Factors influencing relationship development in franchise partnerships

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Abstract
Purpose – This paper aims to identify and evaluate the factors which influence relationship development between franchisors and franchisees in international service franchise partnerships.
Design/methodology/approach – Case studies of two international hotel firms were the focus of the enquiry. Interviews and document analysis were used as the data collection techniques.
Findings – Findings demonstrate that role performance, asset specificity and cultural sensitivity influence relationship development in franchise partnerships. The influence of these factors, however, varies in different forms of franchise partnerships, namely individual and master franchises.
Research limitations/implications – The findings are based on case studies in the international hotel industry and therefore may not be generalizable to other industry sectors.
Practical implications – Service firms should adopt a systematic organization-wide approach to, and management of, relationship development in franchise partnerships. In particular, in the case of cross-country partnerships, both franchisors and franchisees need to develop and exploit their inter-cultural skills and adapt their business practices to the cultures of host and home countries where appropriate.
Originality/value – The paper exploits three main streams of research which could inform the antecedents of business-to-business relationships, namely power-dependence, transaction cost theories and international business. It thus advances services marketing and more specifically international franchising literatures by offering a holistic theoretical perspective to our understanding of business-to-business relationship development.

Keywords Franchising, Relationship development, Power dependence, Transaction costs, International business

Paper type Research paper

An executive summary for managers and executive readers can be found at the end of this article.

1. Introduction

Despite the growth of international franchising, the internationalization of franchise systems remains under-researched (Doherty, 2009). To date, the literature has evaluated the influence of different antecedents on the internationalization process of franchise systems (see Eroglu, 1992; Karuppur and Sashi, 1992); identified different selection criteria to inform partner selection decisions; (Clarkin and Swavely, 2006; Doherty, 2009) and highlighted the importance of understanding the complexities of local market conditions and exploiting organizational learning when selecting partners in international markets (Wang and Altinay, 2008). The importance of relationship development in the viability and success of service franchise partnerships has also been identified, since lack of mutual understanding and conflict in franchise partnerships could result in failure of collaborative relationships with obvious monetary and strategic effects (Clarkin and Swavely, 2006; Doherty, 2009).

Nonetheless, there is little, if any, research that empirically examines relationship development beyond national borders in franchise partnerships (Doherty, 2009). Although business format franchising has become an established global enterprise trend within the service sector (Altinay, 2007), it is yet not known what triggers or hinders relationship development between franchisors and franchisees in international partnerships. As international franchise partnerships involve cross border transactions and relationships which may be affected by cultural distance, they present particular challenges to relationship development and their subsequent management. Cultural distance is reflected in franchisor and franchisee perceptions about home and host country markets and the way of doing business within those markets (Altinay, 2007). While cultural distance has been used to explain entry mode choice, there is still no consensus on the effect of cultural distance within the international business literature (Tihanyi *et al.*, 2005) and on relationship development in particular.

This paper therefore responds to Karantinou and Hogg's (2009) call for research on relationship development in business services and reports on research which aims to identify and evaluate the factors which influence relationship development between franchisors and franchisees in franchise partnerships. Furthermore, it examines relationship development within two types of franchise agreements, direct and master franchising. International master franchise partnerships are growing in popularity, particularly within the service industries (Brookes and Roper, 2008). They differ from individual franchise agreements as they entitle the franchisee the rights to open franchised units and to grant these rights to third parties as a sub-franchisor (Connell, 1999; Quinn and Alexander, 2002). As such, the greater

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degree of control devolved to the master franchisee (Brookes and Roper, 2008), may impact on relationship development.

The paper exploits three main streams of research which could inform the antecedents of business-to-business relationships, namely power-dependence, transaction cost theories and international business. It also cross-fertilizes two streams of research, franchising and relationship development. It thus aims to advance services marketing literature in general, and franchising literature in particular, by offering a holistic theoretical perspective to our understanding of business-to-business relationship development in franchise partnerships. It also offers a systematic and comparative analysis of different factors which influence relationship development as applied to individual versus master franchise partnerships within an international context.

The paper begins by reviewing the extant literature within the three main research streams underpinning the study; power dependence, transaction cost analysis and international business and examining these within the context of franchising. It then examines relationship development in strategic alliances and the factors that influence the development of these relationships. The design of the study is then explained before the findings from two case studies are presented. Following a detailed discussion, the conclusion highlights the implications of the study for franchisors and franchisees and the development of effective working relationships between them.

2. Power-dependence, transaction cost and international business theories

Researchers have studied distribution channel relationships based on a variety of theoretical frameworks. One of the most widely used frameworks is power-dependence theory (Emerson, 1962), which adopts the premise that business relationships can be understood as a product of inter-firm dependence and through the analysis of the relationship between dependency, power and power use (Berthon *et al.*, 2003). Two partners are unequally dependent on one another if one possesses resources that are valued by the other party (Stern and El-Ansary, 1992). In distribution channel relationships, if an export firm carries out its channel roles effectively, leading to high role performance, the target firm's dependence on a partnership with the export firm increases because the target firm would not easily find an alternative (Frazier *et al.*, 1989; Kim, 2000). In franchising, a core reason for joining a franchise network is to access the franchisor's brand, its reputation and the training and marketing support to deliver that brand. A franchisor's role performance in terms of its international brand reputation and the marketing and training support it offers to the franchisees can also be expected to have a major effect on a franchisee's perception of power and thus relationship development (Harmon and Griffiths, 2008). A franchisee's perception of a franchisor's role performance therefore can be expected to have a major effect on the franchisee's willingness to develop a relationship with a particular franchisor (Hopkinson and Hogarth-Scott, 1999).

A second theoretical perspective that has attracted heightened attention from scholars in the area of distribution relationships is transaction cost theory (Castrogiovanni *et al.*, 2006; Williamson, 1985). Emphasizing asset specificity, transaction cost theory is concerned with the idiosyncratic assets which are dedicated by the partners to transact and execute relationship tasks (Berthon *et al.*, 2003; Heide and John, 1992). Researchers investigating channel relationships from this theoretical perspective (Barthon and Jepsen, 2007; Berthon *et al.*, 2003) have identified asset specificity as influential to the nature of the relationship between firms. Within exporter-importer relationships, investments dedicated to the channel relationship would lose their value if they were to be re-allocated to another relationship (Heide and John, 1992). In particular, idiosyncratic investments which are unique to a partnership such as exchanging classified product and/or market information, developing specialized training programs and deploying tailor-made promotional campaigns would be worth little outside the focal importer-exporter transaction (Skarmeas and Robson, 2008). The importance of idiosyncratic investments such as a proven business concept and brand, specialized training programs and marketing campaigns have also been identified as key drivers of relationship development with potential franchisees (Harmon and Griffiths, 2008; Hopkinson and Hogarth-Scott, 1999).

