

**YANGON UNIVERSITY OF ECONOMICS**  
**DEPARTMENT OF MANAGEMENT STUDIES**  
**MBA PROGRAMME**

**THE EFFECT OF FRANCHISOR INPUTS ON THE  
PERFORMANCE OF THE FRANCHISEES IN FOOD AND  
BEVERAGE INDUSTRY**

**ZAW WIN LATT**

**EMBA II - 27**

**EMBA 16<sup>th</sup> BATCH**

**DECEMBER, 2019**

**YANGON UNIVERSITY OF ECONOMICS**  
**DEPARTMENT OF MANAGEMENT STUDIES**

**MBA PROGRAMME**

**THE EFFECT OF FRANCHISOR INPUTS ON THE  
PERFORMANCE OF THE FRANCHISEES IN FOOD AND  
BEVERAGE INDUSTRY**

**ACADEMIC YEAR (2017-2019)**

**Supervised By:**

**Dr. Hla Hla Mon**

Professor

Department of Management Studies

Yangon University of Economics

**Submitted By:**

**Zaw Win Latt**

EMBA II - 27

EMBA 16<sup>th</sup> Batch

2017-2019

**YANGON UNIVERSITY OF ECONOMICS**  
**DEPARTMENT OF MANAGEMENT STUDIES**  
**MBA PROGRAMME**

**The Effect of Franchisor Inputs on the Performance of the  
Franchisees in Food and Beverage Industry**

**A thesis submitted to the Board of Examiners in partial fulfillment of  
the requirements for the degree of Master of Business Administration  
(MBA)**

**Supervised By:**

**Submitted By:**

**Dr. Hla Hla Mon**

**Zaw Win Latt**

Professor

EMBA II - 27

Department of Management Studies

EMBA 16<sup>th</sup> Batch

Yangon University of Economics

2017-2019

## ACCEPTANCE

This is to certify that the thesis entitled “**The Effect of Franchisor Inputs on the Performance of the Franchisees in Food and Beverage Industry**” has been accepted by the Examination Board for awarding Master of Business Administration (MBA) degree.

### Board of Examiners

-----  
(Chairman)

**Dr. Tin Win**

**Rector**

**Yangon University of Economics**

-----  
(Supervisor)

-----  
(Examiner)

-----  
(Examiner)

-----  
(Examiner)

**December, 2019**

## **ABSTRACT**

The main intention of this survey is to examine the effect of franchisor inputs on the performance of the franchisees in the food and beverage industry, which is one of the most significant business and popular recently in Myanmar. In this study, 57 respondents of the franchisees work as owners, general managers, and branch managers in Yangon surveyed by using structured questions. This study found that franchisees from the food and beverage industry are also positively satisfied with franchisor inputs. On brand value, training & knowledge transfer, operational support, communication & feedback, contractual integrity, and trust and financial supports in each different level and immediate results of the inputs as well as the expected results in the future. Moreover, most of the franchisees are having very high positive effect satisfaction related to operational support. Based on these results, it concluded that increasing the inputs of franchisor performance to the franchisee engagement, although growing support practices impact the relationships for franchisees. Improving dedication relationships displays franchisees' achievements that have evolved to be a highly effective franchising system. The current franchising system kept being created like a successful business efficiently.

## ACKNOWLEDGEMENTS

First of All, I am very respectfully thankful to Dr. Tin Win, the Rector of Yangon University of Economics (YUEco) for his kind permission for the opportunity to undertake this study as a partial fulfillment towards the Executive Master of Business Administration Degree (EMBA).

I would like to express my sincere gratitude to Professor Dr. Nu Nu Lwin; Head of Department, Department of Management Studies, and Professor Dr. Myint Myint Kyi. Then my heartfelt thankfulness and gratitude to my supervisor, Professor Dr. Hla Hla Mon for her knowledgeable mentorship and guidance on conceptualizing this research as well as her insightful comments particularly for my research proposal and supervised me in my research journey throughout. I learnt to appreciate qualitative research methods due to her thoughtful and comprehensive feedback on how to continuously improve upon the scope and design of my research. Her meticulously detailed comments on several drafts of my proposal and papers greatly enhanced their quality as well as my confidence in my writing. Moreover, I am particularly thankful for her encouragement when things were not shaping up as originally intended and I had to change my research plan.

A special thanks to all the Owners, General Managers and Branch Managers of the F&B Franchisee Industry and Myanmar Restaurants Associations (MRA) for giving me the opportunity to research in the Franchise business and also for participating to reach my goal. Taking this occasion, my sincere appreciation to all professors and lecturers including my classmates from EMBA 16<sup>th</sup> Batch who contribute a lot to transform me today during these two years, without the supporting and understanding from them, the journey would not have completed.

Thank you so much to all that help and support during my progress in research and preparation on this thesis, I also place on record, my sense of gratitude to one and all who, directly or indirectly, have lent their helping hand in this challenge.

ZAW WIN LATT  
EMBA II – 27  
EMBA 16<sup>th</sup> BATCH

## CONTENTS

	<b>Page</b>
<b>ABSTRACT</b>	<b>i</b>
<b>ACKNOWLEDGEMENTS</b>	<b>ii</b>
<b>TABLE OF CONTENTS</b>	<b>iii</b>
<b>LIST OF TABLES</b>	<b>v</b>
<b>LIST OF FIGURES</b>	<b>vi</b>
<b>CHAPTER 1 INTRODUCTION</b>	<b>1</b>
1.1 Rationale of the Study	2
1.2 Objectives of the Study	4
1.3 Scope and Method of the Study	4
1.4 Organization of the Study	4
<b>CHAPTER 2 THEORETICAL BACKGROUND</b>	<b>5</b>
2.1 Franchising	5
2.2 Franchisor Inputs	6
2.3 Franchisees' Satisfaction	12
2.4 Franchisees' Performance	15
2.5 Previous Studies	16
2.6 Conceptual Framework of the Study	16
<b>CHPATER 3 FRANCHISING INDUSTRY AND FRANCHISOR INPUTS</b>	<b>18</b>
3.1 Franchising of Food and Beverage Industry in Myanmar	18
3.2 Inputs of Franchisors	21
3.3 Profile of Respondents	26

**CHAPTER 4 ANALYSIS OF FRANCHISOR INPUTS, 29**  
**FRANCHISEE SATISFACTION AND FRANCHISEE**  
**PERFORMANCE**

- 4.1 Analysis of the effect of Franchisor Inputs on 29  
Franchisees' Satisfaction in Food and Beverage  
Industry in Yangon
- 4.2 Analysis of the effect of Franchisees' Satisfaction 37  
on their Performance in Food and Beverage  
Industry in Yangon

**CHAPTER 5 CONCLUSION 41**

- 5.1 Findings and Discussions 41
- 5.2 Suggestions and Recommendations 43
- 5.3 Needs for Further Research 44

**REFERENCES**

**APPENDICES**



## LIST OF TABLES

<b>Table No.</b>	<b>Title</b>	<b>Page</b>
Table (3.1)	Franchised Businesses in Food and Beverage Industry In Myanmar	20
Table (3.2)	Profile of the Respondents	27
Table (4.1)	Brand Value	29
Table (4.2)	Training and Knowledge Transfer	30
Table (4.3)	Operational Support	31
Table (4.4)	Communication and Feedback	32
Table (4.5)	Contractual Integrity and Trust	33
Table (4.6)	Financial Support	34
Table (4.7)	Franchisees' Satisfaction	35
Table (4.8)	Effect of Franchisor Inputs on Franchisees' Satisfaction	36
Table (4.9)	Franchisees' Performance	38
Table (4.10)	Effect of Franchisees' Satisfaction on Franchisees' Performance	39

## LIST OF FIGURES

<b>Figure No.</b>	<b>Title</b>	<b>Page</b>
Figure (2.1)	Conceptual Framework of Chithambar Gupta V.	16
Figure (2.2)	Conceptual Framework of the Study	17

# CHAPTER 1

## INTRODUCTION

Franchise businesses have long been a subject of interest in the management and organizational economics kinds of literature. Not strictly hierarchical nor purely market-based transactions, franchises perhaps represent the quintessential hybrid form of governance (M'énard, 2004). This interest has led to extensive writings on facts for franchising and the suggestions for the design of franchise agreements (Lafontaine and Blair, 2005). While other theories have been advanced, the significant method and the one with the most consistent previous support is that franchising reduces the agency costs between the franchise concept owner (the franchisor) and the operator of the local establishment (the franchisee) (Rubin, 1978; Lafontaine and Blair, 2005). Franchising also plays an essential role in the economy. Franchising is a continuing relationship in which the franchisor supports an authorized privilege to do business, with assists in organizing, training, marketing, and management in return for a consideration.

Regardless of the economic importance of franchise organizations and the breadth of academic research on the motivations for franchising, there is relatively little empirical research on the actual economic effect of franchising on performance at the local establishment level. The principal for the use of franchising suggests the franchisee-owner has a stronger incentive than does the manager to ensure efficient operation of the establishment. This difference of incentive increases in importance when monitoring is costly, and when the relevance of local information dictates higher decision-making authority at the establishment level. Consequently, one would expect that franchisee-owned establishments would be more efficient than manager-operated establishments owned by the franchisor, *ceteris paribus*. While a few studies have attempted to test this hypothesis, previous research on the franchising-performance relationship limited to relatively small case samples using limited data that may not generalize to franchises more generally.

Franchising is one of the world's fastest-growing and most lucrative business models to grow business. For people who do not have any experience in the industry, franchising is an excellent way to own and operate a company with a very high chance of success. The franchise business model is the easiest way for a brand to fuel its expansion in the market.

The franchisor-franchisee relationship is vital for the success of the franchise business and the individual franchisee business unit. The franchisor and franchisee enter into a contractual agreement for a period ranging from three to fifteen years. Franchisors help their franchisees in starting up their business operations by supporting them with the selection of site, business financing, negotiation of rental or lease agreements, training, and store promotions. Continuingly, franchisors may support franchisees with operating data, stock control, retail unit evaluation, newsletters, regional or national meetings, and telephone hotlines. The services are utilized by franchisors to control, monitor, and support franchisees' performance to minimize issues in their relationships with franchisees.

The parent company also supports the franchisee, including advertising and training, as part of the franchising agreement. The franchisors get fees and royalties from the franchisees in exchange for the services provided by them. Franchisees purchase the franchisor's experience in the form of a successful business model, and there are a lot of franchise businesses in Yangon from Japan, Korea, Malaysia, Singapore, USA, Indonesia, Philippines, Taiwan, and Thai restaurants. There are about 120 different types of franchise businesses available, including retail, automotive, cleaning & maintenance, health & fitness, financial services, and pet-related franchises. It could categorize according to several factors that are distinguished by the franchisor's plan, and the levels of participation by the franchisor & control over franchisees.

## **1.1 Rationale of the Study**

In a franchisor-franchisee relationship, the franchisee granted the right to use the franchisor's product/service, the system of distribution, and trademark. Franchising built on an ongoing relationship between a franchisor and a franchisee.

Franchising provides one of the best ways to enter or expand in the market for a company that desires to overgrow. It used from in-service distribution, especially in retailing. Franchising is an essential means of doing business for small businesses. The degree of franchise system penetrates target market overtime influenced at this point by the rate to which its franchisees expand. But a franchisee's decision to grow the business operation depends on the view of value that the franchisee wishes to receive from the franchisor in return for fees.

Franchisee satisfaction is vital to continued involvement in the franchise system. Collaboration between franchisors and franchisees is critical to the success of franchising businesses. There are several avenues for cooperation between franchisors and franchisees,

like project set up, marketing, staff training, operation management, location management, cost management, and risk management. Project Start-Up Support is the first area of collaboration between franchisor and franchisee. Most franchisors are involved in demographic analysis of the location, site evaluation, survey and approval, facility planning, and design of the store and store opening. Franchisees also acknowledge the importance of franchisor contribution in getting the basics of the project right.

