>3) Experience</p> <p>4) Personality</p> <p>Least important franchisee selection criteria:</p> <p>1) Social intercourse</p> <p>2) Age</p> <p>3) Educational background</p>	<p>Hsu, Chen 2008 "Integrated Analytic Hierarchy Process and Entropy to Develop a Durable Goods Chain Store Franchisee Selection Model"</p> <p>Taiwan</p>	<ul style="list-style-type: none"> - Durable goods industry - Interviews with experts using Delphi Technique - Personal condition of franchisee is more valuable than store location. - Examines business ability, financial situation, and personal background - Confirms Jambulingam and Nevin 1999 study.
<p>Perspectives:</p> <p>1) Profitability is franchisor's highest concern</p> <p>2) Franchisee satisfaction may or may not result from passion</p> <p>3) Franchisor power is influential in franchiseship</p> <p>4) Entrepreneurial ability is important</p>	<p>Scott, Frazer, Weaven 2004 "Franchise Unit Success Factors"</p> <p>Australia</p>	<ul style="list-style-type: none"> - Financial service sectors - Growth pressures result in appropriate selection criteria, which introduces significant problems with respective system - Qualitative study, ethnographic approach, non-participant observation, convergent interviewing - Two franchisors and four franchisees from each system
<p>Ranked task-related selection criteria:</p> <p>1) Knowledge of local market</p> <p>2) Distribution channels</p> <p>3) Links with major buyers</p> <p>4) Knowledge of local culture</p> <p>5) Technology</p>	<p>Glaister, Buckley 1997 "Task-related and Partner-related Selection Criteria in UK International Joint Ventures"</p>	<ul style="list-style-type: none"> - Factor analysis - Joint venture study - Postal questionnaire - Semi-structured interviews with 8 UK partners

<ul style="list-style-type: none"> 6) Product itself 7) Knowledge of production processes 8) Capital 9) Regulatory permits 10) Labor 11) Local brand names 12) Material/natural resources <p>Ranked partner-related selection criteria:</p> <ul style="list-style-type: none"> 1) Trust between the top management teams 2) Relatedness of partner's business 3) Reputation 4) Financial status/financial resources of the partner 5) Established marketing and distribution system 6) Partner's company size 7) International experience 8) Experience in technology applications 9) Management in depth 10) Degree of favorable past associations between partners 11) Partner's ability to negotiate with foreign government 	<p>United Kingdom, Western Europe, US, Japan</p>	
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Source: Author's own table based on analysis of scientific publications

5. Appendix: Excerpt of official experts approached for this research and belonging to the German Franchise Federation

Board of directors⁵¹⁸

President: Fröhlich, Dr. h. c. Dieter

Vice president: Blaufuss, Holger

Treasury: Gerlach, Carsten

Board member: Enders, Kai

Board member: Lehner, Matthias

Honorary Presidents: Skaupy, Dr. Walther, Maus, Prof. Manfred

Honorary members: Abé, Eberhard, Reimers, Günter, Boehm, Dr. Hubertus

Associated experts: consultants in alphabetical order by last name⁵¹⁹

Althaus, Dr. Dietmar

Böhner, Reinhard

Doeser, Thomas

Erdmann, Günter

Giesler, Dr. Jan Patrick

Hellhake, Thomas

Köhne, Dr. Hans-Clemens

Dr. Karsten

Stangier, H. Michael

Ullmann, Jörg

Becker, Horst Christian

Braun, Frank

d'Avis, Rita

Fissl, Dirk

Güntzel, Dr. Volker

Hero, Marco

Klapperich, Joachim

Pott, Karl-Erhard

Stein, Gabriele

Waldzus, Dr. Dagmar

Billing, Dr. Tom

Dünisch, Ruth

Endres, Peter

Flohr, Prof. Dr. Eckhard

Heil, Dr. Ulf

Jacobsen, Dr. Kay

Liesegang, Dr. Helmuth Metzloff, Prof.

Reif, Dr. Mathias

Stummel, Dr. Dieter Treumann, Christian

Wulf, Dr. Julia

Member of the “International Franchise Committee” of the German Franchise Federation in alphabetical order by last name⁵²⁰

Brodersen, Torben Leif

Enders, Kai

Giesler, Jan Patrick

Jung, Michaela

Kohler, Iris

Przygodda, Jens

Schulokat, Oliver

Eckhold, Jörg T.

Erdmann, Günter

Hero, Marco

Kamp, Jan

Metzloff, Karsten

Reuter, Telma

Ursinus, Sven

Elberg, Markus

Fischer, Michaela

Heumann, Cheyenne

Kirst, Rolf G.

Niels, Mareike

Sacchetti, Alberto

Waldzus, Dagmar

⁵¹⁸ German Franchise Federation 2014

⁵¹⁹ German Franchise Federation 2014a

⁵²⁰ German Franchise Federation 2014c

6. Appendix: List of questioned franchise experts

Candidate	Answers received	Classification	German Franchise Association
1	via email	Associated expert to German Franchise Association	
2	by phone	Associated expert to German Franchise Association	Member of board
3	via email	Associated expert to German Franchise Association	Vice President
4	via email	Associated expert to German Franchise Association	Honorary Member
5	via email	Associated expert to German Franchise Association	
6	by phone	Associated expert to German Franchise Association	
7	by phone	Associated expert to German Franchise Association	
8	by phone	Associated expert to German Franchise Association	
9	by phone	Associated expert to German Franchise Association	
10	by phone	Renown franchise consultant	
11	by phone	Associated expert to German Franchise Association	
12	by phone	Associated expert to German Franchise Association	
13	by phone	Associated expert to German Franchise Association	Honorary Member
14	met personally	Associated expert to German Franchise Association	
15	met personally	Associated expert to German Franchise Association	
16	by phone	Renown franchise consultant	
17	via email	Renown franchise consultant	
18	via email	Associated expert to German Franchise Association	
19	via email	International franchise committee of German Franchise Association	
20	via email	International franchise committee of German Franchise Association	
21	via email	International franchise committee of German Franchise Association	
22	via email	International franchise committee of German Franchise Association	
23	via email	International franchise committee of German Franchise Association	
24	via email	International franchise committee of German Franchise Association	
25	via email	International franchise committee of German Franchise Association	
26	via email	International franchise committee of German Franchise Association	
27	via email	Associated expert to German Franchise Association	Member of board
28	via email	Franchise professor	
29	met personally	Associated expert to German Franchise Association	
30	via email	Associated expert to German Franchise Association	
31	met personally	Associated expert to German Franchise Association	
32	via email	Associated expert to German Franchise Association	
33	via email	Associated expert to German Franchise Association	
34	met personally	German franchisee association	
35	via email	Renown franchise consultant	

7. Appendix: Descriptive statistics for attributes as seen by franchise experts mean, minimum, maximum, median, mode, variance, skewness, kurtosis

Question	Importance of	Mean	Min	Max	Median	Mode
1.1	Internal communication	3.79	1	5	4	4
1.2	External communication	3.97	1	5	4	4
2.1	Secure financing in first year	4.64	2	5	5	5
2.2	Secure financing in second year	4.21	2	5	4	4
3.1	Ability of speaking local/national language on site	4.41	3	5	5	5
3.2	Living on site	3.79	2	5	4	4
3.3	Knowing culture on site	3.64	1	5	4	3
3.4	Knowing business procedures on site	4	3	5	4	4
3.5	Knowing social setting on site	3.67	2	5	4	3
3.6	Knowing legal setting on site	3.08	2	5	3	3
3.7	Ability to speak German	3.41	1	5	3.5	5
3.8	Ability to speak English	3.08	1	5	3	2
4.1	Following system instructions	4.22	2	5	4	5
4.2	Willingness to work hard	4.34	3	5	4	4
4.3	Punctuality and reliability	3.54	1	5	4	4
4.4	Loyalty toward franchise system	4.57	3	5	5	5
5.1	Use computer on daily basis	3.20	1	5	3	3
5.2	Analytical abilities	2.97	1	5	3	3
5.3	Leadership abilities	3.60	1	5	4	4
5.4	Any work experience	3.36	1	5	3	4
5.5	Sales experience	3.87	2	5	4	4
5.6	Previous business success	3.42	2	5	3	4
5.7	Entrepreneurship	3.25	1	5	3	2
6.1	Math skills	3.38	1	5	3	3
6.2	Academic education	1.73	1	3	2	2
6.3	Finance and accounting	2.80	1	4	3	3
6.4	Knowledge of respective business sector	2.84	1	5	3	3
6.5	General business knowledge	3.25	2	5	3	3
6.6	Knowledge about franchising	2.31	1	5	2	2
7.1	Above average sales	3.91	1	5	4	4
7.2	Increase in sales	4.02	1	5	4	4
7.3	Number of staff	2.44	1	5	3	3
7.4	Increase in staff	2.28	1	5	2	2
7.5	Number of years being part of system	2.60	1	5	2	2
7.6	Putting constructive criticism in action	3.58	1	5	4	4
7.7	Satisfaction	4	1	5	4	4

Source: The author's own research results based on primary data collected from experts n=35

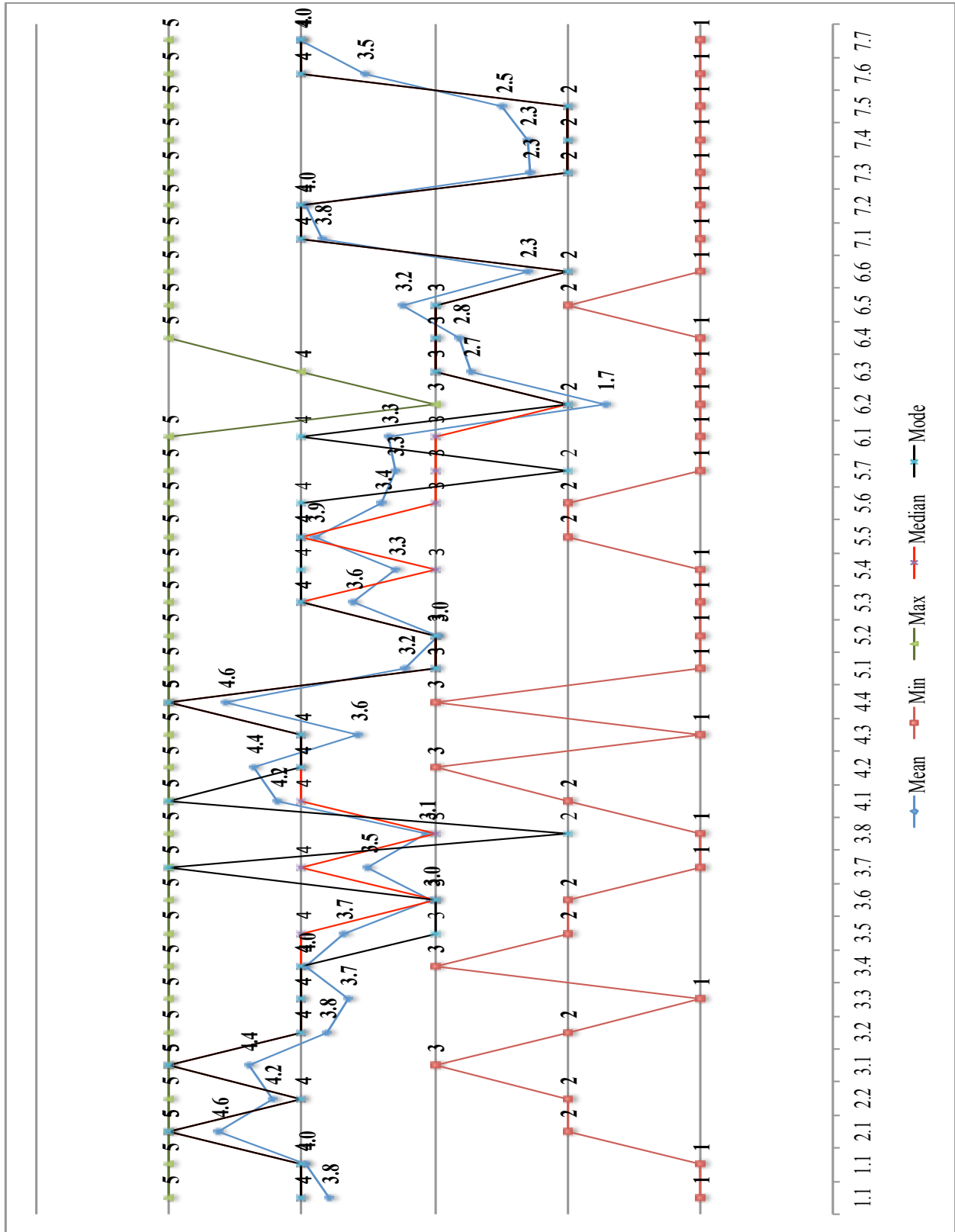
Descriptive Statistics

	Variance	Skewness		Kurtosis	
	Statistic	Statistic	Std. Error	Statistic	Std. Error
1.1	1,138	-1,154	,403	1,240	,788
1.2	,999	-1,099	,403	1,252	,788
2.1	,478	-2,322	,403	5,957	,788
2.2	,672	-1,147	,409	1,472	,798
3.1	,492	-,786	,403	-,531	,788
3.2	,775	-,138	,403	-,746	,788
3.3	1,084	-,418	,403	-,196	,788
3.4	,606	,000	,403	-1,314	,788
3.5	,892	,028	,403	-,961	,788
3.6	,810	,614	,403	-,145	,788
3.7	1,765	-,169	,403	-1,332	,788
3.8	1,719	-,001	,403	-1,149	,788
4.1	,652	-,807	,398	,133	,778
4.2	,408	-,441	,398	-,594	,778
4.3	,903	-,457	,398	,292	,778
4.4	,311	-,837	,398	-,310	,778
5.1	1,381	,051	,403	-,828	,788
5.2	,696	,390	,403	1,186	,788
5.3	,934	-,652	,409	,439	,798
5.4	1,301	-,112	,409	-,994	,798
5.5	,694	-,469	,414	-,055	,809
5.6	1,076	,034	,398	-1,118	,778
5.7	1,667	,010	,398	-1,319	,778
6.1	,849	-,372	,403	,210	,788
6.2	,322	,011	,403	-,331	,788
6.3	,812	-,604	,398	-,142	,778
6.4	1,570	-,001	,409	-,978	,798
6.5	,667	,510	,398	,081	,778
6.6	1,045	,537	,398	,006	,778
7.1	1,198	-1,106	,398	1,097	,778
7.2	1,060	-1,478	,403	2,686	,788
7.3	,981	,173	,403	-,021	,788
7.4	1,210	,654	,398	-,319	,778
7.5	1,835	,416	,398	-1,032	,778
7.6	1,098	-,752	,403	,563	,788
7.7	,909	-1,114	,403	1,721	,788

	N	Range	Std. Deviation
	Statistic	Statistic	Statistic
1.1	34	4,00	1,06684
1.2	34	4,00	,99955
2.1	34	3,00	,69117
2.2	33	3,00	,81997
3.1	34	2,00	,70141
3.2	34	3,00	,88006
3.3	34	4,00	1,04105
3.4	34	2,00	,77850

3.5	34	3,00	,94454
3.6	34	3,00	,90009
3.7	34	4,00	1,32842
3.8	34	4,00	1,31120
4.1	35	3,00	,80753
4.2	35	2,00	,63906
4.3	35	4,00	,95001
4.4	35	2,00	,55761
5.1	34	4,00	1,17498
5.2	34	4,00	,83431
5.3	33	4,00	,96629
5.4	33	4,00	1,14067
5.5	32	3,00	,83280
5.6	35	3,00	1,03713
5.7	35	4,00	1,29121
6.1	34	4,00	,92162
6.2	34	2,00	,56723
6.3	35	3,00	,90098
6.4	33	4,00	1,25303
6.5	35	3,00	,81684
6.6	35	4,00	1,02244
7.1	35	4,00	1,09468
7.2	34	4,00	1,02942
7.3	34	4,00	,99060
7.4	35	4,00	1,10004
7.5	35	4,00	1,35473
7.6	34	4,00	1,04787
7.7	34	4,00	,95346

8. Appendix: Descriptive statistics for attributes as seen by franchise experts mean, minimum, maximum, median, mode in visual form



Source: Author's table based on researched data from experts

9. Appendix: Questions to franchise experts

Thank you very much for participating in this study about national and international franchisee selection. The views asked about are from a German franchisor perspective. Please answer all questions-open questions in bullet points -based on your individual opinion and experience. Your data will be confidential.

Christiane Gaul

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Fax: +49-941-69-530-555-217

Email: c.gaul@andre-media.de

1	From a franchisor perspective, how important do you rate the following skills when recruiting a franchisee	fundamental	very important	important	less important	not important	Items ranked by importance
1.1	Internal communication						
1.2	External communication						

2	From a franchisor perspective, how important do you consider the following criteria the moment a franchisee signs the contract	fundamental	very important	important	less important	not important	Items ranked by importance
2.1	Secure financing first year						
2.2	Secure financing second year						

3	From a franchisor perspective, how important do you rate existing knowledge or certain circumstances of a future franchisee	fundamental	very important	important	less important	not important	Items ranked by importance
3.1	Speaking local or national language on site						
3.2	Living on site						
3.3	Knowing culture on site						
3.4	Knowing business procedures on site						
3.5	Knowing social circumstances on site						
3.6	Having local legal knowledge						
3.7	Able to speak German to communicate with a German franchisor						
3.8	Able to speak English to communicate with a German franchisor						

4	From a franchisor perspective, how important do you rate the following attitudes when recruiting a franchisee	fundamental	very important	important	less important	not important	Items ranked by importance
4.1	Follow system instructions						
4.2	Willingness to work hard						
4.3	Punctuality and reliability						
4.4	Loyalty towards the franchise system						
3.5	Enthusiasms						

5	From a franchisor perspective, how important do you rate the following skills/ abilities when recruiting a franchisee	fundamental	very important	important	less important	not important	Items ranked by importance
5.1	Be able to use computer on daily basis						
5.2	Analytical abilities						
5.3	Leadership abilities						
5.4	Any work experience						

5.5	Sales experience						
5.6	Previous business success						
5.7	Entrepreneurship						

Overall performance of franchiseship

From a franchisor perspective, how important do you rate the following skills/ abilities when recruiting a franchisee		fundamental	very important	important	less important	not important	Items ranked by importance
6							
6.1	Basic mathematical skills						
6.2	Academic education						
6.3	Finance and accountancy						
6.4	Knowledge of respective business sector						
6.5	General business knowledge						
6.6	Knowledge about franchising						

From a franchisor perspective, how important do you rate the following criteria when defining a successful franchisee		fundamental	very important	important	less important	not important	Items ranked by importance
7							
7.1	Above average sales						
7.2	Increase in sales						
7.3	Number of staff						
7.4	Increase in number of staff						
7.5	Number of years being part of the system						
7.6	Putting constructive criticism in action						
7.7	Satisfaction						

8 Your own definition of a successful franchisee bullet points

9 Which franchisee type do you generally consider more successful?		Items ranked by importance
9.1	Active franchisee, personally taking part in all aspects of daily business	
9.2	Investor franchisee	

10 As franchisee candidates generally do not possess all ideal requirements, which ones do you consider decisive bullet points:		Items ranked by importance
10.1		
10.2		
10.3		
10.4		
10.5		
10.6		
10.7		

11 Representatives of which departments should be part of the final decision for or against a franchisee candidate? bullet points

11.1 _____

11.2 _____

11.3 _____

11.4

12 What is especially important when recruiting bullet points

nothing don't know

12.1 Master franchisees for operations abroad outside Germany

--	--

12.2 Sub franchisees for national German operations

--	--

12.3 Sub franchisees for operations abroad outside Germany

--	--

12.4 Direct franchisees for national German operations

--	--

12.5 Direct franchisees for operations abroad outside Germany

--	--

12.6 Multiple unit franchisees for national German operations

--	--

12.7 Multiple unit franchisees for national German operations

--	--

12.8 Area developer for national German area

--	--

12.9 Area developer for operations abroad outside Germany

--	--

13 How does national franchisee selection differ from international franchisee selection? bullet points

13.1 Related to candidate's language abilities

in nothing	don't know
------------	------------

13.2 Related to candidate's technical abilities using modern means of communication

in nothing	don't know
------------	------------

13.3 Related to personal and regular meetings with franchisor

in nothing	don't know
------------	------------

13.4 Related to the candidate's communication abilities

in nothing	don't know
------------	------------

13.5 Related to the candidate's necessary solid financial background

in nothing	don't know
------------	------------

13.6 Related to the candidates administrative abilities

in nothing	don't know
------------	------------

13.7 Related to the candidate's willingness to work hard

in nothing	don't know
------------	------------

13.8 Related to the recruitment process until signing the franchise contract

in nothing	don't know
------------	------------

14 In your opinion, which selection criteria are often underestimated when recruiting nationally? bullet points none
don't know

15 In your opinion, which selection criteria are often underestimated when recruiting internationally? bullet points none
don't know

16 In your opinion, what are the main reasons why national franchisees quit? bullet points don't know

17 In your opinion, what are the main reasons why international franchisees quit? bullet points don't know

18 In your opinion, how does selling a franchise license nationally differ from selling it internationally? bullet points don't know

10. Appendix: Ranked mean values of successful attributes as seen by experts



Source: Author's own research results based on primary data collected from experts scale from 1 "never" to 5 "always"; n=35

11. Appendix: Extract of decisive franchisee selection criteria for successful franchisees, as seen by experts

Sales	Financials	Entrepreneurial spirited	Leadership
Sales knowledge	Minimum of 10 thousand Euro equity	Strong self-motivation	Leadership abilities
Sales experience	Equity and possibility to finance	Stand conflicts	Personnel leadership
Sales experience	Equity/ financial securities	Business knowledge	Leadership experience, including work experience and business success
Strong in closing sales	Sufficient financial funds	Entrepreneurial motivation	Engage in sympathy and having charisma
Sales and organization experience	Financial liquidity	Growth philosophy	Leading
Able to acquire clients	Sufficient resources	Adaptive, understanding	Objective
Strong sales abilities	Sufficient own resources	Discipline	Trustful without being critical
Sales person	Well funded	Implement instructions and still keep motivation up	Contribute to the franchise system
Sales experience		Business sector experience	Able to train
Sales oriented		Experience in entrepreneurial spirit	Communicative
Sales abilities		Realization of actions	Assertive
Talented in sales		Business knowledge	Leadership abilities
Sales professional		Willing to work in operations	Service oriented
		Basic business knowledge	Leadership experienced
		Openness	Can manage and lead staff
		Experience in the business sector	Team player in a network
		Proactive not reactive	Is sufficiently educated/trained for the technical part of the job
		Active	Leadership experience
		Needs more continuity than he thinks	Good communicator
		Entrepreneurial thinking	Fair and transparent
		Entrepreneurial spirited	Trustworthy
		Personal initiative for applying to be a franchisee	Leadership qualities
		Reliability	Leadership competencies
		Equilibrated partnership	Ability to recruit employees
		Has potential to be entrepreneur	Honesty
		Has to enjoy work	
		Social competences	
		Entrepreneurial	
		Committed	
		Willing to listen and apply franchise suggestions	
		Friendly, people oriented	
		Entrepreneurial thinking	
		Expertise	

		Independently working	
		Broad minded and outgoing	
		Entrepreneurial thinking	
		Product and service orientation	
		Interested in people and sales	
		Reputable	
		Adaptive	
		Open	
		Willing to work hard	
		Enough life experience	
		System compatible, loyal	
		Support through innovative ideas	
		Entrepreneurial	
		Discipline	
		Team player	
		Entrepreneurial thinking	
		Know how about business sector	
		Adhere to franchise contract conditions	
		Business and social competencies	
		Ability to recognize customers needs and satisfy them	
		Have one's own initiative and motivation	
		Independent	
		Social competences	
		Enthusiasm	
		Positive interaction with other people	
		Open to changes	
		Presenting own ideas	
		Customer satisfaction is important to him/her	
		Trustful	
		Team player	
		Good job history	
		Have enough capacities	
		Well connected locally	
		Support of the family	
		Sports enthusiasm	
		Excitement for the system	
		Fitness affine	
		Speak German well	
		Ability and desire to be successful	
		Searching for challenges	
		Run risks	

Source: The author's own research results generated from expert opinion. N=35

12. Appendix: Questionnaire for franchisors-successful franchisees

I. Introduction

Dear Franchisors,
Dear Franchise Managers,

Successful franchisees have which characteristics? The following study was based on this key question. Therefore I kindly ask you for 9 minutes of your valuable time.

The questionnaire is based on current statements of franchise experts. Combined with your individual point of view coming from a practical angle, these answers are compared. The study tests soft, hard and regional aspects.

I would like to thank you in advance for your support. Should you be interested in the results, you may leave your email address at the end of the survey to receive the STUDY RESULTS FREE OF CHARGE.

Your data will not be handed on to third parties!

Christiane Gaul
Doctoral Student at the University of Latvia
Department of Business Administration
Phone: 0171-767 4411
Fax: 0941-69530 555 217
Doctoral student's email address: franchiseumfrage@gmail.com
Link to questionnaire: <https://de.surveymonkey.com/s/VNHV368>
P. S. For unification purposes only the male form is used in the text.

II. Common system information

Please fill in answers for all questions. Otherwise the questionnaire is not valid.

1. How many franchisees are currently part of your system?

1 to 4	<input type="text"/>
5 to 10	<input type="text"/>
11 to 20	<input type="text"/>
21 to 50	<input type="text"/>
Other please indicate	<input type="text"/>

2. How many years has your system been a franchise system

1 to 2	<input type="text"/>
3 to 5	<input type="text"/>
6 to 10	<input type="text"/>
11 to 20	<input type="text"/>
Over 20 years	<input type="text"/>
Other please indicate	<input type="text"/>

3. In which business sector is your company operating?

Trade	<input type="text"/>
Handcraft	<input type="text"/>
Food and beverage	<input type="text"/>
Hotel	<input type="text"/>
Other services	<input type="text"/>
Other please indicate	<input type="text"/>

4. Which country of origin does your system have?

Germany	<input type="text"/>
Austria	<input type="text"/>
Switzerland	<input type="text"/>
Other please indicate	<input type="text"/>

5. The franchisor is located in:

Germany	<input type="text"/>
Austria	<input type="text"/>
Switzerland	<input type="text"/>
USA	<input type="text"/>
Other please indicate	<input type="text"/>

6. In 2013, how much sales did your system make in Euro?

7. Looking at the intensity of the cooperation with the franchisor, do you consider your system a

License system less intense relationship, less extensive contract	<input type="text"/>
Franchise system very tight relationship, extensive contract	<input type="text"/>
Other please specify	<input type="text"/>

8. Which type of franchisee does your system prefer?

Active franchisee takes part in daily operations	<input type="text"/>
Investor franchisee without or with little participation in daily operations	<input type="text"/>
Other please indicate	<input type="text"/>

9. Successful and most profitable franchisees belonging to your system have the following characteristics maximum THREE answers.

- | | |
|--|--------------------------|
| Earn above average profits. | <input type="checkbox"/> |
| Earn above average turnover. | <input type="checkbox"/> |
| Make profits over longer period of time. | <input type="checkbox"/> |
| Are talented sales men. | <input type="checkbox"/> |
| Are satisfied with the system. | <input type="checkbox"/> |
| Cooperate. | <input type="checkbox"/> |
| Participate actively in the system. | <input type="checkbox"/> |
| Others please indicate | <input type="checkbox"/> |

III. Soft factors

Please fill in answers for all questions. Otherwise the questionnaire is not valid.

10. Please compare the following characteristics with your MOST SUCCESSFUL and most PROFITABLE franchisees.

	always	most times	half/half	rarely	never	n/a
Try for a common and standardized brand appearance.						
Follow system rules and regulations.						
Get personally and actively involved in the system.						
Are trustworthy.						
Are responsible.						
Meet deadlines.						
Communicate structured and logically with franchisor.						
Communicate structured and logically within company.						
Communicated clearly and well spoken written and orally.						
Exemplify the business to others through own life.						
Motivate others.						
Work efficiently with own business figures.						

11. Please compare the following characteristics with your MOST SUCCESSFUL and most PROFITABLE franchisees.

	always	most times	half/half	rarely	never	n/a
Work over time on a regular basis without affecting them.						
Consider franchise system as one of their most important things in life.						
Take part actively in business operations.						
Are proud to be franchise partners of the system.						
Will renew their franchise contract most likely.						
Would recommend the franchise system.						
Critique performance of headquarters rarely or not at all.						
Are satisfied with value for money at headquarters.						
Do not look for disputes but search actively for solutions.						
Actively involve client into the sales process.						

Have cooperative connection with client.
 Sell to the same client more than once.

IV. Hard factors

Please fill in answers for all questions. Otherwise the questionnaire is not valid.

12. Please compare the following characteristics with your **MOST SUCCESSFUL** and most **PROFITABLE** franchisees.

Had sufficient funding exceeding the initial investment when entering the system.
 Never were in debt or only had minimal debt with franchisor during the partnership.
 Pay franchise fees on time.
 Were self-employed before entering the franchise system.
 Are able to market themselves very well.
 Have an academic or professional business background.
 Gained experience within the industry before entering the system.
 Do know their business sector very well by now.
 Gained leadership experience before entering the system.
 Lead their team very well.

	always	most times	half/half	rarely	never	n/a

13. Please compare the following characteristics with your **MOST SUCCESSFUL** and most **PROFITABLE** franchisees.

Display corresponding attitude for company philosophy.
 Gained business experience in a similar company before entering the system.
 Were successful in business before entering the system.
 Gained business experience in a different company before entering the system.
 Had sales experience before entering the system.
 Live for selling.
 Coach their own sales team.
 Are married.
 Have academic background.
 Are women

	always	most times	half/half	rarely	never	n/a

14. Your **MOST SUCCESSFUL** and most **PROFITABLE** franchisees were about which age when entering the system

Younger than 30 years
 Between 30 and 40 years
 Between 40 and 50 years
 Older than 50 years
 Other please specify

	always	most times	half/half	rarely	never	n/a

15. Please indicate two characteristics a franchisee must have, to be successful with your system

--

V. Regional factors

Please fill in answers for all questions. Otherwise the questionnaire is not valid.

16. Please compare the following characteristics with your MOST SUCCESSFUL and most PROFITABLE franchisees.

Grew up on the region where they are actively operating as franchisees.

Live on site.

Good knowledge about culture on site.

Good knowledge on business code of conduct on site.

Good knowledge of social situation on site.

Are well connected on site.

	always	most times	half/half	rarely	never	n/a
Grew up on the region where they are actively operating as franchisees.						
Live on site.						
Good knowledge about culture on site.						
Good knowledge on business code of conduct on site.						
Good knowledge of social situation on site.						
Are well connected on site.						

17. Does your franchise system operate internationally?

Yes, we are a multinational company

No, we are a national company.

Other please specify

Please fill in answers for all questions. Otherwise the questionnaire is not valid.

18. Please compare the following characteristics with your MOST SUCCESSFUL and most PROFITABLE franchisees.

Are able to speak the language on site fluently.