The third theoretical perspective is derived from the international business literature which states that there are cultural differences between partners which are likely to impact on both the formation and sustainability of strategic partnerships (Lorange and Roos, 1993; Voss *et al.*, 2006). Partners therefore need to be culturally familiar and demonstrate cultural sensitivity. Cultural familiarity is the extent to which a partner is familiar with the other partner's country in terms of its language, business practices, political and legal systems (Boyacigiller, 1990). Cultural familiarity of exchange partners leads to a shared and caring understanding of each other's situations and thus results in a better relationship (Johnson *et al.*, 1996). Partners' awareness of cultural differences between themselves and exchange partners underpins cultural sensitivity (Lee *et al.*, 2007). Cultural sensitivity therefore goes beyond the awareness of differences and involves effectively managing these differences. Furthermore, it demonstrates a partner's willingness and ability to tailor its approach in line with these differences (Lorange and Roos, 1993). Sensitivity to local markets and cultures in order to stimulate relationships with local partners is also emphasized within the international business literature, (Altinay, 2007; Skarmeas and Robson, 2008). Organizations need to demonstrate cultural sensitivity towards foreign markets by gathering local market knowledge, creating an awareness of the differences between home and host country markets, and adapt their market practices to the local conditions (Batonda and Perry, 2003a; Buckley and Casson, 1998; Ghoshal and Bartlett, 1990; Glaister and Buckley, 1997; LaBahn and Harich, 1997).

Sensitivity to national business culture has also been identified as an important dimension of business relationships in international franchise partnerships (Altinay, 2006; Eroglu, 1992; Karuppur and Sashi, 1992). A franchisor's cultural sensitivity can be demonstrated in senior decision makers' mindsets in taking certain decisions about different country markets and partners, in recruitment strategies and representation in different country markets and/or in their adaptation to local franchisees' practices. These practices could therefore form the basis of an investigation into a franchisor's approach to relationship development as they demonstrate a franchisor's commitment to a partnership and serve to build up trust among the local franchisees (Altinay, 2007). In order to build a more detailed conceptual framework for the study however, the following section of the paper explores relationship development within strategic alliance agreements in general and within the franchising literature in particular.

3. Conceptual framework and research questions

Existing research shows that developing sustainable and productive strategic alliances requires the development of quality relationships between the partners (Dyer and Singh, 1998; Johnson *et al.*, 1993; Sarkar *et al.*, 2001). Researchers have developed a number of well-supported models, such as life cycle and growth stages models, that define many relevant variables that influence the success or failure of relationship development (Ford, 1980; Dwyer *et al.*, 1987; Larson, 1992; Kanter, 1994; Wilson, 1995). These models tend to conceptualise relationship development as progressing through a number of distinct stages. Different researchers however have applied different labels to a different number of stages as Table I displays.

Pioneering research in the relationship process, conducted by Dwyer *et al.* (1987), explored the relationship process within the context of buyer-seller relationships. This study identified that the relationship process goes through five stages, namely; awareness, exploration, expansion, commitment and dissolution. Kanter's (1994) research, undertaken within the context of alliances, also identified five distinct stages in relationship development. Using the analogy of a marriage, she labelled these stages as courtship, engagement, housekeeping, learning to collaborate, and managing the trade off. Five distinct stages were also determined in subsequent studies within alliance relationships (Ring and van de Ven, 1994) and in buyer-seller relationships (Wilson, 1995) as Table I depicts, although other researchers identified only three within the context of alliances (Das and Teng, 2002) and buyer-supplier relationships (Chang and Lin, 2008).

Despite the different number of stages identified and the different research contexts explored, Table I identifies a number of key similarities in the findings of the different studies. Having recognised the need for a partner, relationships begin with a search for and evaluation of potential partners. Evaluation involves an assessment of the compatibility of organisation goals and resources, as well as interpersonal compatibility of members of the organisations. The development of trust appears fundamental in these early stages. Table I also identifies, that the identification of differences and potential conflict is not uncommon during the implementation stage of the relationship. If differences can be overcome and sufficient resources committed, then the relationship continues and potentially stabilises. Trust and commitment are also important to the ongoing stability of relationships.

While relationship development research within franchising is limited, Doherty and Alexander (2004) identify four key stages of franchise relationship development in their study set within the international retail industry. These stages reflect the recognition of relationship need, the partner search process, the evaluation of potential franchise partners and finally, the stabilizing role of partnership. While these stages broadly mirror those set within other research contexts, there are a number of subtle differences. In the first instance, Doherty and Alexander (2004) identify that the recognition of the need for a relationship only occurs in experienced franchisors who strategically choose to franchise internationally. Second, they identify that in the case of franchising, contractual obligations and the maintenance of brand standards have a role to play in maintaining and stabilising the relationship. Finally the researchers highlight the fundamental role of personal chemistry throughout the development of franchisor-franchisee relationships. It is not surprising therefore that Doherty and Alexander's (2004) definition of relationship development refers to the creation of social relationships and emotional bonds through the enhancement of trust and commitment.

Whatever the business context, trust and commitment have been recognised as important elements of relationship development. As the trusting and committed relationship progresses, risk and doubt should be reduced as both parties learn more about each other, therefore, the relationship is likely to yield more benefits, financial or otherwise. On the other hand, if trust and commitment are absent or breached, conflict and uncertainty will inevitably arise, and as a result, co-operation fails (Morgan and Hunt, 1994). Trust is therefore the willingness to rely on an exchange partner in whom one has confidence (Moorman *et al.*, 1992) and involves a belief that a relationship partner will act in the best interests of other partners (Morgan and Hunt, 1994). Johnston *et al.* (2004) argue that most trust definitions incorporate two main elements:

1 confidence and predictability in one's expectations about another's behavior (competence trust); and
2 confidence in one's expectations about another's goodwill (goodwill trust) (Ganesan, 1994; Zaheer *et al.*, 1998).