In Yangon, there are a lot of franchise businesses; competition is intense in the industry. Within the retail sector, the distribution/supply chain is of the utmost importance given the level of competition. Besides, securing franchisee loyalty is crucial, and thus relationship management and franchisee profitability are critical. Further, Time to market and scale are vital as they build on brand presence. With the franchisor preferring control over logistics, bargaining power with the franchisee, and a quick time to market, an Area developer is ideal in these circumstances.

To get a competitive advantage and survive, franchisor inputs or supports become essential. Franchising is a business development method for expanding a company and distributing goods and services using an established business system and a well-known brand name, has advantages and disadvantages. On the positive side, franchises allow individuals to start a business with a proven success rate at minimal risk. The franchisor gives the franchisee training, support, and marketing programs. Also, the market can be a highly recognized national/foreign brand known for quality and service.

## **1.2 Objectives of the Study**

The main objectives of the study are:

1. To examine the effect of franchisor inputs on franchisee satisfaction in the Food and Beverage Industry in Yangon
2. To analyze the impact of franchisee satisfaction on the performance of the franchisee in the Food and Beverage Industry in Yangon

## **1.3 Scope and Method of the Study**

This study only focuses on franchisee performance. The survey conducted on franchisee businesses in the Yangon area and the franchisee businesses from other cities or regions excluded from this survey research due to time limitations. Other factors of external

influences are not studied. The study period of this research is from September to November 2019.

The analytical research method used in this study is quantitative research, where the structured questionnaire given out to the respondents. It needs in both primary and secondary data. Primary data that primarily meant for surveying a total of 57 respondents from 132 franchise businesses by using Taro Yamane's sampling formula. The sampling method is a simple random sampling method. Collected secondary data are from franchise businesses in Yangon, website, previous research paper, textbooks, and other related information resources.

#### **1.4 Organization of the Study**

This paper is composed of five different chapters. Chapter one describes the introduction of the article, rationale, objectives, scope, and method of the study. Chapter two consists of the theoretical background of the study. Chapter three presents the franchisor input effect on franchisee satisfaction. Chapter four presents the impact of franchisee satisfaction on the franchisee performance in Yangon. Chapter five covers the conclusion that is described by the findings and discussions, suggestions, recommendations, and needs for further research.

## CHAPTER 2

### THEORETICAL BACKGROUND

This chapter focuses on the theories and empirical studies associated with franchisee performance, brand value, training and knowledge transfer (TKT), operational support (OS), communication and feedback (CF), contractual integrity & trust (CIT), financial supports (FS), franchisee perception and conceptual framework of the study.

#### 2.1 Franchising

Franchising as an exciting and fairy tale means of making money. In many respects, it considered being one of the safest ways of investing (Thomas and Kwan Yuk, 2009). Franchising is a strategy that has contributed to the growth of entrepreneurship globally (Clarkin and Rosa, 2005). Franchising is a form of entrepreneurship because it involves taking advantage of opportunities and minimizing risks and implementing new ideas (Bann, 2009).

According to Shane (2003), franchising exists as a form of entrepreneurship since one of the objectives is profit. Because franchising identifies and exploits opportunities through the formation of new relationships, it requires the necessity to assume the risk. It involves some degree of innovation Franchising provides franchisees with the opportunity to expand by opening additional outlets in different territories and thereby creating multi-unit franchisees. Tuunanen and Hoy (2007) stated that franchisees' performance is affected by the fact that they can expand their franchise by opening new outlets and learning from the mistakes of the franchisor.

Consequently, there are two main types of entrepreneurs who select franchising as an option. The first is novice entrepreneurs who do not have prior business ownership experience, owning a business for the first time. The second type is the parallel entrepreneur, who has previous experience in other franchise businesses (Ucbasaran et al., 2003).

Franchisees have the opportunity to expand by opening additional outlets in different territories and thereby creating multi-unit franchisees. Tuunanen and Hoy (2007) reinforced this view by stating that franchisees can expand its franchise by opening new outlets. It is most evident in the case of master franchising. Carraher and

Welsh (2009) noted that the master franchisee becomes a franchisor and sub-franchises The original franchisor's brand to several franchisees in the region. The master franchisee effectively operates two distinct businesses. The master franchisee becomes the agent of the overseas franchisor and the motivation is to secure long-term international growth and earn a return on investment, while at the same time having access to an entire support network of the franchisor (Carraher and Welsh, 2009)

## **2.2 Franchisor Inputs**

Entrepreneurs averse to risk prefer franchising since buying into a recognized franchise system with a franchisor that has a proven track record means lower risk than starting a business from scratch. The risk reduced by the fact that although the initial start-up investment cost is high, subsequently, the franchisees need to make smaller investments. Kalnins and Mayer (2004) stated that franchised units benefit from their owner's experience. Franchisor's inputs are essential driving forces for the success of franchising.

### **2.2.1 Brand Value**

Hunt (1977) found that franchising benefits society by offering more opportunities for women and because franchisees have higher success rates than independently-owned businesses. Consumers and companies are willing to pay high prices for brand names because of the perception that they add value. The brand image defined as the perceptions of the brand that reflect consumer associations of the brand in memory. The added value that a brand name gives a product is termed 'brand equity.' Brand equity can protect a company's products from the risks of competition; it can facilitate the successful addition of new products; can ensure a consistent volume of sales, and contributes to the image of the company or retail outlet.

Peterson and Dant (1990) studied U. S. franchises. They found that those franchisees who had owned businesses in the past ranked 'established name' and 'lower development cost' as most important. In contrast, franchisees who had not had a history of self-employment ranked 'greater independence' and 'training' as the most important benefits of being franchisees. People who do have prior experience in self-employment most likely find the competitive advantage provided by franchising to be appealing, in comparison to running a similar business independently. The current study proposes that the brand name of the



franchisor is a positive influence on the franchisee's behavior and reflects the quality of the relationship with the franchisor. A right brand name would have a positive impact on perceived value and the willingness to stay in the franchise system.

Baucus and Human (1993) opined that the recognition of brand names through national advertising would be indicators to consumers of quality. It, in turn, enhances the value of the national brand name. Also, consumer preferences have changed as consumer income has risen, and these changes have served to strengthen the importance of national brand names. In other words, consumers inclined to purchase standardized products at this point from the nearest available source. Base fees and royalties reflect the financial value of the franchise, and costs are those expenditures associated with running a franchise operation. A franchisor's importance to the franchisee that linked to consumer preferences for nationally known brands is offering standardized products or services. The higher the value of the brand name, the easier the franchisor's entry into new markets, and the higher the demand from franchisees. Prospective franchisees are more likely to choose franchisors with a higher brand name value, and with proven success formulas. Such franchisors find more accessible entry into new markets. Since franchisor revenue is generated primarily through franchise fees, royalties, and sales of goods and services to franchisees, successful franchisors are likely to charge higher prices to franchisees and be stricter in selecting potential franchisees.

### **2.2.2 Training and Knowledge Transfer**

Training and Knowledge transfer in organizations is the process through which one unit is affected by the experience of another. For example, an automotive assembly plant may improve its performance by implementing a new practice developed at its sister plant. Or a hotel may increase its knowledge of active customer service by utilizing the experience of other hotels in its chain. In these examples, the recipient unit learns from the experience of different groups in the organization. Thus, organizations can learn not only directly from their own experience but also indirectly from the experience of other organizations (Huber, 1991).

Falbe and Welsh (1998) found that franchise executives rated system quality, brand (a factor that included the quality of the operating system), local environment, communication, and the specific characteristics of a system as the critical determinants of its success. In a franchise system, franchisors have to provide different kinds of assistance, such as training and operational guidelines to the franchisees. Exercise can also be provided on an ongoing basis to ensure that the franchisees' goals remain consistent with those of the franchisor.

When the franchisees sign the franchise agreement, they are exchanging money (in terms of an initial payment and on-going royalties) for the knowledge (intellectual capital) of the franchise system.

Frazer (2001) found that although the majority of franchisors that had discontinued franchising had initial support, only half of these franchisors offered systematic, ongoing support, typically in the form of continuing training and field visits by franchisor staff. Franchising is the process of the knowledge transfer process, and training plays an important role. The knowledge of the franchise business embodied the franchise support systems. These could break down into the initial support structures and the ongoing support systems.

### **2.2.3 Operational Support**

Walker and Cross (1989) identified control as a severe issue for concern for international franchise firms. Sashi and Karuppur (2002) found that franchising enables the transfer of operating responsibility to franchisees while permitting the franchisor to retain control. McIntyre, Huszagh, and Huszagh (1991) reported that perceptions amongst US franchisors indicate that they can control the same level of support over international franchisees as they maintain over domestic franchisees. The internationalization of the channel complicates the concept of power; retail franchisors must realize the need to employ mechanisms that will help them promote the franchisees and the use of the brand in different markets.

Wadsworth and Haines (2000) used eight facts, which are as follows Relationship, Financial, Training, Support Services, Fees, Brand Image, and Franchise agreement. The connection at its optimum should be mutually beneficial and involve shared effort, should enhance profits, maximize market share, product sales, and growth for the franchisor and franchisee. Therefore, for small businesses, it is vital to understand the determinants of a franchisee's satisfaction and intention to remain in a franchise system.

Schul, Little, and Pride (1985) discovered that franchisee satisfaction is related to how the franchisee perceives the quality of the interactions with the franchisor, the quality of the franchisor's operational support, the appeal of the reward structure, and the fairness and autonomy of the relationship. The services supported by the franchisor improve the quality relationships since it begins with the first impression franchisees have of their franchisor's

services. Then, the services provided by the franchisor have an essential role in establishing franchisees' overall satisfaction and commitment.

#### **2.2.4 Communication and Feedback**

Duncan and Moriarty (1997) communication is a human activity that links people together and creates relationships. This social activity is significant for establishing trust and commitment between the parties involved in a relationship. Communication characterized as the high frequency of interaction, two-way communication, reliance on set policies and procedures, and emphases of shared goals is instrumental in soliciting a franchisee's satisfaction.

In a study conducted in New Zealand by Paynter and Arthanari(2001), it found that there is a gap between how the franchisors and franchisees see their systems. The communication gap between both parties closed with the use of technologies like the internet. Among the relationship-building activities, communication is one of the critical elements in establishing and keeping good channel relationships. Some practical articles in franchise management also stress that communication is the road to mean franchise relationships. Communication not only can develop mutual trust but also can reduce conflicts in franchisor-franchisee relationships.

Joseph (2001) had noted that the key to good franchisee relations is keeping channels of communication open and receptive to help achieve understanding. The study tested a model examining the antecedents of franchisees' overall satisfaction and intention to remain in a franchise system. Based on a sample from a convenient store franchise system in Taiwan, the results showed that communication is critical in reinforcing franchisees' trust and overall satisfaction with the franchise system. The results also showed that the competitive advantage of a franchise system is the basis for a franchisee's total satisfaction and intention to remain in a franchise system.

Meek (2011) also proposed that meaningful communication between firms in a working partnership is a necessary antecedent of trust. In other words, the interface has an essential role in the building process of trustworthy relationships within a franchise system. It found that collaborative communication has a strong positive correlation to the commitment and a negative association with a propensity to leave the link. Effective communication between franchisors and franchisees can improve franchisees' overall satisfaction toward the franchise system. The transmission also is believed to have direct effects on franchisees' total satisfaction toward the franchise system. Franchisors should see communication as a vehicle

for building a long-term franchise relationship. Therefore, it is proposed, in this study, that excellent discussion in a link in a franchise system can enhance trust and satisfaction in the order, which in turn improves the loyalty of the franchisee.

### **2.2.5 Contractual Integrity and Trust**

Contractual integrity and trust are rooted in perceptions about a partner's motives, honesty, and character (Sitkin and Roth, 1993). The emphasis here is on the social and attitudinal underpinnings of the relationship (Mayer, Davis, and Schoorman, 1995).

Agreements provide long-term commitment, but both parties do better when they feel a responsibility that goes beyond contractual obligations (Caldwell and Karri, 2005). Engagement builds trust by reducing uncertainty about fulfilling future interdependent needs.

