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**FACTORS INFLUENCING FRANCHISEES' BUSINESS  
PERFORMANCE: A STUDY ON THE NIGERIAN  
FRANCHISE SYSTEM**



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**DOCTOR OF PHILOSOPHY  
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August 2017**

**FACTORS INFLUENCING FRANCHISEES' BUSINESS PERFORMANCE: A  
STUDY ON THE NIGERIAN FRANCHISE SYSTEM**



**By**  
**ADAMS ADEIZA**

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Universiti Utara Malaysia

**Thesis Submitted to  
Othman Yeop Abdullah Graduate School of Business,  
Universiti Utara Malaysia,  
in Fulfilment of the Requirement for the Degree of Doctor of Philosophy**



**Kolej Perniagaan**  
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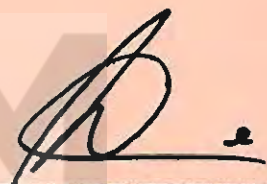
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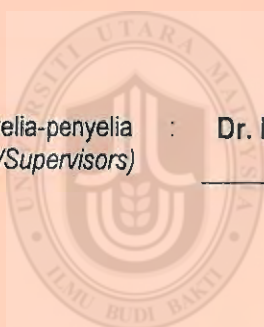
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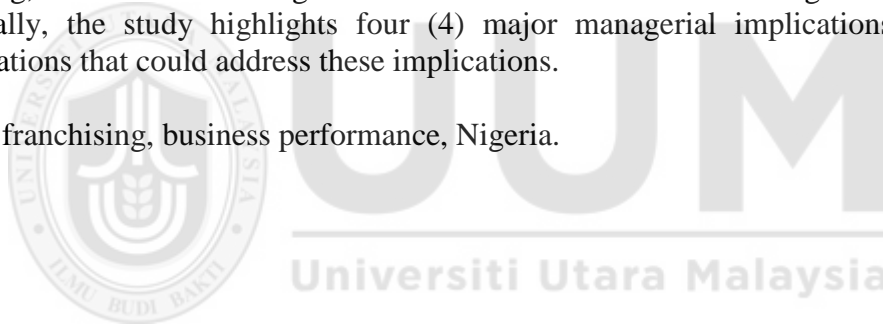


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## ABSTRACT

This study explores factors that influence franchisees' business performance in Nigeria. Using a model of factors influencing franchise system performance as a conceptual framework, an extensive review and synthesis of literature was done. The literature synthesis led to the development of four (4) research issues and a preliminary theoretical framework for the research. The issues and the framework were subjected to empirical exploration using data collected through in-depth interviews. The research was conducted in two stages: preliminary stage and main stage. A total of thirty-two (32) purposively selected franchisees participated in the study; six (6) in the preliminary stage and twenty-six (26) in the main stage. Data were managed and analysed using NVivo version 11. Through the analysis, a total of twenty-one (21) factors were confirmed as having influence on franchisees business performance in Nigeria. Fourteen (14) of these factors are as identified in the preliminary theoretical framework while seven (7) were newly found in the study. Based on the findings of this study, eight (8) key conclusions were drawn. It was concluded that four (4) major issues and a total of twenty-one (21) factors have influence on franchisees business performance in Nigeria. Among these factors are four (4) business format factors, six (6) contract factors, six (6) relationship quality factors and five (5) franchisees attitude and skill factors. Being the first comprehensive attempt to study the practice of franchising in Nigeria, this study makes contributions to franchising literature in three important ways, namely; it reaffirms current understanding, identifies new insights and enhances contextual knowledge of the business model. Finally, the study highlights four (4) major managerial implications and offers recommendations that could address these implications.