Competence trust denotes the ability of the exchange partner to perform according to expectations as he/she possesses the necessary skills and expertise (Nooteboom *et al.*, 1997). Goodwill trust, on the other hand, is related to the motives and intentions of the exchange partner and demonstrates fairness in exploiting the opportunities for positive gain (Anderson and Narus, 1990). Competence trust increases predictability in behavior, while goodwill trust resides in a belief that the exchange partner will serve the truster's best interests. On the other hand, commitment, defined as "an exchange partner believing that an ongoing relationship with another is so important as to warrant maximum efforts at maintaining it" (Morgan and Hunt, 1994, p. 23), is also seen as an essential component of successful relationships (Ganesan, 1994; Jap *et al.*, 1999; Morgan and Hunt, 1994). In an overseas collaboration, commitment gives partners a sense of unity and a strong desire to continue a relationship (Kim and Frazier, 1997). Domestic buyers develop feelings of affiliation with foreign suppliers (Moorman *et al.*, 1992) and as a result, stability and sacrifice constitute a strong foundation to the partnership (Anderson and Weitz, 1992).

In addition to these models which determine the key stages of the relationship development, researchers have also identified power/dependence (Kim, 2000), asset specificity (Skarmeas and Robson, 2008) and cultural sensitivity (Batonda and Perry, 2003a) as factors which influence relationship development. The proposed links between role

Table I The different stages in relationship development

Researcher	Context	Relationship stages identified					
Dwyer *et al.* (1987)	Buyer-seller relationships	*Awareness* Positioning and posturing of partners	*Exploration* Assessing goal compatibility, integrity and performance	*Expansion* Increased interdependence, trust and satisfaction	*Commitment* Conflict resolution and more resources committed	*Dissolution* Relationship ends as costs outweigh the benefits	
Kanter (1994)	Strategic alliances	*Courtship* Partner selection, evaluation of chemistry and assessing compatibility	*Engagement* Relationship formalized, resources committed	*Housekeeping* Implementation and identification of differences; conflicts arise but trust created through the commitment of resources	*Learning to collaborate* Partners create mechanisms to achieve strategic, tactical, operational, interpersonal and cultural integration	*Changes within* Firms start to learn from each other	
Ring and van de Ven (1994)	Strategic alliances	*Negotiation* Partner selection and negotiation	*Commitment* Agreement of obligations, contract signed	*Execution* Implementation; inter personal and role relationships built	*Renegotiation* Conflicts may occur, renegotiation possible	*Termination* Decision to end partnership	
Wilson (1995)	Buyer-seller relationships	*Partner selection* Performance and trust are active constructs in selection process; social bonding begins	*Defining purpose* Define and clarify goals; agreement on mutual goals enhances social bonding, trust and commitment	*Boundary definition* Inter-organisation penetration defined, adaptation occurs, and resources committed which influences performance satisfaction	*Creating relationship value* Identification of the competitive abilities of the relationship to create value; both social and structural bonding increased	*Hybrid stability* Commitment to relationship through trust and performance satisfaction	
Das and Teng (2002)	Strategic alliances	*Formation stage* Negotiation to determine interdependence of partners and perceptions of future possibility of conflicts		*Operation stage* Implementation of agreement		*Outcome Stage* Four possible outcomes: stabilization, reformation, decline or termination of relationship	
Batonda and Perry (2003)	Business networks	*Searching* Partner need recognition search, evaluation and selection of potential partners	*Starting* Making contact and establishing rapport; assess compatibility	*Development* Emphasis on developing personal relationship and mutual trust between partners, roles defined and priorities identified	*Maintenance* Increasing commitment of resources to the partnership Ongoing exchange of activities and value	*Termination* Weighing cost and benefits; possible dissolution	*Dormant* Inactive state due to project completion or failure
Doherty and Alexander (2004)	Franchising	*Relationship need recognition* Only in experienced international franchisors with strategic intent	*Partner search* Approach can be rational or opportunistic, chemistry between partners important	*Evaluation* Capabilities of partners and performance ability assessed; chemistry and trust important criteria	*Stabilizing role* Legal contract; franchisor support and communication help to stabilize relationship; Defined brand offer and chemistry important elements of stable relationships		
Chang and Lin (2008)	Buyer-supplier relationships	*Formation* Relationship established; negotiations take place and trust established; resources committed	*Operating* Implementation of relationship	*Maintenance* Maintain relationship and increase its outcomes			

performance, asset specificity, cultural sensitivity and relationship development and its dimensions are discussed below within the context of franchising. Three research questions, derived from the literature and used to frame the investigation are considered below.

3.1 Role performance and relationship development

Franchisor-franchisee relationships can be viewed as an overall franchise system where the functions performed by the franchisor constitute input into the franchisee's operations (Monroy and Alzola, 2005). A franchisor that carries out its required transactional roles in a competent manner contributes to the well-being of the overall system and can thus facilitate a high level of goal attainment for its partner (Bradach, 1998; Fulop, 2000). A franchisee that receives satisfactory benefits from its franchisor partner, relative to those offered by alternative franchisors, in relation to training and start up support, and advice on finance, supply networks and marketing, realizes that the franchisor works hard on its behalf (Fulop, 2000; Lashley, 2000). This is likely to engender confidence in the franchisor, cultivate the franchisor's sense of relationship unity and lessen the potential for disagreement. Hence, in the presence of superior franchisor role performance, outcomes such as trust and commitment are likely to occur at the franchisee level and this facilitates the relationship development (Harmon and Griffiths, 2008).

3.2 Asset specificity and relationship development

Within franchise agreements, a franchisor's asset specificity serves as a key driver of relationship development with the potential franchisees (Harmon and Griffiths, 2008; Hopkinson and Hogarth-Scott, 1999). There are several types of investments a franchisor makes; developing and offering a proven business concept and brand, developing specialized training programs, support in terms of site selection, general business start up assistance, deploying tailor-made marketing campaigns and providing the franchisee with the necessary materials and products in order to be able to run their franchised operations (Bradach, 1998; Chen and Dimou, 2004; Fulop, 2000; Shane, 1998; Teegen, 2000). Among these, the brand name is the most important asset to protect against the potential hazard of franchisee free riding where a franchisee appropriates the benefits of the brand name while not upholding the standards of the franchise system (Brickley and Dark, 1987). Franchisors therefore strive to avoid damage to their reputation by establishing and enforcing contractual provisions for training and outlet operations (Shane, 1998) and for controlling adherence to these (Brookes, 2007). As a result, a franchisee that sees franchisor investment in relationship-specific assets becomes more assured that trust can be placed in its partner and these relationship building activities enhance franchisee commitment (Hing, 1995, 1999; Lewis and Lambert, 1991). Therefore, franchisor-transaction-specific assets are expected to facilitate relationship development with the franchisee.