The natural anxiety between a franchisor and franchisees that arise in contractual binding mitigated by trust, which influences the level of franchisee compliance. Trust develops between partners is responsive to one's needs (Holmes and Rempel, 1989). A higher level of franchisee trust would state that the franchisee believes the response of the franchisor. In trusted relationships, respond in kind is natural and expected (Luhmann, 1979). Thus, a trusted franchisee would be sensitive to the franchisor by complying with the franchisor's directives. Reciprocal interaction showed to happen in game theory, for instance, as people choose to work with a competent partner. Besides, high trust partners are more willing to take risks by assisting (Mayer *et al.*, 1995). The increase of trusted franchisee will be more happy to comply with risky franchisor hopes than one who believes less because trust makes it more open to trustee influence (Gabarro, 1978). The contract not made so air-tight that it precludes the need for faith. These arguments can extend to trust in franchisor ability and honest. For example, a hint of successes with franchisor-devised marketing plans will produce trusting belief-competence result in franchisee compliance with projects. Besides, a franchisor that is true to its word on problems like the timing of capital costs required of the franchisee will produce trusting belief-honesty, making to gain franchisee compliance with investment directives. (Macneil, 1980).

When franchisor has low trust in another, the person is unwilling to be influenced by the franchisee (Zand, 1972). Thus, a franchisee feels the franchisor gives an impossible suggestion or is dishonest (indicating low trust); the franchisee will not comply with the franchisor's wishes. Furthermore, because little confidence can distort or close

communication (Golembiewski and McConkie, 1975), a dishonest franchisee may also initiate unauthorized innovations believed in making possible of franchisee success.

### **2.2.6 Financial Supports**

The Gallup organization (1992) conducted a telephone interview of 994 franchisees across the U.S., sponsored by the International Franchise Association. About 70 percent of respondents reported that their franchise had either exceeded or met their expectations concerning their satisfaction and overall satisfaction. Areas that were less able to meet or exceed franchisees' expectations were profit (56 percent) and franchisor assistance (63 percent). The common sources of dissatisfaction cited were poor financial support, lack of franchisor support, and unfulfilled expectations.

In another study, Berndt (2009) researched franchisees' satisfaction levels in their current franchise system among food franchises in South Africa. The study concluded that a majority of franchisees (93.5 percent) rated their franchise system as average or better. The areas of concern were related to the training offered to the franchisees and financial expectations. Franchisee satisfaction or franchisee's fulfillment of its goals has used as a performance measure in some studies. Another performance measure that used for franchising is system-wide growth in sales or units.

A Franchise Industry survey carried out by KPMG in India (2013) brought out that while franchisors adopt a franchising model for growth, many entrepreneurs are opting for the franchising route. As it primarily offers a safe and relatively secure way of establishing business and is expected to provide higher than market levels of profitability. This trend necessitates the need for franchisors to educate the franchisees on potential profitability and investment returns from the business. Sectors such as jewelry where payback periods could range between a minimum of four to five years are particularly vulnerable to such mismatch in outlook. Real estate rentals are posing a significant challenge for the success of franchising. Both franchisors and franchisees face particular challenges before and during operations.

Leleux, Spinelli, and Birley (2003) contrasted the financial return of the US public franchisors to the Standard and Poors 500 index return. They concluded that the US open franchisors outperformed the S&P 500 (higher cumulative shareholder returns at similar average risk levels) for nine of the ten years of their study. Michael (2002) found that franchising helped firms gain market share and, consequently, improved their financial return. Using return on equity (ROE) as their return metric and narrowing the scope of their

study, Alon, Drtina, and Gilbert (2004) examined the financial return of franchising versus non-franchising firms in the restaurant sector over one year. They concluded that franchising did not provide any sustainable profit benefit for franchised firms in the restaurant sector. Finally, Combs and Ketchen (1999) could not find a linear relationship between franchising and performance.

### **2.3 Franchising**

Franchising regarded as the Franchisee's attitude towards the organization, product, or service (Piercy, 2002). Grünhagen and Dorsch (2003) investigated how franchisees' perceptions about their franchisor's value are related to the franchisees' decision to expand their franchise operations. It shows that franchisees recalling an earlier decision have stronger positive perceptions about their franchisor's value than franchisees contemplating an expansion of their actions. Spinelli and Birley (1998) illustrated that the franchisee's understanding of the franchisor's level of cooperation, communication, coordination, and commitment could reduce the incongruence of their goals and the level of conflict.

Since the participants have their objectives (Rodríguez et al., 2006), the franchisor's behavior in the long term and unexpected contingencies in daily relationships of exchange make some particular situation. Franchisee's perception of the relationship could be destructive or constructive and affect the franchisee's behavior and performance outcome (Şengün and Wasti, 2011). Thus, by considering franchising as a long-term, continuous, and complicated relationship (Huang et al., 2007), it is necessary to understand the franchisee's perception of relationship value and implications on both behavioral and objective franchisee performance (Harmon and Griffiths, 2008, Davies et al., 2011).

Although in business format franchising the partners' relationship should be based on contractual requirements (Kidwell et al., 2007, Pizanti and Lerner, 2003a), the franchisee's perceived relationship value directly affects the behavioral outcomes (Chen, 2011). Franchisee behavior in a system instead based on actual interactions than contractual requirements (King et al., 2013). If a franchisee perceives the value of the relationship imbalanced and is dissatisfied, it leads to conflict and poor performance (Chen, 2011). In fact, by preventing conflicts and improving cooperation, the franchisee's perception of the relationship will positively affect the performance outcomes (Chen, 2011; Huang et al., 2007).

Several studies, such as Hing (1995), Connell (1997), Davies et al. (2011), and Eser (2012), found franchisees' satisfaction as an essential factor in the franchise's outcome, and an

antecedent of the franchisee's performance. Cooperation and delight in a relationship affect the partner's behavioral attitudes and will lead it to superior performance in the long term (Hing, 1995). In a franchise system, the franchisee's satisfaction relies on its perceptions of factors that characterize the franchise system and directly concern the franchisees (Mellewigt et al., 2011).

Dant (2013) indicated the franchisee's positive affective response to cumulative assessments of prior interaction experiences with the franchisor. It can serve to create superior performance and, thus, an excellent franchise system (Jambulingam and Nevin, 1999).

Mayo, Robicheaux, and Ferrell (1989) suggested that franchisee satisfaction can be strongly correlated with positive post-purchase intentions. And further, they found that if the contract is positively related to franchisee satisfaction, franchisees commit to recommend franchise investment to others and to invest in their franchise unit again. This finding suggests that franchisee satisfaction positively influences the intention to remain in the franchise system. Another factor that may positively influence organizational commitment is whether or not it perceived that the parent company has an investment in the franchisee's success and the quality of the partnership between the franchisor and the franchisee. The authors also proposed that franchisees' job satisfaction in the franchise system plays an integral role in maintaining the franchise relationship and is a cause of franchise commitment.

Therefore, it is reasonable to propose that franchisees, who are satisfied with the franchise system, may have higher intentions of remaining in the franchise system. It is recommended, in this study, that franchisees' relative job satisfaction plays an integral role in maintaining the franchisor-franchisee relationship. Achievement determined as a result of a comparison between expectations and outcomes. It defined as the degree to which the characteristics of the job itself and the work environment are judged by employees to be rewarding, fulfilling, and satisfying.

Morrison (1996) postulated that three primary factors influence franchisee job satisfaction positively. These include: franchisor support meets franchisee's expectations, franchisee's expectations met regarding operational characteristics, and franchisees perceive fairness in the franchisor's restrictions. Morrison stated that both franchisor and franchisee have roles to play in ensuring that their relationship would lead to franchisee job satisfaction and financial success for both. Franchisee satisfaction is related to how the franchisee perceives the quality of the interactions with the franchisor, the quality of the franchisor's

operational support, the appeal of the reward structure, and the fairness and autonomy of the relationship.

## **2.4 Franchisee Performance**

Franchising is a business model that entails that franchisees, who are independent business owners, pay fees to a franchisor company for the right to market goods or services using the franchisor's brand name and business systems. While a legal agreement defines the mutual obligations between franchisees and franchisors, the franchise relationship is also an interdependent commercial partnership that is guided by a psychological contract. That is, franchisors and franchisees have mutual expectations of each other related to behavioral norms and social support. Thus, franchisees and franchisors operate together within a complex business and social framework, known as a franchise network (Nathan, 2016). The franchisee is not just the manager of a business unit; he or she also acts as an entrepreneur by owning and investing in the business. Thus, a franchisee is more similar to an entrepreneur than a manager. Like an entrepreneur, the franchisee may open a new business, or buy and operate an existing business within the franchise network. However, the franchisee does so with less risk involved, as the market is a known entity with resources and support provided by the franchisor. The benefits of franchising for franchisors and franchisees have resulted in a prevalence of franchise networks throughout the world.

The success of franchising also depends on the compensation arrangements followed in the franchise relationship. Consistent with predictions suggested by agency theory, the compensation arrangements studied appear to function as substitutes. It observed that the value of the services provided by franchisors to franchisees strongly affects the compensation arrangements considered. Hence, a capital goal of these arrangements is to recover the costs of the services offered by franchisors (Vazquez, 2005).

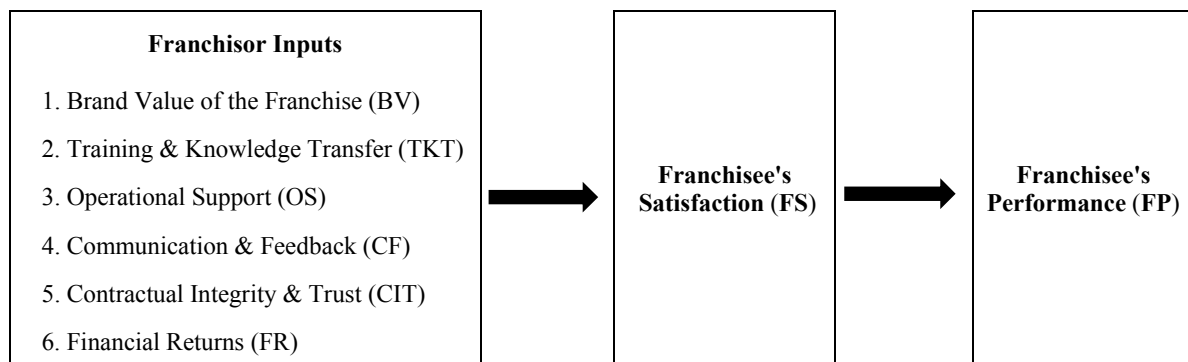
According to Mowday (1982), there exists a direct relationship between franchisee job performance and commitment to the franchise system. The authors discovered franchisees satisfied if they felt that the success of their franchise was due to the franchisor efforts. Franchisee satisfaction or franchisee's fulfillment of its goals has used as a performance measure in some studies. Another performance measure that has applied for franchising is system-wide growth in sales or units. While a strengthening of franchisee opinions about the received value from franchisors can help to solidify a positive relationship between franchisee and franchisor, a weakening of franchisee opinion about the amount received from the franchisor may provide a signal that the franchisor-franchisee relationship is deteriorating.



## 2.5 Previous Studies

For this research paper, some relating papers reviewed. The article examined is "Franchising Business Model: An Experience from the Indian Retail Industry" by Chithambar Gupta V (2016). In this paper, the researchers studied the six key franchisor inputs that can contribute for franchisee satisfaction: Brand Value, Training, Operational Support, Communication, Contractual Integrity, and Financial Returns, Convenient sampling method is using in this survey. A convenience sample of 342 franchisees, from retail franchisees, was selected from Bengaluru City.