Use modern means of communication e. g. smart phone, Microsoft office products, email internet....

Speak German to communicate with the franchisor.

Speak English to communicate with the franchisor.

Communicate in a third language with the franchisor neither German or English.

International franchisees have as much contact with the franchisor as national franchisees.

Comment optional:

	always	most times	half/half	rarely	never	n/a
Are able to speak the language on site fluently.						
Use modern means of communication e. g. smart phone, Microsoft office products, email internet....						
Speak German to communicate with the franchisor.						
Speak English to communicate with the franchisor.						
Communicate in a third language with the franchisor neither German or English.						
International franchisees have as much contact with the franchisor as national franchisees.						
Comment optional:						

VII. Personal Data

19. Do you recruit and/or manage franchisees?

Yes

No, I am a franchisee

No, I work at the headquarter in the department of _____

20. Yes, please send me a copy of the results free of charge to the following email address optional

21. Do you have any comments regarding the questionnaire or general comments regarding franchisee acquisition?

13. Appendix: Questionnaire for franchisors – unsuccessful franchisees

1. In which business sector is your company operating?

Trade	
Handcraft	
Food and beverage	
Hotel	
Other services	
Other please indicate	

2. How many franchisees are currently part of your system?

1 to 4	
5 to 10	
11 to 20	
21 to 50	
Other please indicate	

3. Unsuccessful and least profitable franchisees belonging to your system have the following characteristics maximum THREE answers.

Earn below average profits.	
Earn below average turnover.	
Make loss over longer period of time.	
Are untalented sales men.	
Are unsatisfied with the system.	
Do not cooperate.	
Participate actively in the system.	
Others please indicate	

II. Primary factors

Please fill in answers for all questions. Otherwise the questionnaire is not valid.

4. Please compare the following characteristics with your unsuccessful and least profitable franchisees.

	always	most times	half/half	rarely	never	n/a
Try for a common and standardized brand appearance.						
Follow system rules and regulations.						
Get personally and actively involved in the system.						
Are trustworthy.						
Are responsible.						
Meet deadlines.						
Communicate structured and logically with franchisor.						
Communicate structured and logically within company.						
Communicated clearly and well spoken written and orally.						
Exemplify the business to others through own life.						
Motivate others.						
Work efficiently with own business figures.						

5. Please compare the following characteristics with your unsuccessful and least profitable franchisees.

	always	most times	half/half	rarely	never	n/a
Work over time on a regular basis without affecting them.						
Consider franchise system as one of their most important things in life.						
Take part actively in business operations.						
Are proud to be franchise partners of the system.						
Will renew their franchise contract most likely.						
Would recommend the franchise system.						
Critique performance of headquarters rarely or not at all.						
Are satisfied with value for money at headquarters.						
Do not look for disputes but search actively for solutions.						
Actively involve client into the sales process.						
Have cooperative connection with client.						
Sell to the same client more than once.						

III. Secondary factors

Please fill in answers for all questions. Otherwise the questionnaire is not valid.

6. Please compare the following characteristics with your unsuccessful and least profitable franchisees.

	always	most times	half/half	rarely	never	n/a
Had sufficient funding exceeding the initial investment when entering the system.						
Never were in debt or only had minimal debt with franchisor during the partnership.						
Pay franchise fees on time.						
Were self-employed before entering the franchise system.						
Are able to market themselves very well.						
Have an academic or professional business background.						
Gained experience within the industry before entering the system.						
Do know their business sector very well by now.						
Gained leadership experience before entering the system.						
Lead their team very well.						

IV. Social factors

7. Please compare the following characteristics with your unsuccessful and least profitable franchisees.

	always	most times	half/half	rarely	never	n/a
Display corresponding attitude for company philosophy.						
Gained business experience in a similar company before entering the system.						

Were successful in business before entering the system.						
Gained business experience in a different company before entering the system.						
Had sales experience before entering the system.						
Live for selling.						
Coach their own sales team.						
Are married.						
Have academic background.						
Are women						

Please fill in answers for all questions. Otherwise the questionnaire is not valid.

8. Please compare the following characteristics with your unsuccessful and least profitable franchisees.

	always	most times	half/half	rarely	never	n/a
Grew up on the region where they are actively operating as franchisees.						
Live on site.						
Good knowledge about culture on site.						
Good knowledge on business code of conduct on site.						
Good knowledge of social situation on site.						
Are well connected on site.						

9. Does your franchise system operate internationally?

Yes, we are a multinational company	
No, we are a national company.	
Other please specify	

V. International factors

Please fill in answers for all questions. Otherwise the questionnaire is not valid.

10. Please compare the following characteristics with your unsuccessful and least profitable franchisees.

	always	most times	half/half	rarely	never	n/a
Are able to speak the language on site fluently.						
Use modern means of communication e. g. smart phone, Microsoft office products, email internet....						
Speak German to communicate with the franchisor.						
Speak English to communicate with the franchisor.						
Communicate in a third language with the franchisor neither German or English.						
International franchisees have as much contact with the franchisor as national franchisees.						
Comment optional:						

VI. Results

11. Yes, please send me a copy of the results free of charge to the following email address

14. Source of questions asked in questionnaires to experts and franchisors

	Indices/ item	Idea of questions are based on these sources
Hard skills	Financial background	
	Sufficient funding	Ramirez Hurtado 2011, p. 55/56 // Hsu & Chen 2008, p. 50 // Tatham 1972, p. 19 // Jambulingam, Nevin 1997, p. 8 // Stanworth 1996, p. 24 // Olm 1998, p. 11,13 // Tatoglu 2000, p. 143
	Debt with franchisor	Flint-Hartle 2012, p. 1, Altinay & Okumus 2010, p. 940
	Punctual payment	Author's own idea based on Flint-Hartle 2012, p. 1, Altinay & Okumus 2010, p. 940 to support the aspect of debt with franchisor:
	Business administration basic knowledge/ Self-employment	
	Self-employment	Saraogi 2009, p. 57 // Jambulingam, Nevin 1997, p. 8 // Olm 1998, p. 12 // Jambulingam, Nevin 1999, p. 369 // // Ahlert, Evanschitzky, Wunderlich 2003, p. 17
	Ability to market one self	Hsu & Chen 2008, p. 50 // Bennett, Frazer Weaven 2007, p.4 entrepreneurial seeking challenge
	Business administration education	Tatham 1972, p. 19 educational background // Saraogi 2009, p. 39 educational background // Jambulingam, Nevin 1997, p. 9 educational background // Jambulingam, Nevin 1999, p. 371 education
	Experience in business sector	
	Experience in business sector before	Olm 1998, p. 9 // Hsu & Chen 2008, p. 50 // Tatham 1972 p. 19 general business experience // Saraogi 2009, p. 39 prior similar experience // Bennett, Frazer Weaven 2007, p.4 // Jambulingam, Nevin, 1999 p. 369 prior experience // Ahlert, Evanschitzky, Wunderlich 2003, p. 21 prior experience
	Experience in business sector now	Hsu & Chen 2008, p. 50 // Saraogi 2009, p. 39 prior similar experience // Bennett, Frazer Weaven 2007, p. 4
	Work experience	
	Leadership ability before	Saraogi 2009, p. 58 during operations
	Team leadership	Saraogi 2009, p. 58 driving innovation
	Attitude towards company philosophy	Bennett, Frazer Weaven 2007, p. 4 passion, drive, determination
	Sales experience	
	Sales knowledge before entering the system	Das & He 2006, p. 127
	"Living" sales	Bennett, Frazer Weaven 2007, p. 4 passion, drive, determination
	Hold sales seminars themselves	Author's own idea based on Bennett, Frazer Weaven 2007, p. 4 and Falbe and Welsh, 1998 p. 162 since conveying the sales message by oneself can be seen related to "living sales"
	Demographics	
	Married	Jambulingam, Nevin 1997, p. 9 // Hsu & Chen 2008, p. 50 // Saraogi 2009, p. 47 // Jambulingam, Nevin 1999, p. 371 education
	Academic	Hsu & Chen 2008, p. 50 // Tatham 1972, p. 19 // Saraogi 2009, p.39 educational background // Jambulingam, Nevin, 1997, p. 9 educational background // Bennett, Frazer Weaven 2007, p. 4 // Jambulingam, Nevin 1999, p. 369 education
	Gender	Saraogi 2009, p. 47 // Jambulingam, Nevin 1997, p. 9 // Bennett, Frazer Weaven 2007, p.4 //Bennett, Frazer Weaven 2007, p. 4
	Age	Saraogi 2009, p. 47 // Hsu & Chen 2008, p. 50 // Stanworth 1996, p. 24 // Bennett, Frazer Weaven 2007, p.4 // Jambulingam, Nevin 1997, p. 9 // Jambulingam, Nevin 1999 p. 371 // Olm 1998, p. 13 // Ahlert, Evanschitzky, Wunderlich 2003, p. 8

Soft skills		
	System conformity	
	Standardized brand appearance	Hurrell et al. 2012, p. 174
	Follow system regulations	Stanworth 1996, p. 24, // Ahlert, Evanschitzky, Wunderlich 2003, p. 16
	Personal involvement	Walker & Brown 2004, p. 584-584 // Falbe and Welsh 1998, p. 162
	Capacity for teamwork	
	Trustworthiness	Moeller 2010, p. 44 // Wright and Grace 2011, p. 497 // Robles 2012, p. 462
	Responsibility	Robles 2012, p. 462 // Hurrell et al. 2012, p. 169 // Altinay and Roper 2005
	Keeping to deadlines	Author's own idea based on concept of responsibility and working as a team by Robles 2012, p. 462
	Communication	
	With franchisor	Robles 2012, p. 462 // Falbe and Welsh 1998, p. 162
	Within company	Robles 2012, p. 462 // Falbe and Welsh 1998, p. 162
	Well spoken and understandable, written and oral	Robles 2012, p. 462 // Falbe and Welsh 1998, p. 162
	Leadership ability	
	Exemplify	Falbe and Welsh 1998, p. 162 // Morden 2013, p. 525
	Motivation	Falbe and Welsh 1998, p. 162 // Morden 2013, p. 525
	Economical efficiency	Author's own idea based on Falbe and Welsh 1998, p. 162 exploring operational system efficiency.
	Personal commitment	
	Hard working	Ahlert, Evanschitzky, Wunderlich 2003, p. 8 // Saraogi 2009, p. 58 // Wright and Grace 2011, p. 497
	Convinced of system is most important in life	Ahlert, Evanschitzky, Wunderlich 2003, p. 16 // Saraogi 2009, p. 58
	Actively participating in business	Tatham 1972, p. 19 // Saraogi 2009, p. 39/58 // Jambulingam, Nevin 1999, p. 369 // Ahlert, Evanschitzky, Wunderlich 2003, p. 24 // Wright and Grace 2011, p. 497 //
	Loyalty toward franchise system	
	Pride	Ahlert, Evanschitzky, Wunderlich 2003, p. 16
	Extend contract	Ahlert, Evanschitzky, Wunderlich 2003, p. 14
	Recommend system	Author's own idea
	Satisfaction	
	Do not criticize system	Ahlert, Backhaus Rath 2009, p. 88
	Value for money	Ahlert, Backhaus Rath 2009, p. 89
	Actively search for solution	Erdal 2009, p. 73
	Sales attitude	
	Involvement of customer	Saxe and Weitz 1982, p. 348
	Cooperation with client	Saxe and Weitz 1982, p. 348
	Sell several times to same customer	Saxe and Weitz 1982, p. 348 // Bennett, Frazer Weaven 2007, p. 4 customer relations ability
Local knowledge		
	Regional aspects	
	Childhood	Glaister & Buckley 1997 // Kumar 1995 // Tatoglu 2000, p. 143-144
	Lives on site	Olm 1998, p. 12, Kumar 1995 // Geringer 1988, p. 121 // Falbe and Welsh 1998, p. 162
	Culture	Glaister & Buckley 1997 // Kumar 1995 // Tatoglu 2000, p. 143-144
	Business conduct	Glaister & Buckley 1997 // Kumar 1995 // Tatoglu 2000, p. 143-144

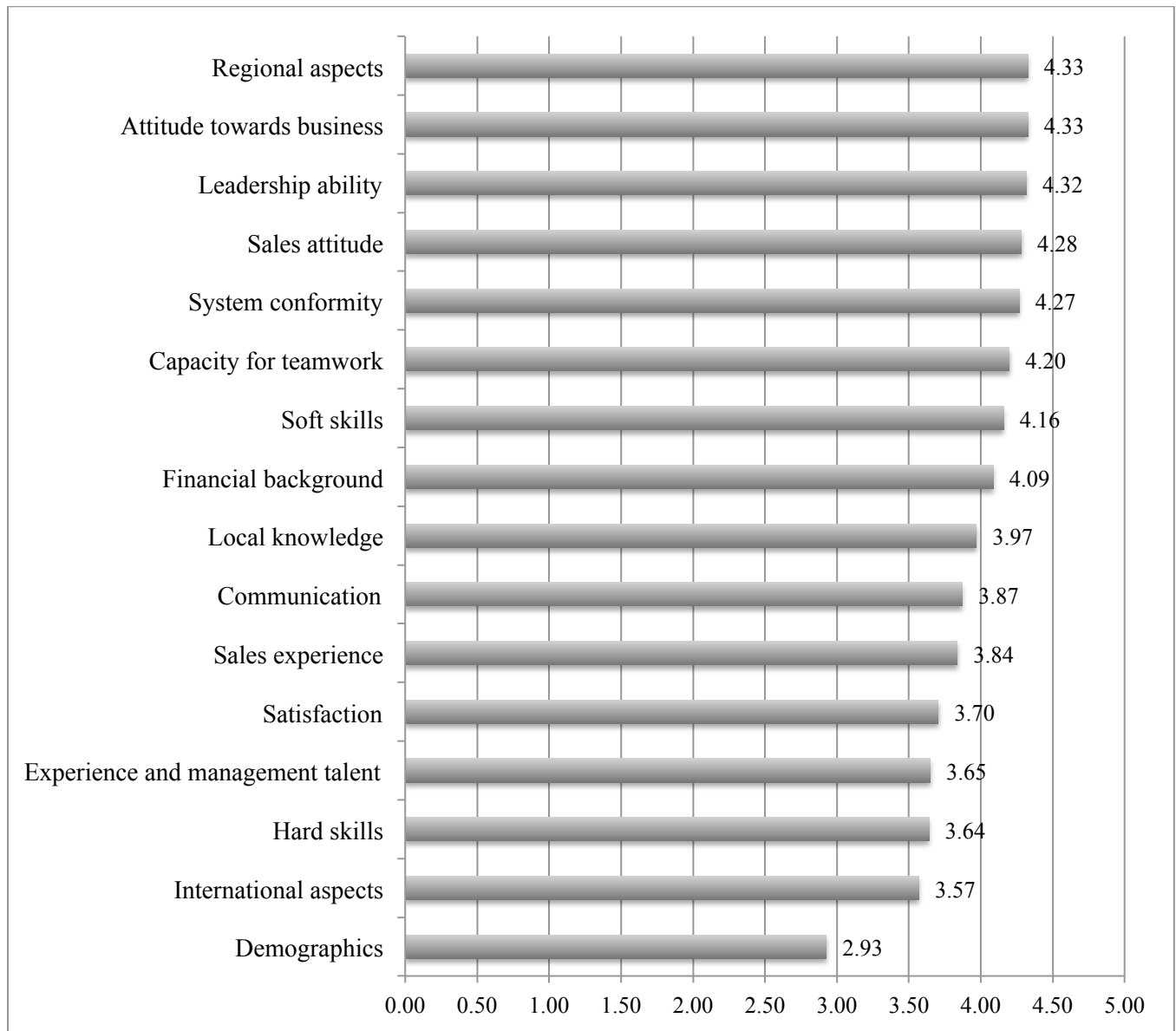
	Social situation	Glaister & Buckley 1997// Kumar 1995 //Tatoglu 2000, p. 143-144
	Network	Brouthers et al. 1995 // Kumar 1995 // Falbe and Welsh 1998, p. 162
	International aspects	
	Speak local language	Tatoglu 2000, p. 143, Kumar 1995, Tatoglu 2000, p. 143-144
	Speak German	Kumar 1995, Al-Khalifa & Peterson 1999, p. 1077-1078
	Speak English	Al-Khalifa & Peterson 1999, p. 1077-1078
	Speak neither German nor English	Al-Khalifa & Peterson 1999, p. 1077-1078
	Contact with franchisor compared to national franchisee	Author's own idea based on Falbe and Welsh 1998, p. 162 considering franchisor-franchisee teamwork.
	Use modern communication	Bailey et al. 1998
Financial	Makes above average profits	Nault & Dexter 1994, p. 412 // Fisher et al. 2014, p. 478
	Makes above average sales	Fisher et al. 2014, p. 478
	Makes long-term profits	Nault & Dexter 1994, p. 412 // Fisher et al. 2014, p. 478
Cooperation	Is satisfied with system	Tatoglu 2000, p.143-144 //Geringer 1998
	Cooperates	Tatoglu 2000, p. 143-144 //Geringer 1998
	Good salesman	Author's own idea based on Stanworth 2004, p. 549- 550 regarding franchisees needing to good or bad sales men
General	Preference of investor or active owning a franchise	Saraogi 2009, p. 58
	Number of franchisees	Ahlert, Evanschitzky, Wunderlich 2003, p. 8
	Business sector	Olm 1998, p. 18 // Ahlert, Evanschitzky, Wunderlich 2003, p. 6
	Years belonging to the system	Olm 1998, p. 17
	Country of origin of system	Al-Khalifa & Peterson 1999, p. 1077-1078
	Country of origin of franchisor	Al-Khalifa & Peterson 1999, p. 1077-1078
	Franchising or licensing	Author's own idea based on Leitmannslehner & Windsperger 2012

15. Appendix: Descriptive statistics for successful and unsuccessful franchisees as seen by franchisors

Successful group	N	Range	Minimum	Maximum	Mean		Std. Deviation	Variance
	Statistic	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Statistic
System conformity	144	3,00	2,00	5	4.266	,04579	,54954	,302
Capacity for teamwork	144	2,33	2,67	5	4.197	,04844	,58126	,338
Communication	143	3,67	1,33	5	3.870	,06008	,71840	,516
Leadership ability	143	2,00	3,00	5	4.317	,04694	,56131	,315
Attitude towards business	143	2,00	3,00	5	4.327	,03651	,43655	,191
Satisfaction	143	3,33	1,67	5	3.704	,05546	,66326	,440
Sales attitude	143	2,33	2,67	5	4.281	,05320	,63616	,405
Financial background	138	2,67	2,33	5	4.086	,05295	,62206	,387
Experience and management talent	139	2,55	2,45	5	3.647	,04055	,47804	,229
Sales experience	138	2,67	2,33	5	3.837	,06016	,70667	,499
Demographics	134	3,67	1,33	5	2.927	,05537	,64096	,411
Regional aspects	139	2,00	3,00	5	4.327	,04115	,48516	,235
International aspects	86	2,60	2,40	5	3.569	,05185	,48079	,231
Soft skills	144	1,83	3,13	4,96	4.157	,03394	,40725	,166
Hard skills	139	2,24	2,65	4,89	3.640	,03601	,42451	,180
Local knowledge	86	1,58	3,25	4,83	3.968	,03740	,34680	,120

Source: The author's own research results based on primary data collected from franchisors.

Graphical view of successful franchisee indices mean values:

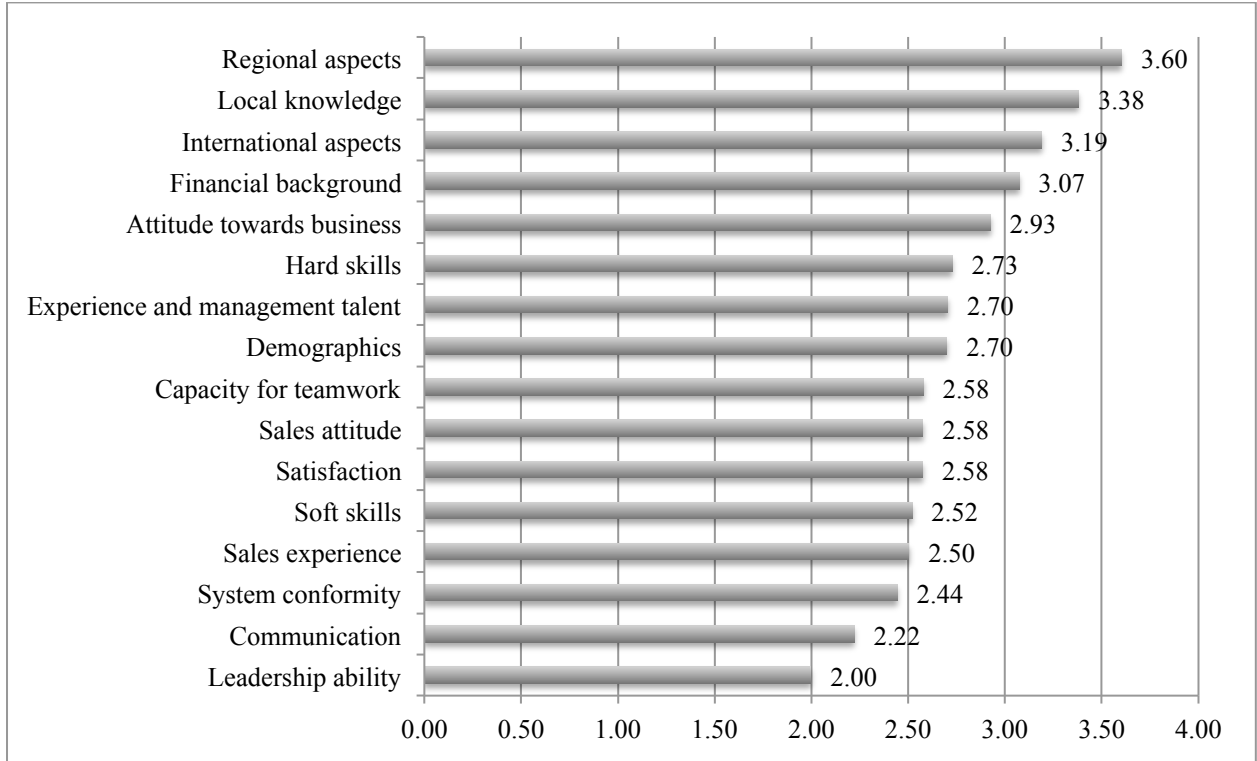


Source: The author's own research results based on primary data collected from franchisors. N=144

Unsuccessful group	N	Range	Minimum	Maximum	Mean		Std. Deviation	Variance
	Statistic	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Statistic
System conformity	51	2,33	1,33	3,67	2.444	,08691	,62063	,385
Capacity for teamwork	51	2,67	1,00	3,67	2.578	,08341	,59568	,355
Communication	51	2,33	1,00	3,33	2.222	,06902	,49291	,243
Leadership ability	51	2,67	1,00	3,67	1.997	,07648	,54619	,298
Attitude towards business	51	2,17	2,00	4,17	2.925	,08081	,57707	,333
Satisfaction	51	2,33	1,33	3,67	2.575	,09558	,68257	,466
Sales attitude	48	2,67	1,33	4,00	2.576	,08807	,61016	,372
Financial background	48	3,33	1,33	4,67	3.073	,11605	,80403	,646
Experience and management talent	48	1,88	1,82	3,70	2.704	,06459	,44748	,200
Sales experience	48	3,00	1,00	4,00	2.504	,09856	,68286	,466
Demographics	45	2,83	1,67	4,50	2.700	,09904	,66439	,441
Regional aspects	47	3,17	1,83	5,00	3.602	,09665	,66257	,439
International aspects	33	2,67	2,33	5,00	3.190	,09434	,54195	,294
Soft skills	51	1,96	1,63	3,58	2.520	,05223	,37302	,139
Hard skills	48	1,77	1,86	3,63	2.728	,05575	,38627	,149
Local knowledge	33	1,85	2,25	4,10	3.380	,07605	,43689	,191

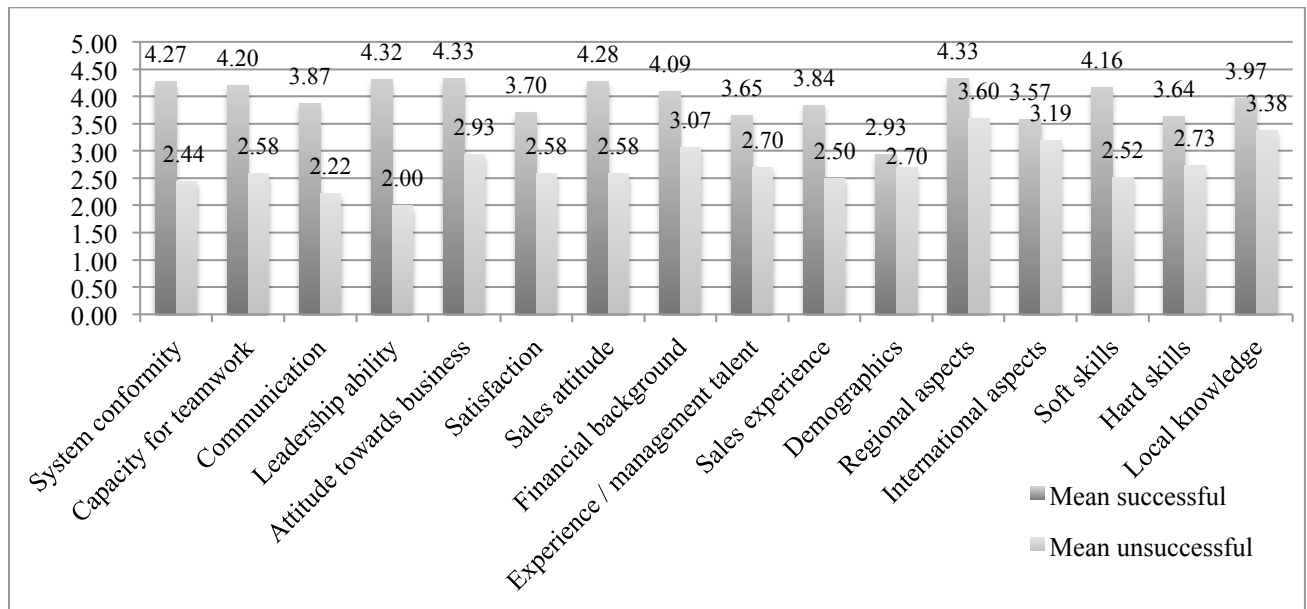
Source: The author's own research results based on primary data collected from franchisors

Graphical view of unsuccessful franchisee indices mean values:



Source: The author's own research results based on primary data collected from franchisors. N total unsuccessful=58

Means of successful and unsuccessful franchisee indices as per franchisors:



Group: successful	System conformity	Capacity for teamwork	Communication	Leadership ability	Attitude towards business	Satisfaction	Sales attitude	Financial background	Experience and management talent	Sales experience	Demos graphics	Regional aspects	International aspects	Soft skills	Hard skills	Local knowledge
N	Valid	144	143	143	143	143	143	138	139	138	134	139	86	144	139	86
	Missing	5	6	6	6	6	6	11	10	11	15	10	63	5	10	63
Mean	4,2662	4,1968	3,8695	4,3170	4,3270	3,7040	4,2809	4,0857	3,6469	3,8370	2,9266	4,3267	3,5692	4,1567	3,6399	3,9678
Std. Error of Mean	,04579	,04844	,06008	,04694	,03651	,05546	,05320	,05295	,04055	,06016	,05537	,04115	,05185	,03394	,03601	,03740
Median	4,3333	4,3333	4,0000	4,3333	4,3333	3,6667	4,3333	4,0000	3,6364	4,0000	3,0000	4,3333	3,5000	4,1951	3,6000	3,9167
Mode	4,33	4,00	4,00	5,00	4,00	4,00	5,00	4,00	3,64	4,00	3,00	4,67	3,33	4,25	3,45 ^a	3,83 ^a
Std. Deviation	,54954	,58126	,71840	,56131	,43655	,66326	,63616	,62206	,47804	,70667	,64096	,48516	,48079	,40725	,42451	,34680
Variance	,302	,338	,516	,315	,191	,440	,405	,387	,229	,499	,411	,235	,231	,166	,180	,120
Skewness	-,927	-,378	-,301	-,460	-,465	-,418	-,570	-,277	,369	-,211	,574	-,358	,670	-,347	,257	,268
Std. Error of Skewness	,202	,202	,203	,203	,203	,203	,203	,206	,206	,206	,209	,206	,260	,202	,206	,260
Kurtosis	1,504	-,387	,206	-,739	-,326	,134	-,484	-,345	,180	-,667	,682	-,677	1,111	-,459	,144	-,004
Std. Error of Kurtosis	,401	,401	,403	,403	,403	,403	,403	,410	,408	,410	,416	,408	,514	,401	,408	,514
Range	3,00	2,33	3,67	2,00	2,00	3,33	2,33	2,67	2,55	2,67	3,67	2,00	2,60	1,83	2,24	1,58
Minimum	2,00	2,67	1,33	3,00	3,00	1,67	2,67	2,33	2,45	2,33	1,33	3,00	2,40	3,13	2,65	3,25
Maximum	5,00	5,00	5,00	5,00	5,00	5,00	5,00	5,00	5,00	5,00	5,00	5,00	5,00	4,96	4,89	4,83
Percentiles	25	4,0000	3,3333	4,0000	4,0000	3,3333	4,0000	3,6667	3,2857	3,3333	2,5000	4,0000	3,3333	3,9167	3,3500	3,7443
	50	4,3333	4,3333	4,0000	4,3333	4,3333	4,3333	4,0000	3,6364	4,0000	3,0000	4,3333	3,5000	4,1951	3,6000	3,9167
75	4,6667	4,6667	4,3333	4,6667	4,6667	4,0000	5,0000	4,6667	4,0000	4,3333	3,3333	4,6667	3,8333	4,4896	3,9000	4,2125