3.3 Cultural sensitivity and relationship development

A partner's cultural sensitivity facilitates recognition of goodwill and good intentions and thus facilitates relationship development. Athanasopoulou's (2009) review of the relationship quality literature highlights intercultural disposition as a major determinant of relationship development. Confirming this, Voss *et al.* (2006) state that the development of relationships derives from the partnering firms' openness to understanding and responding to differences in cultural and business practice (Voss *et al.*, 2006). Supporting this, in a study of the relationship quality of import-export firms, Skarmeas and Robson (2008) found that relationship development could not be cultivated between the importers and their foreign suppliers without appreciation of, and adjustment to, each other's business culture. In order to make this cultivation happen, an exporting firm needs adapt its business practices to the conditions of the importer's local market. However, this requires an organisation wide holistic approach to understanding the local environment and the partner's culture and the investment of time, managerial attention and other resources (Voss *et al.*, 2006).

In the case of franchise partnerships, Altinay (2007) notes that cultural sensitivity also mirrors a franchisor's capacity to engage in culturally effective exchange with franchisees in international markets. A franchisee's trust, commitment and satisfaction cannot be easily developed without appreciation of, and adjustment to, its business culture by its franchisor. This study adopts the definition of cultural sensitivity which demonstrates the extent a franchisor sensitizes and adapts its business practices to the nuances of the franchisee's local market in order to develop and maintain relationship quality. Demonstrating cultural sensitivity requires possession of considerable amounts of financial, relational and cultural resources on the part of the franchisor (Altinay, 2006; Sorenson and Sørensen, 2001). Furthermore, bridging differences between local and foreign markets is a challenging task that necessitates purposeful deployment of available resources in cultural training and other relational management efforts (Clarkin and Swavely, 2006; Wang and Altinay, 2008). Thus, a franchisor that appreciates if relationship decision elements (training, support, marketing and management assistance) need customization to local market conditions and adapts its practices accordingly is expected to perform its partnership roles in a more competent fashion (Altinay, 2007; Eroglu, 1992; Sorenson and Sørensen, 2001).

While the literature identifies that role performance, asset specificity and cultural sensitivity impact on relationship development, there remains a gap in our understanding of how these three constructs impact on relationship development in franchise agreements. Furthermore, it is not clear from the current literature whether the impact would be the same for direct and master franchise agreements. As previously stated, master franchise agreements differ from direct individual franchise agreements, given they are generally firms in their own right with the responsibility for a number of franchised units over a defined geographical area (Quinn and Alexander, 2002). As such, there is a potential impact on the dependency and power-balance in these agreements and thus on the impact of role performance, asset specificity and cultural sensitivity in relation to individual franchisees. The research therefore seeks to answer the following questions:

- How does role performance affect relationship development in the franchisor-franchisee and franchisor-master franchisee relationship?

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- What is the influence of asset specificity on the relationship development in the franchisor-franchisee and franchisor-master franchisee relationship?
- How does cultural sensitivity influence the relationship development in the franchisor-franchisee and franchisor-master franchisee relationship?

4. Methodology

In order to achieve the aim of the study, a qualitative approach, informed by the phenomenological research philosophy (Eisenhardt, 1989; Robson, 2002; Saunders *et al.*, 2008) was adopted. Doherty (2007, 2009) argues that qualitative studies are concerned with illustrating the real life complexities of organisational practices by providing rich data and by going beyond description to seek connections and explanations; that is going beyond just "what is" to suggest "why" it is. In line with this philosophy and with the aim of the study, the research was undertaken in two stages. In the first stage, relationship development was investigated between franchisors and individual franchisees and in the second stage, relationship development was investigated between franchisors and master franchisees. The research context adopted for the study was the international hotel industry. This provided a suitable context given the industry's high level of internationalisation its long history of franchising (Littlejohn *et al.*, 2007) as well as the growing use of international master franchise agreements (Brookes and Roper, 2010).

A case study strategy was adopted for the study as they are useful when the phenomenon is little understood and the dynamics of it need to be incorporated in the research (Yin, 2003). The value of case studies in franchise research has been demonstrated by previous researchers (Altinay, 2007; Doherty, 2009; Doherty and Alexander, 2004). A purposive sampling approach was used to select a single case comprising one international hotel group, for each stage of the study. The research began with the Hotels Magazine 325 Annual Survey that identifies the world's largest hotel groups by number of hotels, hotel rooms and countries of operation. It then drew on industry reports and corporate web sites to inform case selection. It the first stage, the case selected had a high degree of individual franchised properties and in the second case, there was a preference for international master franchise agreements. Each case therefore provided "certain insights" which "other organizations would not be able to provide" (Siggelknow and Rivkin, 2005, p. 20) and thus a valuable data source to inform the research.

In the first stage of the study, the case (A) comprised a multi-branded hotel group which is a publicly listed company on the London Stock Exchange, but with headquarters in the USA. It is structured into three geographical divisions: the Americas, Asia Pacific and Europe, Middle East and Africa (EMEA). The founder of this firm has been identified as one of the original pioneers in hotel franchising and approximately 90 per cent of its portfolio of hotel units is franchised. Table II depicts the operating characteristics of Case A. The territory of the case is bounded (Miles and Huberman, 1994) by the franchisor and its relationships with six international franchisees in Europe. As such, Case A is an embedded case where the development of each franchisor-franchisee is investigated individually (Rowley, 2002).

The second case (B) comprises a multi-branded privately-owned US hotel group. It is also structured into three geographical divisions: the Americas, Asia Pacific and Europe, Middle East and Africa (EMEA). This international hotel group has publicly stated a preference for international master franchise agreements to develop its brands and its operating characteristics are also depicted in Table II. The territory of this case is bound by the franchisor and its relationships with two of its European master franchisees, each with headquarters in a different country. As such, it is also en embedded case study (Rowley, 2002).

Primary data was collected using multiple semi-structured interviews. The interviews focused on three broad areas, the processes and criteria used to identify potential franchise partners, the negotiation process, and the inter-organisational processes used to manage the relationship in franchise partnership. In Case A, 45 interviews were conducted with the representatives of the franchisor organization and with franchisees including country managers responsible for franchise partnerships, strategy, marketing, operations and brand directors. In Case B, ten interviews were held with corporate level members of the franchisor and master franchisee firms responsible for strategy, development, marketing and financial management. Data was collected from both franchisor and franchisee perspectives in both cases in order to validate the findings and increase their reliability.

Document analysis was also used as a complementary data collection method and for triangulation purposes to increase validity, as was replication logic (Riege, 2003). Data was collected through archival analysis and internal and external document review comprising organization charts, annual and interim accounts and reports, company newsletters and employee magazines, press releases, internal memos and analyst and investor reports.