**Figure (2.1) Conceptual Framework of Chithambar Gupta V.**



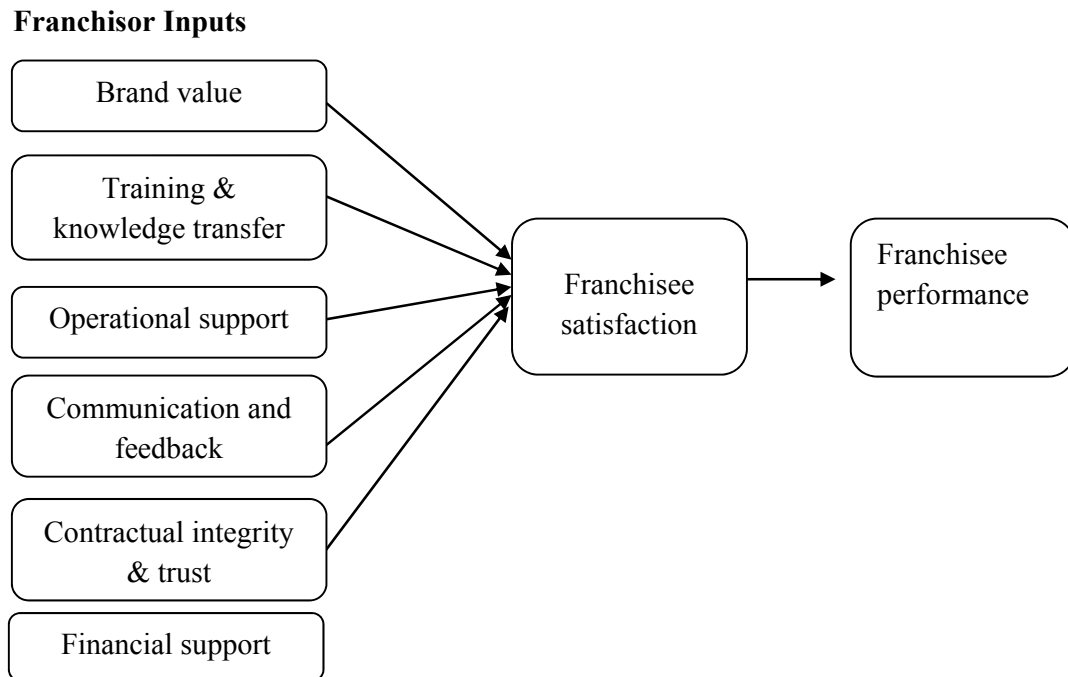
Source: Chithambar Gupta V. (2016)

The above research responses were coded and analyzed using Excel and SPSS. The researchers found that franchisee satisfaction is crucial for the success of the franchise system. The study has identified six key franchisor inputs that can contribute to their happiness: Brand Value of the Franchise, Training and Knowledge Transfer, Operational Support, Communications & Feedback, Contractual Integrity & Trust and Financial Returns.

## 2.6 Conceptual Framework of the Study

The conceptual framework is formed based on the research objectives and research questions. It displays both dependent variables and independent variables. These variables are connected and linked to create a test on this study. Figure (2.2) is the conceptual framework that focuses on six dimensions that determine the performance. The six aspects of independent variables include brand value, training & knowledge transfer, operational support, communication and feedback, contractual integrity & trust, and financial support. In contrast, franchisee satisfaction is the dependent variable.

**Figure (2.2) Conceptual Framework of the Study**



Source: Own compilation adapted from Chithambar Gupta V. (2016)

Firstly, this study explores the inputs of franchisors in the food and beverage industry in Myanmar. Then, it analyses the relationship between franchisor's data and franchisee satisfaction. Finally, it finds out the relationship between franchisee satisfaction and franchisee performance.

## CHAPTER 3

### FRANCHISING INDUSTRY AND FRANCHISOR INPUTS

This chapter presents the franchisor inputs or supports of the franchisor to the franchisee to get the success of franchising. If the franchisor supports well, the perceptions of franchisees were positive, and the business was improved.

#### 3.1 Franchising of Food and Beverages Industry in Myanmar

For International Franchisor Brands, Myanmar's quickly growing economy and increasing consumer activity is a welcoming market. It had little exposure to most foreign brands since the 1990s until recent market initiatives. Since then, Myanmar has experienced an influx of international franchises, especially in the food and beverage sector from Asian countries.

Within the past six years, the F&B franchise chains from ASEAN countries Singapore, Thailand, Malaysia, Indonesia, Philippines, Korea, and Japan have made roads in Myanmar. In early 2013, a well-known Thai conglomerate, Minor Food Group (MFG), opened Swensen's in Myanmar. South Korean fast-food restaurant giant, Lotteria, served customers at its first outlet in 2013. The Japanese brand of the Freshness Burger chain launched its first outlet in Yangon in 2014. The Malaysian fast-food chain Marry Brown opened its first restaurant in June 2013 and opened ten outlets in Yangon and Mandalay Divisions since then.

Thai MFG has the franchise rights in Myanmar for Burger King, launched the first outlet in December 2016. Among ASEAN countries, Singapore has a keen interest in Myanmar's franchise sector. Most of franchise chains from Singapore such as Chewy Junior, Pasta Mania, Crystal Jade, Teapresso, Fish & Co, Manhattan Fish Market, Ya Kun, Astons Specialities Steak House, Singapore's Kitchen, BreadTalk, Craft Cafe, D'penyetz, Frolick, Ramen Monster, The Coffee Bean & Tea Leaf and House of Singapura came in Myanmar. Myanmar Bakery and BreadTalk of Singapore launched its first outlet in Myanmar on March 25, 2017. Bread Talk has opened three outlets in Yangon as of June 2019.

Moreover, Australia's Gloria Jean's Coffee has seven outlets in Yangon and Mandalay and expects more in the future. Various F&B from Thailand, such as Café Amazon, Doi

Chaang Café, Black Canyon, Fuji Japanese Restaurant, Ice Manias, Shabushi, The Pizza Company, Mr. Jones' Orphanage, True Coffee and Tumor also came in the market.

Others from Asian countries that have already come into Myanmar are Ayam Penyet from Indonesia, Sorabol Korean, Twist Potato, and Bulgogi Brothers (Korean BBQ) from Korea. Bubble Tea brands from Taiwan, Harley's, Hot & Roll, and Ichiban, IPPUDO, Osaka Ohsho, and Yamagoya.

Besides, the Asian franchise food chains, U.S. franchises have also entered to Myanmar. Mid of 2015, Kentucky Fried Chicken (KFC) opened its first outlet in Sule, Yangon, the joint venture with Yoma Group Holdings. It has 34 outlets in Yangon, Mandalay, and other regions. Pizza Hut opened its first restaurant at the end of 2015. They have opened up eight outlets and intend to launch 20 more outlets. Within 2018, Krispy Kreme launched its first store and then added four more in Yangon. Based on their success, they plan to launch additional outlets by 2020. KFC's local operator Yoma Group Holdings opened up Auntie Anne's first outlet in early 2019. Also, Coffee Bean and Tea Leaf now have five outlets in Yangon.

Myanmar's government has finally passed four IP bills: Patent law; Trademark; Industrial, and copyright laws. These laws only effect once Myanmar's Government issues a Presidential notification confirming the law implementations.

The critical sectors with the best expectations for franchise opportunities in Myanmar are F&B, fine dining, and QSR, coffee shops, retail stores, bookstores, ice cream parlor, and executive-level education, car rent, and taxi services, convenience stores, bars, health, and beauty and wellness. Some of the franchised businesses in the Food and Beverage Industry in Myanmar are as shown in Table (3.1).

**Table (3.1) Franchised Businesses in Food and Beverage Industry in Myanmar**

<b>Sr.No.</b>	<b>Brand Name</b>	<b>Franchised year in Myanmar</b>	<b>Number of branches in Myanmar</b>
1.	Marry Brown	2013	10
2.	Lotteria	2013	26
3.	Yakun	2013	6
4.	Manhattan Fish Market	2014	2
5.	Aston Specialty Steak House	2014	2
6.	KFC	2015	40
7.	Pizza Hat	2015	7
8.	Gong Cha	2015	8
9.	Swensen's	2016	4
10.	Crystal Jade	2016	1
11.	Yoogane	2017	2
12.	Black Canyon	2017	3
13.	Chewy Junior	2017	3
14.	Bread Talk	2018	5
15.	Coffee Bean&Tea Leaf	2018	8

Source: Myanmar Restaurant Association (2019)

There is no regulatory framework for the franchise and intellectual property (IP) in Myanmar. The draft laws are currently pending Parliamentary approval expected to release at the end of 2018. Myanmar Government has finally passed four bills: Copyright law; Trademark; Industrial Design; and Patent laws. "These laws will only take effect once the Government of Myanmar issues a Presidential notification confirming the law implementations" (Aiman,2019).

### **3.2 Inputs of Franchisors**

There are many franchisors inputs, but there are some standard inputs from franchisors. Myanmar franchisees need to have enough supports and knowledge sharing from franchisors as Myanmar enters the franchising industry recently.

#### **3.2.1 Brand Value**

In Myanmar F&B Franchise Industry, the Brand value must be the first relevant category affected to Franchisee. People are not seeing or knowing the brand, but they are

feeling the brand. They have a specific feeling upon the food, services, and organization. That's what we understand as the Brand Value.

Most of the Franchisees feel that the franchisor's brand value helps them in their business to remain in the franchise system. People can see clearly how the Global known brand and Nation established brand would have a different impact on the value. A well-known global brand is more popular and faster to get the market in Myanmar. Brand value directly affects the franchisee business startup. The brand identity is how the public and the customers see you.

Most of the franchisees would think of buying a franchise upon Brand Value. Franchisee wants Ready Made system, which means the fastest and the best time-saving business for investment. Structuring a franchise brand is a challenging business. A franchisor has two separate companies to distort with very often competing demands – the first being the original core business, the product, or service that delivered to the customers. The second is the franchise business, the customers being the franchisees, having a strong brand vision and message from the outset, which franchisees can fully understand and engage with – as they need to be able to communicate this to the end consumer.

### **3.2.2 Training & Knowledge Transfer**

The franchise system has standard operations procedures that franchisees must have and follow when operating their venues. A standard operations procedure is an essential document that covers all the aspects of controlling a brand. It lays out cleaning practices, personnel hygiene, recipes, a trademark of design and signage, etc. in detail. Essentially, a franchise operations procedure has the answers to any questions that the franchisee wants to ask and can remove any uncertainties about operating and managing a franchise unit. It does not require imagination, even when it comes to minute details, such as how to slice cucumbers or where to buy tissues. The training manuals offered by franchisors are :

- (a) Training Manuals
- (b) Marketing Manuals
- (c) Training on-site (their existing outlets)
- (d) Soft Skills and Practical
- (e) Sharing their experiences of Branding

- (f) Guidelines and Instructions for Employee
- (g) Sharing Marketing Knowledge
- (h) Comprehensive training system
- (i) Research & Data Analysis sharing for Marketing
- (j) Global Franchise Meeting & Training

Though franchisees get provides from the franchisor by various channels, the two main points are their field advisors and franchise operations procedures. A franchisor's field advisors usually have a lot of experience in managing franchises. Often, they overview several venues at once and have a bird's-eye view of the business and the entire system. It allows them to notice any commonalities, trends, and repetitive issues. Field consultants also share their knowledge with one other, which makes them even stronger as a group.

After practicing with multiple franchises and their problems, field advisors become professional at pointing the best practices for dealing and resolving any kind of challenges a franchisee might face. If a franchisee requests for help from one of the field advisors, they get input not only from one individual; they share in the knowledge and experience gathered by the whole group.

### **3.2.3 Operational Support**

One of the essential elements for the success of the business is the location selected in those businesses. Most franchisors provide information on the type of place that should be looking for and will support them with information about the venue, including the cost before they approve the selected location.

Franchisors use several methods; most will provide the franchisee with a layout that they will expect the franchisee to get a designer or builder recast to meet the requirements of the location. After approving the site plan, it will be franchisee's responsibility to build out the place to reach the franchisor's standards, and also to meet local building codes.

Generally, the franchisor will provide a list of sources for the equipment, décor, and other items you will need to purchase. The materials limited, before franchisees open the business, they will generally require the franchisor's approval that the development of location meets their standards.