Group not successful	System conformity	Capacity for teamwork	Communication	Leadership ability	Attitude towards business	Satisfaction	Sales attitude	Financial background	Experience and management talent	Sales experience	Demographics	Regional aspects	International aspects	Soft skills	Hard skills	Local knowledge
N	Valid	51	51	51	51	51	48	48	48	48	45	47	33	51	48	N
	Missing	7	7	7	7	7	10	10	10	10	13	11	25	7	10	63
Mean	2,444	2,5784	2,2222	1,9967	2,9248	2,5752	2,5764	3,0729	2,7037	2,5035	2,7000	3,6021	3,1899	2,5200	2,7278	3,3795
Std. Error of Mean	,08691	,08341	,06902	,07648	,08081	,09558	,08807	,11605	,06459	,09856	,09904	,09665	,09434	,05223	,05575	,07605
Median	2,3333	2,6667	2,0000	2,0000	3,0000	2,6667	2,6667	3,0000	2,6818	2,3333	2,6667	3,6667	3,3333	2,5417	2,7500	3,4167
Mode	2,00	2,67	2,00	2,00	3,00	2,00	3,00	3,33	2,64	2,00 st	3,00	4,00	3,33	2,58	2,60 st	3,50
Std. Deviation	,62063	,59568	,49291	,54619	,57707	,68257	,61016	,80403	,44748	,68286	,66439	,66257	,54195	,37302	,38627	,43689
Variance	,385	,355	,243	,298	,333	,466	,372	,646	,200	,466	,441	,439	,294	,139	,149	,191
Skewness	,128	-,501	,336	,423	,482	,062	,137	-,199	,032	,209	,645	-,610	,728	,026	-,119	-,721
Std. Error of Skewness	,333	,333	,333	,333	,333	,333	,343	,343	,343	,343	,354	,347	,409	,333	,343	,409
Kurtosis	-,806	-,115	-,118	1,005	-,560	-,1089	-,358	-,259	-,318	-,357	,256	,514	2,630	,446	,293	,813
Std. Error of Kurtosis	,656	,656	,656	,656	,656	,656	,674	,674	,674	,674	,695	,681	,798	,656	,674	,798
Range	2,33	2,67	2,33	2,67	2,17	2,33	2,67	3,33	1,88	3,00	2,83	3,17	2,67	1,96	1,77	1,85
Minimum	1,33	1,00	1,00	1,00	2,00	1,33	1,33	1,33	1,82	1,00	1,67	1,83	2,33	1,63	1,86	2,25
Maximum	3,67	3,67	3,33	3,67	4,17	3,67	4,00	4,67	3,70	4,00	4,50	5,00	5,00	3,58	3,63	4,10
Percentiles	25	2,0000	2,0000	1,6667	2,5000	2,0000	2,0000	2,5417	2,4545	2,0000	2,1667	3,1667	2,7500	2,2917	2,5322	3,1667
	50	2,3333	2,6667	2,0000	2,0000	3,0000	2,6667	3,0000	2,6818	2,3333	2,6667	3,6667	3,3333	2,5417	2,7500	3,4167
75	3,0000	3,0000	2,6667	2,3333	3,1667	3,0000	3,0000	3,4583	3,0000	3,0000	3,0000	4,0000	3,5000	2,7500	3,0375	3,6667

16. Appendix: Mean values of respective sub-groups of all three skills, as seen by franchisors

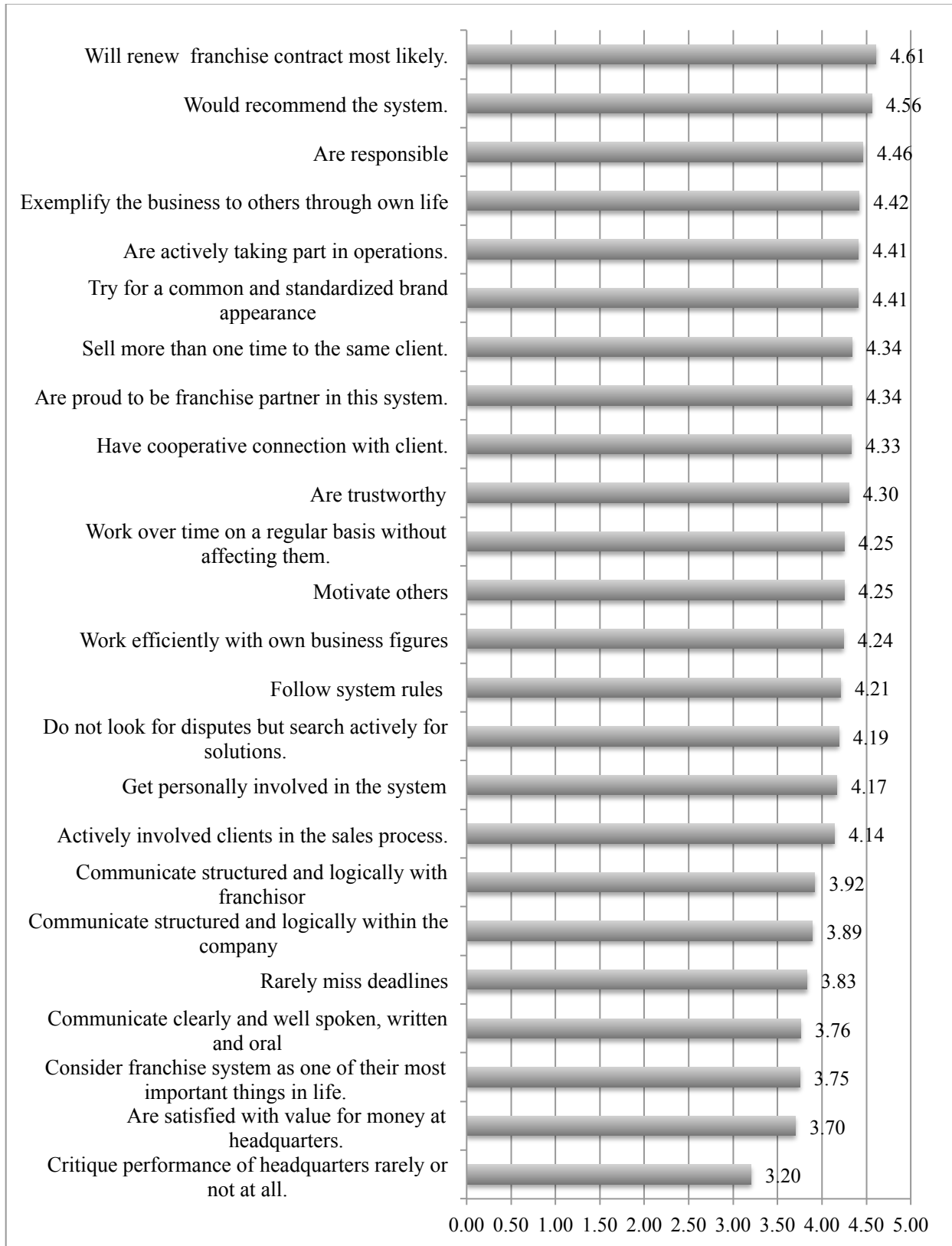
	Successful Franchisees	Rating Average	Unsuccessful Franchisees	Rating Average
Soft skills	Will renew franchise contract most likely.	4.61	Are actively taking part in operations.	3.55
	Would recommend the system.	4.56	Work over time on a regular basis without affecting them.	2.89
	Are responsible	4.46	Would recommend the system.	2.83
	Exemplify the business to others through own life	4.42	Will renew franchise contract most likely.	2.79
	Try for a common and standardized brand appearance	4.41	Are proud to be franchise partner in this system.	2.77
	Are actively taking part in operations.	4.41	Are responsible.	2.76
	Are proud to be franchise partner in this system.	4.34	Try for a common and standardized brand appearance.	2.69
	Sell more than one time to the same client.	4.34	Do not look for disputes but search actively for solutions.	2.67
	Have cooperative connection with client.	4.33	Consider franchise system as one of their most important things in life.	2.60
	Are trustworthy	4.30	Are satisfied with value for money at headquarters.	2.60
	Motivate others	4.25	Sell more than one time to the same client.	2.60
	Work over time on a regular basis without affecting them.	4.25	Follow system rules and regulations.	2.59
	Work efficiently with own business figures	4.24	Are trustworthy.	2.59
	Follow system rules	4.21	Have cooperative connection with client.	2.59
	Do not look for disputes but search actively for solutions.	4.19	Actively involved clients in the sales process.	2.52
	Get personally involved in the system	4.17	Critique performance of headquarters rarely or not at all.	2.49
	Actively involved clients in the sales process.	4.14	Rarely miss deadlines.	2.40
	Communicate structured and logically with franchisor	3.92	Communicate structured and logically within the company.	2.28
	Communicate structured and logically within the company	3.89	Communicate clearly and well spoken, written and oral.	2.22
	Rarely miss deadlines	3.83	Communicate structured and logically with franchisor.	2.16
	Communicate clearly and well spoken, written and oral	3.76	Get personally and actively involved in the system.	2.06
	Consider franchise system as one of their most important things in life.	3.75	Motivate others.	2.06
	Are satisfied with value for money at headquarters.	3.70	Exemplify the business to others through own life.	2

	Critique performance of headquarters rarely or not at all.	3.20	Work efficiently with own business figures.	1.92
Hard skills	Pay their franchise fees on time.	4.42	Are married	3.62
	Display corresponding attitude for company philosophy.	4.36	Were successful in business before entering the system.	3.27
	Do know their business sector very well by now.	4.24	Gained business experience in a different company before entering the system.	3.27
	Lead their team very well.	4.16	Had sufficient funding exceeding the initial investment when entering the system.	3.21
	Never were in debt or only had minimal debt with franchisor during the partnership.	4	Pay their franchise fees on time.	3.02
	Live for selling.	3.99	Never were in debt or only had minimal debt with franchisor during the partnership.	2.98
	Were successful in business before entering the system.	3.98	Do know their business sector very well by now.	2.98
	Are able to market themselves very well.	3.93	Had sales experience before entering the system.	2.96
	Coach their own sales team.	3.82	Gained leadership experience before entering the system.	2.76
	Had sufficient funding exceeding the initial investment when entering the system	3.75	Display corresponding attitude for company philosophy.	2.73
	Are married.	3.69	Were self-employed before entering the franchise system.	2.62
	Had sales experience before entering the system.	3.67	Have an academic background in business or professional background	2.53
	Gained leadership experience before entering the system.	3.53	Are able to market themselves very well.	2.50
	Gained business experience in a different company before entering the system.	3.52	Gained experience within the industry before entering the system.	2.49
	Have an academic background in business or professional background	3.09	Gained business experience in a similar company before entering the system.	2.41
	Gained experience within the industry before entering the system.	3.07	Have an academic background.	2.39
	Were self-employed before entering the franchise system.	3.04	Live for selling.	2.30
	Gained business experience in a similar company before entering the system.	3	Are women.	2.21
	Have an academic background.	2.69	Coach their own sales team.	2.18
	Are women.	2.50	Lead their team very well.	2.11
Local knowledge	Speak the language on site fluently.	4.76	Speak the language on site fluently.	4.36
	Use modern means of communication e. g. smart phone, Microsoft Office products, email, internet...	4.58	Speak German to communicate with franchisor.	4.21

	Good knowledge of business code of conduct on site.	4.48	Live on site.	4
	Good knowledge of culture on site.	4.46	Use modern means of communication e. g. smart phone, Microsoft Office products, email, internet...	3.97
	Good knowledge of social situation on site.	4.43	Good knowledge of culture on site.	3.83
	Live on site.	4.38	Good knowledge of social situation on site.	3.64
	Speak German to communicate with franchisor.	4.33	Grew up in the region where they are actively operating as franchisees.	3.57
	Are well connected on site.	4.29	Good knowledge of business code of conduct on site.	3.57
	Grew up in the region where they are actively operating as franchisees.	4.02	International franchisees have as much contact with the franchisor as national franchisees.	3.10
	International franchisees have as much contact with the franchisor as national franchisees.	3.54	Are well connected on site.	3
	Speak English to communicate with franchisor.	2.41	Speak English to communicate with franchisor.	1.97
	Communicate in a third language with franchisor neither German nor English.	1.40	Communicate in a third language with franchisor neither German nor English.	1.38

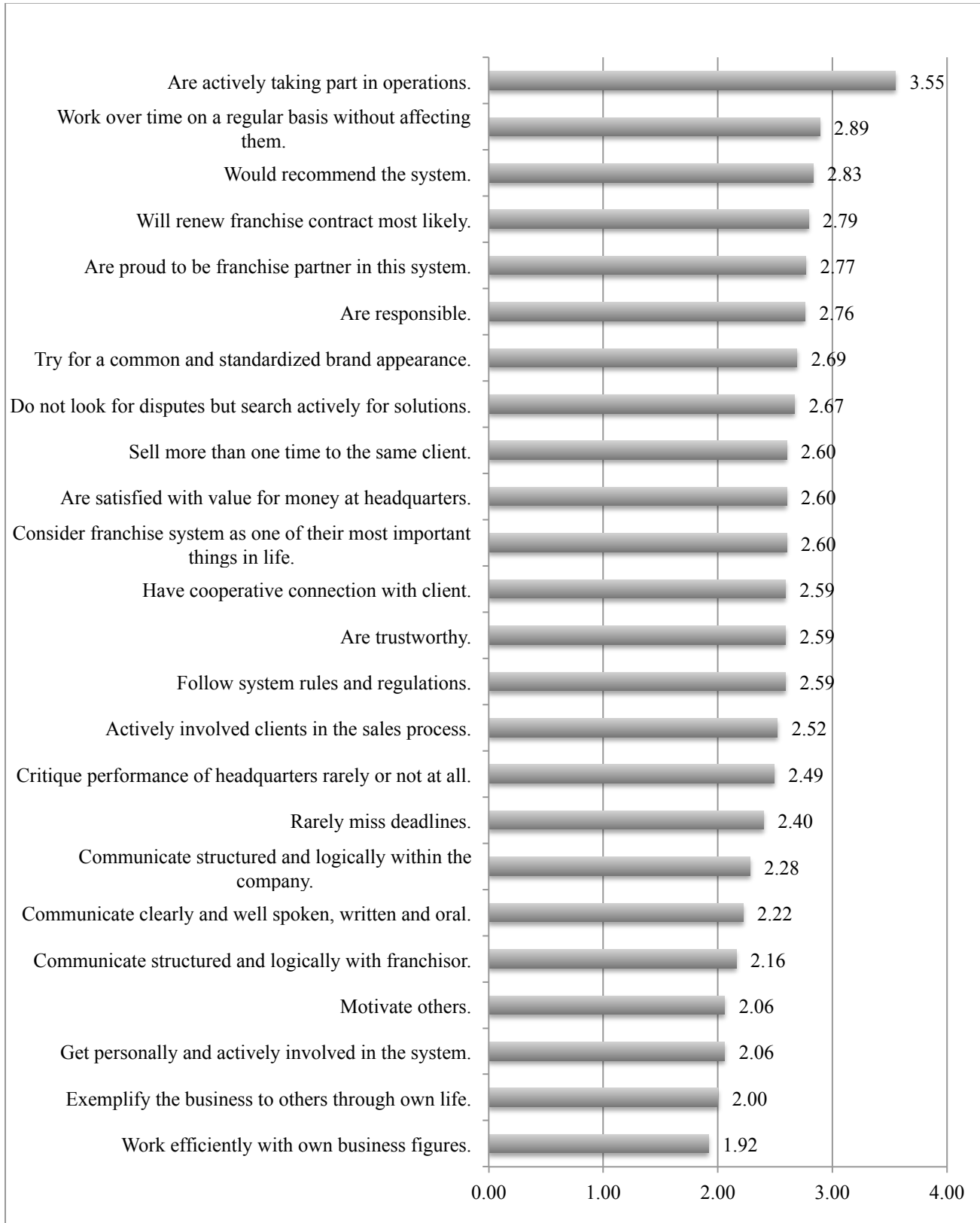
Source: The author's own research results based on primary data collected from franchisors. N=58 total for unsuccessful franchisees, n=144 total for successful franchisees. Scale ranges from 1 "never" to 5 "always".

17. Appendix: Descending mean value for successful franchisees measuring soft skills



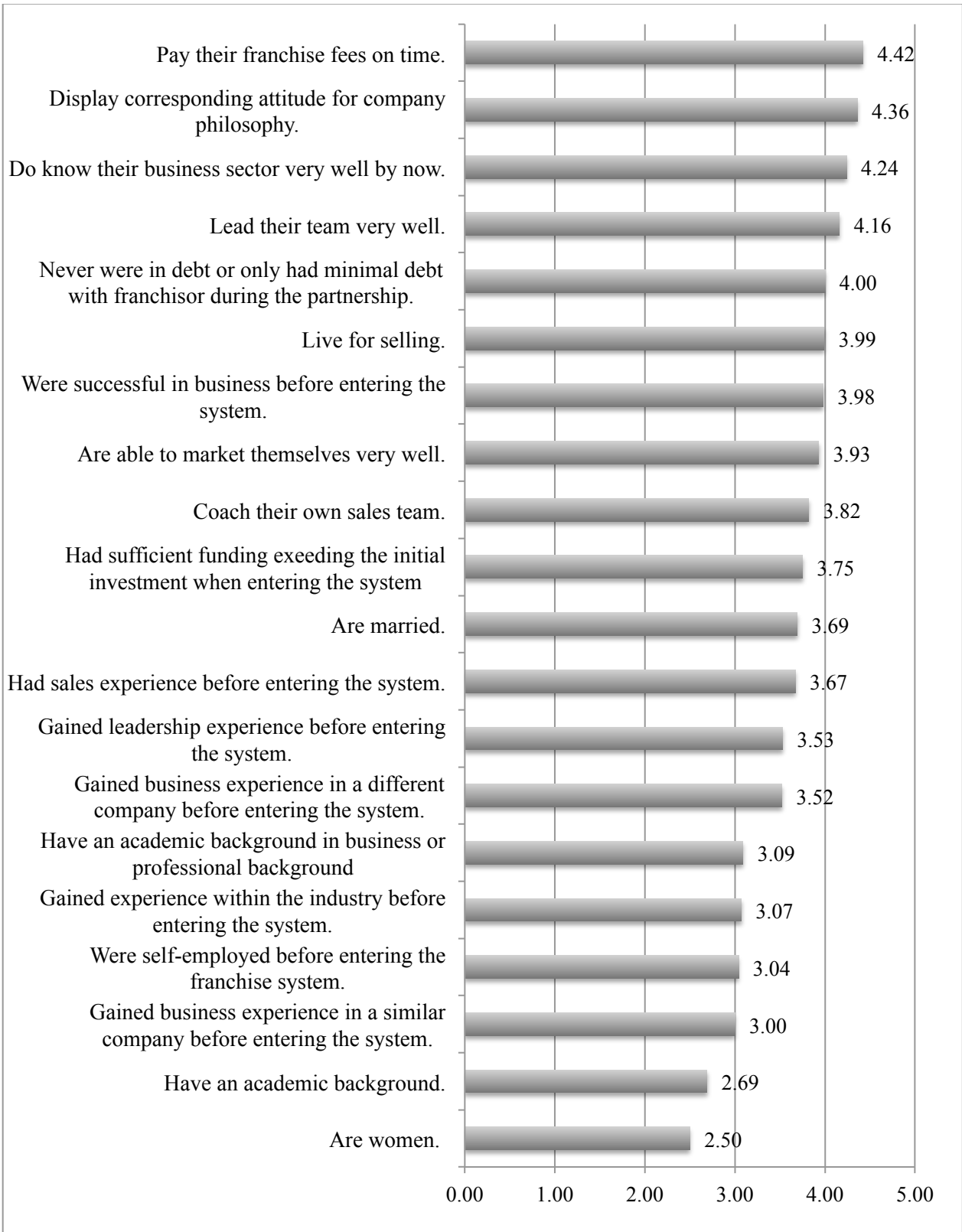
Source: Author's own research results based on primary data collected from franchisors n=144; Scale ranges from 1 "never" to 5 "always".

18. Appendix: Descending mean value for unsuccessful franchisees measuring soft skills



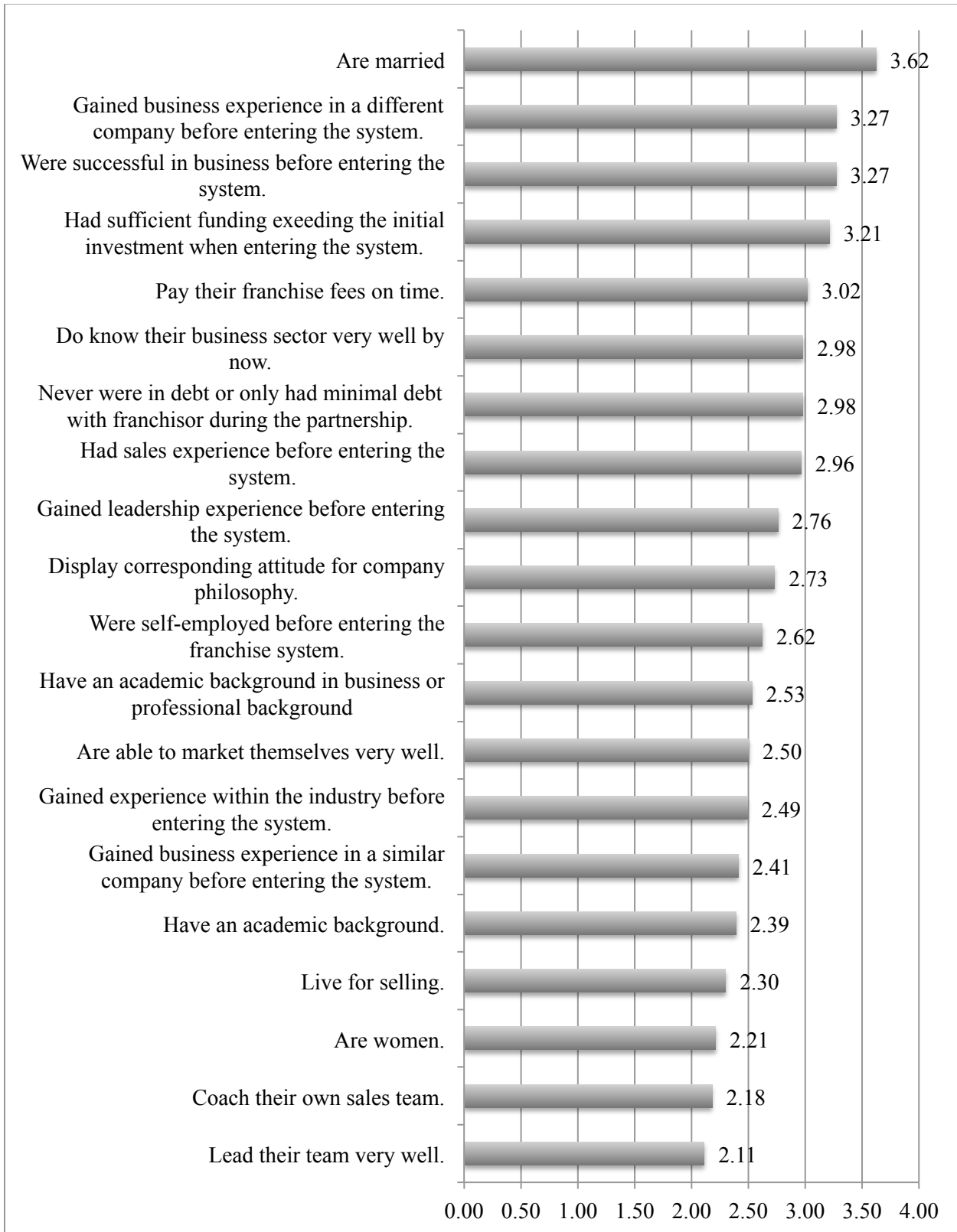
Source: Author's own research results based on primary data collected from franchisors n min. 50 and max 51. Scale ranges from 1 "never" to 5 "always". The reason for different sizes in n, is due to the fact, that the questionnaire also offered the option of not to answer certain questions.

19. Appendix: Descending mean value for successful franchisees measuring hard skills



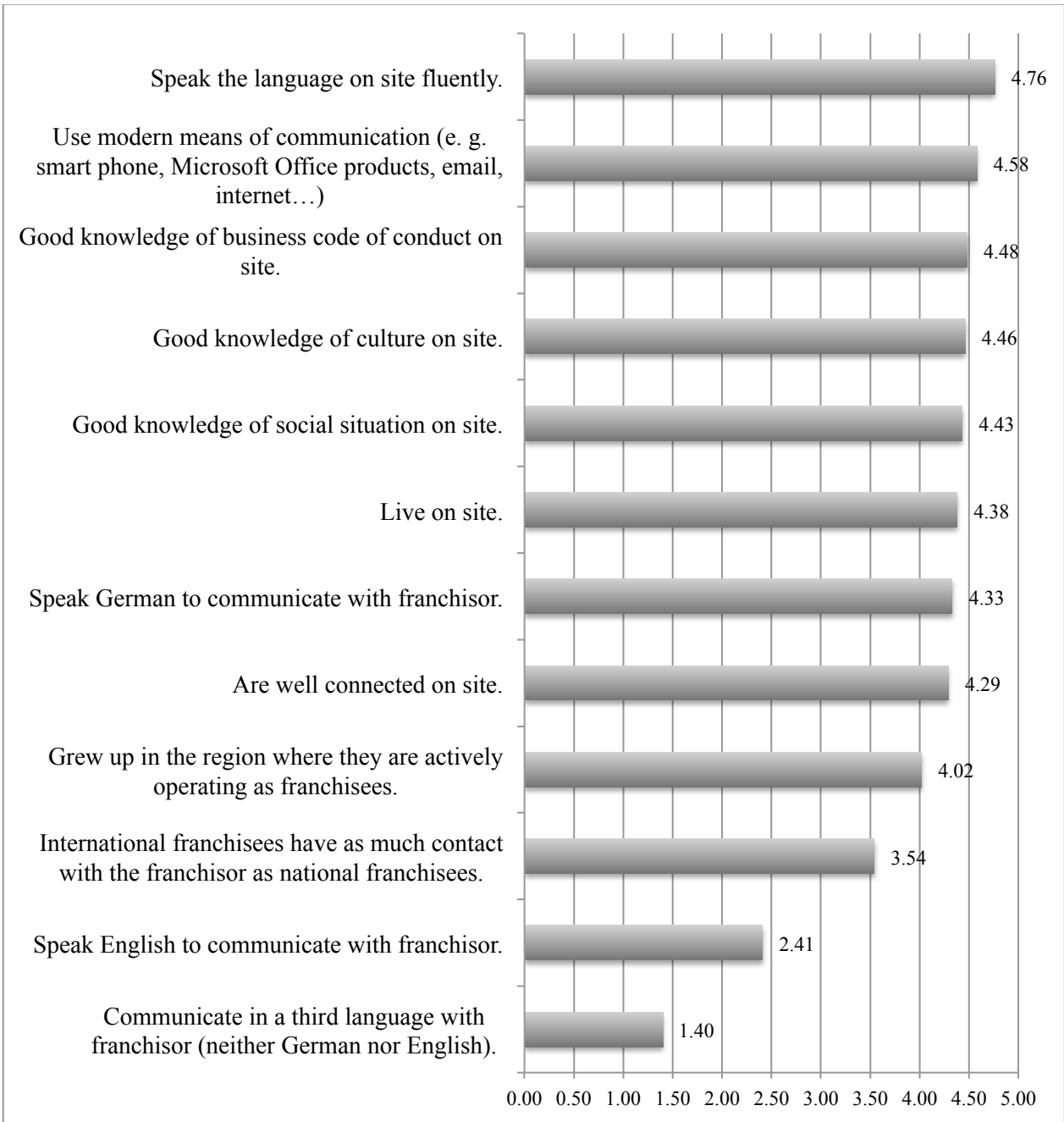
Source: Author's own research results based on primary data collected from franchisors n=140. Scale ranges from 1 "never" to 5 "always".

20. Appendix: Descending mean value for unsuccessful franchisees measuring hard skills



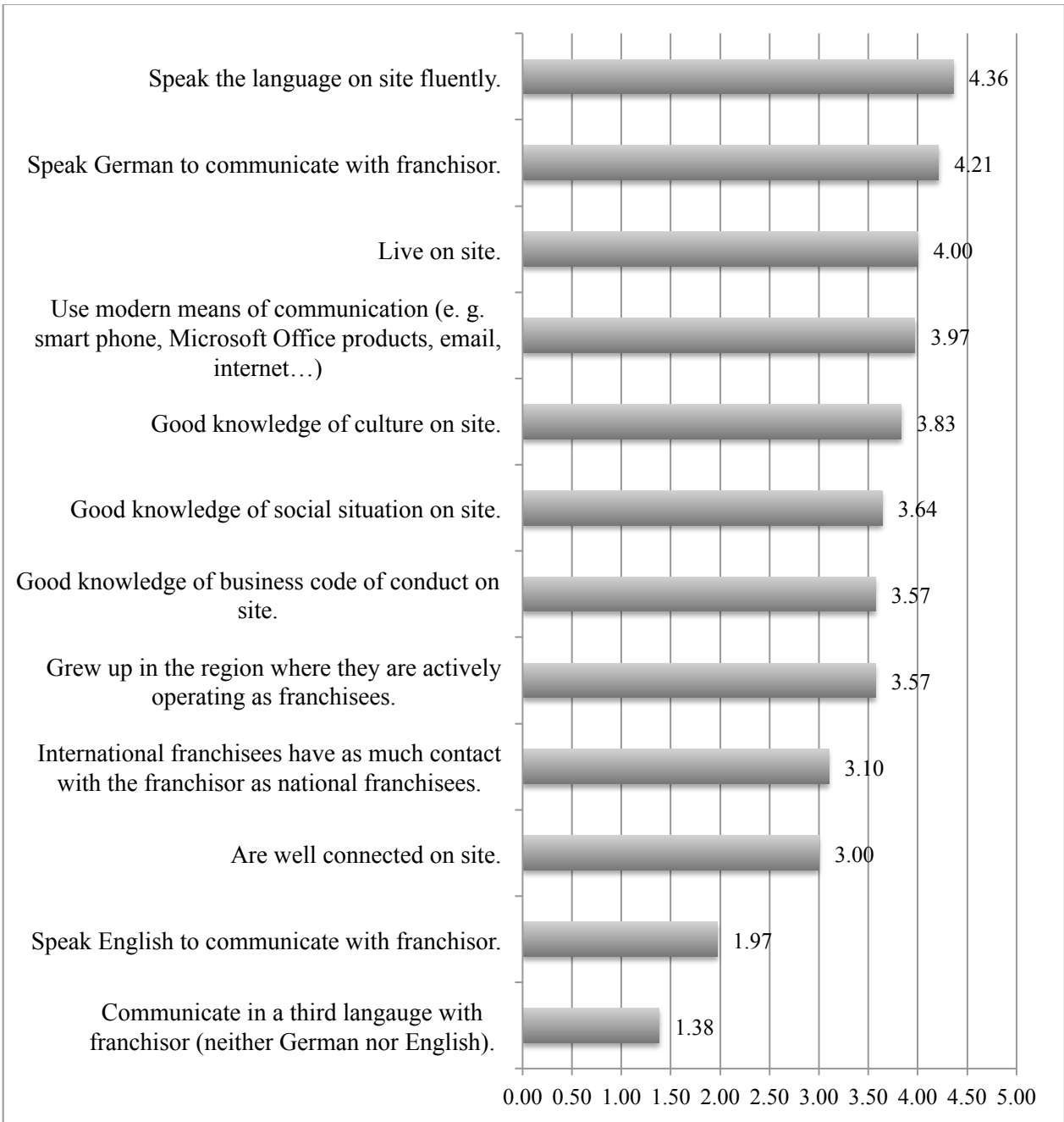
Source: Author's own research results based on primary data collected from franchisors n=48. Scale ranges from 1 "never" to 5 "always".