Data analysis took place concurrently with data collection (Eisenhardt, 1989; Gibbs, 2004; Mintzberg, 1979; Stake, 1995) according to two stages; familiarization and coding. Familiarization, involved listening to each audio recording several times and noting the impressions and intuition with regard to both interviewees and the content of the interview. Notes of possible interpretations were also taken and emerging themes were identified. Coding enabled the data to be broken down further, conceptualized and put back together in new ways as categories. A coding scheme played an important role in this process. The coding scheme comprised a three-by-one matrix encompassing role performance, asset specificity, and cultural sensitivity of the franchisor as one axis and relationship development the other axis. The coding scheme helped to logically cross-classify the variables, generate themes and illustrate interrelationships between role performance, asset specificity, cultural sensitivity and relationship development. The validity of the study has been enhanced through employing multiple data collection method; creating a databank for each case study; presenting findings both inside the case study organizations and externally at conferences and workshops in order to get them questioned dialectically; and undertaking a theory driven analysis in order to improve construct definitions and also establish a domain to which the study's findings could to some extent be generalised.

Table II Operating characteristics of cases

Operating characteristics	Case A	Case B
Ownership	Public	Private
Owner	Part of multi-divisional conglomerate	Part of multi-divisional conglomerate
Headquarters	Americas/Europe	USA
Number of countries of operation	100	60
Number of hotels	2,956	450
Number of rooms	392,051	99,246
Percentage franchised or master franchised properties in hotel portfolio	90	80
Territory of case	Franchisor relationship with six European franchisees	Franchisor relationship development with two European master franchisees

5. Findings

5.1 Relationship development with individual franchisees

Findings demonstrated that a great deal of interaction takes place between the potential partners (franchisees) and organisational members before the establishment of the franchise partnership in Case A. Communication with the potential franchisees took place through the active and systematic involvement of the franchisor's organisational members, both inside the organisation and outside in the market. Significant efforts were undertaken to establish a relationship before an agreement was struck and contracts were signed. A fundamental element in the development process appears to be informing potential franchisees not only about the franchisor organisation and what it stands for, but about its distinctive attributes. There was a common belief among the franchisor informants that the company possessed distinctive attributes such as technology and expertise that were essential to the franchisees in different country markets. As indicated by the informants, and further confirmed during the meetings with local franchisees:

> The expertise of the company, its strength; in terms of geographic coverage, financial power and its support services result in it having an advantageous position over the entrepreneurs [franchisees] in the market.

In Case A, potential individual franchisees were motivated by a desire to access the franchisors' resources. They sought to access international reservation and distribution systems and the technology that supported these systems. Moreover, they were also keen to benefit from numerous service initiatives and from marketing support. As such, potential franchisees in different country markets including Spain, Italy and Poland required access to both technical and managerial capabilities. Furthermore, they were also seeking to access intangible assets such as the organization's reputation and to become part of a more internationally recognized hotel group and its brands. For the franchisor therefore, internationally recognised brands, the reservation system, technical and managerial capabilities and marketing and training support packages were ownership advantages which were leveraged during the early stages of negotiation. The intention was to develop a "relationship" by emphasising those aspects that particularly appealed to the potential franchisee. Relationship development required communicating the special strengths and benefits of the organisation and its brands relative to the offerings of competitive organisations. However, as one franchisor member cautioned, "through the process, the entrepreneur (potential franchisee) gains certain awareness, a certain perception about what the organisation can offer but never all the knowledge." Franchisor members therefore tended to supplement potential franchisee learning with written documents and publications, which provided more detailed information about the organisation's vision, the number of countries of operation, and the reservation system through which potential partners can generate revenue. In addition, they were entertained as guests in existing hotel properties, in order that they develop a better first-hand understanding of the brand, its standards and operational features. They were therefore introduced not only to the visible aspects of the organisational culture, but also to the deeper levels such as the importance and the value attached to the brand and its standards.

In Case A, the findings also demonstrate the importance of cultural sensitivity in cultivating relationships with potential franchisees. It seems that a franchisor's understanding of, and adjustment to, the franchisee's domestic market practices are seen as evidence of the franchisor's commitment to the market. As one informant stated:

> In the traditional markets, such as Italy and, Spain people want to feel comfortable with their partners, especially if it is a foreign entity. Therefore, it is important for the company to show evidence that they are committed to the market. People see that you are sincere with the market and this creates a lot of confidence.

The investigation showed that the franchisor had adapted some of its practices to "breach" the cultural differences and ensure cultural affinity between the home and host countries. However, when the franchisor tried to co-ordinate international expansion activities from the head office in the UK, it was not successful. Therefore they placed managers into different country markets who could usually speak the local language and who were born there or had lived there long enough to know the local culture. As such, they could better adapt their negotiation styles to suit different countries and cultures. The rationale for this was explained by one senior informant:

> [Franchisees] in the market would prefer to speak to somebody in their own language and their own time zone, in their own culture.

Other informants also considered these country manager roles pivotal in making a potential franchise partnership a reality in a culturally diverse environment.

The findings from Case A however, raised an interesting question about the extent of cultural sensitivity demonstrated by the franchisor. Although, placing country managers could be seen as a strong sign of cultural sensitivity, the franchisor did not seem to be flexible enough to adapt its management practices to the foreign franchisees' business culture. For example, all the contracts and brochures were published in the franchisor's home-country language and potential franchisees, therefore, often had difficulty in understanding them. In addition, franchisee informants did not believe that the franchisor could ever operate in another language. More importantly, there were issues in the contracts that often upset the franchisees or made them feel uncomfortable. For example, one of the members of the franchisor organization made the following comment:

> [...] we have a great difficulty in adapting our business systems to local conditions. In our contract documentation we require people to give us an idea of the worth of their companies. You do not ask a Spanish or Italian to tell you how much it is worth. This is dangerous information and people will get taxed. The other famous one is that we tell partners that they do not have the right to sell the hotel without letting us know. Impossible, for example a German will never do that.

Informants, from the franchisor organisation, argued therefore if different nationalities were represented at senior management level and involved in the process, it would facilitate the franchisor's understanding about foreign markets and how to do business in these markets.

5.2 Relationship development with master franchisees

In Case B, there was also a good deal of interaction between the members of the franchisor organization and those of the potential master franchisees before any formal contractual agreement was signed. Communication which was reported to be "frequent", "informal" and "face-to-face" between franchisor and master franchisee members was deemed essential at this stage to determine whether a relationship could be developed. This communication enabled members to establish whether there was "chemistry" between the individuals involved in the negotiation process. This perceived "chemistry" was considered by informants to be fundamental to the development of any relationship and informants reported that negotiations with other potential franchise partners "had broken down" due to a "lack of chemistry." Also essential and determined through extensive communication, was a perception of the similarity of organizational "goals and values", "culture", and of a "mutuality" within the agreements. While master franchisees were seeking access to franchisor resources through the agreement, informants reported that they "brought value to the relationship" and wanted this to be "duly recognized" by franchisor members.