Initial training planned in days or months and generally will include both theory and practical practice. Progressively, franchisors are also supporting pre-training classes hosted on requiring franchisees to complete pieces of training and certifications verified by outsources. Moreover, the franchisor will send staff to help the opening of the franchisee's outlet to assist in preparation for its employees.

In other sectors, such as purchasing, marketing, updated training, new menus, and services, etc., the franchisor will generally support from their headquarters. Franchisors, including in their support system an Internet people, will be able to communicate with other franchisees in the system, to get suggestions and guidance directly from franchisees.

Franchisees have to attend a meeting and regional conventions. In addition to allowing the franchisee to meet the management and staff, and other franchisees and suppliers, these are one of the most prestigious stages for the franchisor to get new information and training. Make the time to take advantage of these regional and system meetings when they offered.

Assisting and guiding the franchisees is a dual-purpose responsibility for a franchisor. On the one hand, a franchisor bounded to help the franchisees with problems for the duration of the agreement. On the other hand, supporting their franchisees and helping them serves the franchisor as the success of each location.

#### **3.2.4 Communication & Feedback**

Centered on a relationship where both parties invested in each other's growth, franchising offers specific benefits to both franchisor and franchisees. With franchisees' resources, franchisors can expand much faster than their own or by attracting investors. The uninterrupted inflow of franchise fees and royalties allows them not to worry about loans or giving up control to others.

For the return of franchisee's capital, the franchisor lends them their succeed business model and the brand's image. Franchisors also support franchisees with training and resources, thus helping them open their outlets and start making profits within a shorter time frame.



The relationship between the franchisor and franchisee stays forever and never goes away. The communication may fewer once the franchisee understands operating the restaurant, but if there are challenges, worries, or changes in the operations, that's all part of the franchisor's responsibility. Trust is the key to successful franchise relationships. And it starts with communication. Communicate genuinely and honorably with the franchisees and take care of franchisees' profitability.

The best franchisors concentratedly provide their franchisees with more often, useful conversation, which is more than the official email, newsletter, or plan visit from their headquarters. It's all too appealing to communicate with the internet. But dishonest, the franchisor is a big mistake. And again, well-intentioned emails or texts provokes firestorms when they misconceived. For human contact, email cannot believe as internet communication. When the franchisee jumped, at least part of their investment was in the franchisor. Franchisees bought into the ability to help franchisors grow a business. They are creating a positive, open team culture within the brand where franchisees' opinions are valued, and feedback is encouraged.

### **3.2.5 Contractual Integrity and Trust**

The two basic types of franchising are product or trademark franchising and business system franchising. In the earlier, a franchisor is the sole owner of a brand or product and can sell the right to use the brand or services to others. In the other franchising form, the franchisor and franchisees enter a contractual relationship, where the franchisor committed to providing support to the franchisees. In contrast, the franchisees have to follow the operation instructions listed in the contract. Differently, the franchisor allows the franchisees to use their brand and business system to get royalties and additional fees.

Every franchise required legally to make full disclosure to its franchisees of the brand's value, including negative and positive aspects. A franchisor also needs to reveal to the franchisee to expect upon signing the franchise contract. Although a franchisor not allowed to make specific profit claims, franchisors can provide franchisees with ranges for expected costs and profits and losses.

Regarding their brand measurement through individual, a franchisor arranges a host of various activities behind the scenes and acts specific checks and evaluations at scheduled

periods. Although a franchisee always not know when they audited for performance, their contracts generally outline the types of assessments and how often to expect them.

### **3.2.6 Financial Support**

From time to time, franchisors execute financial audits of the franchisee's location. A franchisor will often review the franchise financial statements, such as the franchisee's sales reports and profit and loss statements. The franchisors then use this information to compare the performance of a particular location against all others. They go over food and labor costs, as well as profits and losses at different milestones. If a franchisor notices atypical expenditures, they let the franchisee know and suggest some ways to scale those expenses down.

The franchisor may support marketing funds for the awareness of the brand value in local. The event or occasion included showing the brand awareness in Nation Wide. They could support financially for CSR and public activity of marketing for their brand.

A comprehensive franchise support system strengthens the business of both the franchisee and the franchisor. But more than anything, it's designed to assure franchisees that they are not operating on their own, but have the franchisor's support to back them up. Therefore, before signing any final contracts, a prospective franchisee should carefully scrutinize the Franchise Disclosure Document, speak to the franchisor at length, and confer with existing franchisees to determine the level of support provided.

Reliable franchisors help franchisees minimize overhead costs. They seek competitive bargains from suppliers and deal with reasonable pricing for products needed in the business. Franchisors may even select suppliers that watch and decrease waste, breakage, and spoilage in the handling of goods and commodities.

Although most companies have no contractual recognition for supporting any of these extraordinary services, doing so helps franchisees survive and thrive. It, in turn, benefits the entire system. Not all franchisors offer financial assistance, but some do have financing programs available to franchisees.

### 3.3 Profile of the Respondents

This section presents the profile of the respondents. Table (3.1) shows the profile of the 57 respondents by frequency and percentage. All participants explained that all the surveyed data would be kept confidential and used only for an academic paper. It describes the characteristics of the respondents, such as age, gender, educational level, job position, and service year. Table (3.2) presents the demographic data of the respondents.

**Table (3.2) Profile of the Respondents**

Sr.No	Particular		No. of Respondents	Percent
	Total		57	100.0
1.	Age	<25years 25-30 years 31- 40 years 41-50 years 51-60 years	8 23 6 16 4	14.0 40.4 10.5 28.1 7.0
2	Education Level	Bachelor Master/PhD	50 7	87.7 12.3
3.	Position	Owner General manager Branch manager	44 9 4	77.20 15.8 7.0
4.	Income	500,001 – 1,000,000 Ks Above 1,000,000 Ks	8 49	14.0 85.9
5.	Restaurant	Burgers and Sandwich Cafeteria/Bufferet Casual Dining	3 15 39	5.3 26.3 68.4
6.	Outlets	1-3 4-7 8-10 Above 10	27 5 10 15	47.4 8.8 17.5 26.3
7.	Experience	1-2 years 3-5 years 6-10 years	33 10 14	57.9 17.5 24.6

Source: Survey Data (2019)

According to Table (3.2), the majority of the franchisees are between twenty-five and thirty years old. The second largest group contains people with middle ages. A minority of the respondents are mature ancient. More than Eighty percent of the respondents are bachelor degree holders while remaining are master or postgraduate holders. Therefore, all of the respondents mostly educated. Almost ninety percent of the respondents are owners who are doing franchising business in Yangon and earning more than a hundred thousand Kyats. While nearly eighty percent of the respondents are owners, while general managers and

branch managers represent only a few percents of the total respondents, respectively. Among franchising businesses, most of the restaurants are casual dining, representing almost seventy percent of the respondents' market. In contrast, twenty-five percent of the restaurants are Cafeteria/Buffer and minority restaurants burgers and sandwiches, representing only five percent of total restaurants. The majority of the respondents open one to three outlets, and they are representing forty-five percent of the total respondents. Twenty-six percent of the total respondents have above ten outlets, while four to seven outlets and eight to ten outlets take eight percent and seventeen percent of the total. Fifty-Seven percent of the total respondents have been doing franchising business one to two years, seventeen percent of the respondents have been doing for three to five years, and the remaining have been doing for six-ten years.

## CHAPTER (4)

### ANALYSIS OF FRANCHISOR INPUTS, FRANCHISEE SATISFACTION, AND FRANCHISEE PERFORMANCE

The chapter presents the profile of respondents, perceptions of franchisee towards the inputs of the franchisor by frequency and percentage. Also, it shows the relationship between independent and dependent variables.

#### 4.1 Analysis of Franchisor Inputs on Franchisee's Satisfaction

Franchisor inputs include brand value, training and knowledge transfer, operational support, communication and feedback, contractual integrity and trust, and financial support. It is essential to know the franchisee perceptions towards franchisor inputs.

##### 4.1.1 Franchisee Perception of Brand Value

In the franchising business, brand value is vital for franchisees and customers. It is crucial to find out the satisfaction of franchisees towards the brand value of the franchising business. Table (4.1) presents the franchisee perception of brand value.

**Table (4.1) Franchisee Perception on Brand Value**

<b>Sr.No</b>	<b>Brand Value</b>	<b>Mean</b>
1.	Strong brand name recognition	4.09
2.	Brand name helping business	3.60
3.	The reputation of quality and service	4.18
4.	Provides product/services superior from others	3.86
5.	Most valuable assets	4.37
	<b>Overall Mean</b>	<b>4.02</b>

Source: Survey Data, 2019

According to Table (4.1), most of the respondents perceive that brand value is significant in the franchising business, and this factor gets the highest mean value 4.37. Most of the customers usually look at the brand value when they choose the restaurants. It shows

that most of the respondents state that the brand is valuable and has reputations. Also, brand name recognition among customers is essential for the franchisee since this brand name could improve the performance of the franchisee. The majority of the respondents state that they get superior products and service supports from their franchisors. According to the overall mean score, most of the respondents have a positive perception of the brand value of franchisors.

#### 4.1.2 Franchisee Perception of Training and Knowledge Transfer

In franchising business, training and knowledge transfer is critical to do successful franchising business. Without enough training and knowledge transfer, the franchisee may face difficulties. Table (4.2) presents the franchisee perception towards the training and knowledge transfer of franchisors.

**Table (4.2) Franchisee Perception of Training and Knowledge Transfer**

<b>Sr.No</b>	<b>Training and Knowledge Transfer</b>	<b>Mean</b>
1.	Offering a superior training program	4.11
2.	Offering complete systems, services, and technical expertise	4.05
3.	Helping in selecting the site	3.07
4.	Providing useful training	3.98
5.	Offering updated training courses	3.63
	<b>Overall Mean</b>	<b>3.77</b>

Source: Survey Data, 2019

According to Table (4.2), most of the respondents state that they receive superior training programs from the franchisor as franchisors usually give the pieces of training from franchisees about product and service knowledge. Also, it found that they get a complete franchising system, service, and technical expertise from franchisors. Respondents feel that pieces of training from franchisors are useful for the franchising industry. Furthermore, some respondents stated that the franchisor participated in selecting locations of the restaurants, but

others have to choose a place on their own. According to the overall mean score, most respondents have a positive perception of the training and knowledge transfer of franchisors.

#### 4.1.3 Franchisee Perception on Operational Support

Operational support, such as advice and consultations for operations, advertising, and promotions, is essential for customers. Table (4.3) presents the Franchisee Perception of Operational Support.

**Table (4.3) Franchisee Perception of Operational Support**

<b>Sr.No</b>	<b>Operational Support</b>	<b>Mean</b>
1.	Handling several customers related programs	3.00
2.	Providing promotional and advertising assistance	3.00
3.	Supporting necessary advice, consultation & field visits	3.82
4.	Arranging for meetings with other franchisees	3.30
5.	Allowing formal and informal operation staff	3.60
	<b>Overall Mean</b>	<b>3.34</b>

Source: Survey Data, 2019

According to Table (4.3), most franchisees state that their franchisors give the necessary knowledge, advice, and site visits; thus, they receive formal and informal operational support from their franchisors. If the franchisors make strict policies, the local franchisees could have face difficulties. Also, franchisors arrange franchisees to meet with other franchisees under this franchising brand so that franchisees around the world could exchange their experiences and knowledge. On the other hand, most respondents stated that they only get moderate levels of customer-related supports, promotions, and advertising assistants. According to the overall mean score, most respondents have an average level of positive perception towards the franchisor's inputs.

#### 4.1.4 Franchisee Perception of Communication and Feedback

Communication between franchisor and franchisee is vital since the positive relations between them could improve the performance of the franchising business. Table (4.4) presents the perception of franchisee towards the communication and feedback between franchisors and franchisees.