21. Appendix: Descending mean for successful franchisees measuring local knowledge



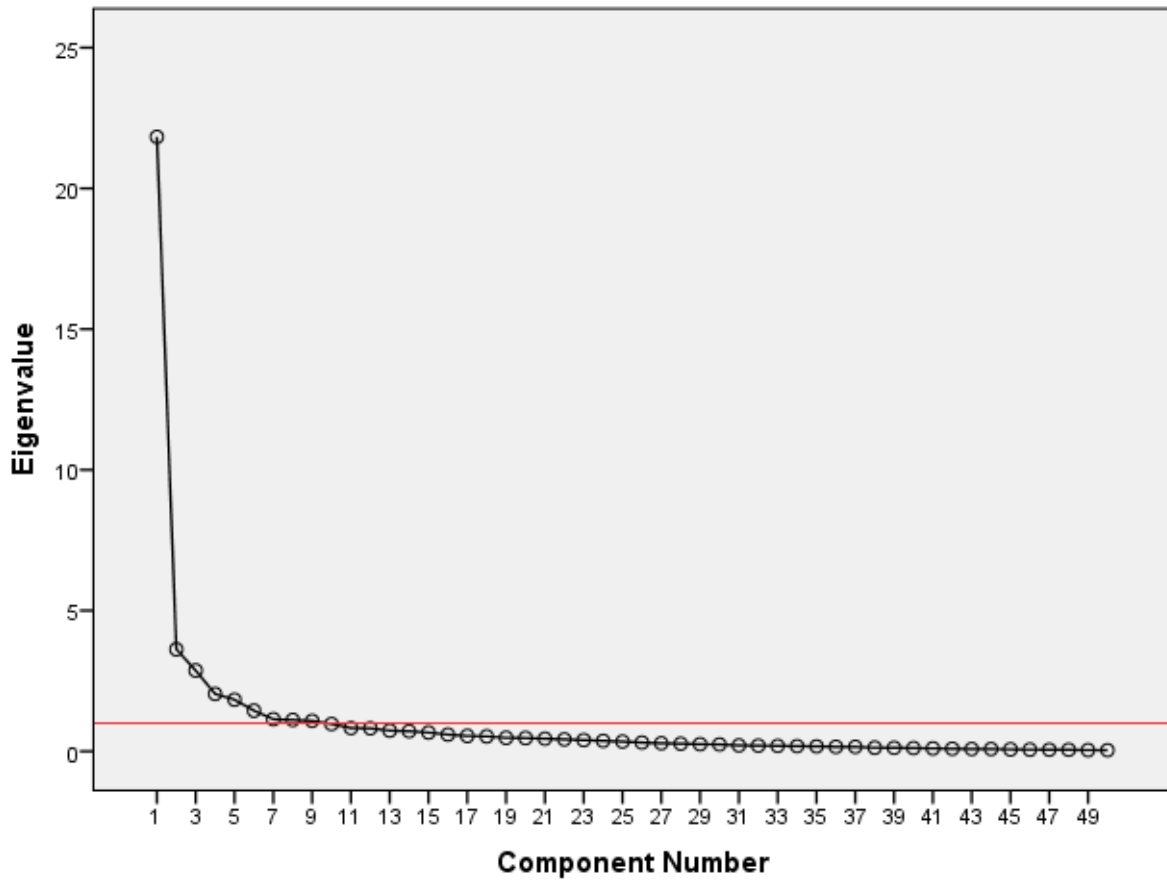
Source: Author's own research results based on primary data collected from franchisors n min. 87, n max. 140. Scale ranges from 1 "never" to 5 "always". The reason for different sizes in n, is due to the fact, that the questionnaire also offered the option of not to answer certain questions.

22. Appendix: Descending mean for unsuccessful franchisees measuring local knowledge



Source: Author's own research results based on primary data collected from franchisors n min. 34 and n max. 48. Scale ranges from 1 "never" to 5 "always". The reason for different sizes in n, is due to the fact, that the questionnaire also offered the option of not to answer certain questions.

23. Appendix: Scree plot for principal component analysis based on data collected from franchisors



Source: Author's own research based on primary data collected from franchisors n=114

24. Appendix: Principal component analysis

Descriptive Statistics

	Mean	Std. Deviation	Analysis N
Aim for standardized brand appearance.	4,0526	1,03771	114
Follow system regulations.	3,8421	,96468	114
Get personally involved with the system.	3,7544	1,15645	114
Are trustworthy.	3,9298	,97508	114
Are responsible.	4,0789	,96069	114
Rarely miss deadlines.	3,5439	,98789	114
Communicate with franchisor clearly and logical.	3,5439	1,10622	114
Communicate clearly and logical within the company.	3,4912	,97985	114
Communicate clearly and sophisticated, written and orally.	3,4474	1,03130	114
Live business buy example.	3,8596	1,21842	114
Motivate others.	3,7807	1,21027	114
Work with and interpret own business figures very well.	3,7982	1,20603	114
Work overtime without it bothering them.	3,9737	,91652	114
Believe the franchise system is one of the most important things in their lives.	3,5351	,88428	114
Actively participate in the business.	4,2105	,82520	114
Are proud to be franchisees.	4,0526	,96709	114
Will most likely renew their franchise contract.	4,2544	,99389	114
Would recommend the franchise.	4,2018	,92344	114
Barely critique the franchisor's services.	3,0439	,91584	114
Are satisfied with value offered for their money.	3,4825	,95224	114
Do not look for dispute but for a solution.	3,8070	1,01211	114
Integrate their client into the sales process.	3,7193	1,09309	114
Do have a cooperative connection with their client.	3,8772	1,04025	114
Sell more than once to the same client.	3,9123	1,17165	114
When entering the system they did have more financial capital than only the initial investment.	3,6930	,89371	114
During the franchiseship they were not or barely in debt with the franchisor.	3,7632	1,05010	114
Pay their franchise fees on time.	4,0702	,97508	114
Were self-employed before entering the system.	2,8860	1,02843	114
Market themselves very well.	3,5614	,97794	114
Have a business degree.	2,8772	1,07374	114
Had experience within the business sector before entering the system.	2,9211	1,06551	114
Do know about their business sector now very well.	3,9649	,93060	114
Did have leadership and management experience before entering the system.	3,4123	,91023	114
Lead their team well.	3,6667	1,05316	114
Do have the right attitude towards company philosophy.	3,9737	,95436	114
Did have work experience in similar companies before entering the system.	2,8596	,95822	114
Were successful in business before entering the system.	3,7895	,74636	114
Did have work experience in different companies before entering the system.	3,4298	,75222	114
Did have sales knowledge before entering the system.	3,5088	,86470	114
"Live" sales.	3,5965	1,03667	114
Train their own sales team in sales.	3,3246	1,17115	114
Are married.	3,6404	,75407	114
Are academics.	2,5877	1,14298	114
Are women.	2,3246	,85699	114
Grownup in the region in which they are now operating as franchisee?	3,9035	,76389	114
Live on site.	4,2719	,68207	114
Know the culture on site.	4,3070	,63979	114
Know the business code of conduct on site.	4,2895	,71301	114
Know the social setting on site.	4,2632	,67905	114
Are well connected.	3,9825	,90214	114

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		,917
Bartlett's Test of Sphericity	Approx. Chi-Square	5162,753
	df	1225
	Sig.	,000

Communalities

	Initial	Extraction
Aim for standardized brand appearance.	1,000	,723
Follow system regulations.	1,000	,763
Get personally involved with the system.	1,000	,776
Are trustworthy.	1,000	,789
Are responsible.	1,000	,781
Rarely miss deadlines.	1,000	,660
Communicate with franchisor clearly and logical.	1,000	,828
Communicate clearly and logical within the company.	1,000	,781
Communicate clearly and sophisticated, written and orally.	1,000	,748
Live business buy example.	1,000	,871
Motivate others.	1,000	,831
Work with and interpret own business figures very well.	1,000	,853
Work overtime without it bothering them.	1,000	,603
Believe the franchise system is one of the most important things in their lives.	1,000	,604
Actively participate in the business.	1,000	,771
Are proud to be franchisees.	1,000	,765
Will most likely renew their franchise contract.	1,000	,764
Would recommend the franchise.	1,000	,829
Barely critique the franchisor's services.	1,000	,697
Are satisfied with value offered for their money.	1,000	,776
Do not look for dispute but for a solution.	1,000	,785
Integrate their client into the sales process.	1,000	,683
Do have a cooperative connection with their client.	1,000	,738
Sell more than once to the same client.	1,000	,635
When entering the system they did have more financial capital than only the initial investment.	1,000	,644
During the franchiseship they were not or barely in debt with the franchisor.	1,000	,814
Pay their franchise fees on time.	1,000	,814
Were self-employed before entering the system.	1,000	,625
Market themselves very well.	1,000	,710
Have a business degree.	1,000	,696
Had experience within the business sector before entering the system.	1,000	,775
Do know about their business sector now very well.	1,000	,644
Did have leadership and management experience before entering the system.	1,000	,731
Lead their team well.	1,000	,799
Do have the right attitude towards company philosophy.	1,000	,749
Did have work experience in similar companies before entering the system.	1,000	,759
Were successful in business before entering the system.	1,000	,663
Did have work experience in different companies before entering the system.	1,000	,688
Did have sales knowledge before entering the system.	1,000	,687
"Live" sales.	1,000	,819
Train their own sales team in sales.	1,000	,777
Are married.	1,000	,592
Are academics.	1,000	,737
Are women.	1,000	,550
Grownup in the region in which they are now operating as franchisee?	1,000	,654
Live on site.	1,000	,761
Know the culture on site.	1,000	,828
Know the business code of conduct on site.	1,000	,857
Know the social setting on site.	1,000	,867

Are well connected.	1,000	,688
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Extraction Method: Principal Component Analysis.

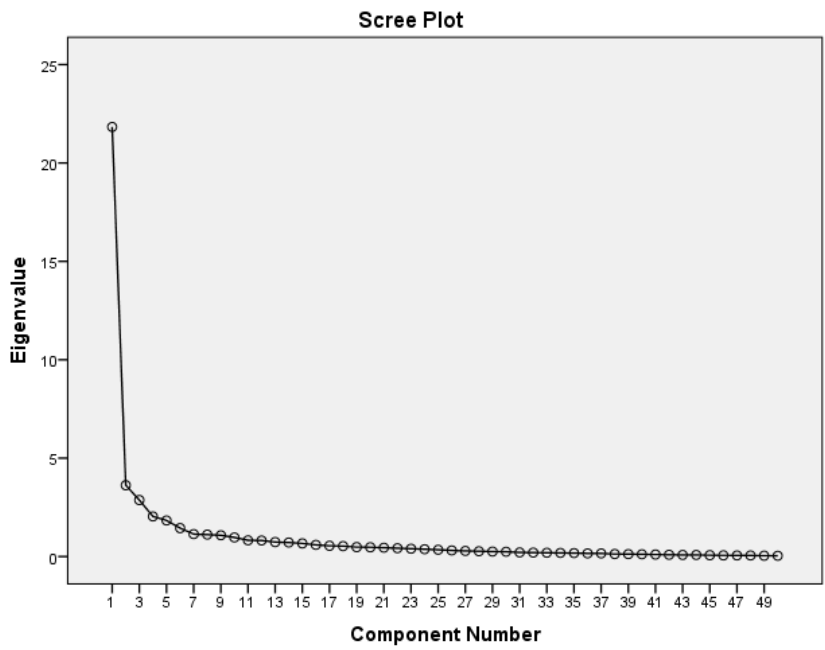
Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings	
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance
1	21,832	43,664	43,664	21,832	43,664	43,664	16,044	32,087
2	3,624	7,249	50,913	3,624	7,249	50,913	4,954	9,908
3	2,870	5,741	56,653	2,870	5,741	56,653	3,486	6,972
4	2,038	4,077	60,730	2,038	4,077	60,730	2,929	5,857
5	1,836	3,671	64,402	1,836	3,671	64,402	2,494	4,989
6	1,445	2,890	67,292	1,445	2,890	67,292	2,271	4,542
7	1,140	2,280	69,571	1,140	2,280	69,571	1,832	3,664
8	1,115	2,230	71,801	1,115	2,230	71,801	1,490	2,980
9	1,082	2,164	73,965	1,082	2,164	73,965	1,483	2,966
10	,969	1,938	75,903					
11	,824	1,647	77,550					
12	,818	1,636	79,186					
13	,736	1,471	80,657					
14	,712	1,425	82,082					
15	,667	1,333	83,415					
16	,593	1,187	84,602					
17	,545	1,091	85,693					
18	,531	1,061	86,754					
19	,478	,956	87,710					
20	,471	,942	88,652					
21	,449	,898	89,550					
22	,425	,851	90,401					
23	,399	,797	91,198					
24	,372	,744	91,942					
25	,344	,687	92,629					
26	,310	,620	93,249					
27	,285	,570	93,820					
28	,268	,537	94,356					
29	,253	,505	94,862					
30	,244	,487	95,349					
31	,208	,415	95,764					
32	,202	,404	96,169					
33	,192	,385	96,554					
34	,186	,371	96,925					
35	,177	,355	97,279					
36	,161	,321	97,601					
37	,158	,316	97,917					
38	,128	,255	98,172					
39	,122	,244	98,416					
40	,114	,227	98,644					
41	,103	,207	98,851					
42	,090	,179	99,030					
43	,084	,167	99,197					
44	,081	,163	99,360					
45	,068	,136	99,496					
46	,060	,119	99,615					
47	,056	,113	99,728					
48	,053	,106	99,834					
49	,044	,087	99,921					
50	,039	,079	100,000					

Total Variance Explained

Component	Rotation Sums of Squared Loadings
	Cumulative %
1	32,087
2	41,995
3	48,967
4	54,824
5	59,813
6	64,355
7	68,019
8	70,999
9	73,965
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Extraction Method: Principal Component Analysis.

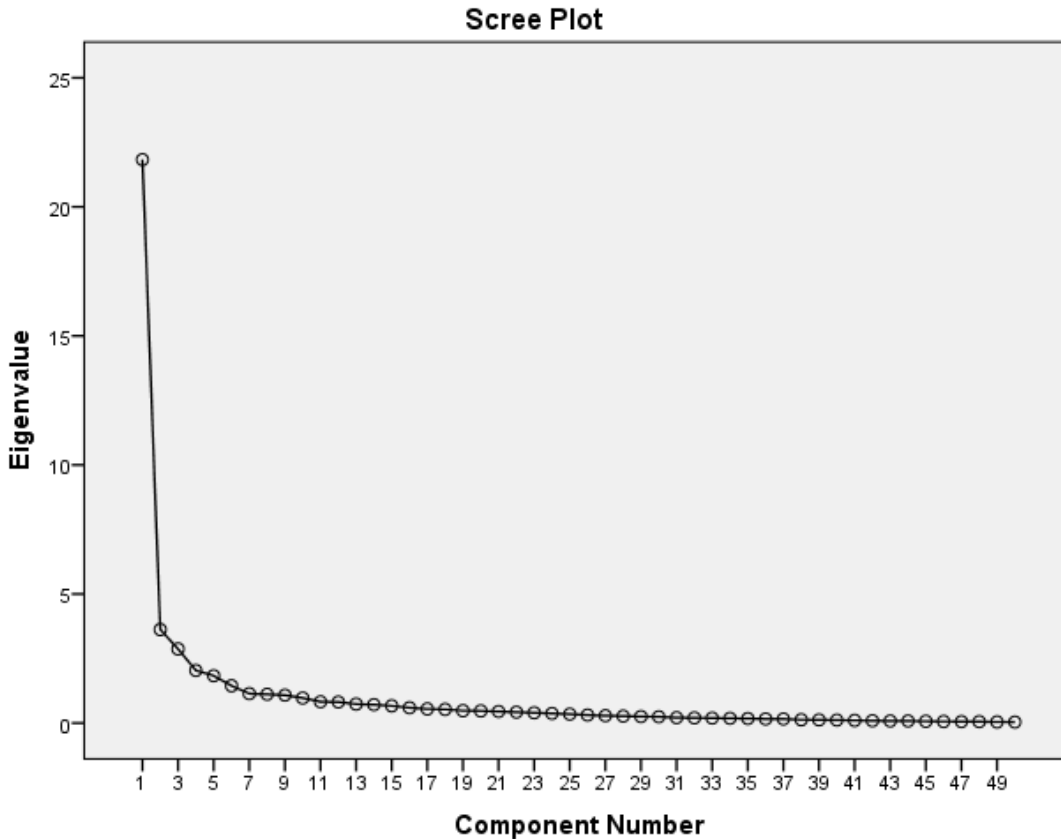


Component Matrix^a

	Component								
	1	2	3	4	5	6	7	8	9
Aim for standardized brand appearance.	,738								
Follow system regulations.	,779								
Get personally involved with the system.	,793								
Are trustworthy.	,828								
Are responsible.	,803								
Rarely miss deadlines.	,699								
Communicate with franchisor clearly and logical.	,836								
Communicate clearly and logical within the company.	,828								
Communicate clearly and sophisticated, written and orally.	,770								
Live business buy example.	,880								
Motivate others.	,860								
Work with and interpret own business figures very well.	,861								
Work overtime without it bothering them.	,699								
Believe the franchise system is one of the most important things in their lives.	,622								
Actively participate in the business.	,479				,559				
Are proud to be franchisees.	,778								
Will most likely renew their franchise contract.	,813								
Would recommend the franchise.	,867								
Barely critique the franchisor's services.	,517								,448
Are satisfied with value offered for their money.	,754								
Do not look for dispute but for a solution.	,826								
Integrate their client into the sales process.	,751								
Do have a cooperative connection with their client.	,823								
Sell more than once to the same client.	,726								
When entering the system they did have more financial capital than only the initial investment.	,453		,433						
During the franchiseship they were not or barely in debt with the franchisor.	,553							,501	
Pay their franchise fees on time.	,726								
Were self-employed before entering the system.					,488				
Market themselves very well.	,775								

Have a business degree.			,614					
Had experience within the business sector before entering the system.				,666				
Do know about their business sector now very well.	,644							
Did have leadership and management experience before entering the system.	,566	,559						
Lead their team well.	,839							
Do have the right attitude towards company philosophy.	,849							
Did have work experience in similar companies before entering the system.			,716					
Were successful in business before entering the system.	,533	,536						
Did have work experience in different companies before entering the system.		,590						
Did have sales knowledge before entering the system.	,435	,491						
"Live" sales.	,789							
Train their own sales team in sales.	,642							
Are married.		,429						
Are academics.		,650						
Are women.								,422
Grownup in the region in which they are now operating as franchisee?		,583						
Live on site.		,707						
Know the culture on site.	,527	,723						
Know the business code of conduct on site.	,562	,718						
Know the social setting onsite.	,528	,718						
Are well connected.	,633	,443						

Extraction Method: Principal Component Analysis.^a
 a. 9 components extracted.



Component Matrix^a

	Component					
	1	2	3	4	5	6
Aim for standardized brand appearance.	,738					
Follow system regulations.	,779					
Get personally involved with the system.	,793					
Are trustworthy.	,828					
Are responsible.	,803					
Rarely miss deadlines.	,699					
Communicate with franchisor clearly and logical.	,836					
Communicate clearly and logical within the company.	,828					
Communicate clearly and sophisticated, written and orally.	,770					
Live business buy example.	,880					
Motivate others.	,860					
Work with and interpret own business figures very well.	,861					
Work overtime without it bothering them.	,699					
Believe the franchise system is one of the most important things in their lives.	,622					
Actively participate in the business.	,479				,559	
Are proud to be franchisees.	,778					
Will most likely renew their franchise contract.	,813					
Would recommend the franchise.	,867					
Barely critique the franchisor's services.	,517					
Are satisfied with value offered for their money.	,754					
Do not look for dispute but for a solution.	,826					
Integrate their client into the sales process.	,751					
Do have a cooperative connection with their client.	,823					
Sell more than once to the same client.	,726					
When entering the system they did have more financial capital than only the initial investment.	,453		,433			
During the franchiseship they were not or barely in debt with the franchisor.	,553					
Pay their franchise fees on time.	,726					
Were self-employed before entering the system.				,488		
Market themselves very well.	,775					
Have a business degree.			,614			
Had experience within the business sector before entering the system.				,666		
Do know about their business sector now very well.	,644					
Did have leadership and management experience before entering the system.	,566		,559			
Lead their team well.	,839					
Do have the right attitude towards company philosophy.	,849					
Did have work experience in similar companies before entering the system.				,716		
Were successful in business before entering the system.	,533		,536			
Did have work experience in different companies before entering the system.			,590			
Did have sales knowledge before entering the system.	,435		,491			
"Live" sales.	,789					
Train their own sales team in sales.	,642					
Are married.		,429				
Are academics.			,650			
Are women.						
Grownup in the region in which they are now operating as franchisee?		,583				
Live on site.		,707				
Know the culture on site.	,527	,723				

Know the business code of conduct on site.	,562	,718				
Know the social setting on site.	,528	,718				
Are well connected.	,633	,443				

Extraction Method: Principal Component Analysis.^a

a. 6 components extracted.

Rotated Component Matrix^a

	Component					
	1	2	3	4	5	6
Aim for standardized brand appearance.	,808					
Follow system regulations.	,805					
Get personally involved with the system.	,778					
Are trustworthy.	,803					
Are responsible.	,785					
Rarely miss deadlines.	,721					
Communicate with franchisor clearly and logical.	,829					
Communicate clearly and logical within the company.	,793					
Communicate clearly and sophisticated, written and orally.	,766					
Live business buy example.	,772			,407		
Motivate others.	,788					
Work with and interpret own business figures very well.	,783			,428		
Work overtime without it bothering them.	,633					
Believe the franchise system is one of the most important things in their lives.	,540					
Actively participate in the business.						,604
Are proud to be franchisees.	,732					
Will most likely renew their franchise contract.	,758					
Would recommend the franchise.	,786					
Barely critique the franchisor's services.	,541					
Are satisfied with value offered for their money.	,755					
Do not look for dispute but for a solution.	,835					
Integrate their client into the sales process.	,651					
Do have a cooperative connection with their client.	,698					
Sell more than once to the same client.	,535			,464		
When entering the system they did have more financial capital than only the initial investment.			,454			,519
During the franchiseship they were not or barely in debt with the franchisor.	,449					,505
Pay their franchise fees on time.	,548					,469
Were self-employed before entering the system.			,401		,599	
Market themselves very well.	,540			,420		
Have a business degree.			,737			
Had experience within the business sector before entering the system.					,820	
Do know about their business sector now very well.				,491		
Did have leadership and management experience before entering the system.			,648			
Lead their team well.	,724			,453		
Do have the right attitude towards company philosophy.	,781					
Did have work experience in similar companies before entering the system.					,778	
Were successful in business before entering the system.			,594			

Did have work experience in different companies before entering the system.			,636			
Did have sales knowledge before entering the system.			,500	,537		
"Live" sales.	,523			,587		
Train their own sales team in sales.	,505			,600		
Are married.		,461				
Are academics.		,780				
Are women.						
Grownup in the region in which they are now operating as franchisee?		,691				
Live on site.		,824				
Know the culture on site.		,848				
Know the business code of conduct on site.		,798				
Know the social setting on site.		,808				
Are well connected.		,547		,417		

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.^a

a. Rotation converged in 7 iterations.

Component Transformation Matrix

Component	1	2	3	4	5	6
1	,840	,261	,242	,317	,177	,189
2	-,321	,925	-,021	,174	-,101	-,024
3	-,302	-,110	,926	,127	-,054	,144
4	-,281	-,080	-,109	,399	,862	,026
5	-,051	,127	-,039	-,540	,216	,801
6	,137	,204	,265	-,634	,408	-,548

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

Factor analysis

Communalities

	Initial	Extraction
Aim for standardized brand appearance.	1,000	,707
Follow system regulations.	1,000	,742
Get personally involved with the system.	1,000	,677
Are trustworthy.	1,000	,740
Are responsible.	1,000	,691
Rarely miss deadlines.	1,000	,611
Communicate with franchisor clearly and logical.	1,000	,807
Communicate clearly and logical within the company.	1,000	,773
Communicate clearly and sophisticated, written and orally.	1,000	,734
Live business buy example.	1,000	,839
Motivate others.	1,000	,800
Work with and interpret own business figures very well.	1,000	,831
Work overtime without it bothering them.	1,000	,543
Believe the franchise system is one of the most important things in their lives.	1,000	,566
Actively participate in the business.	1,000	,579
Are proud to be franchisees.	1,000	,745
Will most likely renew their franchise contract.	1,000	,762
Would recommend the franchise.	1,000	,828
Barely critique the franchisor's services.	1,000	,441
Are satisfied with value offered for their money.	1,000	,646

Do not look for dispute but for a solution.	1,000	,783
Integrate their client into the sales process.	1,000	,599
Do have a cooperative connection with their client.	1,000	,710
Sell more than once to the same client.	1,000	,622
When entering the system they did have more financial capital than only the initial investment.	1,000	,599
During the franchiseship they were not or barely in debt with the franchisor.	1,000	,541
Pay their franchise fees on time.	1,000	,673
Were self-employed before entering the system.	1,000	,571
Market themselves very well.	1,000	,676
Have a business degree.	1,000	,600
Had experience within the business sector before entering the system.	1,000	,738
Do know about their business sector now very well.	1,000	,591
Did have leadership and management experience before entering the system.	1,000	,662
Lead their team well.	1,000	,777
Do have the right attitude towards company philosophy.	1,000	,738
Did have work experience in similar companies before entering the system.	1,000	,744
Were successful in business before entering the system.	1,000	,602
Did have work experience in different companies before entering the system.	1,000	,564
Did have sales knowledge before entering the system.	1,000	,631
"Live" sales.	1,000	,766
Train their own sales team in sales.	1,000	,655
Are married.	1,000	,407
Are academics.	1,000	,664
Are women.	1,000	,328
Grownup in the region in which they are now operating as franchisee?	1,000	,502
Live on site.	1,000	,715
Know the culture on site.	1,000	,827
Know the business code of conduct on site.	1,000	,852
Know the social setting on site.	1,000	,812
Are well connected.	1,000	,636

Extraction Method: Principal Component Analysis.

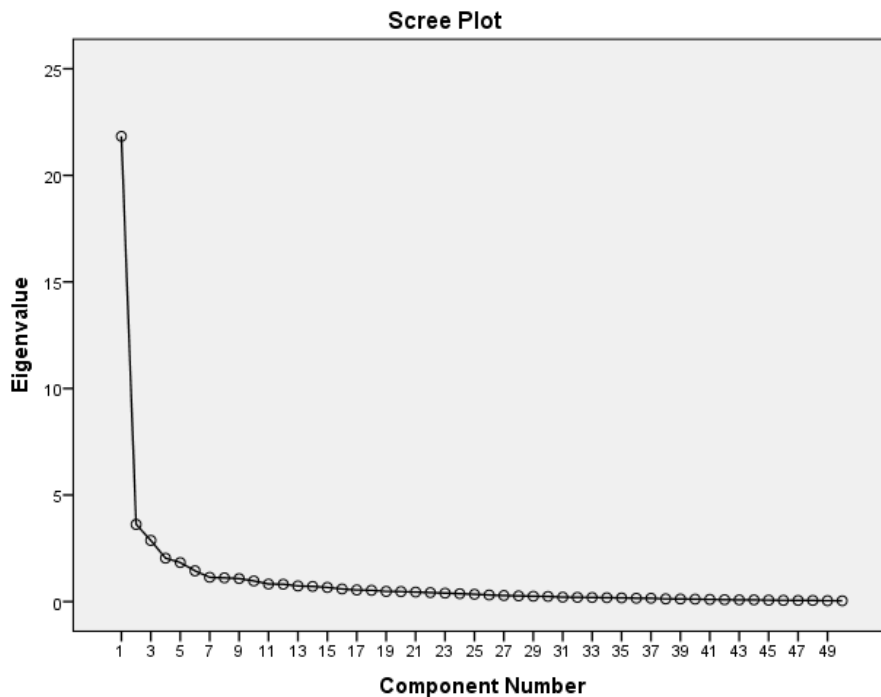
Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings ^a
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total
1	21,832	43,664	43,664	21,832	43,664	43,664	20,202
2	3,624	7,249	50,913	3,624	7,249	50,913	6,728
3	2,870	5,741	56,653	2,870	5,741	56,653	5,212
4	2,038	4,077	60,730	2,038	4,077	60,730	13,006
5	1,836	3,671	64,402	1,836	3,671	64,402	4,565
6	1,445	2,890	67,292	1,445	2,890	67,292	7,440
7	1,140	2,280	69,571				
8	1,115	2,230	71,801				
9	1,082	2,164	73,965				
10	,969	1,938	75,903				
11	,824	1,647	77,550				
12	,818	1,636	79,186				
13	,736	1,471	80,657				
14	,712	1,425	82,082				
15	,667	1,333	83,415				
16	,593	1,187	84,602				
17	,545	1,091	85,693				
18	,531	1,061	86,754				
19	,478	,956	87,710				

20	,471	,942	88,652				
21	,449	,898	89,550				
22	,425	,851	90,401				
23	,399	,797	91,198				
24	,372	,744	91,942				
25	,344	,687	92,629				
26	,310	,620	93,249				
27	,285	,570	93,820				
28	,268	,537	94,356				
29	,253	,505	94,862				
30	,244	,487	95,349				
31	,208	,415	95,764				
32	,202	,404	96,169				
33	,192	,385	96,554				
34	,186	,371	96,925				
35	,177	,355	97,279				
36	,161	,321	97,601				
37	,158	,316	97,917				
38	,128	,255	98,172				
39	,122	,244	98,416				
40	,114	,227	98,644				
41	,103	,207	98,851				
42	,090	,179	99,030				
43	,084	,167	99,197				
44	,081	,163	99,360				
45	,068	,136	99,496				
46	,060	,119	99,615				
47	,056	,113	99,728				
48	,053	,106	99,834				
49	,044	,087	99,921				
50	,039	,079	100,000				

Extraction Method: Principal Component Analysis.

a. When components are correlated, sums of squared loadings cannot be added to obtain a total variance.