In Case B, master franchisees recognized the need for additional resources in order to achieve their own goals for internationalization. Informants reported therefore that they had to determine in the early stages of negotiation whether they could achieve their goals for organizational growth through a relationship with the franchisor. One master franchisee informant reported that their senior management team:

> [...] decided that it needed to get some global reach, primarily on distribution, because you can only sell so well on your own distribution tools and workforces.

Another informant concurred, reporting:

> [...] we joined the system to grow business and reduce cost, for it to become easier for customers to book us.

Yet a third informant admitted:

> [...] obviously we wanted an organization that had great global distribution because that is why anybody joins, plus strong marketing.

Access to the franchisor's distribution system was considered a "very important factor" in the decision making process. The franchisor was therefore considered to be "a catalyst for growth" necessary as master franchisees did not consider themselves to not be "big enough, strong enough or well recognised enough to be able to go out and do it on our own." Like individual franchisees, therefore, master franchisees also sought access to tangible and intangible assets such as the recognised reputation of the franchisor firm and its brands.

In addition, master franchisee informants reported seeking access to managerial capabilities and expertise, again like individual franchisees. One informant suggested that through the communication that took place, the franchisees determined that the franchisor was willing to offer:

> [...] negotiated support ... franchising as an example was an unknown business to us and of course that was something that [the Franchisor] were experts on, so they sent over people here to train us, to help us to develop that side of the business. And on the IT side, something similar happened there and also in general training [...] we have to learn how to franchise and so on and introduce this, or implement these service concepts.

However, unlike individual franchisees, master franchisees are reported to have recognised the risk they were undertaking in developing the relationship. As one informant explained:

> We took a huge risk. We were taking on faith that their vision of growing the brand, their vision of asserting the synergies from [their] chain of families, their vision for technological leadership, that's the risk. Would that all come to bear?

In Case B, the franchisor was also seeking access to intangible assets of the master franchisee firms, and in particular, their knowledge of local market conditions. In contrast to the cultural sensitivity of individual franchisors, senior decision makers of the franchisor in Case B, displayed more of a host-country orientation and relatively more tolerance and open-mindedness towards the internationalization of the franchise network. As such, there is a difference in the cultural investments within Case B. The strong international orientation was explained by the need to draw on the franchisees' strong local market knowledge to achieve internationalization goals and this was indeed one of the key considerations in the decision to franchise in the first place. A franchisor informant reported that they had come to the realization that:

> Europe isn't America, and Asia isn't America and we can't deploy the same tactics that we use in America in other peoples' cultures because they do business differently.

Furthermore, previous attempts to enter the geographical markets covered by the master franchise agreements through different market entry methods had been unsuccessful. Confirming this, informants from both master franchisees identified their local market knowledge as a key contribution to the relationship. One master franchisee informant summarized their contribution as:

> [...] a development partner that could put them [the franchisor] on the map in ways that they could only dream about in Europe.

However, master franchisee informants in Case B, were clear to point out that the Franchisor did not always display this willingness for cultural adaptation. Although recognizing the mutuality in the agreement in the early stages, when it came to implementing the franchise agreement, both franchisor and franchisee members reported there were a number of "issues", which emerged due described as informants as "territorial issues, cultural issues, technology issues and priority issues". Furthermore, the way in which the franchisor tried to deal with the issues was by using its authority to standardise and control the agreement centrally according to home country standards and this served to exacerbate the problems between the firms. Master franchisee informants reported that at this stage it became apparent that the franchisor developed "a sense of we must control the brand everywhere", which in turn, was "quite a problem, … from a cultural point [of view]". Informants explained that this approach led to feelings of resentment by master franchisee members who began to question "the value" of the relationship.

In order to overcome these issues, the franchisor invested in resources to facilitate knowledge transfer and organisational learning in order to better understand the differences in the markets. The franchisor's senior decision makers were socialised into the master franchisee organisations through both formal and informal meetings. For example, a global brand council, established to support marketing activities across the brand, implemented more participative decision making processes. As a result of this approach, a franchisor informant reflected:

> So what has happened for us is that [the master franchisees] have become real managerial and cultural assets for us about how they run their companies and why they do it and why we do what we do. So we have a real, what I would consider to be a healthy debate about how things are done and a very good exchange of information.

The sharing of knowledge about each other's practices served to strengthen the relationship and was reported to create a mindset among members which "accepted" and "valued the differences" between the different organizations and the markets they served. One of the master franchisee informants commented on the effectiveness of this approach and stated:

> We have established a mutual freedom to interpret the brand and execute the brand within our areas of responsibility, that are not operating in [the Franchisor home country] which is fine because consumers have different habits, there are different social issues, different consumer trends. There's a lot of grey area where we can have local interpretation.

However, informants also reported that this approach had the potential to "open up anarchy and chaos" unless there was a strong relationship built between the franchise partners. Franchisor and master franchisee informants further advised that there "had to trust in the relationship" and you had to "have the integrity to know there is no hidden agenda". One informant summed up this situation accordingly:

> […] just because we are working under the same brand tag, doesn't mean to say we are necessarily working towards the same goals; we are each working towards our companies own interests. And are those interests aligned? There has to be a level of trust there.

In Case B, Informants suggested it took a good deal of time and effort for that trust to be developed following the implementation of the agreement. Communication between the members of the franchisor and master franchisee firms was considered essential to the development of that trust.. As one informant suggested:

> […] we have agreed to agree that the only way to make this work is by face-to-face meetings on a regular basis.

Furthermore, informants suggested that the dialogue that took place had to be "mutual" and that it was necessary to "listen with the intent to understand", not with "the intent to reply". While one informant suggested that "our relationships are such that we have an ongoing dialogue anyway", another volunteered that "you need that personal contact to reinforce relationships".

There were reported to be added benefits to this dialogue such as the willingness to share confidential information between franchisor and master franchisee members and this was considered a way of further engendering trust because "the more open a relationship is the more trust you generate." Similarly, another informant advised:

> Trust is only built because you get to know the people and you understand their reaction so you know how to go about building the relationship.