**Table (4.4) Franchisee Perception of Communication and Feedback**

<b>Sr.No</b>	<b>Communication and Feedback</b>	<b>Mean</b>
1.	Prompt response to phone calls and e-mails	3.35
2.	Proactively well-being and knowledge needs of the franchisees	3.33
3.	Two-way communication	3.72
4.	Providing feedback on performance	3.18
5.	Suggesting depend on local performance and market conditions	3.51
	<b>Overall Mean</b>	<b>3.42</b>

Source: Survey Data, 2019

According to Table (4.4), respondents state that their franchisors try to have two ways of communication as often as possible since franchisors need to make sure that their franchisees keep on track according to the standards and planned. Thus, franchisors always support knowledge and suggestions depending on the franchisees' local conditions. Also, the majority of respondents could communicate with their franchisors via phone or emails. On the other hand, the franchisor's agents usually deliver to the franchisee for supports. Many respondents express that they get performance feedback from their franchisors. According to the overall mean score, most respondents have a moderate level of positive perception towards the communication and feedback from franchisors.



#### 4.1.5 Franchisee Perception of Contractual Integrity and Trust

Trust is an essential thing among different parties. Contract agreements are formal agreements, and everybody in the agreement must follow to retain trust among them. Table (4.5) presents the contractual integrity and trust perception of the franchisee.

**Table (4.5) Franchisee Perception of Contractual Integrity and Trust**

<b>Sr.No</b>	<b>Contractual Integrity and Trust</b>	<b>Mean</b>
1.	Reasonable territorial restrictions set in the contract agreement	3.63
2.	Fair terms of the franchise contract	3.70
3.	Flexible contract clauses related to support	3.18
4.	Acting due to the terms in the contract agreement	3.67
5.	Fair termination/renewal terms of the contract	3.51
	<b>Overall Mean</b>	<b>3.54</b>

Source: Survey Data, 2019

It states that most franchisees say that terms and conditions in contracts are fair for them since they make the final agreement based on many negotiations. They also state that franchisors always act or follow the contract agreement. Also, many respondents think territorial restrictions are fair enough. They describe that their franchisors make flexible arrangements whenever necessary. It makes many franchisees to do business better. Many respondents believe that termination and renewal terms are reasonable for both parties. According to the overall mean score, many respondents have moderate levels of good perception of contractual integrity and trust.

#### 4.1.6 Franchisee Perception of Financial Supports

Franchising business is the expensive one; thus, sometimes franchisees need financial supports or some contributions from their franchisors. Table (4.6) presents the franchisee perception towards the financial supports of the franchisors.

**Table (4.6) Franchisee Perception on Financial Supports**

<b>Sr.No</b>	<b>Financial Supports</b>	<b>Mean</b>
1.	Providing good return in investment at a low risk	2.75
2.	Contribute marketing and advertising fees	2.42
3.	Co-op arrangement where the costs split	2.49
4.	Delayed payments while the business is starting up	2.68
5.	Helping to save profit margins under challenging times	2.96
	<b>Overall Mean</b>	<b>2.66</b>

Source: Survey Data, 2019

According to Table (4.6), most franchisors do not get help from franchisors under challenging situations to retain profit margin since some franchisors do not want to lose their portions. Thus, many respondents do not have a good return under their franchising business. Also, respondents state that they could not postpone their payments to the franchisor when the company is not running good. Moreover, most respondents did not get the franchisor's contributions to the advertisement and promotions fees. Franchisors do not contribute to the local costs, and this makes most franchisors burden. According to the overall mean score, most franchisees do not have a positive perception of the financial supports of franchisors.

#### **4.1.7 Franchisee Satisfaction**

In the franchising business, franchisees could be seen as the customers as they take the franchising from franchisors. Thus, the supports or inputs of franchisors are the significant drivers for the performance of the franchisees. The franchisee's satisfaction is critical to get the success of this business.

**Table (4.7) Franchisee Satisfaction**

<b>Sr.No</b>	<b>Franchisee Satisfaction</b>	<b>Mean</b>
1.	Happy to choose the franchise system	3.63
2.	Hardworking of franchisor	3.21
3.	Effective training program	3.89
4.	A good relationship between franchisee and franchisor	4.07
5.	Helping effective ways in job	3.79
	<b>Overall Mean</b>	<b>3.72</b>

Source: Survey Data, 2019

According to Table (4.7), most respondents stated that franchisees have a good relationship with franchisors since franchisors usually keep in touch with franchisees to share knowledge or ideas. Franchisees said they got enough training from franchisors as franchisors often give the update pieces of training. Thus, many franchisees believe that their franchisors support them to gain efficiency in their business. Also, respondents feel that their franchisors work hard like them; therefore, they are happy with doing business with their franchisors. According to the overall mean, many franchisees have an excellent perception of their franchisors.

#### **4.1.8 Effect of Franchisor Inputs on Franchisee Satisfaction**

This part identifies which inputs of franchisors have a significant effect on franchisee satisfaction by a regression method. Table (4.8) presents the regression output for the impact of influencing factors on franchisee satisfaction.

**Table (4.8) Effect of Franchisor Inputs on Franchisee Satisfaction**

Variable	Unstandardized Coefficients		$\beta$	T	Sig
	B	Std Error			
(Constant)	1.354	.351		3.860	.000
Brand Value	.528***	.068	.347	7.726	.000
Training and Knowledge	.483***	.092	.413	5.273	.000
Operational Support	.873***	.102	.888	8.547	.000
Communication and Feedback	.715***	.114	.737	6.290	.000
Contractual integrity and Trust	-.045	.055	-.050	-.823	.414
Financial Support	.305***	.049	.443	6.246	.000
R Square	.913				
Adjusted R Square	.903				
F value	87.672***				

Source: Survey Data, 2019

Note : \*\*\*Significant at 1% level, \*\*Significant at 5% level, \*Significant at 10% level

As shown in Table (4.8), the value of R Square is 0.91, which means this specified model could explain 91 percent of the variation of the franchisor inputs. The overall significance of the model, F value, is highly significant at 1 percent level. This model can be said valid. The model can explain almost 90 percent of the variance of the independent variable and dependent variable because Adjusted R square is 0.903.

The standardized coefficient (Beta) of the operational support factor has the most considerable value (.888) among six explanatory variables indicating that operational support has an enormous contribution to increase positive on the franchisee satisfaction when the variance explained by other variables controlled.

If there is an increase in brand value by 1 unit, this will also raise the positive perception of the franchisee satisfaction by .528 group. When it increases training and knowledge by 1 unit, it will increase the positive relationship of the franchisee satisfaction by .483 unit. Increasing operational support by 1 unit will also strengthen the positive correlation of the franchisee satisfaction by .873 group. The improved communication and feedback by 1 unit will enhance the positive relationship of the franchisee by .715 unit. The enhancement of communication and feedback by 1 unit will up the positive connection of the franchisee satisfaction by .305 unit.

Among six independent variables, brand value has the expected positive sign and is strongly significant at 1 percent level. According to the regression result, a positive relationship means that the brand value factor leads to more good connections of the franchisees since franchisors provide and build reliable brand names that would attract more customers or consumers. The variable training and knowledge factor has the expected positive sign and is significant at 1 percent level. The positive relationship means that the increase in training and knowledge leads to more positive on franchisee satisfaction because franchisors provide the practices and knowledge sharing based on their experience.

Operational support factor has the expected positive sign and is significant at 1 percent level. The positive relationship means that the increase in Operational support leads to more positive on franchisee satisfaction because franchisors provide operation manuals, site selections, and supports for operations. The variable Communication and Feedback factor has the expected positive sign and is significant at 1 percent level. The positive relationship means that the increase in communication and feedback leads to more positive perceptions of the franchisee as franchisors always keep in touch with franchisees to give supports and suggestions. The variable financial support factor has the expected positive sign and is significant at 1 percent level. The increase in financial support leads to more positive on franchisee satisfaction since franchisors contribute to advertising, promotions campaigns, and payment postpones could reduce the burden of franchisees and enables more profitability for them.

The overall evaluation reveals that models explain the variation in the awareness of the positive relationship of the franchisee towards franchisors' inputs well because the estimation produced expected signs and significant coefficients for most variables. The increases in brand value, training and knowledge transfer, operational support, communication and feedback, and financial support have positive effects on franchisee satisfaction.

#### **4.2 Analysis of the Effect of Franchisee Satisfaction on Franchisee Performance**

Franchisee's satisfaction is a critical factor in getting a good result from business. Thus, it is crucial to analyze the effect of the franchisor inputs on franchisee satisfaction. Besides, the impact of franchisee satisfaction on the performance of franchisees is needed to explore.

#### 4.2.1 Franchisee Performance

To achieve the success of franchising business, the accomplishment of a franchisee is essential. For the improvement of franchisees' performance, franchisee satisfaction is the main driver. The performance of the franchisee needs to be accessed to do franchising business to be a success and profitable. Table (4.8) presents the performance of the franchisees.

**Table (4.9) Franchisee Performance**

<b>Sr.No</b>	<b>Franchisee Performance</b>	<b>Mean Score</b>
1.	Increasing royalty fees per outlet	3.72
2.	An increasing number of customers	3.70
3.	Increasing market share	3.11
4.	Successful in exceeding year-to-date sales quota	3.18
5.	Meeting expected income	2.79
6.	Excellent quality of own performance	3.26
	<b>Overall Mean</b>	<b>3.29</b>

Source: Survey Data, 2019

According to Table (4.9), most of the franchisees state that they extend their outlets, and their franchising business is doing well; thus, they could pay more franchising fees as outlets increase. Most respondents indicate that they have more customers from time to time since the business gets success. They also state that they could do well better than other competition franchising business. On the other hand, many respondents could not achieve much income as expected since the rental fees for the site and additional charges reduce their profits. According to the overall mean score, it found that the performance of the franchisee is moderately good.

#### 4.2.2 Effect of Franchisee Satisfaction on Franchisee Performance

This section finds out whether franchisee satisfaction affects the performance of the franchisee. If the franchisees feel a positive feeling, they will have the motivation and work hard, and then the return could be improved. Table (4.10) presents the regression result of franchising and franchisee performance.

**Table (4.10) Effect of Franchisee Satisfaction on Franchisee Performance**

Variable	Unstandardized Coefficients		B	t	Sig
	B	Std Error			
(Constant)	.251	.478		.526	.601
Franchisee Satisfaction	.867***	.125	.697	6.944	.000
R Square	.486				
Adjusted R Square	.476				
F value	48.220***				

Source: Survey Data, 2019

Note : \*\*\*Significant at 1% level, \*\*Significant at 5% level, \*Significant at 10% level

As shown in Table (4.10), the value of R Square is 0.49, which means this specified model could explain 49 percent about the variation of franchisee satisfaction. The overall significance of the model, F value, is highly significant at 1 percent level. This model can be said valid. The model can explain almost 90 percent of the variance of the independent variable and dependent variable because Adjusted R square is 0.476.

The variable franchisee satisfaction factor has the expected positive sign and is significant at 1 percent level. The positive relationship means that the increase in franchisee satisfaction leads to an increase in the performance of the franchise since franchisors support operations and give ideas and suggestions based on the local market and consumer conditions. The increase franchisee satisfaction by 1 unit will increase the performance of the franchisee by .867 group. The increase in franchisee satisfaction has positive effects on the performance of the franchisor's performance. According to the survey findings, franchisee satisfaction could significantly raise the positive performance of the franchisee.

The franchisees who have a positive perception of their relationship with the franchisor have better performance in their franchise system. Franchisee satisfaction can be strongly correlated with positive intentions. The above finding showed that franchisee satisfaction positively influences the organizational factor. Achievement determined as a result of a comparison between expectations and outcomes. The franchisees were satisfied if they felt that the success of their franchise was due to the franchisor efforts — franchisee satisfaction of its goals used as a performance measurement. The result also showed a strong positive correlation between franchisee satisfaction and franchisee performance. The competitiveness of the franchise system may affect franchisees' overall satisfaction.

Franchisee satisfaction is vital for the success of the franchise system. For the achievement of the franchise, it is necessary to ensure franchisees are satisfied with the performance of the franchisor. The data were consistent with the hypothesized relationships revealing the strong influence of the franchisor inputs on franchisee satisfaction. The results also show that the franchisee satisfaction is positively and significantly associated with the franchisor inputs. The above model can confirm that franchisee satisfaction has a direct influence on performance.