**Keywords:** franchising, business performance, Nigeria.



## ABSTRAK

Kajian ini menyelidiki faktor-faktor yang mempengaruhi prestasi perniagaan francais di Nigeria. Kajian ini menggunakan model faktor yang mempengaruhi prestasi sistem francais sebagai konsep rangka kerja. Kajian secara terperinci dan kajian kepustakaan secara sintesis juga telah dilakukan. Hasilnya, kajian kepustakaan secara sintesis membawa kepada empat (4) pembangunan isu-isu penyelidikan dan teori rangka kerja yang terdahulu dalam kajian ini. Isu-isu dan rangka kerja tertakluk kepada penerokaan secara empirikal dengan menggunakan data yang dikumpul melalui temu bual yang mendalam. Kajian ini dijalankan dalam dua peringkat iaitu peringkat awal dan peringkat utama. Sebanyak tiga puluh dua (32) buah francais dipilih untuk mengambil bahagian dalam kajian ini. Enam (6) daripadanya adalah di peringkat awal dan dua puluh enam (26) dalam peringkat utama. Data diurus dan dianalisis menggunakan NVivo versi 11. Melalui analisis ini, sebanyak dua puluh satu (21) faktor telah disahkan mempunyai pengaruh ke atas prestasi perniagaan francais di Nigeria. Empat belas (14) daripada faktor-faktor ini adalah seperti yang dinyatakan dalam teori rangka kerja yang terdahulu manakala tujuh (7) lagi adalah faktor-faktor yang baharu ditemui dalam kajian ini. Berdasarkan dapatan dalam kajian ini, lapan (8) kesimpulan utama telah disediakan. Secara keseluruhannya, empat (4) isu-isu utama dan sejumlah dua puluh satu (21) faktor mempunyai pengaruh ke atas prestasi perniagaan francais di Nigeria. Antara faktor-faktor ini ialah empat (4) faktor format perniagaan, enam (6) faktor kontrak, enam (6) faktor kualiti hubungan dan lima (5) faktor sikap francais serta faktor kemahiran. Sebagai usaha komprehensif yang pertama untuk mengkaji amalan francais di Nigeria, kajian ini dapat memberi sumbangan kepada kepustakaan francais dalam tiga cara yang penting, iaitu mengesahkan pemahaman semasa, mengenal pasti wawasan baharu dan meningkatkan pengetahuan kontekstual pada model perniagaan. Akhir sekali, kajian ini menekankan empat (4) implikasi pengurusan utama dan menawarkan cadangan yang dapat menangani implikasi ini.

**Kata kunci:** francais, pencapaian perniagaan, Nigeria.



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## LIST OF ABBREVIATIONS

<b>Abbreviations</b>	<b>Meaning</b>
APCFE	Asia-Pacific Centre for Franchising Excellence
BFA	British Franchise Association
BFA	Brazilian Franchising Association
BRICS	Brazil, Russia, India, China and South Africa
CAQDA	Computer-Assisted Qualitative Data Analysis Software
CEOs	Chief Executive Officers
EAGLES	Emerging And Growth-Led Economies
ECT	Expectation Confirmation Theory
EFF	European Franchise Federation
EO	Entrepreneurial Orientation
FASA	Franchising Association of South Africa
FCA	Franchise Council of Australian
GDP	Gross Domestic Trade
HIIT	Hands-on Institute of Information Technology
Ibid	in the same source
ICT	Information and Communication Technologies
IFA	International Franchise Association
IFC	International Finance Corporation
IT	Information Technology
KFC	Kentucky Fried Chicken
MATRADE	Malaysia External Trade Development Corporation
MDTCC	Ministry of Domestic Trade, Cooperative and Consumerism
MFA	Malaysia Franchise Association
MINT	Mexico, Indonesia, Nigeria and Turkey
MX	Mixed
Next Eleven	Bangladesh, Egypt, Indonesia, Iran, Mexico, Nigeria Pakistan, Philippines, Turkey, South Korea and Vietnam
NGOs	Non-Governmental Organizations
NIFA	Nigerian International Franchise Association
NOTAP	National Office for Technology Acquisition and Promotion
NUD*IST	Non-numerical Unstructured Data, providing ways of managing ideas by Indexing, Searching and Theorizing)
OP	Organizational Performance
PhD	Doctor of Philosophy
QL	Qualitative
QN	Quantitative
R & D	Research and Development
RBT	Resource-Based Theory
RBV	Resource-Based View
RELQUAL	Relationship Quality
SMEs	Small and Medium Enterprises
UAC	United African Company
UFOC	Uniform Franchise Offering Circular
UNCTAD	United Nations Conference on Trade and Development
WFA	World Franchise Associate

<b>Country Abbreviations</b>	<b>Meaning</b>
AUS	Australia
CHN	China
DEU	Germany
DNK	Denmark
ESP	Spain
GRC	Greece
KOR	Korea
MEX	Mexico
MYS	Malaysia
NLD	Netherland
NZL	New Zealand
SGP	Singapore
SWE	Sweden
TKY	Turkey
TWN	Taiwan
UK	United Kingdom
USA	United States of America



# CHAPTER ONE

## INTRODUCTION

### 1.1 Preamble

This chapter presents arguments that justify the need for the study. The chapter highlights the main problems that motivated the investigation and outlines the research issues and objectives that guided the conduct of the study. As illustrated in figure 1.1 below, other sections in this chapter include significance of the study, scope of the study and organization of the thesis.