Component Matrix^a

	Component					
	1	2	3	4	5	6
Aim for standardized brand appearance.	,738					
Follow system regulations.	,779					
Get personally involved with the system.	,793					
Are trustworthy.	,828					
Are responsible.	,803					
Rarely miss deadlines.	,699					
Communicate with franchisor clearly and logical.	,836					
Communicate clearly and logical within the company.	,828					
Communicate clearly and sophisticated, written and orally.	,770					
Live business buy example.	,880					
Motivate others.	,860					
Work with and interpret own business figures very well.	,861					
Work overtime without it bothering them.	,699					
Believe the franchise system is one of the most important things in their lives.	,622					
Actively participate in the business.	,479				,559	
Are proud to be franchisees.	,778					
Will most likely renew their franchise contract.	,813					
Would recommend the franchise.	,867					
Barely critique the franchisor's services.	,517					
Are satisfied with value offered for their money.	,754					
Do not look for dispute but for a solution.	,826					
Integrate their client into the sales process.	,751					
Do have a cooperative connection with their client.	,823					
Sell more than once to the same client.	,726					
When entering the system they did have more financial capital than only the initial investment.	,453		,433			
During the franchiseship they were not or barely in debt with the franchisor.	,553					
Pay their franchise fees on time.	,726					
Were self-employed before entering the system.				,488		
Market themselves very well.	,775					
Have a business degree.			,614			
Had experience within the business sector before entering the system.				,666		
Do know about their business sector now very well.	,644					
Did have leadership and management experience before entering the system.	,566		,559			
Lead their team well.	,839					
Do have the right attitude towards company philosophy.	,849					
Did have work experience in similar companies before entering the system.				,716		
Were successful in business before entering the system.	,533		,536			
Did have work experience in different companies before entering the system.			,590			
Did have sales knowledge before entering the system.	,435		,491			
"Live" sales.	,789					
Train their own sales team in sales.	,642					,436
Are married.		,429				
Are academics.			,650			
Are women.						
Grownup in the region in which they are now operating as franchisee?		,583				
Live on site.		,707				

Know the culture on site.	,527	,723				
Know the business code of conduct on site.	,562	,718				
Know the social setting on site.	,528	,718				
Are well connected.	,633	,443				

Extraction Method: Principal Component Analysis.^a

a. 6 components extracted.

Pattern Matrix^a

	Component					
	1	2	3	4	5	6
Aim for standardized brand appearance.	,908					
Follow system regulations.	,850					
Get personally involved with the system.	,783					
Are trustworthy.	,814					
Are responsible.	,784					
Rarely miss deadlines.	,778					
Communicate with franchisor clearly and logical.	,875					
Communicate clearly and logical within the company.	,794					
Communicate clearly and sophisticated, written and orally.	,804					
Live business buy example.	,642					
Motivate others.	,736					
Work with and interpret own business figures very well.	,676					
Work overtime without it bothering them.	,580					
Believe the franchise system is one of the most important things in their lives.	,479					
Actively participate in the business.						,635
Are proud to be franchisees.	,712					
Will most likely renew their franchise contract.	,696					
Would recommend the franchise.	,716					
Barely critique the franchisor's services.	,665					
Are satisfied with value offered for their money.	,812					
Do not look for dispute but for a solution.	,908					
Integrate their client into the sales process.	,559					
Do have a cooperative connection with their client.	,558					
Sell more than once to the same client.				,476		
When entering the system they did have more financial capital than only the initial investment.						,556
During the franchiseship they were not or barely in debt with the franchisor.						,520
Pay their franchise fees on time.						,457
Were self-employed before entering the system.					,597	
Market themselves very well.				,427		
Have a business degree.			,727			
Had experience within the business sector before entering the system.					,827	
Do know about their business sector now very well.				,535		
Did have leadership and management experience before entering the system.			,568			
Lead their team well.	,595			,443		
Do have the right attitude towards company philosophy.	,737					
Did have work experience in similar companies before entering the system.					,787	
Were successful in business before entering the system.			,501			
Did have work experience in different companies before entering the system.			,611			
Did have sales knowledge before entering the system.			,413	,668		
"Live" sales.				,641		

Train their own sales team in sales.				,673	
Are married.		,475			
Are academics.			,802		
Are women.	,405				,430
Grownup in the region in which they are now operating as franchisee?		,726			
Live on site.		,849			
Know the culture on site.		,820			
Know the business code of conduct on site.		,729			
Know the social setting on site.		,758			
Are well connected.		,446		,436	

*Extraction Method: Principal Component Analysis.
 Rotation Method: Promax with Kaiser Normalization.^a
 a. Rotation converged in 7 iterations.*

Structure Matrix

	Component					
	1	2	3	4	5	6
Aim for standardized brand appearance.	,811					,420
Follow system regulations.	,832					,467
Get personally involved with the system.	,817			,529		
Are trustworthy.	,847			,510		,443
Are responsible.	,826			,531		
Rarely miss deadlines.	,738			,495		
Communicate with franchisor clearly and logical.	,868			,558		
Communicate clearly and logical within the company.	,843			,611		
Communicate clearly and sophisticated, written and orally.	,797			,553		
Live business buy example.	,857			,728		,419
Motivate others.	,855			,668		
Work with and interpret own business figures very well.	,849			,726		,418
Work overtime without it bothering them.	,696			,421		,461
Believe the franchise system is one of the most important things in their lives.	,615				,478	,531
Actively participate in the business.						,712
Are proud to be franchisees.	,793				,425	,554
Will most likely renew their franchise contract.	,818			,502		,607
Would recommend the franchise.	,862			,532		,628
Barely critique the franchisor's services.	,555					
Are satisfied with value offered for their money.	,790			,401		
Do not look for dispute but for a solution.	,869			,429		
Integrate their client into the sales process.	,727			,542		,497
Do have a cooperative connection with their client.	,787			,658		,511
Sell more than once to the same client.	,650			,694		,464
When entering the system they did have more financial capital than only the initial investment.			,482			,626
During the franchiseship they were not or barely in debt with the franchisor.	,517			,410		,629
Pay their franchise fees on time.	,655			,600		,662
Were self-employed before entering the system.			,437		,628	
Market themselves very well.	,680		,418	,717		
Have a business degree.			,760			
Had experience within the business sector before entering the system.					,851	
Do know about their business sector now very well.	,509			,690		,504
Did have leadership and management experience before entering the system.	,441		,687	,560		
Lead their team well.	,808			,745		
Do have the right attitude towards company philosophy.	,847			,596		,404

Did have work experience in similar companies before entering the system.					,794
Were successful in business before entering the system.	,427		,627	,531	
Did have work experience in different companies before entering the system.			,640		
Did have sales knowledge before entering the system.			,519	,646	
"Live" sales.	,675			,832	
Train their own sales team in sales.	,586			,749	
Are married.		,459			
Are academics.			,794		
Are women.					
Grownup in the region in which they are now operating as franchisee?			,694		
Live on site.			,836		
Know the culture on site.	,400		,890	,444	
Know the business code of conduct on site.	,417		,850	,605	
Know the social setting on site.			,852	,527	
Are well connected.	,519		,625	,654	

Extraction Method: Principal Component Analysis.

Rotation Method: Promax with Kaiser Normalization.

Component Correlation Matrix

Component	1	2	3	4	5	6
1	1,000	,287	,260	,581	,317	,425
2	,287	1,000	,088	,334	,103	,201
3	,260	,088	1,000	,250	,083	,180
4	,581	,334	,250	1,000	,183	,332
5	,317	,103	,083	,183	1,000	,246
6	,425	,201	,180	,332	,246	1,000

Extraction Method: Principal Component Analysis.

Rotation Method: Promax with Kaiser Normalization.

25. Appendix: Principal component analysis result by items

Theoretic model: Bavarian Triple		Main component analysis model: Bavarian Triple Plus						
		1	2	3	4	5	6	
Soft skills	Aim for standardized brand appearance.	0.91						
	Follow system regulations.	0.85						
	Get personally involved with the system.	0.78						
	Are trustworthy.	0.81						
	Are responsible.	0.78						
	Meet deadlines.	0.78						
	Communicate with franchisor clearly and logical.	0.88						
	Communicate clearly and logical within the company.	0.79						
	Communicate clearly and sophisticated, written and orally.	0.80						
	Live business by example.	0.64						
	Motivate others.	0.74						
	Work with and interpret own business figures very well.	0.68						
	Work overtime without it bothering them.	0.58						
	Believe the franchise system is one of the most important things in their lives.	0.48						
	Actively participate in business.	0.71						
	Are proud to be franchisees.	0.70						
	Will most likely renew their franchise contract.	0.72						
	Would recommend the franchise.	0.67						
	Barely critique the franchisor's services.	0.81						
	Are satisfied with value offered for their money.	0.91						
	Do not look for dispute but for a solution.	0.56						
	Integrate their client into the sales process.	0.56						
	Do have a cooperative connection with their client.	0.60				0.44		
	Lead their team well.	0.60						
	Sell several times to same customer	0.74						
Hard skills	When entering the system they did have more financial capital than only the initial investment.							
	During the franchiseship they were not or only barely in debt with the franchisor.							
	Pay their franchise fees on time.							
	Were self-employed before entering the system.							
	Market themselves very well.							
	Have a business degree.							
	Had experience within the business sector before entering the system.							
	Do know about their business sector now very well.							
	Did have leadership and management experience before entering the system.							
	Lead their team well.							
	Do have the right attitude towards company philosophy.							
	Did have work experience in similar companies before entering the system.							
	Were successful in business before entering the system.							
	Gained sales experience in different company before entering the system							
	Did have sales knowledge before entering the system.							
	"Lives" sales.							
	Train their own sales team.							
	Are married.							
	Are academics.							
	Are women.							
	(Age) only asked for successful franchisees							
	Local knowledge	Grown up in the region in which they are now operating as franchisee						
		Live on site.						
		Know the culture on site.						
Know the business code of conduct on site.								
Know the social setting on site.								
not taken into account for principal component analysis	Speak local language fluently.							
	Speak German with franchisor.							
	Speak English with franchisor.							
	Speak neither German nor English with franchisor.							
	Has same amount of contact with international franchisees as with national franchisee.							
Uses modern means of communication.								
Local attachment (stayed the same except for intl aspects)	Are married.		0.48					
	Grown up in the region in which they are now operating as franchisee		0.73					
	Live on site.		0.85					
	Know the culture on site.		0.82					
	Know the business code of conduct on site.		0.73					
	Know the social setting on site.		0.76					
	Are well connected.		0.45		0.44			
	Theoretical/practical experience	Have a business degree.			0.73			
		Did have leadership and management experience before entering the system.			0.57			
		Were successful in business before entering the system.			0.50			
		Did have work experience in different companies before entering the system.			0.61			
		Are academics.			0.80			
	Sales skills	Sell more than once to the same client.				0.48		
		Market themselves very well.				0.43		
		Do know about their business sector now very well.				0.54		
		Did have sales knowledge before entering the system.				0.41	0.67	
		"Lives" sales.				0.64	0.67	
	Franchise preparation	Were self-employed before entering the system.					0.60	
		Had experience within the business sector before entering the system.					0.83	
		Did have work experience in similar companies before entering the system.					0.79	
		Actively participate in the business.						0.64
		When entering the system they did have more financial capital than only the initial investment.						0.56
	Participation and financial involvement	During the franchiseship they were not or only barely in debt with the franchisor.						0.52
		Pay their franchise fees on time.						0.46
		Are woman.	0.41					-0.43

26. Appendix: Principal component analysis with Varimax rotation
and extraction of 6 main components with their respective communalities

Rotated loadings	Component						Communi- nality
	1	2	3	4	5	6	
Aim for standardized brand appearance.	.81						.71
Follow system regulations.	.81						.74
Get personally involved with the system.	.78						.68
Are trustworthy.	.80						.74
Are responsible.	.79						.69
Rarely miss deadlines.	.72						.61
Communicate with franchisor clearly and logical.	.83						.81
Communicate clearly and logical within the company.	.79						.77
Communicate clearly and sophisticated, written and orally.	.77						.73
Live business by example.	.77			.41			.84
Motivate others.	.79						.80
Work with and interpreted own business figures very well.	.78			.43			.83
Work overtime without it bothering them.	.63						.54
Believe the franchise system is one of the most important things in their lives.	.54						.57
Are proud to be franchisees.	.73						.75
Will most likely renew their franchise contract.	.76						.76
Would recommend the franchise.	.79						.83
Barely critique the franchisor's services.	.54						.44
Are satisfied with value offered for their money.	.76						.65
Do not look for dispute but for a solution.	.84						.78
Integrate their client into the sales process.	.65						.60
Do have a cooperative connection with their client.	.70						.71
Lead their team well.	.72			.45			.78
Do have the right attitude towards company philosophy.	.78						.74
Are married.		.46					.41
Grow up in the region in which they are now operating as franchisee.		.69					.50
Live on site.		.82					.72
Know the culture on site.		.85					.83
Know the business code of conduct on site.		.80					.85
Know the social setting on site.		.81					.81
Are well connected.		.55		.42			.64
Have a business degree.			.74				.60
Did have leadership and management experience before entering the system.			.65				.66
Were successful in business before entering the system.			.59				.60
Did have work experience in different companies before entering the system.			.64				.56
Are academics.			.78				.66
Sell more than once to the same client.	.54			.46			.62
Market themselves very well.	.54			.42			.68
Do know about their business sector now very well.				.49			.59
Did have sales knowledge before entering the system.			.50	.54			.63
"Live" sales.	.52			.59			.77
Train their own sales team in sales.	.51			.60			.66
Were self-employed before entering the system.			.40		.60		.57
Had experience within the business sector before entering the system.					.82		.74
Did have work experience in similar companies before entering the system.					.78		.74
Actively participate in the business.						.60	.58

When entering the system they did have more financial capital than only the initial investment.			.45			.52	.60
During the franchiseship they were not or barely in debt with the franchisor.	.45					.51	.54
Pay their franchise fees on time.	.55					.47	.67
Are woman.							.33
Explained variance	32%	9%	8%	8%	5%	5%	

Source: Author's own research results based on primary data collected from franchisors n= 207

27. Appendix: Principal component analysis with Promax rotation

Loadings	Component					
	1	2	3	4	5	6
	Soft skills	Local attachment	Theoretical / practical experience	Sales skills	Franchise preparation	Participation and financial involvement
Aim for standardized brand appearance.	.91					
Follow system regulations.	.85					
Get personally involved with the system.	.78					
Are trustworthy.	.81					
Are responsible.	.78					
Rarely miss deadlines.	.78					
Communicate with franchisor clearly and logical.	.88					
Communicate clearly and logical within the company.	.79					
Communicate clearly and sophisticated, written and orally.	.80					
Live business by example.	.64					
Motivate others.	.74					
Work with and interpreted own business figures very well.	.68					
Work overtime without it bothering them.	.58					
Believe the franchise system is one of the most important things in their lives.	.48					
Are proud to be franchisees.	.71					
Will most likely renew their franchise contract.	.70					
Would recommend the franchise.	.72					
Barely critique the franchisor's services.	.67					
Are satisfied with value offered for their money.	.81					
Do not look for dispute but for a solution.	.91					
Integrate their client into the sales process.	.56					
Do have a cooperative connection with their client.	.56					
Lead their team well.	.60			.44		
Do have the right attitude towards company philosophy.	.74					
Are married.		.48				
Grown up in the region in which they are now operating as franchisee.		.73				
Live on site.		.85				
Know the culture on site.		.82				
Know the business code of conduct on site.		.73				
Know the social setting on site.		.76				
Are well connected.		.45		.44		
Have a business degree.			.73			
Did have leadership and management experience before entering the system.			.57			
Were successful in business before entering the system.			.50			
Did have work experience in different companies before entering the system.			.61			
Are academics.			.80			
Sell more than once to the same client.				.48		
Market themselves very well.				.43		
Do know about their business sector now very well.				.54		
Did have sales knowledge before entering the			.41	.67		

system.						
"Live" sales.				.64		
Train their own sales team in sales.				.67		
Were self-employed before entering the system.					.60	
Had experience within the business sector before entering the system.					.83	
Did have work experience in similar companies before entering the system.					.79	
Actively participate in the business.						.64
When entering the system they did have more financial capital than only the initial investment.						.56
During the franchiseship they were not or barely in debt with the franchisor.						.52
Pay their franchise fees on time.						.46
Are woman.	.41					-.43

Source: Author's own research results based on primary data collected from franchisors n=207

28. Appendix: Reliability analysis

Scale: soft skills

Case Processing Summary

		N	%
Cases	Valid	150	72,5
	Excluded ^a	57	27,5
	Total	207	100,0

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

Reliability Statistics

Cronbach's Alpha	N of Items
,973	24

Item Statistics

	Mean	Std. Deviation	N
Aim for standardized brand appearance.	4,0533	1,00860	150
Follow system regulations.	3,8600	,93428	150
Get personally involved with the system.	3,7600	1,12136	150
Are trustworthy.	3,9600	,97540	150
Are responsible.	4,1067	,97034	150
Rarely miss deadlines.	3,5533	1,00693	150
Communicate with franchisor clearly and logical.	3,5600	1,10204	150
Communicate clearly and logical within the company.	3,5267	1,00800	150
Communicate clearly and sophisticated, written and orally.	3,4467	1,02673	150
Live business buy example.	3,9333	1,20216	150
Motivate others.	3,8133	1,16657	150
Work with and interpret own business figures very well.	3,8200	1,14147	150
Work overtime without it bothering them.	3,9733	,94795	150
Believe the franchise system is one of the most important things in their lives.	3,5533	,87114	150
Are proud to be franchisees.	4,0467	,93648	150
Will most likely renew their franchise contract.	4,2467	,99621	150
Would recommend the franchise.	4,2133	,90180	150
Barely critique the franchisor's services.	3,0667	,90240	150
Are satisfied with value offered for their money.	3,4933	,93225	150
Do not look for dispute but for a solution.	3,8600	,99009	150
Integrate their client into the sales process.	3,7933	1,05102	150
Do have a cooperative connection with their client.	3,9333	1,00780	150
Lead their team well.	3,7400	1,07710	150
Do have the right attitude towards company philosophy.	3,9933	,90855	150

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
Aim for standardized brand appearance.	87,2533	335,654	,757	,972
Follow system regulations.	87,4467	337,430	,767	,972
Get personally involved with the system.	87,5467	331,135	,790	,972
Are trustworthy.	87,3467	334,188	,827	,972
Are responsible.	87,2000	334,537	,822	,972
Rarely miss deadlines.	87,7533	337,583	,704	,973
Communicate with franchisor clearly and logical.	87,7467	330,607	,819	,972
Communicate clearly and logical within the company.	87,7800	333,797	,810	,972

Communicate clearly and sophisticated, written and orally.	87,8600	335,853	,737	,972
Live business buy example.	87,3733	325,645	,866	,971
Motivate others.	87,4933	327,339	,851	,971
Work with and interpret own business figures very well.	87,4867	329,124	,826	,972
Work overtime without it bothering them.	87,3333	341,687	,629	,973
Believe the franchise system is one of the most important things in their lives.	87,7533	344,898	,587	,973
Are proud to be franchisees.	87,2600	337,804	,754	,972
Will most likely renew their franchise contract.	87,0600	334,392	,803	,972
Would recommend the franchise.	87,0933	335,817	,848	,972
Barely critique the franchisor's services.	88,2400	347,257	,493	,974
Are satisfied with value offered for their money.	87,8133	340,086	,689	,973
Do not look for dispute but for a solution.	87,4467	334,571	,803	,972
Integrate their client into the sales process.	87,5133	335,406	,731	,972
Do have a cooperative connection with their client.	87,3733	334,329	,795	,972
Lead their team well.	87,5667	331,321	,820	,972
Do have the right attitude towards company philosophy.	87,3133	336,257	,827	,972

Scale Statistics

Mean	Variance	Std. Deviation	N of Items
91,3067	364,644	19,09564	24

Scale: local attachment

Case Processing Summary

		N	%
Cases	Valid	156	75,4
	Excluded ^a	51	24,6
	Total	207	100,0

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

Reliability Statistics

Cronbach's Alpha	N of Items
,868	7

Item Statistics

	Mean	Std. Deviation	N
Are married.	3,6923	,75874	156
Grownup in the region in which they are now operating as franchisee?	3,9487	,75173	156
Live on site.	4,3333	,65583	156
Know the culture on site.	4,3462	,64911	156
Know the business code of conduct on site.	4,2949	,73807	156
Know the social setting on site.	4,2756	,68696	156
Are well connected.	3,9808	,91208	156

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
Are married.	25,1795	12,613	,337	,889
Grownup in the region in which they are now operating as franchisee?	24,9231	11,904	,489	,870
Live on site.	24,5385	11,489	,694	,844
Know the culture on site.	24,5256	10,922	,853	,824
Know the business code of conduct on site.	24,5769	10,478	,833	,823
Know the social setting on site.	24,5962	10,733	,844	,823
Are well connected.	24,8910	10,717	,578	,863

Scale Statistics

Mean	Variance	Std. Deviation	N of Items
28,8718	15,003	3,87335	7

Scale: sales skills

Case Processing Summary

		N	%
Cases	Valid	160	77,3
	Excluded ^a	47	22,7
	Total	207	100,0

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

Reliability Statistics

Cronbach's Alpha	N of Items
,776	5

Item Statistics

	Mean	Std. Deviation	N
Have a business degree.	2,8938	1,00687	160
Did have leadership and management experience before entering the system.	3,3500	,95298	160
Were successful in business before entering the system.	3,7625	,76469	160
Did have work experience in different companies before entering the system.	3,4438	,78305	160
Are academics.	2,6125	1,11020	160

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
Have a business degree.	13,1688	7,097	,626	,706
Did have leadership and management experience before entering the system.	12,7125	7,414	,606	,714
Were successful in business before entering the system.	12,3000	8,287	,590	,727
Did have work experience in different companies before entering the system.	12,6188	8,891	,420	,773
Are academics.	13,4500	7,067	,537	,745

Scale Statistics

Mean	Variance	Std. Deviation	N of Items
16,0625	11,468	3,38641	5

Scale: theoretical/practical experience

Case Processing Summary

		N	%
Cases	Valid	155	74,9
	Excluded ^a	52	25,1
	Total	207	100,0

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

Reliability Statistics

Cronbach's Alpha	N of Items
,866	6

Item Statistics

	Mean	Std. Deviation	N
Sell more than once to the same client.	3,9290	1,14591	155
Market themselves very well.	3,5742	1,05035	155
Do know about their business sector now very well.	3,9548	,90699	155
Did have sales knowledge before entering the system.	3,5419	,86218	155
"Live" sales.	3,6452	1,09154	155
Train their own sales team in sales.	3,4065	1,19358	155

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
Sell more than once to the same client.	18,1226	16,264	,659	,844
Market themselves very well.	18,4774	16,913	,655	,844
Do know about their business sector now very well.	18,0968	18,101	,615	,851
Did have sales knowledge before entering the system.	18,5097	18,914	,535	,863
"Live" sales.	18,4065	15,217	,853	,806
Train their own sales team in sales.	18,6452	15,880	,669	,843

Scale Statistics

Mean	Variance	Std. Deviation	N of Items
22,0516	23,673	4,86545	6

Scale: franchise preparation

Case Processing Summary

		N	%
Cases	Valid	176	85,0
	Excluded ^a	31	15,0
	Total	207	100,0

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

Reliability Statistics

Cronbach's Alpha	N of Items
,710	3

Item Statistics

	Mean	Std. Deviation	N
Were self-employed before entering the system.	2,9091	1,01572	176
Had experience within the business sector before entering the system.	2,9091	1,12261	176
Did have work experience in similar companies before entering the system.	2,8409	,99584	176

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
Were self-employed before entering the system.	5,7500	3,811	,352	,818
Had experience within the business sector before entering the system.	5,7500	2,611	,652	,450
Did have work experience in similar companies before entering the system.	5,8182	3,098	,613	,520

Scale Statistics

Mean	Variance	Std. Deviation	N of Items
8,6591	6,237	2,49748	3

Scale: participation and financial involvement

Case Processing Summary

		N	%
Cases	Valid	172	83,1
	Excluded ^a	35	16,9
	Total	207	100,0

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

Reliability Statistics

Cronbach's Alpha	N of Items
,758	4

Item Statistics

	Mean	Std. Deviation	N
Actively participate in the business.	4,2035	,85798	172
When entering the system they did have more financial capital than only the initial investment.	3,5930	,89021	172
During the franchiseship they were not or barely in debt with the franchisor.	3,7442	1,01089	172
Pay their franchise fees on time.	4,0407	,99917	172

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
Actively participate in the business.	11,3779	5,804	,407	,773
When entering the system they did have more financial capital than only the initial investment.	11,9884	5,357	,503	,728
During the franchiseship they were not or barely in debt with the franchisor.	11,8372	4,418	,655	,642
Pay their franchise fees on time.	11,5407	4,414	,669	,633

Scale Statistics

Mean	Variance	Std. Deviation	N of Items
15,5814	8,221	2,86730	4

Correlations

		soft skills	local attachment	theoretical/practical experience
soft skills	Pearson Correlation	1	,535**	,448**
	Sig. 2-tailed		,000	,000
	N	195	186	186
local attachment	Pearson Correlation	,535**	1	,253**
	Sig. 2-tailed	,000		,001
	N	186	186	185
theoretical/practical experience	Pearson Correlation	,448**	,253**	1
	Sig. 2-tailed	,000	,001	
	N	186	185	186
sales skills	Pearson Correlation	,816**	,569**	,474**
	Sig. 2-tailed	,000	,000	,000
	N	194	186	186
franchise preparation	Pearson Correlation	,360**	,214**	,223**
	Sig. 2-tailed	,000	,004	,002
	N	183	183	183
participation and financial involvement	Pearson Correlation	,648**	,421**	,467**
	Sig. 2-tailed	,000	,000	,000
	N	194	186	186

Correlations

		sales skills	franchise preparation	participation and financial involvement
soft skills	Pearson Correlation	,816**	,360**	,648**
	Sig. 2-tailed	,000	,000	,000
	N	194	183	186
local attachment	Pearson Correlation	,569**	,214**	,421**
	Sig. 2-tailed	,000	,004	,000
	N	186	183	186
theoretical/practical experience	Pearson Correlation	,474**	,223**	,467**
	Sig. 2-tailed	,000	,002	,000
	N	186	183	186
sales skills	Pearson Correlation	1	,458**	,566**

	Sig. 2-tailed		,000	,000
	N	194	183	194
franchise preparation	Pearson Correlation	,458**	1	,304**
	Sig. 2-tailed	,000		,000
	N	183	183	183
participation and financial involvement	Pearson Correlation	,566**	,304**	1
	Sig. 2-tailed	,000	,000	
	N	194	183	194

** . Correlation is significant at the 0.01 level 2-tailed.

29. Appendix: t-test results

Group

Case Processing Summary

Group		Cases			
		Valid		Missing	
		N	Percent	N	Percent
soft skills	successful	144	96,6%	5	3,4%
	not successful	51	87,9%	7	12,1%
local attachment	successful	139	93,3%	10	6,7%
	not successful	47	81,0%	11	19,0%
theoretical/practical experience	successful	138	92,6%	11	7,4%
	not successful	48	82,8%	10	17,2%
sales skills	successful	143	96,0%	6	4,0%
	not successful	51	87,9%	7	12,1%
franchise preparation	successful	136	91,3%	13	8,7%
	not successful	47	81,0%	11	19,0%
participation and financial involvement	successful	143	96,0%	6	4,0%
	not successful	51	87,9%	7	12,1%

Case Processing Summary

Group		Cases	
		Total	
		N	Percent
soft skills	successful	149	100,0%
	not successful	58	100,0%
local attachment	successful	149	100,0%
	not successful	58	100,0%
theoretical/practical experience	successful	149	100,0%
	not successful	58	100,0%
sales skills	successful	149	100,0%
	not successful	58	100,0%
franchise preparation	successful	149	100,0%
	not successful	58	100,0%
participation and financial involvement	successful	149	100,0%
	not successful	58	100,0%

Descriptives

Group		Statistic		Std. Error
soft skills	successful	Mean	4,1471	,03429
		95% Confidence Interval for Mean	Lower Bound	4,0794
		Upper Bound	4,2149	
		5% Trimmed Mean	4,1595	
		Median	4,1667	
		Variance	,169	
		Std. Deviation	,41149	
		Minimum	3,04	
		Maximum	4,95	
		Range	1,91	
		Interquartile Range	,59	
		Skewness	-,434	,202

		Kurtosis		-,288	,401
	not successful	Mean		2,4643	,05510
		95% Confidence Interval for Mean	Lower Bound	2,3536	
			Upper Bound	2,5750	
		5% Trimmed Mean		2,4644	
		Median		2,4545	
		Variance		,155	
		Std. Deviation		,39352	
		Minimum		1,50	
		Maximum		3,58	
		Range		2,08	
		Interquartile Range		,48	
		Skewness		,164	,333
		Kurtosis		,538	,656
local attachment	successful	Mean		4,2466	,03914
		95% Confidence Interval for Mean	Lower Bound	4,1692	
			Upper Bound	4,3240	
		5% Trimmed Mean		4,2614	
		Median		4,2857	
		Variance		,213	
		Std. Deviation		,46149	
		Minimum		3,00	
		Maximum		5,00	
		Range		2,00	
		Interquartile Range		,71	
		Skewness		-,308	,206
		Kurtosis		-,593	,408
	not successful	Mean		3,5930	,09409
		95% Confidence Interval for Mean	Lower Bound	3,4036	
			Upper Bound	3,7824	
		5% Trimmed Mean		3,6174	
		Median		3,7143	
		Variance		,416	
		Std. Deviation		,64504	
		Minimum		1,83	
		Maximum		5,00	
		Range		3,17	
		Interquartile Range		,86	
		Skewness		-,645	,347
		Kurtosis		,633	,681
theoretical/practical experience	successful	Mean		3,3694	,05667
		95% Confidence Interval for Mean	Lower Bound	3,2574	
			Upper Bound	3,4815	
		5% Trimmed Mean		3,3485	
		Median		3,4000	
		Variance		,443	
		Std. Deviation		,66571	
		Minimum		2,00	
		Maximum		5,00	
		Range		3,00	
		Interquartile Range		1,00	
		Skewness		,436	,206
		Kurtosis		-,286	,410

	not successful	Mean		2,8163	,09298
		95% Confidence Interval for Mean	Lower Bound	2,6293	
			Upper Bound	3,0034	
		5% Trimmed Mean		2,7913	
		Median		2,6000	
		Variance		,415	
		Std. Deviation		,64419	
		Minimum		2,00	
		Maximum		4,20	
		Range		2,20	
		Interquartile Range		1,13	
		Skewness		,492	,343
		Kurtosis		-,919	,674
sales skills	successful	Mean		4,0175	,04755
		95% Confidence Interval for Mean	Lower Bound	3,9235	
			Upper Bound	4,1115	
		5% Trimmed Mean		4,0279	
		Median		4,0000	
		Variance		,323	
		Std. Deviation		,56856	
		Minimum		2,67	
		Maximum		5,00	
		Range		2,33	
		Interquartile Range		,83	
		Skewness		-,304	,203
		Kurtosis		-,583	,403
	not successful	Mean		2,5562	,07917
		95% Confidence Interval for Mean	Lower Bound	2,3972	
			Upper Bound	2,7152	
		5% Trimmed Mean		2,5723	
		Median		2,6000	
		Variance		,320	
		Std. Deviation		,56540	
		Minimum		1,00	
		Maximum		3,67	
		Range		2,67	
		Interquartile Range		,83	
		Skewness		-,333	,333
		Kurtosis		-,305	,656
franchise preparation	successful	Mean		3,0417	,07416
		95% Confidence Interval for Mean	Lower Bound	2,8950	
			Upper Bound	3,1883	
		5% Trimmed Mean		3,0223	
		Median		3,0000	
		Variance		,748	
		Std. Deviation		,86490	
		Minimum		1,33	
		Maximum		5,00	
		Range		3,67	
		Interquartile Range		1,33	
		Skewness		,288	,208
		Kurtosis		-,402	,413
	not successful	Mean		2,5071	,08647
		95% Confidence Interval for Mean	Lower Bound	2,3330	