## **CHAPTER 5**

### **CONCLUSION**

This chapter includes three sections. First of all, it presents the findings and discussions based on the survey result. Secondly, it gives suggestions and recommendations. Finally, it contains further study.

#### **5.1 Findings and Discussions**

To examine franchisor input's effect on franchisee perception in the food and beverage industry and to analyze the impact of franchisee satisfaction on the performance of the franchisee in the food and beverage industry, this study collected 57 questionnaires from 132 franchising businesses.

It found that most of the respondents are middle age. The second largest group contains people with mature, and they are bachelor degree holders while remaining are master or postgraduate holders. Hence, all the respondents educated, and most people are owners and earning more than a Hundred Thousand Kyats. Most of the restaurants are casual dining, and they open one to three outlets. The majority of the respondents have been doing franchising business for one to two years.

Regarding brand value, most of the franchisees state that the brand value effects on their business since consumers usually look at the brand value. The cost of creations or brand image of franchisors needs to be active to sell their products is found that most of the respondents have a strong positive brand value perception since their franchisors make a reputation in the industry.

Regarding training and knowledge transfer, most of the franchisees state that they receive proper instructions from their franchisors since franchisors give update training and sharing knowledge. Also, the franchisor provides complete operation manuals and site location advice. Thus, most respondents have a positive perception of training and knowledge transfer of franchisors.

Regarding operational support, franchisees state that they receive recommendations and suggestions relating to the operations. Moreover, many franchisees get help from

franchisors as franchisor agents usually do field study. Besides, franchisees could share experience and knowledge in the network of the franchising network under their franchisors. Therefore, most respondents have a moderate level of positive perception of the franchisor's inputs.

Regarding communication and feedback, many franchisees state that they have two ways of conversations with franchisors. They usually get friendly calls or greetings from their franchising businesses. Besides, many franchisees get comments and support from their franchisors. It shows that most respondents have a moderate level of positive perception towards communication and feedback from franchisors.

Regarding contractual integrity and trust, most respondents think contract agreements are fair, and all parties follow accordingly. They think franchisors are trustworthy and sometimes make flexible terms for franchisees. Many respondents have moderate levels of good perception of contractual integrity and trust.

Regarding financial supports, respondents do not get help from franchisors under challenging situations to retain profit margin since a majority of the respondents are doing business between 1 and 2 years, and they do not get much financial supports from their franchisors. Besides, many people state that franchisors do not contribute to the economic costs at the franchisee site. Most franchisees do not have a positive perception of the financial supports of franchisors.

It shows that most of the respondents feel happy since the overall inputs of the franchisors are supportive of them, especially operational supports, knowledge transfer, and brand value. They are satisfied with the performance of their business. According to the regression result, brand value, training and knowledge transfer, operational support, communication and feedback, and financial support have a positive effect on perceptions of the franchisee. Among these, operational support has the most significant contribution to increasing the real understanding of the franchisee. Besides, it shows that knowledge of the franchisees positively affects the performance of the franchisees since their performance motivated the inputs of the franchisors.

## **5.2 Suggestions and Recommendations**

The franchising industry in Myanmar improved by the adjustments of the inputs of franchisors. Regarding brand value, franchisors should make influential brand value creations by offering value-added programs or loyalty programs. It should improve the brand awareness among the consumers.

Regarding training and knowledge transfer, the franchisors should offer regular instructions and some menu creations according to the franchisee's market conditions and needs and preferences of customers. Franchisors should help in selecting the locations of the sites based on their knowledge and experience.

Regarding operational support, the franchisor should come and visit the franchisee's locations to analyze the needs and preferences of the customers. Then, franchisors should adjust their strategies or menus to meet the local tastes. Besides, franchisors should participate in promotions and advertising activities since they have a lot of experience and knowledge. It shows that respondents have a moderate level of positive perception towards the franchisor's inputs.

Regarding communication and feedback, franchisors should always keep in touch with the franchisee to support or maintain good communications. If there is an excellent relationship between franchisors and franchisees, the franchising business should have more success.

Regarding contractual integrity and trust, franchisors should demonstrate that they are trustworthy by following the contracts correctly. Sometimes, franchisors should show their sympathy by adding flexible clauses for some rules and regulations when franchisees face some difficulties.

Regarding the financial supports of the franchisors, franchisors should share some promotions and advertising costs since this will improve the overall awareness of the franchising brand. Also, franchisors should allow flexible payments by partials if the franchisees have difficulties to get the breakeven point at the starting years.

According to the regression result, franchisors should prioritize the operational support since this should significantly improve the ethical perceptions of the respondents, which leads to improving the overall performance of the franchisors. Also, the franchisors

always should have to monitor the viewpoints of the respondents regarding the inputs provided. By doing the above suggestions and recommendations, the performance of the franchisees improved significantly.

### **5.3 Needs for Further Research**

This study focuses only on inputs of franchising businesses in Myanmar in terms of the performance of the franchisees. It does not cover the other factors, such as the marketing mix or service quality of the franchisees. For getting the complete picture of the franchising industry, further study should focus on marketing and service quality factors in different sectors and different geographical locations.

The scope of the study is limited to Yangon, as it only includes the food and beverage industry. The different geographical locations and cultures would reveal better inputs on franchisees' perceptions and satisfaction levels. The focus on the specific sector must limit the generalization of the findings to other franchise industries. A similar study may also be found in different areas, like pre-schools, education, beauty, and retail industries, to have comparative observations across sectors.

This whole study is designing with the franchisor inputs. The behaviors of the franchisees influence the opinions of franchisors. The scope can be enhanced by collecting the perceptions of the franchisors and analyzing the data. Further research should continue if data can be obtained more specifically, with separate surveys taken at different regions and industries in time can compare the results over a while.

## REFERENCES

- Alon, I., Drtina, R., & Gilbert, J. P. (2004). The impact of franchising on the returns on equity chains in the restaurant sector. In *Proceedings of the Annual International Society of Franchising Conference. Las Vegas, NV, March, 6-7.*
- Bann, C. L. (2009). An innovative view of the entrepreneur through exploration of the "lived experience" of the entrepreneur in startup of the business. *The Journal of Business and Economic Studies, 15*(2), 62-69.
- Baucus, D. A., Baucus, M. S., & Human, S. E. (1993). Choosing a franchise: How base fees and royalties relate to. *Journal of Small Business Management, 31*(2), 91-104.
- Brent, A. (2009). Franchisee satisfaction among food franchisees: an exploratory study. *Southern African Business Review, 13*(1), 1-20.
- Caldwell, C., & Karri, R. (2005). Organizational governance and ethical systems: A covenantal approach to building trust. *Journal of business ethics, 58*(1-3), 249-259.
- Carraher, S., & Welsh, D. (2009). *Global Entrepreneurship. Dubuque, IA: Kendall Hunt Publishing. International Journal of Entrepreneurship, 9, 45-48.*
- Chen, W. P. (2011). Franchisee perceived relationship value and loyalty in a franchising context: assessing the mediating role of franchisee satisfaction and the moderating role of franchisee characteristics. *African Journal of Business Management, 5, 11487-11496.*
- Clarkin, J., & Rosa, P. (2005). Entrepreneurial teams within franchise firm. *International Small Business Journal, 23*(3), 303-334.
- Combs, J. G., & Kitchen, D. J. (1999). Can Capital Scarcity Help Agency Theory Explain Franchising? Revisiting the Capital Scarcity Hypothesis. *Academic Management Journal, 4, 196-207.*
- Connell, J. (1997). International hotel franchise relationships - UK franchisee perspectives. *International Journal of Contemporary Hospitality Management, 9, 215-220.*
- Dant, R. P., Weaven, S. K., & Baker, B. L. (2013). Influence of personality traits on perceived relationship quality within a franchisee-franchisor context. *European Journal of Marketing, 47, 279-302.*

- Davies, M. P., Lassar, W., Prince, Prince, M., & Winsor, R. D. (2011). A model of trust and compliance in franchise relationships. *Journal of Business Venturing*, 26, 321-340.
- Dodgson, M. (1993). Learning, trust, and technological collaboration. *Human Relations*, 46(1), 77-93.
- Duncan, T. R., & Moriarty, S. E. (1997). *Driving brand value: Using integrated marketing to manage profitable stakeholder relationships*, 1(24), 112-113.
- Edvardsson, B., & Strandvik, T. (2000). Is a critical incident critical for a customer relationship?. *Managing Service Quality: An International Journal*, 10(2), 82-91.
- Eser, Z. (2012). Inter-organizational trust in franchise relationships and the performance outcomes: The case of fast-food restaurants in Turkey. *International Journal of Contemporary Hospitality Management*, 24(5), 774-790.
- Falbe, C. M., & Welsh, D. H. (1998). NAFTA and franchising: A comparison of franchisor perceptions of characteristics associated with franchisee success and failure in Canada, Mexico, and the United States. *Journal of Business Venturing*, 13(2), 151-171.
- Frazer, L. (2001). Why franchisors discontinue franchising but continue operating. *International Small Business Journal*, 19(3), 29-38.
- Gabarro, J. J. (1978). The development of trust, influence and expectations. *Interpersonal behavior: Communication and understanding in relationships*, 290-303.
- Golembiewski, R. T., & McConkie, M. (1975). The centrality of interpersonal trust in group processes. *Theories of group processes*, 131, 185-188.
- Grünhagen, M., & Dorsch, M. J. (2003). Does the franchisor provide value to franchisees? Past, current, and future value assessments of two franchisee types. *Journal of Small Business Management*, 41(4), 366-384.
- Harmon, T. R., & Griffiths, M. A. (2008). Franchisee perceived relationship value. *Journal of Business & Industrial Marketing*, 23(4), 256-263.
- Hing, N. (1995). Franchisee satisfaction: contributors and consequences. *Journal of Small Business Management*, 33(2), 12.
- Holmes, J. G., & Zanna, M. P. (1985). Trust in close relationships. *Journal of personality and social psychology*, 49(1), 95.

- Huang, Y. A., Phau, I., & Chen, R. W. (2007). Conceptualizing the franchise system quality (FSQ) matrix: An exploratory study. *Journal of Marketing Channels*, 14(4), 41-64.
- Huber, G. P. (1991). Organizational learning: The contributing processes and the literatures. *Organization science*, 2(1), 88-115.
- Hunt, S. D. (1977). Franchising: promises, problems, prospects. *Journal of Retailing*, 53(3), 71-84.
- Jambulingam, T., & Nevin, J. R. (1999). Influence of franchisee selection criteria on outcomes desired by the franchisor. *Journal of Business Venturing*, 14(4), 363-395.
- Kane, J. J. (2001). Communication: The Road to Solid Franchisee Relations. *Franchising World*, 33(1), 28-29.
- Kalnins, A., & Mayer, K. J. (2004). Franchising, ownership, and experience: A study of pizza restaurant survival. *Management Science*, 50(12), 1716-1728.
- Kidwell, R. E., Nygaard, A., & Silkoset, R. (2007). Antecedents and effects of free riding in the franchisor–franchisee relationship. *Journal of Business Venturing*, 22(4), 522-544.
- King, C., Grace, D., & Weaven, S. (2013). Developing brand champions: A franchisee perspective. *Journal of Marketing Management*, 29(11-12), 1308-1336.
- Lafontaine, F., & Blair, R. (2008). The evolution of franchising and franchise contracts: Evidence from the United States. *Entrepreneurial Bus. LJ*, 3, 381.
- Leleux, B. F., Spinelli, S. J., & Birley, S. (2003). An Analysis of Shareholder Return in Public Franchisor Companies. *The Journal of Private Equity*, 6(3), 56-67.
- Luhmann, N. (2000). Familiarity, confidence, trust: Problems and alternatives. *Trust: Making and breaking cooperative relations*, 6, 94-107.
- M'énard, C. (2004). The Economics of Hybrid Organizations. *Journal of Institutional and Theoretical Economics*, 106(3), 345–376.
- Macneil, I. R. (1980). Power, contract, and the economic model. *Journal of Economic Issues*, 14(4), 909-923.
- Mayer, R. C., Davis, J. H., & Schoorman, F. D. (1995). An integrative model of organizational trust. *Academy of management review*, 20(3), 709-734.