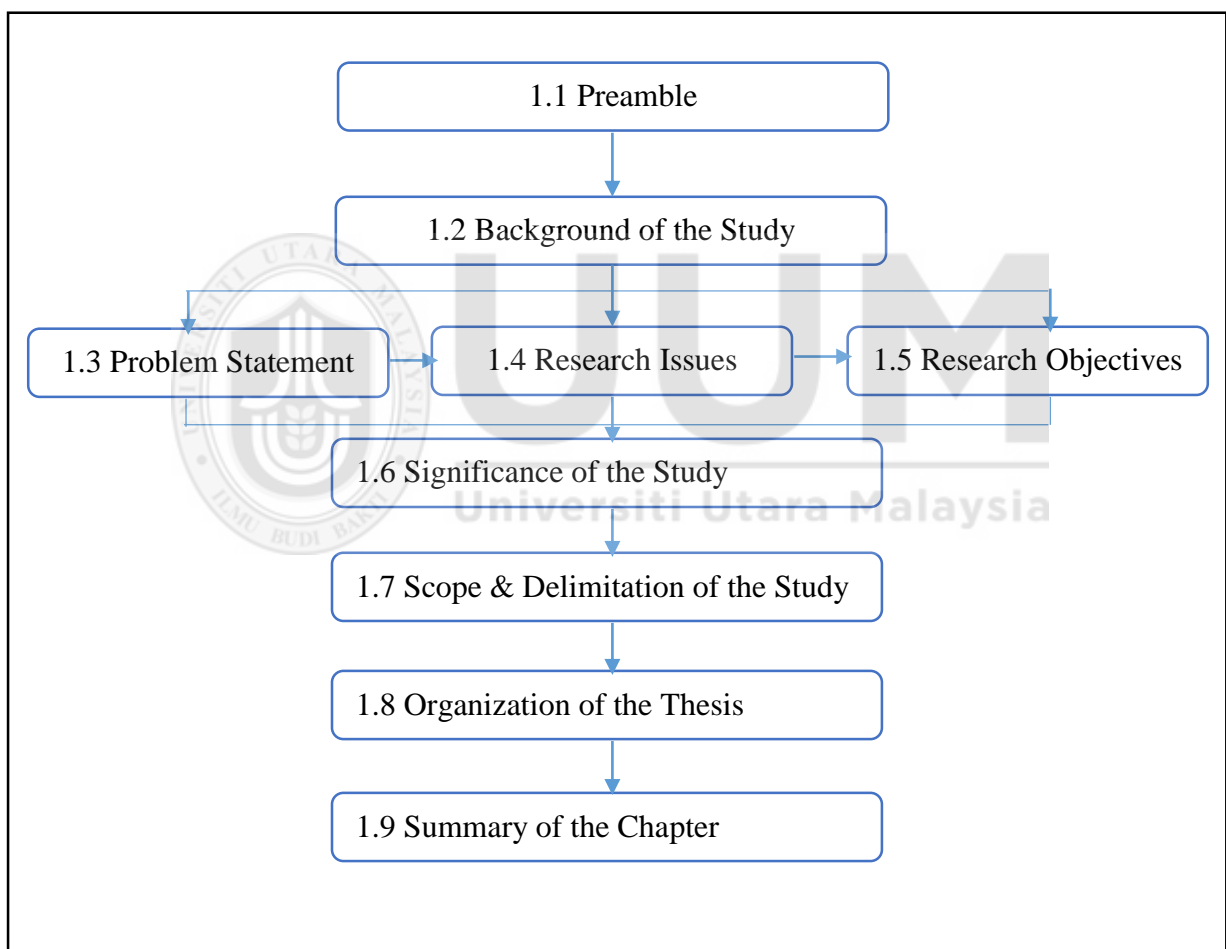


Figure 1.1

*Highlight and flow of chapter one*

Source: Developed for this research

## 1.2 Background of the Study

In today's business world, no one firm possesses all the resources and capabilities necessary to compete effectively. Apparently, the strategic objectives of business organizations are more cost-effectively realized when they collaborate with one another. There are several forms of entrepreneurial collaborations. These include joint venture, contracting, licensing and franchising (Todeva & Knoke, 2005). Of all these forms of collaborations, franchising has in recent years gained a more broad-based acceptance in many countries of the world and across diverse industries and sizes of business (Dant, Grunhagen, & Windsperger, 2011; Kosova & Lafontaine, 2010; Larty, 2010).