		Interval for Mean	Upper Bound	2,6811	
		5% Trimmed Mean		2,5028	
		Median		2,6667	
		Variance		,351	
		Std. Deviation		,59279	
		Minimum		1,33	
		Maximum		4,00	
		Range		2,67	
		Interquartile Range		1,00	
		Skewness		,073	,347
		Kurtosis		,063	,681
participation and financial involvement	successful	Mean		4,1713	,04411
		95% Confidence Interval for Mean	Lower Bound	4,0841	
			Upper Bound	4,2585	
		5% Trimmed Mean		4,1901	
		Median		4,0000	
		Variance		,278	
		Std. Deviation		,52749	
	not successful	Mean		3,2353	,10059
		95% Confidence Interval for Mean	Lower Bound	3,0333	
			Upper Bound	3,4373	
		5% Trimmed Mean		3,2228	
		Median		3,0000	
		Variance		,516	
		Std. Deviation		,71835	
		Minimum	2,00		
		Maximum	5,00		
		Range	3,00		
		Interquartile Range	1,00		
		Skewness		,130	,333
		Kurtosis		-,324	,656

Tests of Normality

	Group	Kolmogorov-Smirnov ^a			Shapiro-Wilk
		Statistic	df	Sig.	Statistic
soft skills	successful	,061	144	,200*	,979
	not successful	,069	51	,200*	,988
local attachment	successful	,128	139	,000	,956
	not successful	,149	47	,011	,957
theoretical/practical experience	successful	,116	138	,000	,970
	not successful	,152	48	,007	,925
sales skills	successful	,093	143	,004	,972
	not successful	,137	51	,018	,967
franchise preparation	successful	,115	136	,000	,973
	not successful	,139	47	,024	,964
participation and financial	successful	,138	143	,000	,952

involvement	not successful	,138	51	,016	,964
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Tests of Normality

	Group	Shapiro-Wilk ^a	
		df	Sig.
soft skills	successful	144	,027
	not successful	51	,885
local attachment	successful	139	,000
	not successful	47	,083
theoretical/practical experience	successful	138	,004
	not successful	48	,004
sales skills	successful	143	,005
	not successful	51	,170
franchise preparation	successful	136	,008
	not successful	47	,161
participation and financial involvement	successful	143	,000
	not successful	51	,118

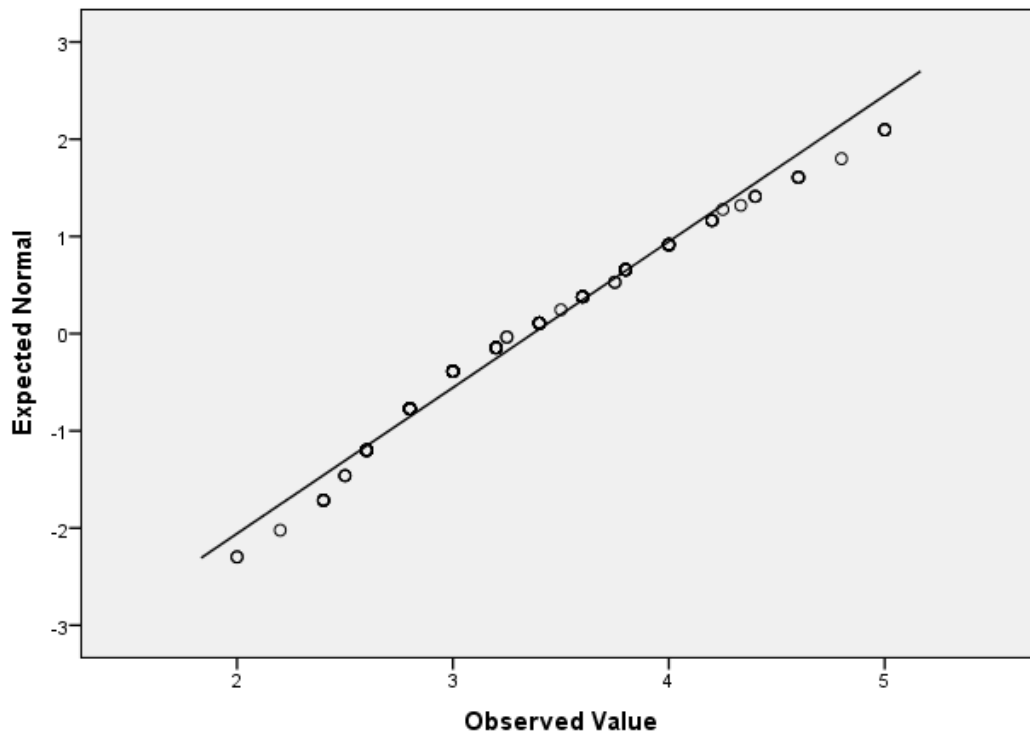
*. This is a lower bound of the true significance.

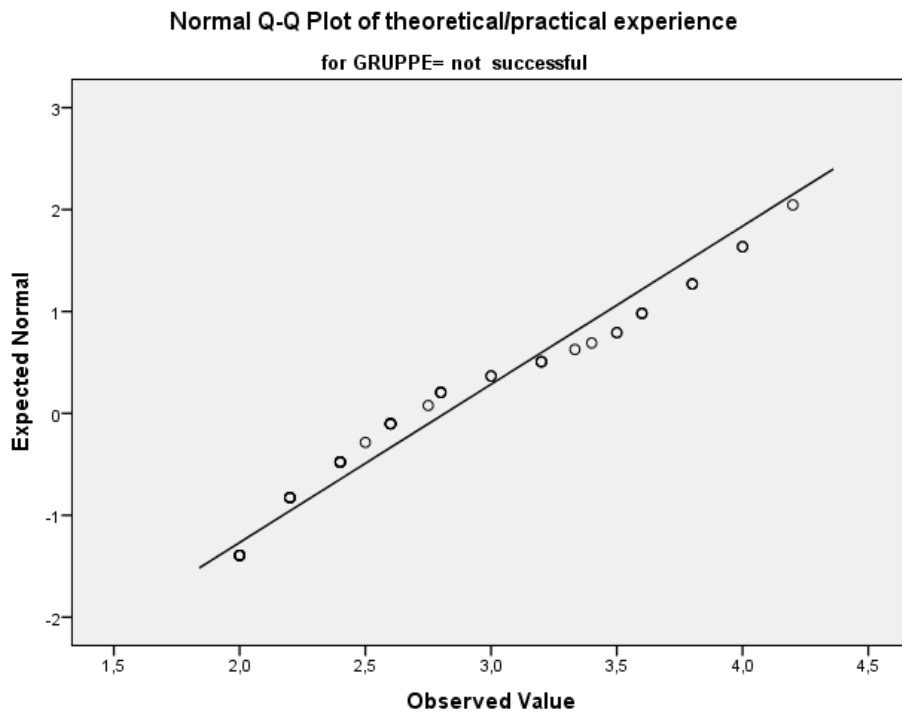
a. Lilliefors Significance Correction

Normal Q-Q Plots

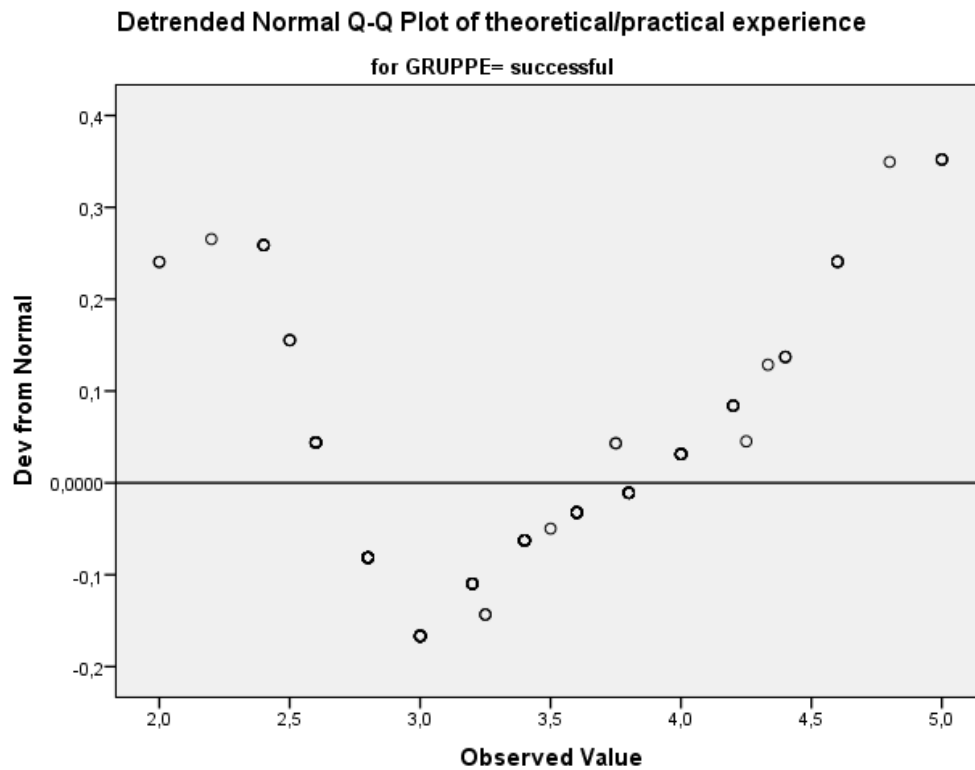
Normal Q-Q Plot of theoretical/practical experience

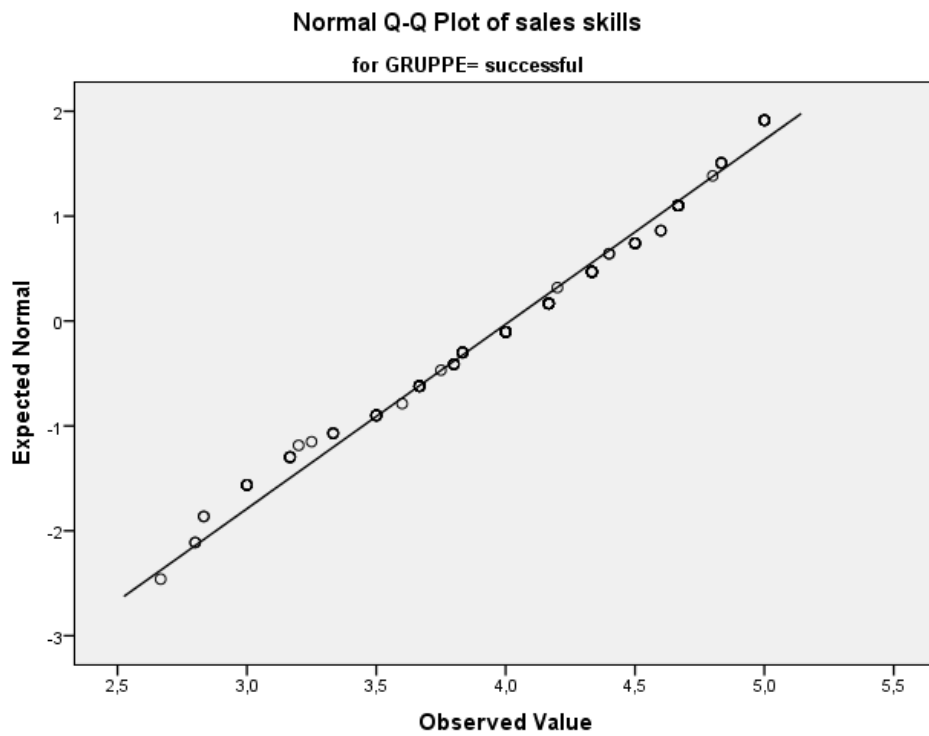
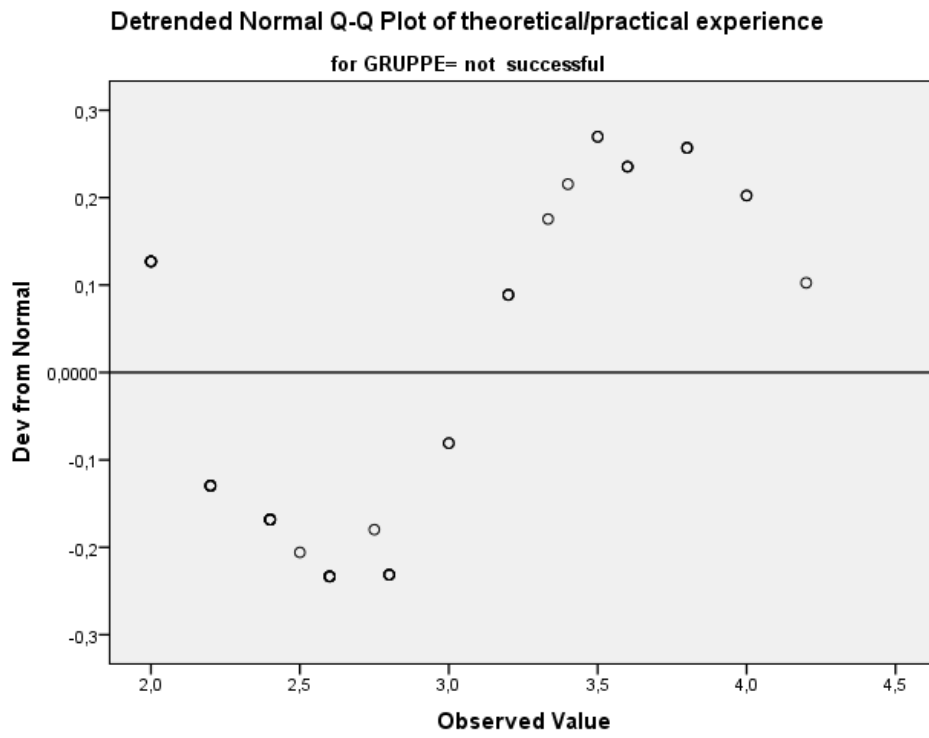
for GRUPPE= successful





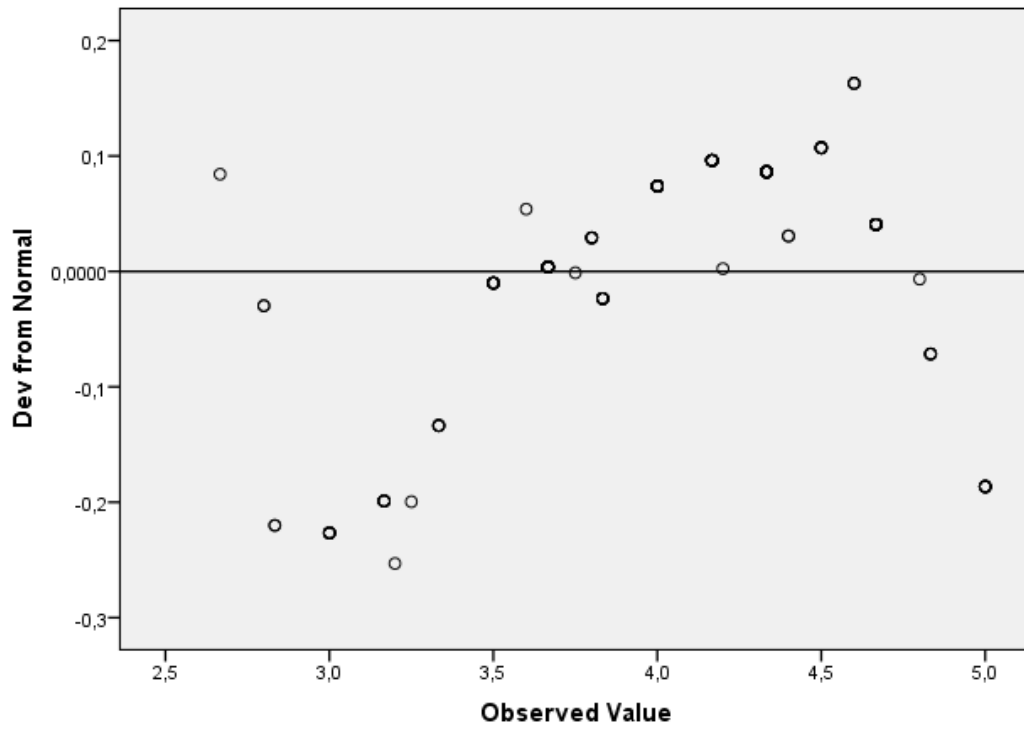
Detrended Normal Q-Q Plots



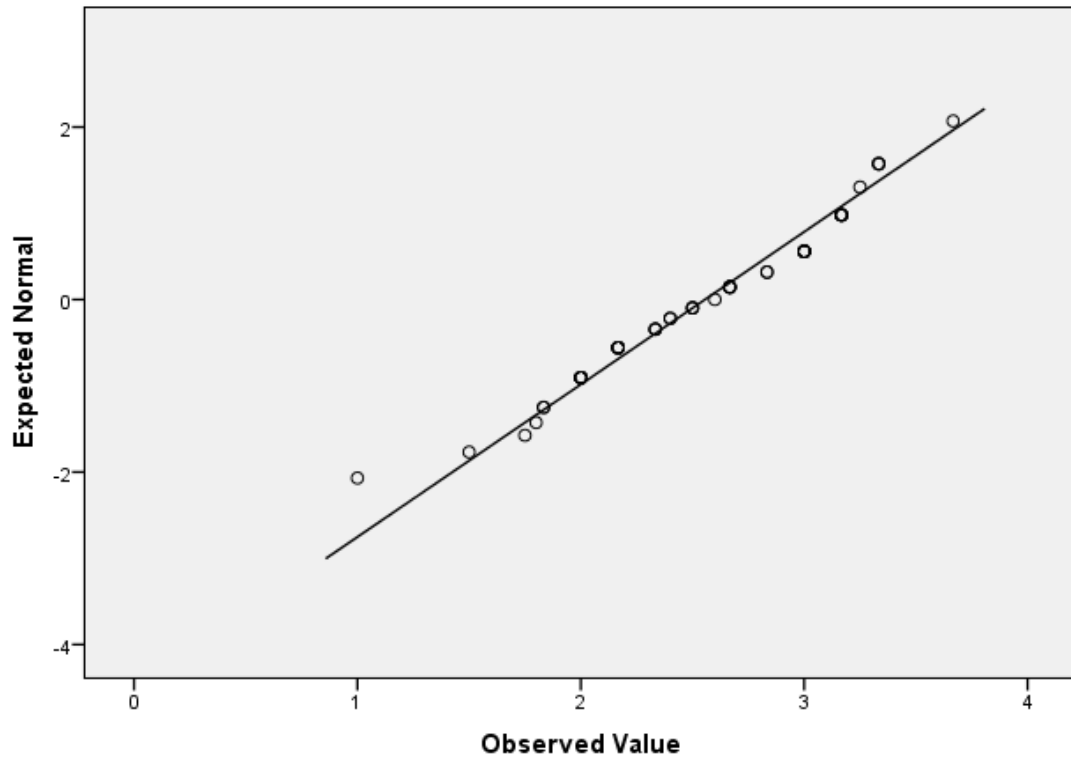


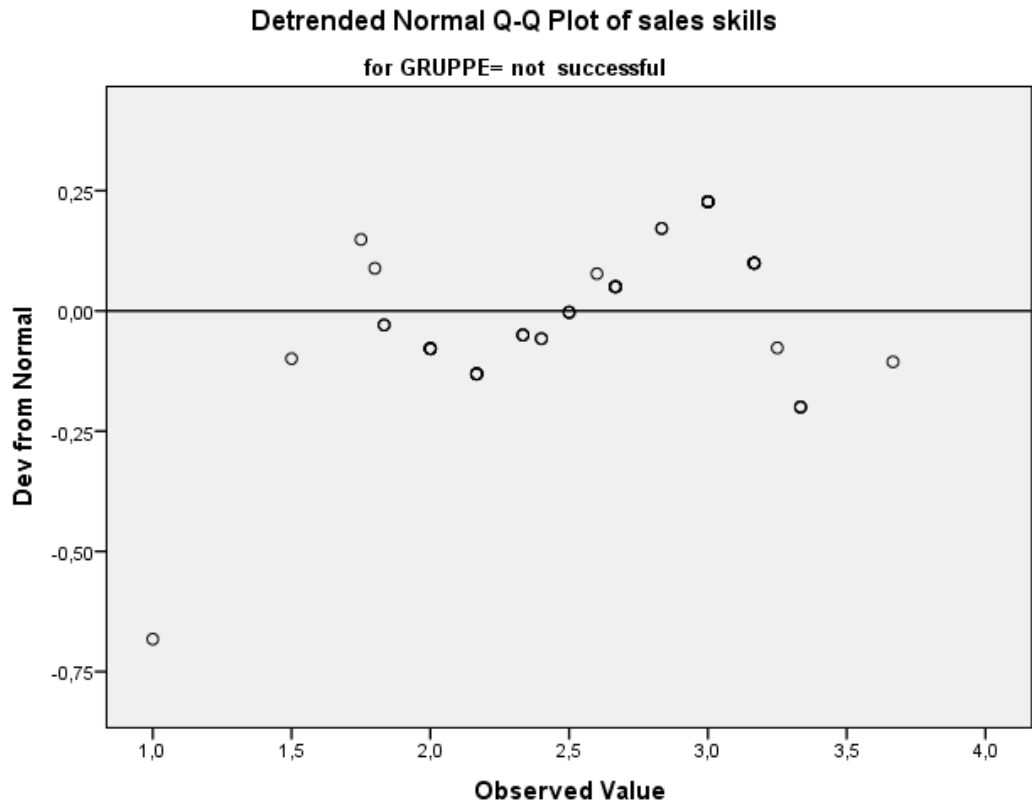
Detrended Normal Q-Q Plots

Detrended Normal Q-Q Plot of sales skills
for GRUPPE= successful

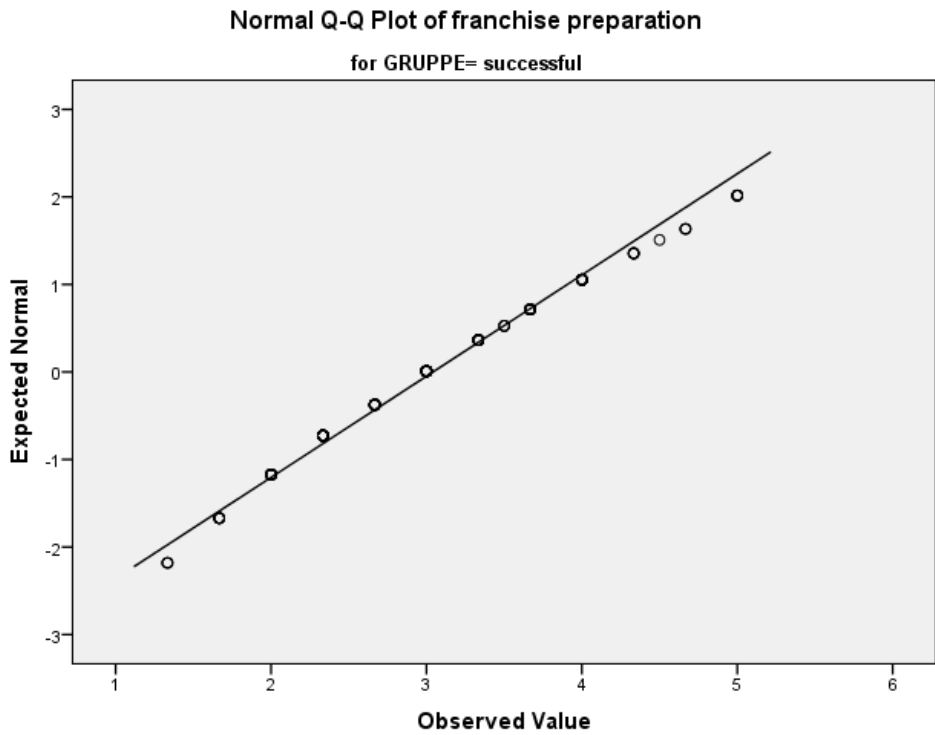


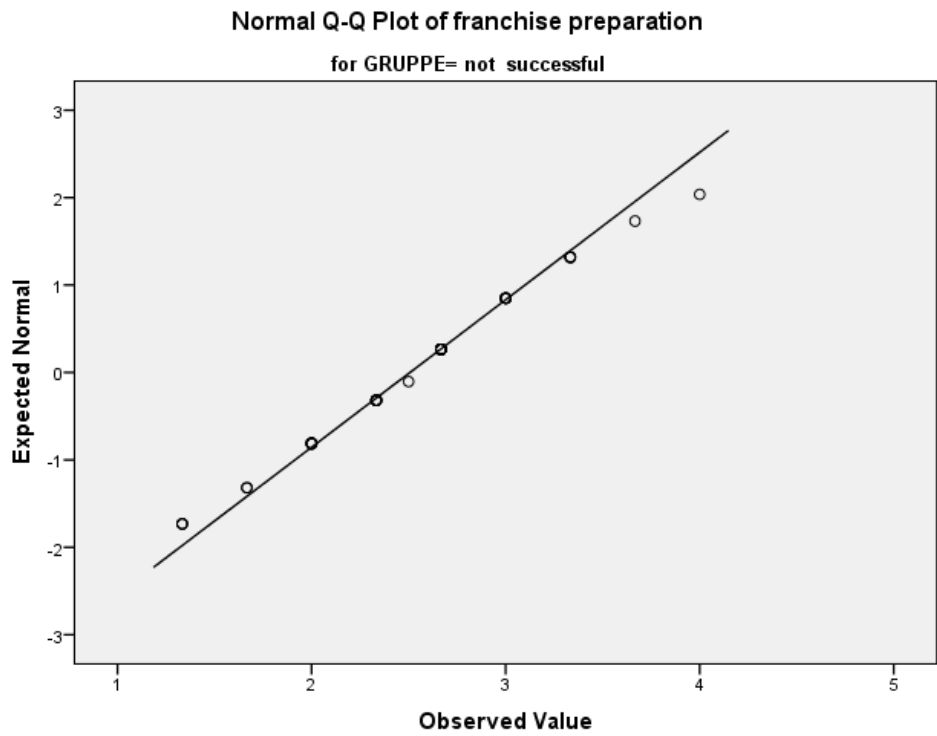
Normal Q-Q Plot of sales skills
for GRUPPE= not successful