- McIntyre, F. S., Huszagh, S. M., & Huszagh, F. W. (1991, February). Franchising as a global marketing strategy. In *Proceedings of the Annual Conference of the Society of Franchising "Franchising: Embracing the Future"*, Miami Beach, Florida, 9-10.
- Meek, W. R., Davis-Sramek, B., Baucus, M. S., & Germain, R. N. (2011). Commitment in franchising: The role of collaborative communication and a franchisee's propensity to leave. *Entrepreneurship Theory and Practice*, 35(3), 559-581.
- Mellewigt, T., Ehrmann, T., & Decker, C. (2011). How does the franchisor's choice of different control mechanisms affect franchisees' and employee-managers' satisfaction?. *Journal of Retailing*, 87(3), 320-331.
- Michael, S. C. (2002). Can a franchise chain coordinate?. *Journal of Business Venturing*, 17(4), 325-341.
- Morrison, K. A. (1996). An empirical test of a model of franchisee job satisfaction. *Journal of Small Business Management*, 34(3), 27.
- Mowday, R. T., Porter, L. W., & Steers, R. (1982). Organizational linkages: The psychology of commitment, absenteeism, and turnover among psychiatric technicians. *Journal of applied psychology*, 59(5), 603.
- Nathan, G., & Zacher, H. (2019). Understanding franchisee performance: The role of personal and contextual resources. *Journal of Business and Psychology*, 34(5), 603-620.
- Paynter, J. (2001, February). Franchisee Satisfaction: a measure of a system's success?'. In *Proceedings of the 3rd Australasian Services Marketing Research Workshop*, Dunedin, 45-46.
- Peterson, A., & Dant, R. P. (1990). Perceived advantages of the franchise option from the franchisee perspective: Empirical insights from a service franchise. *Journal of Small Business Management*, 28(3), 46.
- Piercy, N. F., & Lane, N. (2009). Corporate social responsibility: impacts on strategic marketing and customer value. *The Marketing Review*, 9(4), 335-360.
- Pizanti, I., & Lerner, M. (2003). Examining control and autonomy in the franchisor-franchisee relationship. *International Small Business Journal*, 21(2), 131-159.



- Rodríguez, N. G., Pére, M. J. S., & Gutiérrez, J. A. T. (2005). Dependence as a moderator in the relationship between franchisors and franchisees: the case of services franchises. *Journal of Marketing Channels*, 13(2), 3-27.
- Rubin, P. H. (1978). The Theory of the Firm and the Structure of the Franchise Contract. *The Journal of law and economics*, 21(1), 223-233.
- Sashi, C. M., & Prasad Karuppur, D. (2002). Franchising in global markets: towards a conceptual framework. *International Marketing Review*, 19(5), 499-524.
- Schul, P. L., Pride, W. M., & Little, T. L. (1983). The impact of channel leadership behavior on intrachannel conflict. *Journal of Marketing*, 47(3), 21-34.
- Şengün, A. E., & Wasti, S. N. (2011). Trust types, distrust, and performance outcomes in small business relationships: the pharmacy–drug warehouse case. *The Service Industries Journal*, 31(2), 287-309.
- Shane, S. A. (2003). *Opportunities and entrepreneurship*. *Journal of management*, 29(3), 333-349.
- Sitkin, S. B., & Roth, N. L. (1993). Explaining the limited effectiveness of legalistic “remedies” for trust/distrust. *Organization science*, 4(3), 367-392.
- Spinelli, S., & Birley, S. (1998). An empirical evaluation of conflict in the franchise system. *British Journal of Management*, 9(4), 301-325.
- Tuunanen, M., & Hoy, F. (2006). Franchising—multifaceted form of entrepreneurship. *International Journal of Entrepreneurship and Small Business*, 4(1), 52-67.
- Ucbasaran, D., Wright, M., Westhead, P., & Busenitz, L. W. (2003). The impact of entrepreneurial experience on opportunity identification and exploitation: Habitual and novice entrepreneurs. In *Cognitive approaches to entrepreneurship research* (pp. 231-263).
- Vázquez, L. (2009). How passive ownership restrictions affect the rate of franchisee failure. *The Service Industries Journal*, 29(6), 847-859.
- Wadsworth, F. H., & Haines, D. C. (2000, February). Franchisee Satisfaction: A Measurement Approach. *Journal of Marketing Channels*, 15(2-3), 167-184.

Walker, B. J., & Cross, J. (1989, January). A progress report on the scope of international expansion by US franchise systems. In *Franchising Challenges and Opportunities in the 1990s and Beyond, Annual Conference of the Society of Franchising, Bal Harbour, Florida*, 29-31.

Zand, D. (1972). Trust and managerial problem solving. *Administrative Science Quarterly*, 17(2), 229-239.

## APPENDIX I

### Questionnaire for Franchisees

Dear Sir/Madam,

This survey questionnaire is to use only for the research paper “**The Effect of Franchisor Inputs on the Performance of the Franchisees in Food and Beverage Industry**” to submit as a partial fulfillment towards the degree of Master of Business Administration (MBA). The data would not be used in other purposes. Thank you very much for your information.

*Please choose only one answer by marking.*

#### I. Franchisee’s Demographic Information

##### 1) Age (Years):

- <25years     25-30 years     31- 40 years     41-50 years  
 51-60 years     >60 years

##### 2) Education Level

- High School     Diploma or Attending University     Bachelor  
 Master/PhD (Postgraduate)     Others .....

##### 3) Position

- Owner     General manager     Branch manager    Others  
 .....

##### 4) Income

- Less than 300,000 Ks     300,000 - 500,000 Ks  
 500,001 – 1,000,000 Ks     Above 1,000,000 Ks

##### 5) What type of restaurant do you have?

- Burgers and Sandwich     Cafeteria/Bufferet  
 Ice Cream/Dessert     Casual Dining  
 Others .....

**6) No of restaurant outlets**

1-3

4-7

8-10

Above 10

**7. Experience of the franchising business**

1-2 years

3-5 years

6-10 years

Above 10 years

**8. Have you ever operated a franchise before?**

Yes

No

## II. Assessment the Inputs of Frachisor

*Please choose only one answer by marking.*

5=Strongly Agree      4= Agree      3= Neither Agree nor Disagree      2= Disagree

1=Strongly Disagree

### Brand Value

No.	Brand Value	1	2	3	4	5
1	Franchisor's brand name recognition is strong.					
2	My franchisor's brand name helps my business.					
3	My franchisors brand is reputable for quality and service.					
4	My franchisor provides products / services superior to those available from other sources.					
5	Brand value is one of the most valuable assets in franchising.					

### Training & Knowledge Transfer (TKT)

No.	Training & Knowledge Transfer (TKT)	1	2	3	4	5
1	Franchisor offers a superior training program.					
2	The franchisor offers complete systems, services, and technical expertise to its franchisees.					
3	My franchisor has helped me in selecting the site for my outlet.					
4	Training provided by my franchisor was very useful.					
5	My franchisor offers the updated training courses.					

### Operational Support (OS)

No.	Operational Support (OS)	1	2	3	4	5
1	The franchisor handles several customer related programs which are beneficial to our store.					
2	The promotional and advertising assistance provided by the franchisor is excellent.					
3	The franchisor supports with necessary advice, consultation & field visits.					
4	The franchisor arranges for meetings with other franchisees and provides a platform to exchange ideas.					
5	The operating style of my franchisor allows a range from the very formal to the very informal.					

### Communication & Feedback (CF)

No.	Communication & Feedback (CF)	1	2	3	4	5
1	My franchisor gives prompt response to my phone calls and e-mails.					
2	Franchisor representative proactively phone us / meet us to enquire of our well-being and to know the needs of the franchisees.					
3	My franchisor works hard to ensure that there is a lot of two-way communication					
4	My franchisor provides me with a lot of feedback on our performance.					
5	My franchisor always give suggestions depend on my local performance and market conditions.					

### Contractual Integrity & Trust (CIT)

No.	Contractual Integrity & Trust (CIT)	1	2	3	4	5
1	I think the territorial restrictions set in the contract agreement are reasonable.					
2	The terms of my franchise contract are fair to me.					
3	My franchisors insert flexible contract clauses related to support.					
4	The franchisor always acts according to the terms in the contract agreement.					
5	The termination/renewal terms of my franchise contract are fair.					

### Financial Supports (FS)

No.	Financial Supports (FS)	1	2	3	4	5
1	My franchisor provides a good return on my investment at a low risk.					
2	My franchisor contributes marketing and advertising fees.					
3	My franchisor offers a co-op arrangement where the costs are split.					
4	My franchisor offers deferred payments while the business is starting up.					
5	In difficult times, my franchisor will do all that is possible to help save my profit margins.					

### III. Assessment the Franchising towards Franchisor's Inputs

*Please choose only one answer by marking.*

5=Strongly Agree      4= Agree    3= Neither Agree nor Disagree    2= Disagree

1=Strongly Disagree

#### Franchisee Satisfaction

No.	Franchising Satisfaction	1	2	3	4	5
1	I am happy about my decision to choose this franchise.					
2	I think my franchisor works as hard as me, to ensure my success.					
3	My franchisor's training program is effective.					
4	The overall relationship between me and franchisor is good.					
5	My franchisor helps me to be more effective in my job.					

### IV. Assessment the Franchisee Performance

*Please choose only one answer by marking.*

5=Strongly Agree      4= Agree    3= Neither Agree nor Disagree    2= Disagree

1=Strongly Disagree

#### Franchisee Performance

No.	Franchisee Performance	1	2	3	4	5
1	I pay much royalty fee as my outlets increase.					
2	Numbers of customers are increasing from time to time as our business grows.					
3	As compared to other similar franchisees in this franchise industry, our performance is very high in terms of market share.					
4	I have been very successful in exceeding my year-to-date sales quota so far.					
5	The amount of income I get from working as a franchisee is what I expected it to be.					
6	I think the quality of my own performance in my business is very good.					

## APPENDIX II

### Regression result for Franchisor Inputs and Franchising

#### Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.956 <sup>a</sup>	.913	.903	.21980

a. Predictors: (Constant), Financial Sup Mean, Brand Value Mean, Training and Kn Mean, Con & Trust Mean, Operation Sup Mean, Com and Feed Mean

#### ANOVA<sup>a</sup>

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	25.413	6	4.236	87.672	.000 <sup>b</sup>
	Residual	2.416	50	.048		
	Total	27.829	56			

a. Dependent Variable: Franchisee Per Mean

b. Predictors: (Constant), Financial Sup Mean, Brand Value Mean, Training and Kn Mean, Con & Trust Mean, Operation Sup Mean, Com and Feed Mean

#### Coefficients<sup>a</sup>

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.354	.351		3.860	.000
	Brand Value Mean	.528	.068	.347	7.726	.000
	Training and Kn Mean	.483	.092	.413	5.273	.000
	Operation Sup Mean	.873	.102	.888	8.547	.000
	Com and Feed Mean	.715	.114	.737	6.290	.000
	Con & Trust Mean	-.045	.055	-.050	-.823	.414
	Financial Sup Mean	.305	.049	.443	6.246	.000

a. Dependent Variable: Franchisee Per Mean

### Regression result for Franchising and Franchisee Performance



**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.697 <sup>a</sup>	.486	.476	.64474

a. Predictors: (Constant), Franchisee Per Mean

**ANOVA<sup>a</sup>**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	20.045	1	20.045	48.220	.000 <sup>b</sup>
	Residual	21.200	51	.416		
	Total	41.245	52			

a. Dependent Variable: Franchisee Perf Mean

b. Predictors: (Constant), Franchisee Per Mean

**Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.251	.478		.526	.601
	Franchisee Per Mean	.867	.125	.697	6.944	.000

a. Dependent Variable: Franchisee Perf Mean