A further benefit reported through communication was the ability to resolve any further "issues" that arose. This situation was summarised accordingly:

> My counterpart there and I have a good, it goes beyond good, a very good working relationship. So we are not only aware of the issues, [that cause conflict] we are now working towards managing them well.

6. Discussion and conclusions

This paper adopts a holistic perspective by incorporating three main streams of research namely power-dependence, transaction cost theories, and international business and informs our understanding of the development of relationships in services franchise partnerships. By doing so, it makes several distinct contributions to the services marketing in general and to the franchise literature in particular. First, informed by the power-dependence and transaction cost theories, this study evaluates the influence of role performance and asset specificity on the relationship development as applied to individual versus master services franchising. The findings of the study demonstrates that for both individual franchisees and master franchisees, the competence and superiority of a franchisor in certain areas strengthens the franchisee's belief in the franchisor's ability and thus contributes to relationship development. The findings also suggest that role performance is an important precursor to relationship development as it sets the tone for the subsequent franchise relationship. In line with prior research on business-to-business relationships and in particular importer-exporter relationship (Skarmeas and Robson, 2008), it appears that franchisors can improve their relationships with international franchisees by performing their franchisor roles in a competent fashion. A franchisor can provide support to franchisees and contribute to the franchise partnership through access to and support with reservation systems, marketing, and training. Training was considered important in ensuring that brand standards were maintained by franchisees and by master franchisees in order to prevent potential free riding.

The findings also reveal that idiosyncratic investments have a significant influence on relationship development. In particular, the brand name and reputation are asset specificities (Chen and Dimou, 2004; Monroy and Alzola, 2005) which act as "points of referrals" that stimulate a franchisee to take part in and commit resources to a partnership. This finding also adds to the existing knowledge base on asset specificity (Heide and John, 1992)

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and indicates that franchisors can improve their relationships with international franchisees by investing in transaction-specific assets and more specifically, by enhancing the name and the reputation of their franchise brands further. In addition, by investing in idiosyncratic assets such as brand name, franchisors also invest in training and support to run individual and master franchised units effectively and protect the brand name. This suggests a relationship between asset specificity and role performance. More importantly, it appears that role performance is a holistic construct which comprises both the use of organizational expertise and competence and investment in transaction-specific assets.

While dependency and transaction cost theories enable researchers to understand the power and asset specificity dimensions of relationship development in franchise partnerships, they remain partial in explaining relationship development in international markets. This paper demonstrates that the development of the relationships also requires "cultural investments" by the franchisor. Within both types of franchise agreements, as sensitivity to international franchisee's business culture developed, the relationship tended to improve. This result is consistent with previous studies undertaken on international partnerships in general and franchising in particular, and highlights the critical role of cultural sensitivity plays in franchise relationship development (Altinay, 2007; Skarmeas and Robson, 2008; Wang and Altinay, 2008).

The findings of the study also indicate a strong link between cultural sensitivity and role performance for both independent and master franchisees. In the case of both individual and master franchise partnerships, it was found that insensitivity to the franchisee's business culture led to the franchisee's negative evaluation of the franchisor's role performance. However, the franchisor's understanding of the way its franchise partner conducts business in terms of language of business, etiquette and procedures and the adjustments made for local market customs could enable the franchisor organization to carry out its role more effectively. This evidence corroborates with Eroglu's (1992) and Altinay's (2007) contention that developing home country market-driven franchise strategies tailored to the wants and needs of overseas franchisees has become a part of the franchisor's role performance. However, understanding the cultural differences and developing strategies tailored to the wants and needs of franchisees would not be sufficient to cultivate the relationship. As argued by Voss *et al.* (2006) and also demonstrated by the findings of this study, it is crucial that partners invest time and managerial attention and resources to demonstrate cultural sensitivity in relationship development.

In the case of individual franchise partnership, having country managers was considered by franchisor informants as a strong sign of cultural sensitivity and played an instrumental role in facilitating relationship development with the franchisees. This was also instrumental in bridging the differences between local and foreign markets, thereby supporting the views of Clarkin and Swavely (2006) and Wang and Altinay (2008). While cultural sensitivity is also important in the development of master franchise agreements, given the importance of the mutuality in the agreement and relatively balanced power, cultural sensitivity may have a greater impact on relationship development within master franchise agreements.

Relationships in international contexts involve social exchange and more importantly, these exchanges are culturally driven. As a second contribution, this study offers insights into how a franchisor's awareness and understanding of, and sensitivity and adaptation to the franchisee's business customs facilitate relational management efforts. Therefore, in international services franchising, particular attention should be paid to the "international business perspective" in explaining relationship development. Power-dependence, and transaction cost theories are important theories which contribute to our understanding of relationship development in franchise partnerships. The significance of international business perspective is greater as it acts as the cornerstone of our holistic understanding and enables us to understand the cultural aspects of relationship development in international services franchising.

Third, this study focused on the stage approach to relationship development, and in line with the findings of Doherty and Alexander (2004), this research demonstrated that franchise relationship development goes through several phases including of recognition of relationship need, search for and evaluation of a potential partner and stabilisation where the roles and remits of partners are defined. However, in contrast to Doherty and Alexander's (2004) research, it became apparent that the boundaries to the different stages are not always clearly defined and the different stages overlap. There was evidence of defining the remit and roles of partnership even at the search for and evaluation of a partner, and of the development of trust and commitment at all stages of relationship development. However, this study does support Doherty and Alexander's (2004) finding on the importance of personal chemistry and social bonds to the development of franchise relationships generally, and to master franchise agreements particularly. It builds on their study however, by emphasising the importance of cultural sensitivity to the stability of franchise relationships. In particular, it adds to the previous research (Dwyer *et al.*, 1987; Kanter, 1994; Ring and van de Ven, 1994) by identifying the role that cultural sensitivity plays within the development of trust and ongoing commitment to the relationship.

Moreover, unlike the arguments of Doherty and Alexander (2004), this paper suggests that stabilizing the role of partnership cannot be fully achieved in franchise partnerships as there appears to be a dynamic power struggle between the franchise partners at the different stages of the relationship development process. The dynamic struggle even starts at the early stages of the relationship development stage, namely the recognition of relationship need, the partner search and assessment process and also affects the franchise partners' approach to the development of trust and the demonstration of commitment. Trust and commitment appear to be important elements for relationship development both for individual and master franchise partnerships. However, in the case of individual franchise partnerships, franchisors are more inclined to demonstrate trust whereas franchisees would strive to demonstrate willingness for and commitment to the future partnership. On the other hand, in master franchise partnerships, there is a relatively balanced demonstration of willingness and trust as well as commitment by the master franchisors and franchisees to the partnership. These differences could be explained by the balance of power and dependency of partners, as identified by Kim (2000), in the different forms of services franchise partnerships. In the case of master franchise partnerships, a more evenly distributed balance of powers would have led to a relatively balanced demonstration of goodwill and competence trust and commitment to the partnership. However, in individual franchise partnerships, the dependency of franchisees on the franchisor results in the franchisor demonstrating competence trust and to certain extent goodwill trust and the franchisees, placing emphasis on goodwill trust and commitment to the partnership.