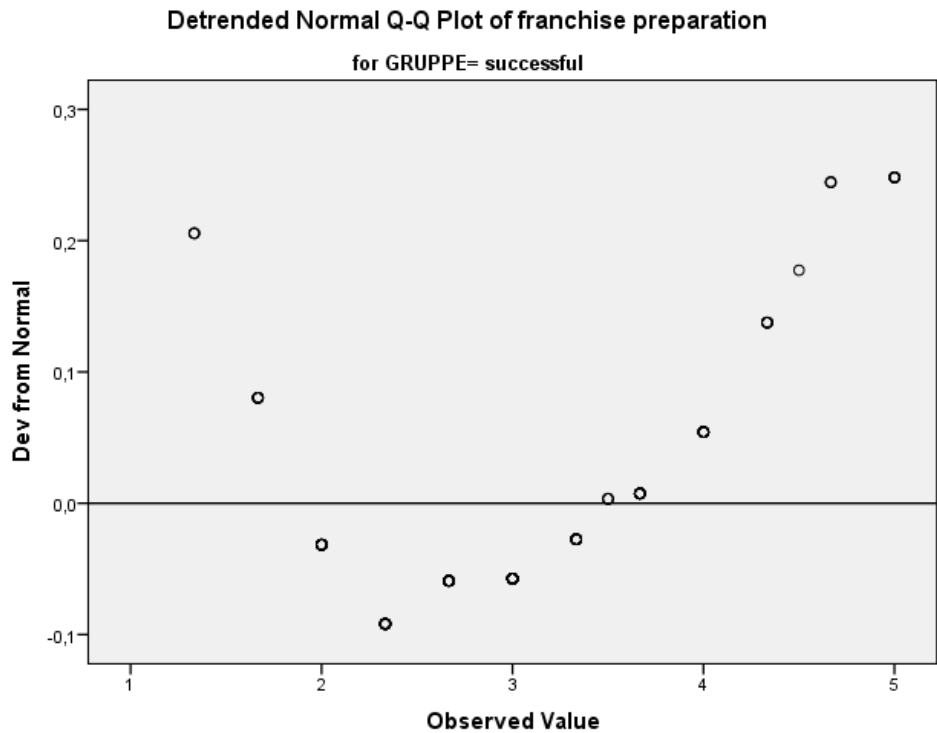


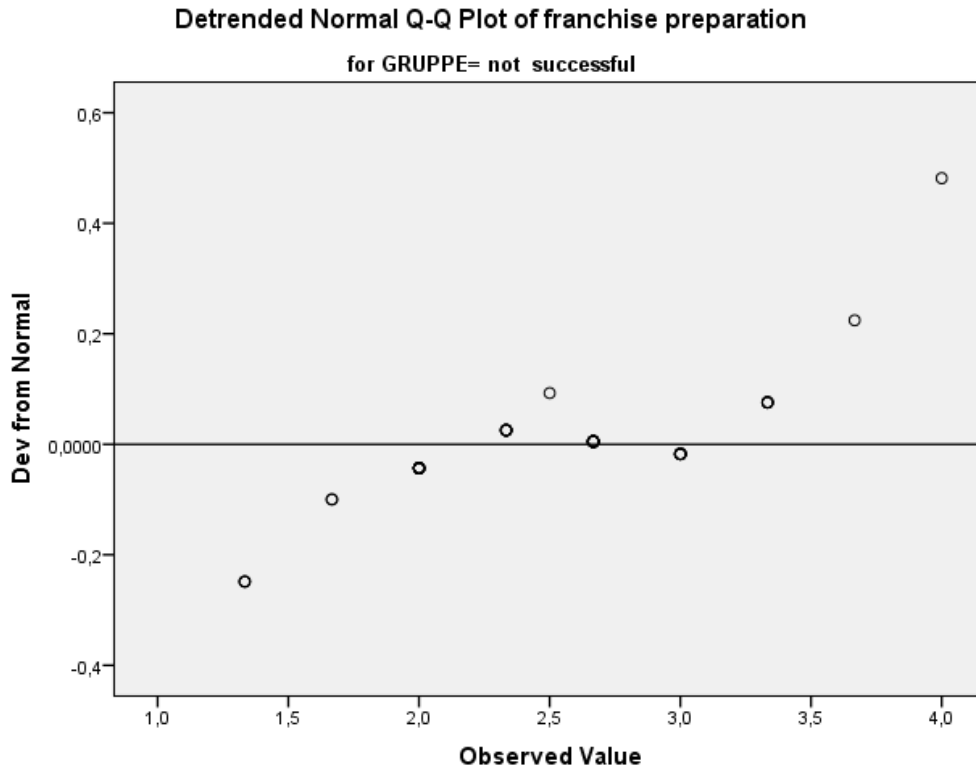
Normal Q-Q Plots



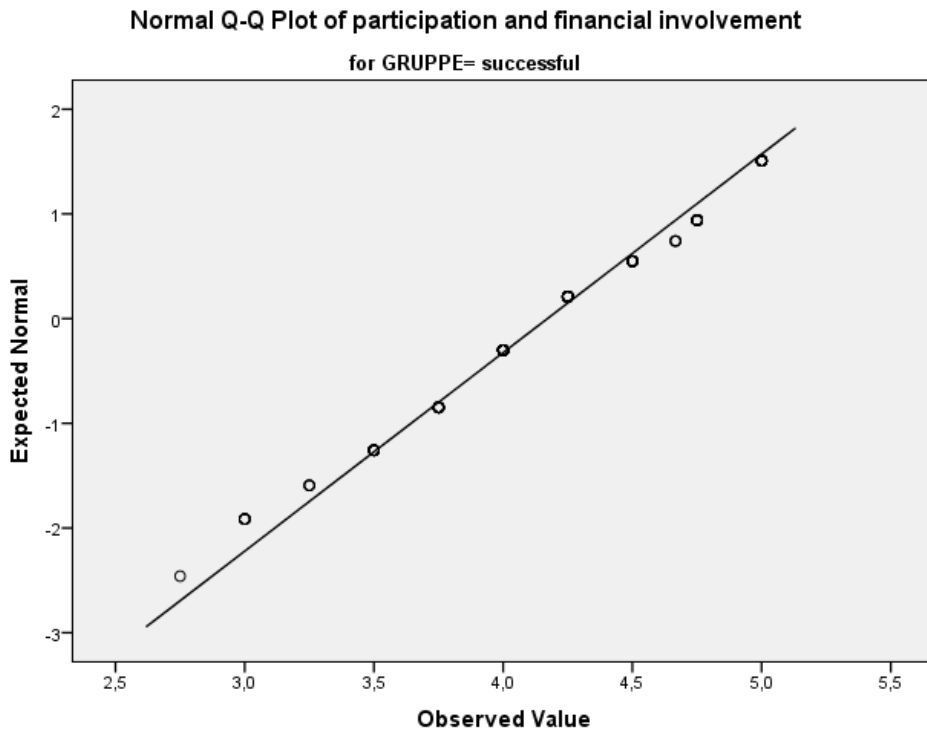


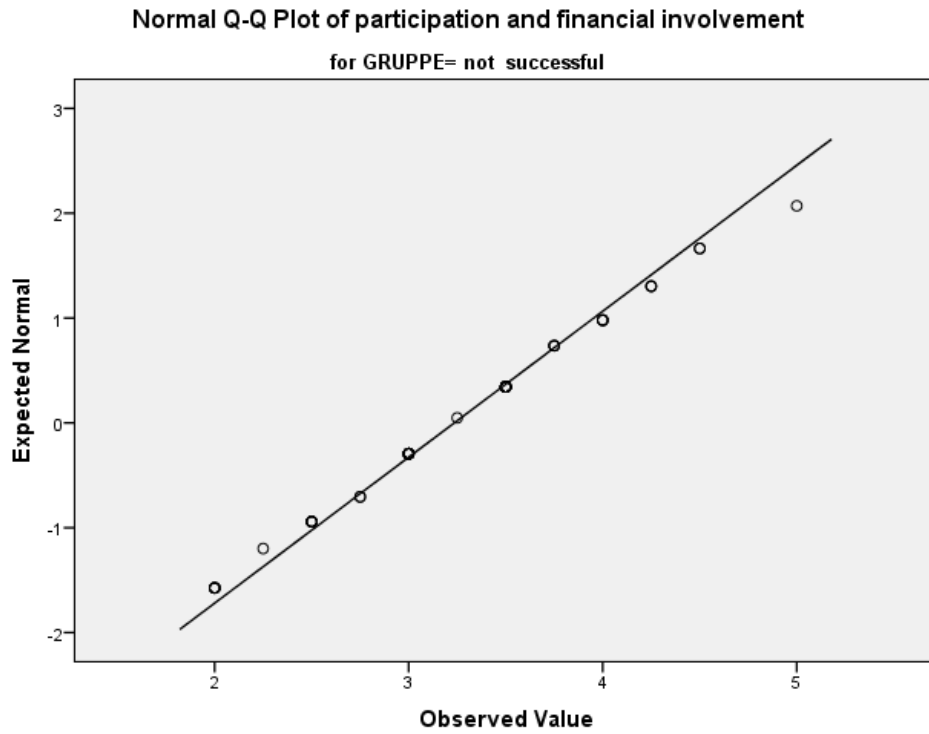
Detrended Normal Q-Q Plots



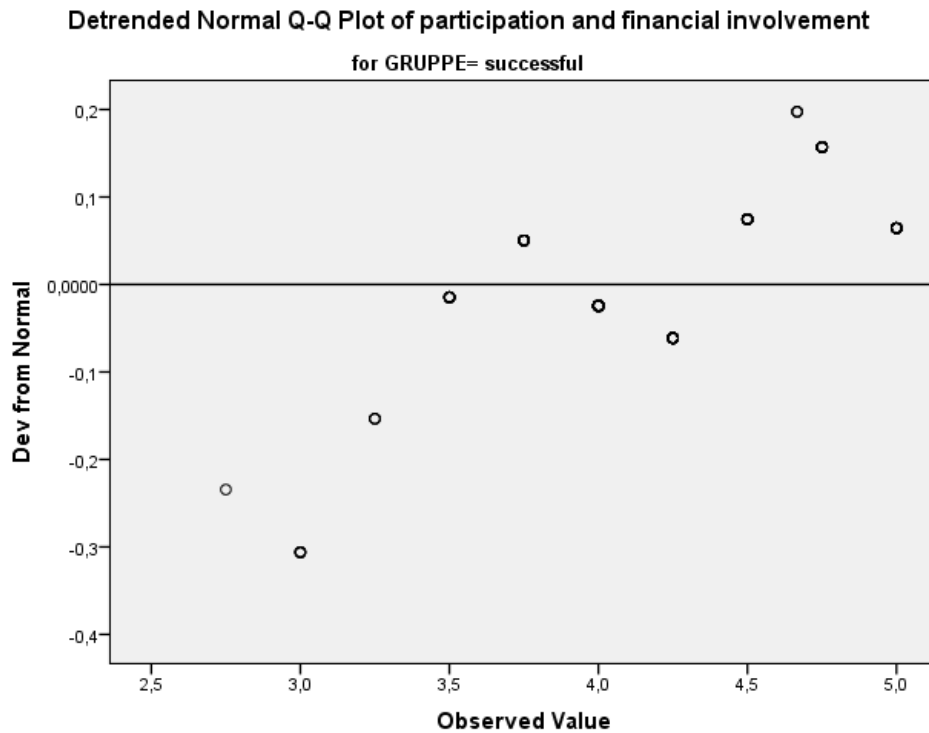


Normal Q-Q Plots

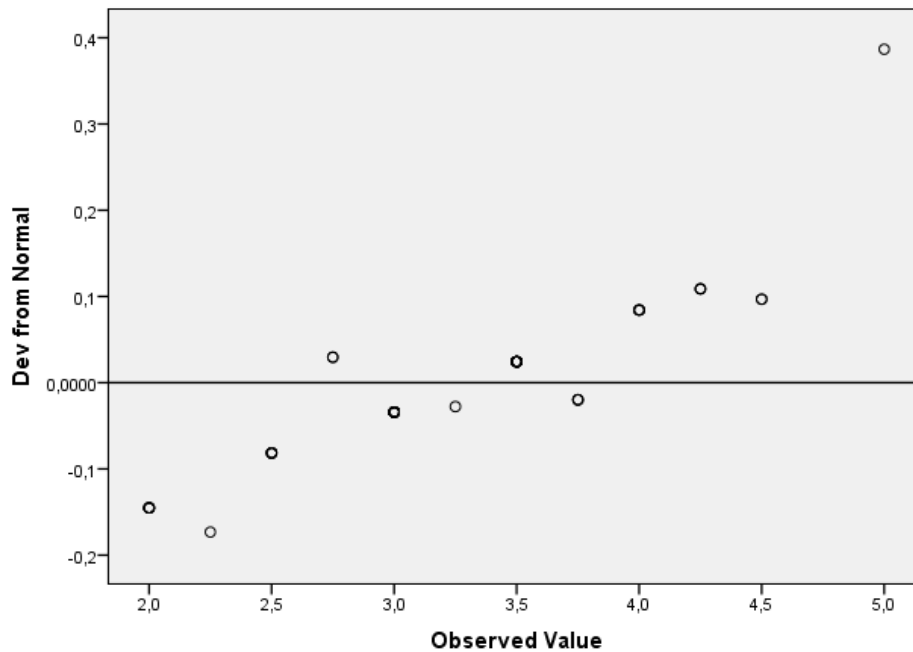




Detrended Normal Q-Q Plots



**Detrended Normal Q-Q Plot of participation and financial involvement
for GRUPPE= not successful**



NPar Test

Group = successful

One-Sample Kolmogorov-Smirnov Test^a

		soft skills	local attachment	theoretical/practical experience
N		144	139	138
Normal Parameters ^{b,c}	Mean	4,1471	4,2466	3,3694
	Std. Deviation	,41149	,46149	,66571
Most Extreme Differences	Absolute	,061	,128	,116
	Positive	,038	,121	,116
	Negative	-,061	-,128	-,051
Test Statistic		,061	,128	,116
Asymp. Sig. 2-tailed		,200 ^{d,e}	,000 ^d	,000 ^d
Exact Sig. 2-tailed		,637	,019	,044
Point Probability		,000	,000	,000

One-Sample Kolmogorov-Smirnov Test^a

		sales skills	franchise preparation	participation and financial involvement
N		143	136	143
Normal Parameters ^{b,c}	Mean	4,0175	3,0417	4,1713
	Std. Deviation	,56856	,86490	,52749
Most Extreme Differences	Absolute	,093	,115	,138
	Positive	,046	,115	,138
	Negative	-,093	-,069	-,121
Test Statistic		,093	,115	,138
Asymp. Sig. 2-tailed		,004 ^d	,000 ^d	,000 ^d
Exact Sig. 2-tailed		,158	,051	,008
Point Probability		,000	,000	,000

a. Gruppe = successful

b. Test distribution is Normal.

c. Calculated from data.

d. Lilliefors Significance Correction.

e. This is a lower bound of the true significance.

Gruppe = not successful**One-Sample Kolmogorov-Smirnov Test^a**

		soft skills	local attachment	theoretical/practical experience
N		51	47	48
Normal Parameters ^{b,c}	Mean	2,4643	3,5930	2,8163
	Std. Deviation	,39352	,64504	,64419
Most Extreme Differences	Absolute	,069	,149	,152
	Positive	,069	,094	,152
	Negative	-,063	-,149	-,103
Test Statistic		,069	,149	,152
Asymp. Sig. 2-tailed		,200 ^{d,e}	,011 ^d	,007 ^d
Exact Sig. 2-tailed		,954	,224	,194
Point Probability		,000	,000	,000

One-Sample Kolmogorov-Smirnov Test^a

		sales skills	franchise preparation	participation and financial involvement
N		51	47	51
Normal Parameters ^{b,c}	Mean	2,5562	2,5071	3,2353
	Std. Deviation	,56540	,59279	,71835
Most Extreme Differences	Absolute	,137	,139	,138
	Positive	,088	,139	,138
	Negative	-,137	-,138	-,117
Test Statistic		,137	,139	,138
Asymp. Sig. 2-tailed		,018 ^d	,024 ^d	,016 ^d
Exact Sig. 2-tailed		,271	,299	,260
Point Probability		,000	,000	,000

a. Gruppe = not successful

b. Test distribution is Normal.

c. Calculated from data.

d. Lilliefors Significance Correction.

e. This is a lower bound of the true significance.

t-test

Group Statistics

	Gruppe	N	Mean	Std. Deviation	Std. Error Mean
soft skills	successful	144	4,1471	,41149	,03429
	not successful	51	2,4643	,39352	,05510
local attachment	successful	139	4,2466	,46149	,03914
	not successful	47	3,5930	,64504	,09409
theoretical/practical experience	successful	138	3,3694	,66571	,05667
	not successful	48	2,8163	,64419	,09298
sales skills	successful	143	4,0175	,56856	,04755
	not successful	51	2,5562	,56540	,07917
franchise preparation	successful	136	3,0417	,86490	,07416
	not successful	47	2,5071	,59279	,08647
participation and financial involvement	successful	143	4,1713	,52749	,04411
	not successful	51	3,2353	,71835	,10059

Independent Samples Test

		Levene's Test for Equality of Variances		t-test for Equality of Means
		F	Sig.	t
soft skills	Equal variances assumed	,508	,477	25,380
	Equal variances not assumed			25,929
local attachment	Equal variances assumed	4,353	,038	7,542
	Equal variances not assumed			6,413
theoretical/practical experience	Equal variances assumed	,000	,994	4,999
	Equal variances not assumed			5,080
sales skills	Equal variances assumed	,025	,874	15,781
	Equal variances not assumed			15,823
franchise preparation	Equal variances assumed	7,602	,006	3,927
	Equal variances not assumed			4,693
participation and financial involvement	Equal variances assumed	8,044	,005	9,840
	Equal variances not assumed			8,522

Independent Samples Test

		t-test for Equality of Means		
		df	Sig. 2-tailed	Mean Difference
soft skills	Equal variances assumed	193	,000	1,68283
	Equal variances not assumed	91,431	,000	1,68283
local attachment	Equal variances assumed	184	,000	,65357
	Equal variances not assumed	62,675	,000	,65357
theoretical/practical experience	Equal variances assumed	184	,000	,55313
	Equal variances not assumed	84,406	,000	,55313
sales skills	Equal variances assumed	192	,000	1,46127
	Equal variances not assumed	88,513	,000	1,46127
franchise preparation	Equal variances assumed	181	,000	,53457
	Equal variances not assumed	117,002	,000	,53457
participation and financial involvement	Equal variances assumed	192	,000	,93603
	Equal variances not assumed	70,166	,000	,93603

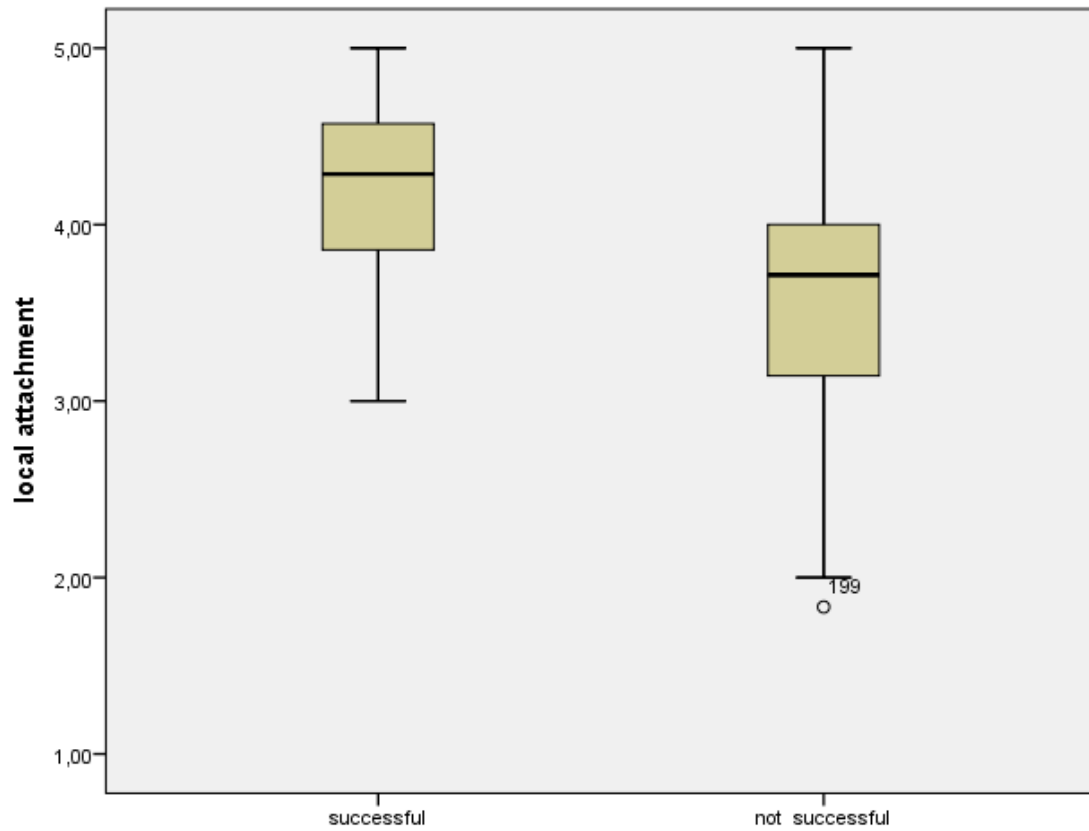
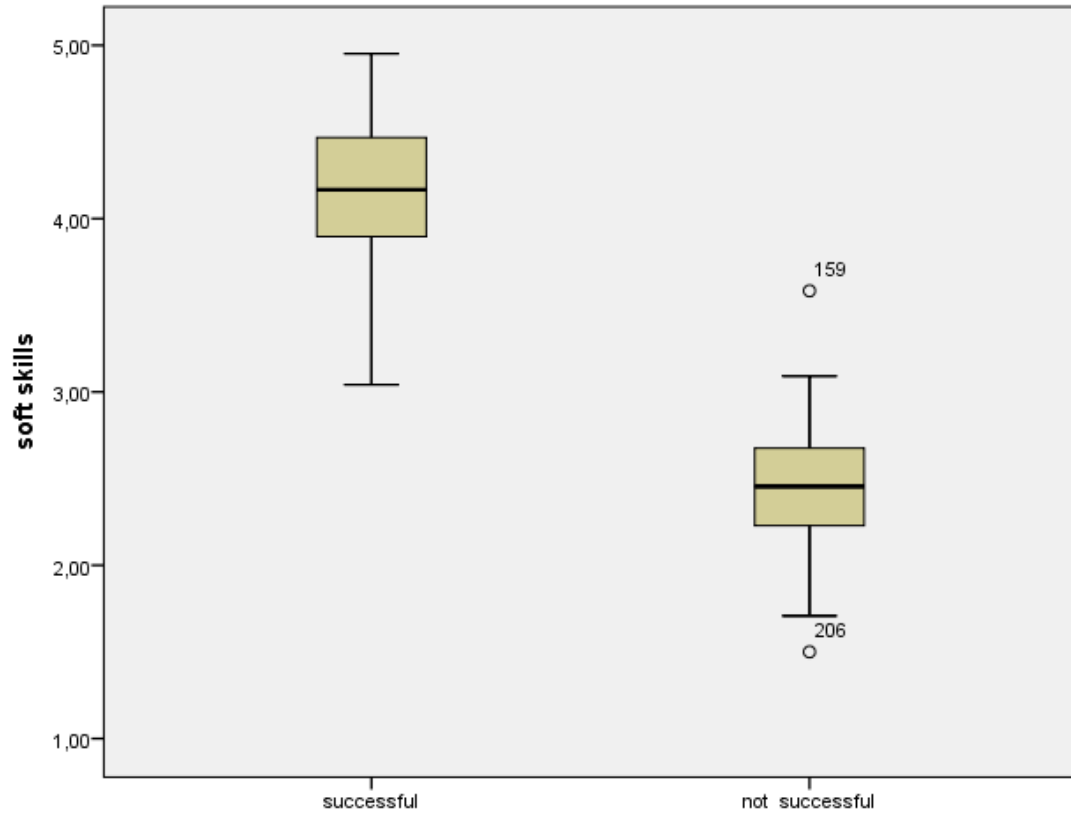
Independent Samples Test

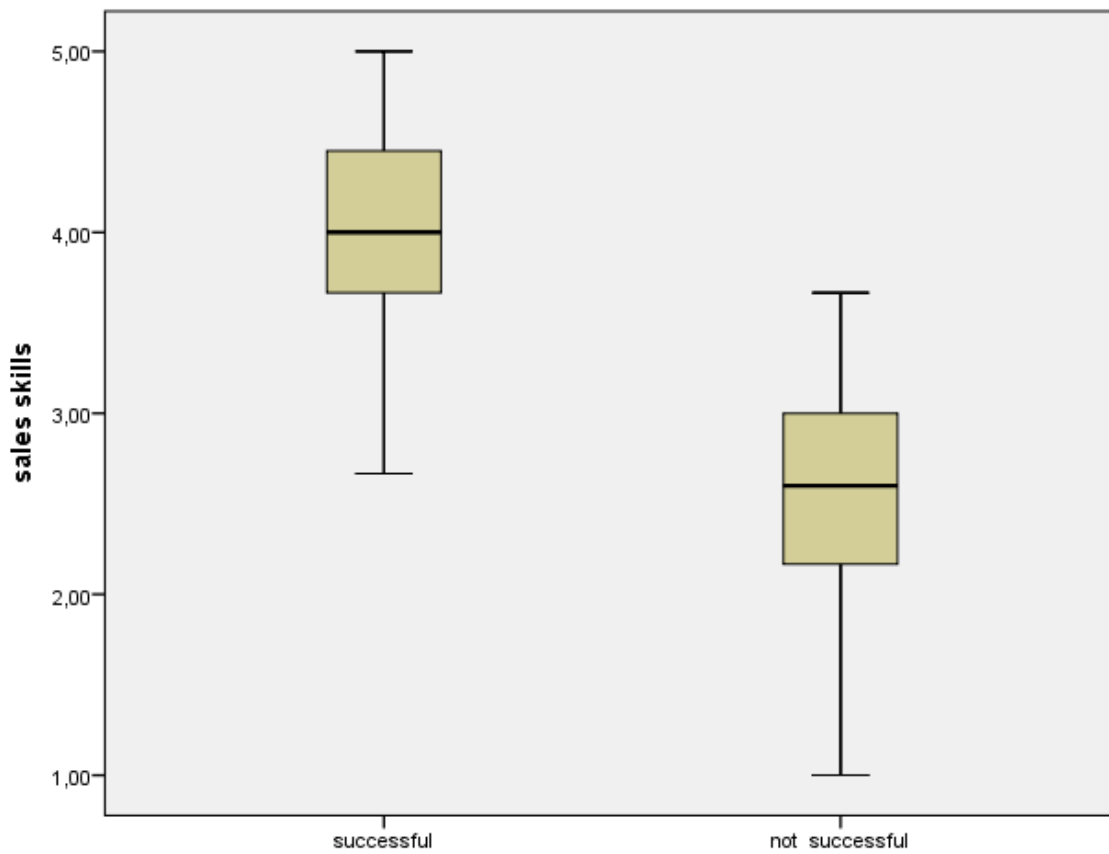
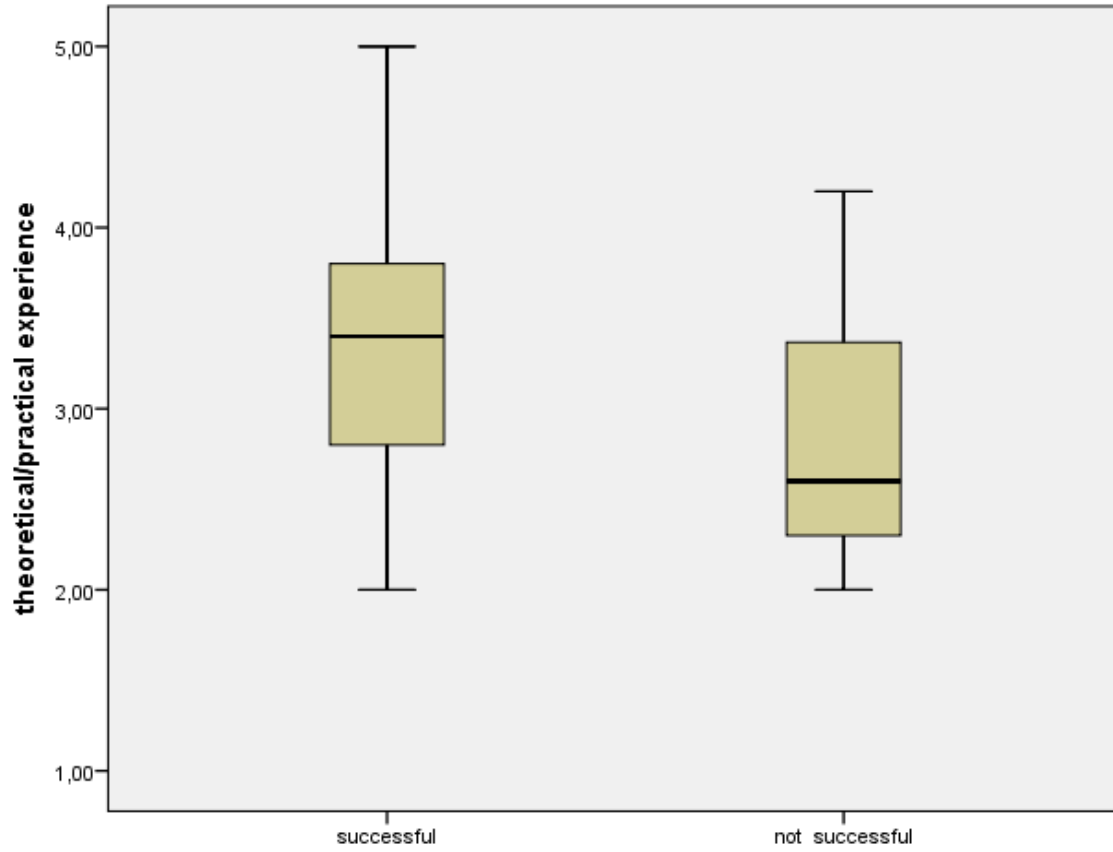
		t-test for Equality of Means	
		Std. Error Difference	95% Confidence Interval of the Difference
			Lower
soft skills	Equal variances assumed	,06631	1,55205
	Equal variances not assumed	,06490	1,55391
local attachment	Equal variances assumed	,08666	,48260
	Equal variances not assumed	,10191	,44990
theoretical/practical experience	Equal variances assumed	,11064	,33483
	Equal variances not assumed	,10889	,33660
sales skills	Equal variances assumed	,09260	1,27864
	Equal variances not assumed	,09235	1,27776
franchise preparation	Equal variances assumed	,13613	,26598
	Equal variances not assumed	,11392	,30897
participation and financial involvement	Equal variances assumed	,09512	,74841
	Equal variances not assumed	,10984	,71698

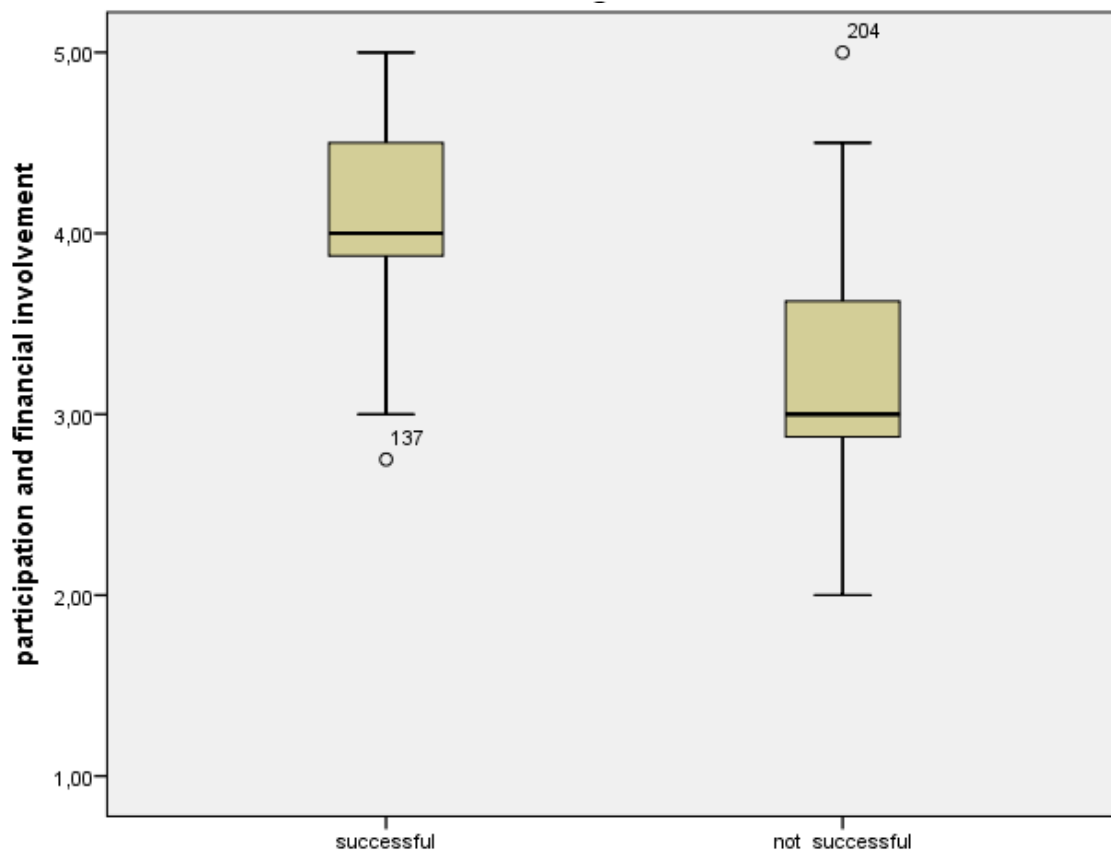
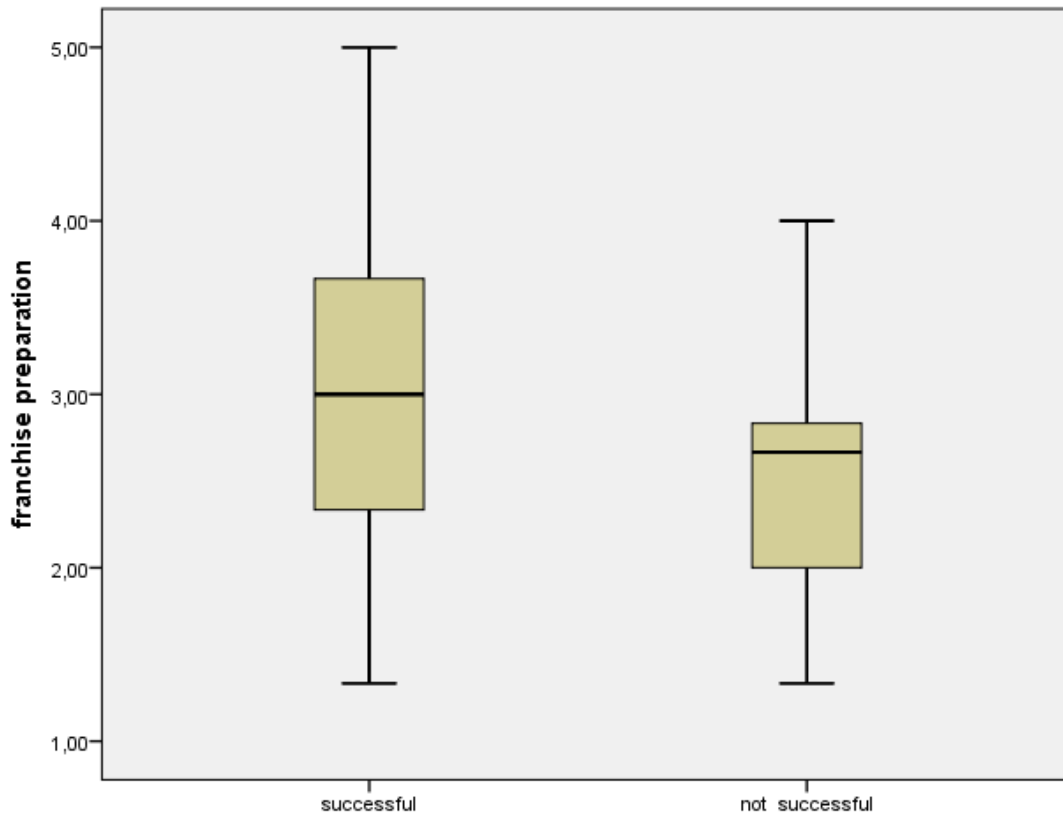
Independent Samples Test

		t-test for Equality of Means	
		95% Confidence Interval of the Difference	
		Upper	
soft skills	Equal variances assumed	1,81360	
	Equal variances not assumed	1,81174	
local attachment	Equal variances assumed	,82453	
	Equal variances not assumed	,85723	
theoretical/practical experience	Equal variances assumed	,77142	
	Equal variances not assumed	,76965	
sales skills	Equal variances assumed	1,64391	
	Equal variances not assumed	1,64479	
franchise preparation	Equal variances assumed	,80317	
	Equal variances not assumed	,76018	
participation and financial involvement	Equal variances assumed	1,12366	
	Equal variances not assumed	1,15509	

30. Appendix: Box plots of all 6 main components of principal component analysis







31. Appendix: Logistic regression I

Case Processing Summary

Unweighted Cases ^a		N	Percent
Selected Cases	Included in Analysis	183	88,4
	Missing Cases	24	11,6
	Total	207	100,0
Unselected Cases		0	,0
Total		207	100,0

a. If weight is in effect, see classification table for the total number of cases.