As in any research project, this study has its limitations. As the study has focused solely on the hotel industry, the comparability with other industries is questionable and thus the generalizability of the study may be limited. Future research encompassing a broader range of industries is therefore warranted. Although the study used two different cases and carried out in-depth analysis as recommended by Pettigrew *et al.* (1992), further research using more than two cases in different industries is advisable to increase the rigor of the research. However, the appropriate number of cases depends on how much is known in a particular subject area. Since there seems to be limited research into the development of relationships in international franchise partnerships, an investigation into the most international hotel chains justifies the use of only two case studies. Moreover, it has been one of the purposes of the study to carry out a deep and detailed investigation into two cases.

Practical implications

The research also provides empirical insight of relationship development in international service franchise partnerships, and has practical managerial "take-away" implications. Relationship development has become a very important aspect of business-to-business transactions and has implications for their sustainability. Although complimentarity of resources is frequently used to identify potential partners, a partnership should not be formed based solely on this mutual dependence. For the partnership to be sustainable, firms need to adopt a systematic approach to and management of relationship development. This, in turn, requires an organization-wide relationship development approach with a clear strategy, adaptable culture and structure, as well as a shared mindset of the importance of relationship development at different levels of organizational hierarchy, particularly for individual franchise partnerships at the pre-contract stage. In addition, in the relationship development process, organizations need people with the accumulated knowledge and experience to contribute to different states of relationship development. More specifically, in the case of franchise partnerships, they need to understand how competence and goodwill trust can be demonstrated by exploiting accumulated knowledge and expertise in their franchise operations. They also need to understand how conflict can be minimized through this trust by sharing expertise and exploiting each other's knowledge for the benefit of the entire franchise system. More importantly, in the case of cross-country collaborations and partnerships, both service franchisors and franchisees need to develop and exploit their inter-cultural skills and adapt their business practices to the cultures of host and home countries. As such, in the relationship development process, organizations require people with the right attitude and skills sets, capable of interacting effectively on a personal level with potential partners.

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Executive summary and implications for managers and executives

This summary has been provided to allow managers and executives a rapid appreciation of the content of this article. Those with a particular interest in the topic covered may then read the article in toto *to take advantage of the more comprehensive description of the research undertaken and its results to get the full benefits of the material present.*

When a hotel group franchisor tried to co-ordinate international expansion activities from its UK head office it was not successful. Instead, it had to place into different country markets managers who could speak the local language, were born there or had lived there long enough to know the local culture. As such they could better adapt their negotiation styles to suit different countries and cultures.

These country manager roles were seen as pivotal in making a potential franchise partnership a reality in a culturally diverse environment. However, although, placing country managers could be seen as a strong sign of cultural sensitivity, the franchisor did not seem to be flexible enough to adapt its management practices to the foreign franchisees' business culture. For example, all the contracts and brochures were published in the franchisor's home-country language and potential franchisees, therefore, often had difficulty in understanding them. In addition, it was not believed that the franchisor could ever operate in another language.

More importantly, there were issues in the contracts that often upset the franchisees or made them feel uncomfortable. For example, one of the members of the franchisor organization said:

> We have a great difficulty in adapting our business systems to local conditions. In our contract documentation we require people to give us an idea of the worth of their companies. You do not ask a Spanish or Italian to tell you how much it is worth. This is dangerous information and people will get taxed. The other famous one is that we tell partners that they do not have the right to sell the hotel without letting us know. Impossible, for example a German will never do that.

As Levent Altinay and Maureen Brookes point out in "Factors influencing relationship development in franchise partnerships" organizations need to understand how competence and confidence in one's expectations about another's goodwill can be demonstrated by exploiting accumulated knowledge and expertise in their franchise operations. They also need to understand how conflict can be minimized through this trust by sharing expertise and exploiting each other's knowledge for the benefit of the entire franchise system.

In the case of cross-country collaborations and partnerships, both service franchisors and franchisees need to develop and exploit their inter-cultural skills and adapt their business practices to the cultures of host and home countries. As such, in the relationship development process, organizations require people with the right attitude and skills sets, capable of interacting effectively on a personal level with potential partners.

The authors attempt to identify and evaluate factors which influence relationship development between franchisors and franchisees, using case studies to examine two types of

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franchise agreements – direct and master. International master franchise partnerships, which are growing in popularity particularly within the service industries, differ from individual franchise agreements as they entitle the franchisee the rights to open franchised units and to grant these rights to third parties as a sub-franchisor. As such, the greater degree of control devolved to the master franchisee may impact on relationship development.

The findings demonstrate that for both individual franchisees and master franchisees, the competence and superiority of a franchisor in certain areas strengthens the franchisee's belief in the franchisor's ability and thus contributes to relationship development. The findings also suggest that role performance is an important precursor to relationship development as it sets the tone for the subsequent franchise relationship. Franchisors can improve their relationships with international franchisees by performing their franchisor roles in a competent fashion. A franchisor can provide support to franchisees and contribute to the partnership through access to and support with reservation systems, marketing, and training. Training was considered important in ensuring that brand standards were maintained by franchisees and by master franchisees in order to prevent potential free riding.

Relationship development has become a very important aspect of business-to-business transactions and has implications for their sustainability. Although complimentarity of resources is frequently used to identify potential partners, a partnership should not be formed based solely on this mutual dependence. For the partnership to be sustainable, firms need to adopt a systematic approach to and management of relationship development. This, in turn, requires an organization-wide relationship development approach with a clear strategy, adaptable culture and structure, as well as a shared mindset of the importance of relationship development at different levels of organizational hierarchy, particularly for individual franchise partnerships at the pre-contract stage.

In the case of both individual and master franchise partnerships, it was found that insensitivity to the franchisee's business culture led to the franchisee's negative evaluation of the franchisor's role performance. However, the franchisor's understanding of the way its franchise partner conducts business in terms of language of business, etiquette and procedures and the adjustments made for local market customs could enable the franchisor organization to carry out its role more effectively.

(A précis of the article "Factors influencing relationship development in franchise partnerships". Supplied by Marketing Consultants for Emerald.)

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