Dependent Variable Encoding

Original Value	Internal Value
not successful	0
successful	1

Block 0: Beginning Block

Classification Table^{a,b}

Observed			Predicted		
			GRUPPE_R		Percentage Correct
			not successful	successful	
Step 0	GRUPPE_R	not successful	0	47	,0
		successful	0	136	100,0
Overall Percentage					74,3

a. Constant is included in the model.

b. The cut value is ,500

Variables in the Equation

		B	S.E.	Wald	df	Sig.	ExpB
Step 0	Constant	1,063	,169	39,432	1	,000	2,894

Variables not in the Equation

			Score	df	Sig.
Step 0	Variables	factor1	140,370	1	,000
		factor2	43,833	1	,000
		factor3	20,433	1	,000
		factor4	103,265	1	,000
		factor5	14,368	1	,000
		factor6	65,379	1	,000
Overall Statistics			142,949	6	,000

Block 1: Method = Enter

Omnibus Tests of Model Coefficients

		Chi-square	df	Sig.
Step 1	Step	195,757	6	,000
	Block	195,757	6	,000
	Model	195,757	6	,000

Model Summary

Step	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
1	12,759 ^a	,657	,966

a. Estimation terminated at iteration number 12 because parameter estimates changed by less than ,001.

Hosmer and Lemeshow Test

Step	Chi-square	df	Sig.
1	,089	8	1,000

Contingency Table for Hosmer and Lemeshow Test

	Ste	p	1	GRUPPE R = not successful		GRUPPE R = successful		Total
				Observed	Expected	Observed	Expected	
	1			18	18,000	0	,000	18
	2			18	17,998	0	,002	18
	3			11	10,917	7	7,083	18
	4			0	,085	18	17,915	18
	5			0	,000	18	18,000	18
	6			0	,000	18	18,000	18
	7			0	,000	18	18,000	18
	8			0	,000	18	18,000	18
	9			0	,000	18	18,000	18
	10			0	,000	21	21,000	21

Classification Table^a

Observed	GRUPPE_R	Predicted		Percentage Correct
		GRUPPE_R		
		not successful	successful	
Step 1	not successful	45	2	95,7
	successful	1	135	99,3
Overall Percentage				98,4

a. The cut value is ,500

Variables in the Equation

		B	S.E.	Wald	df	Sig.	ExpB
Step 1 ^a	factor1	12,854	6,686	3,697	1	,055	382467,932
	factor2	,363	2,451	,022	1	,882	1,437
	factor3	-,370	1,644	,051	1	,822	,690
	factor4	3,082	2,160	2,036	1	,154	21,809
	factor5	-1,254	1,408	,793	1	,373	,285
	factor6	4,466	3,451	1,675	1	,196	87,047
	Constant	-63,915	39,517	2,616	1	,106	,000

Variables in the Equation

		95% C.I. for EXPB	
		Lower	Upper
Step 1 ^a	factor1	,779	187729211195,653
	factor2	,012	175,184
	factor3	,028	17,319
	factor4	,316	1504,513
	factor5	,018	4,507
	factor6	,100	75442,828
	Constant		

a. Variables entered on step 1: factor1, factor2, factor3, factor4, factor5, factor6.

Variables Entered/Removed^a

Model	Variables Entered	Variables Removed	Method
1	participation and financial involvement, franchise preparation, local attachment, theoretical/ practical experience, soft skills, sales skills ^b		Enter

a. Dependent Variable: GRUPPE_R

b. All requested variables entered.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,884 ^a	,781	,774	,20841

a. Predictors: Constant, participation and financial involvement, franchise preparation, local attachment, theoretical/practical experience, soft skills, sales skills

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	27,284	6	4,547	104,694	,000 ^b
	Residual	7,645	176	,043		
	Total	34,929	182			

a. Dependent Variable: GRUPPE_R

b. Predictors: Constant, participation and financial involvement, franchise preparation, local attachment, theoretical/practical experience, soft skills, sales skills

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t
		B	Std. Error	Beta	
1	Constant	-,859	,127		-6,744
	soft skills	,409	,034	,786	11,893
	local attachment	-,005	,033	-,006	-,145
	theoretical/practical experience	-,058	,026	-,092	-2,228
	sales skills	,092	,036	,174	2,539
	franchise preparation	-,036	,021	-,069	-1,722
	participation and financial involvement	,015	,031	,024	,492

Coefficients^a

Model		Sig.	Collinearity Statistics	
			Tolerance	VIF
1	Constant	,000		
	soft skills	,000	,284	3,517
	local attachment	,885	,642	1,558
	theoretical/practical experience	,027	,729	1,371
	sales skills	,012	,265	3,780
	franchise preparation	,087	,784	1,276
	participation and financial involvement	,623	,504	1,986

a. Dependent Variable: GRUPPE_R

Collinearity Diagnostics^a

Model	Dimension	Eigenvalue	Condition Index	Variance Proportions		
				Constant	soft skills	local attachment
1	1	6,851	1,000	,00	,00	,00
	2	,056	11,048	,00	,00	,01
	3	,035	14,078	,12	,12	,01
	4	,028	15,668	,07	,00	,10
	5	,015	21,451	,00	,00	,14
	6	,009	28,205	,25	,74	,15
	7	,007	30,782	,55	,13	,59

Collinearity Diagnostics^a

Model	Dimension	Variance Proportions			
		theoretical/practical experience	sales skills	franchise preparation	participation and financial involvement
1	1	,00	,00	,00	,00
	2	,04	,00	,89	,01
	3	,11	,10	,02	,00
	4	,73	,00	,01	,00
	5	,05	,12	,00	,73
	6	,00	,23	,00	,26
	7	,06	,55	,08	,00

a. Dependent Variable: GRUPPE_R

Correlations are not problematic if all VIF variance inflation factor values are below 10, which is the case. Correlations are also not problematic, if all condition indexes are less than 15, which is not the case in dimension three and four. However, the values are still below 30. Correlations are also not problematic, if Eigenvalues are larger than .01, which is not the case for dimension 4.

32. Appendix: Correlations for logistic regression I

		Correlations				
		Soft/ sales skills	local attachment	theoretical/ practical experience	franchise preparation	participation and financial involvement
soft and sales skills	Pearson Correlation	1	,580**	,429**	,637**	,637**
	Sig. 2-tailed		,000	,000	,000	,000
	N	195	186	183	194	194
local attachment	Pearson Correlation	,580**	1	,214**	,421**	,421**
	Sig. 2-tailed	,000		,004	,000	,000
	N	186	186	183	186	186
theoretical/ practical experience	Pearson Correlation	,484**	,253**	,223**	,467**	,467**
	Sig. 2-tailed	,000	,001	,002	,000	,000
	N	186	185	183	186	186
franchise preparation	Pearson Correlation	,429**	,214**	1	,304**	,304**
	Sig. 2-tailed	,000	,004		,000	,000
	N	183	183	183	183	183
participation and financial involvement	Pearson Correlation	,637**	,421**	,304**	1	1
	Sig. 2-tailed	,000	,000	,000		
	N	194	186	183	194	194

33. Appendix: Logistic regression II

Case Processing Summary

Unweighted Cases ^a		N	Percent
Selected Cases	Included in Analysis	183	88,4
	Missing Cases	24	11,6
	Total	207	100,0
Unselected Cases		0	,0
Total		207	100,0

a. If weight is in effect, see classification table for the total number of cases.

Dependent Variable Encoding

Original Value	Internal Value
not successful	0
successful	1

Block 0: Beginning Block

Classification Table^{a,b}

Observed			Predicted		Percentage Correct
			GRUPPE_R		
			not successful	successful	
Step 0	GRUPPE_R	not successful	0	47	,0
		successful	0	136	100,0
Overall Percentage					74,3

a. Constant is included in the model.

b. The cut value is ,500

Variables in the Equation

		B	S.E.	Wald	df	Sig.	ExpB
Step 0	Constant	1,063	,169	39,432	1	,000	2,894

Variables not in the Equation

			Score	df	Sig.
Step 0	Variables	factor14	133,622	1	,000
		factor2	43,833	1	,000
		factor3	20,433	1	,000
		factor5	14,368	1	,000
		factor6	65,379	1	,000
		Overall Statistics		137,154	5

Block 1: Method = Enter

Omnibus Tests of Model Coefficients

		Chi-square	df	Sig.
Step 1	Step	188,356	5	,000
	Block	188,356	5	,000
	Model	188,356	5	,000

Model Summary

Step	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
1	20,160 ^a	,643	,945

a. Estimation terminated at iteration number 10 because parameter estimates changed by less than ,001.

Hosmer and Lemeshow Test

Step	Chi-square	df	Sig.
1	,606	8	1,000

Contingency Table for Hosmer and Lemeshow Test

	GRUPPE_R = not successful		GRUPPE_R = successful		Total
	Observed	Expected	Observed	Expected	
Step 1	18	18,000	0	,000	18
	18	17,965	0	,035	18
	11	10,528	7	7,472	18
	0	,485	18	17,515	18
	0	,020	18	17,980	18
	0	,002	18	17,998	18
	0	,000	18	18,000	18
	0	,000	18	18,000	18
	0	,000	18	18,000	18
	0	,000	18	18,000	18
10	0	,000	21	21,000	21

Classification Table^a

	Observed	GRUPPE_R	Predicted		Percentage Correct
			GRUPPE_R		
			not successful	successful	
Step 1	GRUPPE_R	not successful	45	2	95,7
		successful	2	134	98,5
Overall Percentage					97,8

a. The cut value is ,500

Variables in the Equation

		B	S.E.	Wald	df	Sig.	ExpB
Step 1 ^a	factor1	10,975	3,403	10,404	1	,001	58403,068
	factor2	,346	1,936	,032	1	,858	1,414
	factor3	-1,796	1,323	1,844	1	,174	,166
	factor5	-1,671	1,270	1,730	1	,188	,188
	factor6	3,088	1,804	2,931	1	,087	21,944
	Constant		-37,484	16,849	4,949	1	,026

a. Variables entered on step 1: factor14, factor2, factor3, factor5, factor6.

Variables Entered/Removed^a

Model	Variables Entered	Variables Removed	Method
1	participation and financial involvement, franchise preparation, local attachment, theoretical/practical experience, soft and sells skills ^b		Enter

a. Dependent Variable: GRUPPE_R

b. All requested variables entered.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,866 ^a	,749	,742	,22235

a. Predictors: Constant, participation and financial involvement, franchise preparation, local attachment, theoretical/practical experience, soft and sells skills

ANOVA^a

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	26,178	5	5,236	105,903	,000 ^b
Residual	8,751	177	,049		
Total	34,929	182			

a. Dependent Variable: GRUPPE_R

b. Predictors: Constant, participation and financial involvement, franchise preparation, local attachment, theoretical/practical experience, soft and sells skills

Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t
	B	Std. Error	Beta	
1 Constant	-,804	,135		-5,938
soft and sells skills	,510	,034	,929	14,954
local attachment	-,024	,035	-,032	-,688
theoretical/practical experience	-,069	,028	-,110	-2,514
franchise preparation	-,056	,022	-,107	-2,554
participation and financial involvement	,039	,032	,063	1,211

Coefficients^a

Model	Sig.	Collinearity Statistics	
		Tolerance	VIF
1 Constant	,000		
soft and sells skills	,000	,367	2,728
local attachment	,492	,651	1,537
theoretical/practical experience	,013	,735	1,360
franchise preparation	,012	,813	1,230
participation and financial involvement	,228	,516	1,938

a. Dependent Variable: GRUPPE_R

Collinearity Diagnostics^a

Model	Dimension	Eigenvalue	Condition Index	Variance Proportions		
				Constant	soft and sales skills	local attachment
1	1	5,872	1,000	,00	,00	,00
	2	,056	10,280	,01	,00	,01
	3	,028	14,512	,06	,00	,10
	4	,024	15,730	,20	,33	,01
	5	,013	20,918	,03	,16	,20
	6	,007	28,876	,70	,51	,68

Collinearity Diagnostics^a

Model	Dimension	Variance Proportions		
		theoretical/practical experience	franchise preparation	participation and financial involvement
1	1	,00	,00	,00
	2	,05	,91	,01
	3	,77	,02	,00
	4	,08	,02	,08
	5	,05	,00	,75
	6	,05	,05	,17

a. Dependent Variable: GRUPPE_R

34. Appendix: ANOVA

Statistics

Which business sector does your system foremost operate?

N	Valid	202
	Missing	5

Which business sector does your system foremost operate?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Trade/Retail	35	16,9	17,3	17,3
	Handcraft	24	11,6	11,9	29,2
	Food and beverage	45	21,7	22,3	51,5
	Other services	98	47,3	48,5	100,0
	Total	202	97,6	100,0	
Missing	Other please indicate	5	2,4		
Total		207	100,0		

Statistics

Which business sector does your system foremost operate?

N	Valid	202
	Missing	5

Which business sector does your system foremost operate?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Trade/Retail	35	16,9	17,3	17,3
	Handcraft	24	11,6	11,9	29,2
	Food and beverage	45	21,7	22,3	51,5
	Other services	98	47,3	48,5	100,0
	Total	202	97,6	100,0	
Missing	Other please indicate	5	2,4		
Total		207	100,0		

Oneway ANOVA**Descriptives**

		N	Mean	Std. Deviation
soft skills	Trade/Retail	33	3,8131	,79279
	Handcraft	21	3,7752	,69931
	Food and beverage	39	3,8071	,77932
	Other services	97	3,6350	,91433
	Total	190	3,7167	,84382
local attachment	Trade/Retail	31	4,1562	,56466
	Handcraft	18	4,1971	,47351
	Food and beverage	39	3,9222	,55706
	Other services	93	4,1160	,61174
	Total	181	4,0892	,58262
theoretical/practical experience	Trade/Retail	32	3,1891	,73832
	Handcraft	18	3,3111	,74450
	Food and beverage	39	3,1359	,52540
	Other services	92	3,2687	,74632
	Total	181	3,2302	,69981
sales skills	Trade/Retail	32	3,9286	,74544
	Handcraft	21	3,4413	,88894
	Food and beverage	39	3,7709	,63679
	Other services	97	3,5411	,93662
	Total	189	3,6430	,85605
franchise preparation	Trade/Retail	30	3,4278	,81613
	Handcraft	18	2,4630	,89398
	Food and beverage	39	3,0897	,58345
	Other services	91	2,7436	,82301
	Total	178	2,9064	,83096
participation and financial involvement	Trade/Retail	32	4,2057	,68030
	Handcraft	21	4,1429	,39978
	Food and beverage	39	3,8312	,59373
	Other services	97	3,8299	,79102
	Total	189	3,9286	,71364

Descriptives

		Std. Error	95% Confidence Interval for Mean	
			Lower Bound	Upper Bound
soft skills	Trade/Retail	,13801	3,5319	4,0942
	Handcraft	,15260	3,4568	4,0935
	Food and beverage	,12479	3,5545	4,0598
	Other services	,09284	3,4507	3,8193
	Total	,06122	3,5960	3,8375
local attachment	Trade/Retail	,10142	3,9491	4,3633
	Handcraft	,11161	3,9616	4,4326
	Food and beverage	,08920	3,7416	4,1028
	Other services	,06343	3,9900	4,2420
	Total	,04331	4,0037	4,1747
theoretical/practical experience	Trade/Retail	,13052	2,9229	3,4553
	Handcraft	,17548	2,9409	3,6813
	Food and beverage	,08413	2,9656	3,3062
	Other services	,07781	3,1141	3,4232
	Total	,05202	3,1276	3,3328
sales skills	Trade/Retail	,13178	3,6599	4,1974
	Handcraft	,19398	3,0366	3,8459
	Food and beverage	,10197	3,5645	3,9774
	Other services	,09510	3,3523	3,7298
	Total	,06227	3,5202	3,7659
franchise preparation	Trade/Retail	,14900	3,1230	3,7325
	Handcraft	,21071	2,0184	2,9075
	Food and beverage	,09343	2,9006	3,2789
	Other services	,08628	2,5722	2,9150
	Total	,06228	2,7835	3,0293
participation and financial involvement	Trade/Retail	,12026	3,9605	4,4510
	Handcraft	,08724	3,9609	4,3248
	Food and beverage	,09507	3,6387	4,0237
	Other services	,08032	3,6705	3,9893
	Total	,05191	3,8262	4,0310

Descriptives

		Minimum	Maximum
soft skills	Trade/Retail	2,33	4,88
	Handcraft	2,21	4,71
	Food and beverage	2,08	4,78
	Other services	1,50	4,95
	Total	1,50	4,95
local attachment	Trade/Retail	3,14	5,00
	Handcraft	3,29	5,00
	Food and beverage	2,57	4,86
	Other services	1,83	5,00
	Total	1,83	5,00
theoretical/practical experience	Trade/Retail	2,00	5,00
	Handcraft	2,20	4,25
	Food and beverage	2,00	4,40
	Other services	2,00	5,00
	Total	2,00	5,00
sales skills	Trade/Retail	2,33	5,00
	Handcraft	1,00	4,60
	Food and beverage	2,17	4,83
	Other services	1,50	5,00
	Total	1,00	5,00
franchise preparation	Trade/Retail	2,00	5,00
	Handcraft	1,33	5,00
	Food and beverage	2,00	4,33
	Other services	1,33	5,00
	Total	1,33	5,00
participation and financial involvement	Trade/Retail	2,25	5,00
	Handcraft	3,50	5,00
	Food and beverage	2,50	5,00
	Other services	2,00	5,00
	Total	2,00	5,00

Test of Homogeneity of Variances

	Levene Statistic	df1	df2	Sig.
soft skills	2,440	3	186	,066
local attachment	,313	3	177	,816
theoretical/practical experience	3,275	3	177	,022
sales skills	3,306	3	185	,021
franchise preparation	1,403	3	174	,244
participation and financial involvement	3,537	3	185	,016

ANOVA

		Sum of Squares	df	Mean Square	F
soft skills	Between Groups	1,345	3	,448	,626
	Within Groups	133,228	186	,716	
	Total	134,573	189		
local attachment	Between Groups	1,503	3	,501	1,488
	Within Groups	59,598	177	,337	
	Total	61,101	180		
theoretical/practical experience	Between Groups	,655	3	,218	,442
	Within Groups	87,497	177	,494	
	Total	88,152	180		
sales skills	Between Groups	5,112	3	1,704	2,376
	Within Groups	132,657	185	,717	
	Total	137,769	188		
franchise preparation	Between Groups	15,418	3	5,139	8,373
	Within Groups	106,800	174	,614	
	Total	122,217	177		
participation and financial involvement	Between Groups	4,737	3	1,579	3,210
	Within Groups	91,007	185	,492	
	Total	95,744	188		

ANOVA

		Sig.
soft skills	Between Groups	,599
	Within Groups	
	Total	
local attachment	Between Groups	,219
	Within Groups	
	Total	
theoretical/practical experience	Between Groups	,724
	Within Groups	
	Total	
sales skills	Between Groups	,071
	Within Groups	
	Total	
franchise preparation	Between Groups	,000
	Within Groups	
	Total	
participation and financial involvement	Between Groups	,024
	Within Groups	
	Total	

Robust Tests of Equality of Means

		Statistic ^a	df1	df2	Sig.
soft skills	Welch	,614	3	66,582	,608
	Brown-Forsythe	,728	3	132,293	,537
local attachment	Welch	1,647	3	59,141	,188
	Brown-Forsythe	1,686	3	119,616	,174
theoretical/practical experience	Welch	,553	3	56,988	,648
	Brown-Forsythe	,455	3	89,133	,714
sales skills	Welch	2,612	3	64,244	,059
	Brown-Forsythe	2,672	3	101,170	,051
franchise preparation	Welch	7,675	3	55,245	,000
	Brown-Forsythe	8,249	3	79,378	,000
participation and financial involvement	Welch	4,233	3	72,323	,008
	Brown-Forsythe	4,264	3	140,182	,006

a. Asymptotically F distributed.

Post Hoc Tests

Multiple Comparisons

Tukey HSD

Dependent Variable	I Which business sector does your system foremost operate?	J Which business sector does your system foremost operate?	Mean Difference I-J	Std. Error	Sig.	95% Confidence Interval	
						Lower Bound	Upper Bound
soft skills	Retail/Trade	Handcraft	,03789	,23625	,999	-,5746	,6503
		Food/beverage	,00593	,20018	1,000	-,5130	,5249
		Other services	,17807	,17056	,724	-,2641	,6202
	Handcraft	Retail/trade	-,03789	,23625	,999	-,6503	,5746
		Food/beverage	-,03196	,22907	,999	-,6258	,5619
		Other services	,14018	,20370	,902	-,3879	,6683
	Food/beverage	Retail/Trade	-,00593	,20018	1,000	-,5249	,5130
		Handcraft	,03196	,22907	,999	-,5619	,6258
		Other services	,17215	,16047	,707	-,2439	,5881
	Other services	Retail/trade	-,17807	,17056	,724	-,6202	,2641
		Handcraft	-,14018	,20370	,902	-,6683	,3879
		Food/beverage	-,17215	,16047	,707	-,5881	,2439
local attachment	Retail/Trade	Handcraft	-,04087	,17195	,995	-,4868	,4051
		Food/beverage	,23400	,13963	,339	-,1281	,5961
		Other services	,04022	,12034	,987	-,2719	,3523
	Handcraft	Retail/trade	,04087	,17195	,995	-,4051	,4868
		Food/beverage	,27487	,16535	,347	-,1540	,7037
		Other services	,08109	,14942	,948	-,3065	,4686
	Food/beverage	Retail/trade	-,23400	,13963	,339	-,5961	,1281
		Handcraft	-,27487	,16535	,347	-,7037	,1540
		Other services	-,19378	,11070	,301	-,4809	,0933
	Other services	Retail/trade	-,04022	,12034	,987	-,3523	,2719
		Handcraft	-,08109	,14942	,948	-,4686	,3065
		Food/beverage	,19378	,11070	,301	-,0933	,4809
theoretical/practical experience	Retail/Trade	Handcraft	-,12205	,20715	,935	-,6593	,4152
		Food/beverage	,05317	,16770	,989	-,3818	,4881
		Other services	-,07960	,14430	,946	-,4538	,2946
	Handcraft	Retail/trade	,12205	,20715	,935	-,4152	,6593
		Food/beverage	,17521	,20035	,818	-,3444	,6948

		Other services	,04245	,18121	,995	-,4275	,5124
	Food/beverage	Retails/trade	-,05317	,16770	,989	-,4881	,3818
		Handcraft	-,17521	,20035	,818	-,6948	,3444
		Other services	-,13276	,13434	,756	-,4812	,2157
	Other services	Retail/trade	,07960	,14430	,946	-,2946	,4538
		Handcraft	-,04245	,18121	,995	-,5124	,4275
		Food/beverage	,13276	,13434	,756	-,2157	,4812
sales skills	Retail/Trade	Handcraft	,48738	,23781	,174	-,1292	1,1039
		Food/beverage	,15771	,20198	,863	-,3659	,6813
		Other services	,38758	,17263	,115	-,0600	,8351
	Handcraft	Retail/trade	-,48738	,23781	,174	-1,1039	,1292
		Food/beverage	-,32967	,22920	,477	-,9239	,2645
		Other services	-,09980	,20381	,961	-,6282	,4286
	Food/beverage	Retail/trade	-,15771	,20198	,863	-,6813	,3659
		Handcraft	,32967	,22920	,477	-,2645	,9239
		Other services	,22987	,16056	,481	-,1864	,6461
	Other services	Retail/trade	-,38758	,17263	,115	-,8351	,0600
		Handcraft	,09980	,20381	,961	-,4286	,6282
		Food/beverage	-,22987	,16056	,481	-,6461	,1864
franchise preparation	Retail/Trade	Handcraft	,96481*	,23358	,000	,3589	1,5707
		Food/beverage	,33803	,19026	,288	-,1555	,8316
		Other services	,68419*	,16494	,000	,2563	1,1120
	Handcraft	Retail/trade	-,96481*	,23358	,000	-1,5707	-,3589
		Food/beverage	-,62678*	,22324	,028	-1,2059	-,0477
		Other services	-,28063	,20210	,508	-,8049	,2436
	Food/beverage	Retail/trade	-,33803	,19026	,288	-,8316	,1555
		Handcraft	,62678*	,22324	,028	,0477	1,2059
		Other services	,34615	,14994	,100	-,0428	,7351
	Other services	Retail/trade	-,68419*	,16494	,000	-1,1120	-,2563
		Handcraft	,28063	,20210	,508	-,2436	,8049
		Food/beverage	-,34615	,14994	,100	-,7351	,0428
participation and financial involvement	Retail/Trade	Handcraft	,06287	,19697	,989	-,4478	,5735
		Food/beverage	,37453	,16729	,117	-,0592	,8082
		Other services	,37583*	,14298	,046	,0051	,7465
	Handcraft	Retail/trade	-,06287	,19697	,989	-,5735	,4478
		Food/beverage	,31166	,18984	,358	-,1805	,8038
		Other services	,31296	,16881	,252	-,1247	,7506
	Food/beverage	Retail/trade	-,37453	,16729	,117	-,8082	,0592
		Handcraft	-,31166	,18984	,358	-,8038	,1805
		Other services	,00130	,13299	1,000	-,3435	,3461
	Other services	Retail/trade	-,37583*	,14298	,046	-,7465	-,0051
		Handcraft	-,31296	,16881	,252	-,7506	,1247
		Food/beverage	-,00130	,13299	1,000	-,3461	,3435

*. The mean difference is significant at the 0.05 level.

Homogeneous Subsets

soft skills

Tukey HSD^{a,b}

Which business sector does your system foremost operate?	N	Subset for alpha = 0.05	
		1	
Other services	97		3,6350
Handcraft	21		3,7752
Food/ beverage	39		3,8071
Retail/ trade	33		3,8131
Sig.			,814

Means for groups in homogeneous subsets are displayed.

a. Uses Harmonic Mean Sample Size = 35,127.

b. The group sizes are unequal. The harmonic mean of the group sizes is used. Type I error levels are not guaranteed.

local attachment

Tukey HSD^{a,b}

Which business sector does your system foremost operate?	N	Subset for alpha = 0.05	
		1	
Food/beverage	39		3,9222
Other services	93		4,1160
Retail/ trade	31		4,1562
Handcraft	18		4,1971
Sig.			,231

Means for groups in homogeneous subsets are displayed.

a. Uses Harmonic Mean Sample Size = 32,204.

b. The group sizes are unequal. The harmonic mean of the group sizes is used. Type I error levels are not guaranteed.

theoretical/practical experience

Tukey HSD^{a,b}

Which business sector does your system foremost operate?	N	Subset for alpha = 0.05	
		1	
Food/ beverage	39		3,1359
Retail/ trade	32		3,1891
Other services	92		3,2687
Handcraft	18		3,3111
Sig.			,747

Means for groups in homogeneous subsets are displayed.

a. Uses Harmonic Mean Sample Size = 32,437.

b. The group sizes are unequal. The harmonic mean of the group sizes is used.

Type I error levels are not guaranteed.

sales skills

Tukey HSD^{a,b}

Which business sector does your system foremost operate?	N	Subset for alpha = 0.05	
		1	
Handcraft	21		3,4413
Other services	97		3,5411
Food/ beverage	39		3,7709
Retail/ trade	32		3,9286
Sig.			,080

Means for groups in homogeneous subsets are displayed.

a. Uses Harmonic Mean Sample Size = 34,837.

b. The group sizes are unequal. The harmonic mean of the group sizes is used. Type I error levels are not guaranteed.

franchise preparation

Tukey HSD^{a,b}

Which business sector does your system foremost operate?	N	Subset for alpha = 0.05		
		1	2	3
Handcraft	18	2,4630		
Other services	91	2,7436	2,7436	
Food/ beverage	39		3,0897	3,0897
Retail/ trade	30			3,4278
Sig.		,483	,294	,315

Means for groups in homogeneous subsets are displayed.

a. Uses Harmonic Mean Sample Size = 31,868.

b. The group sizes are unequal. The harmonic mean of the group sizes is used. Type I error levels are not guaranteed.

participation and financial involvement

Tukey HSD^{a,b}

Which business sector does your system foremost operate?	N	Subset for alpha = 0.05	
		1	
Other services	97		3,8299
Food/ beverage	39		3,8312
Handcraft	21		4,1429
Retail/ trade	32		4,2057
Sig.			,117

Means for groups in homogeneous subsets are displayed.

a. Uses Harmonic Mean Sample Size = 34,837.

b. The group sizes are unequal. The harmonic mean of the group sizes is used. Type I error levels are not guaranteed.

35. Appendix: Letter from German Franchise Federation stating population