Franchising is an important organizational form and a less risky strategy to achieve accelerated business growth (Altinay, Brookes, Yeung, & Aktas, 2014; Shane, 2005). It has been noted that although there has generally been upsurge in different forms of inter-firm alliances, franchising has become a powerful form of alliance and important strategic route for internationalization (European Franchise Federation, 2017). Franchising enables firms with proven brand name to scale their operations and achieve superior performance by leveraging external resources (International Franchise Association, 2016). At the same time, the business model provides opportunities to other set of firms (franchisees) to operate an independent business under a well-known brand, thereby reducing their risks of newness (Vaishnav & Altinay, 2009). At the macro level, franchise business model benefits the economy and the society in many ways (IHS Markit Economics, 2017).

The business model brings together local entrepreneurs, brands, employees and community to create value, share wealth and boost the productivity of the economy (European Franchise Federation, 2017). It enables individuals to gain entry into a proven business system and have opportunity to own wealth-generating assets, creating job opportunities for many while serving

as the biggest vocational training in the economy (International Franchise Association, 2016). With its proven benefits, franchising has become a veritable tool for enterprise promotion and for boosting the productivity of Small and Medium Enterprises (SMEs) in many countries of the world (Alharbi, 2014; Bevis, 2015). Countries such as Australia, Brazil and South Korea have their franchise industries accounting for more than 10% of their GDP (Export.gov, 2016a).

In Nigeria, the first sets of business format franchise outlets started appearing across the country around the year 2003 when Mr. Bigg's began to grant franchise licenses to interested entrepreneurs (Aderibigbe, Ogban, & Oluleye, 2016) . At present, franchise outlets, especially in the food-service sectors, are part of the landscape of the country, creating jobs and contributing to boost the economy of the nation. The industry grew rapidly and the market size is valued at about US\$25 billion with an estimate that the industry has the potential to generate over US\$100 in annual revenue (Export.gov, 2016b).

As a confirmation of the proven potential of the country's franchise industry, it was reported that between 2010 and 2011 alone, the International Finance Corporation (IFC) invested a total of US\$28.5 million in two of the country's franchised quick service restaurants – Food Concept PLC and Tantalizers (Agu, 2013). Generally, franchising is increasingly being accepted in Nigeria as it has proven to be a business model that can assist in the development of the country's SME sector (Ndumanya & Quadri, 2014a). This is important because the country is currently struggling with such problems as high rate of startup failures (Elumelu, 2015).

Therefore, given the potentials of franchising in the development of the Nigeria's SME sector, understanding the factors that could help the industry develop and flourish in a sustainable

manner is arguably a rewarding exercise. More so, bearing in mind that franchising is not necessarily a business model for guaranteeing automatic success (Michael & Combs, 2008), deeper understanding of the business model with a view to improving it in Nigeria is necessary.

### **1.3 Statement of the Problem**

There are three key problems that motivated the conduct of this study, namely:

- i. Recent downturn in the performance of many franchise systems across the world and in Nigeria.
- ii. Lack of clarity and deeper understanding of factors that drive success in franchising.
- iii. General paucity of research in franchising, especially, one that is contextualized in Africa.

#### **Recent Downturn in the Performance of Franchise Firms across the World**

The first problem that inspired the conduct of this study is the recent decline in the performance of franchise systems around the world and in Nigeria. In the past decades, particularly from the 70's down to early part of 2000's, franchise firms were often praised for their resilience and superior performance (Hua & Dalbor, 2013). However, in recent years, as table 1.1 below shows, the effectiveness of franchising as a model for profitably distributing products and services and for growing SMEs has come under scrutiny. This is primarily due to the declining corporate performance of notable franchise firms. For example, beginning from early 2015 till date, McDonald's, the largest franchise chain in the world, has seen its performance nosedived (Dean, Brat, & Gasparro, 2015; Gensler, 2015; Giammona, 2015; Wahba, 2015; Whitten, 2016). Having spent huge sums promoting its new All-Day Breakfast and McPick 2, the company posted weaker-than-expected 2016 sales in both its US and global markets with actual sales, as indicated in table 1.1 below, falling below forecast by 53% and 9% in both markets

respectively (Whitten, 2016). It is reported that the company has suffered four straight years of traffic decline, leading to more than 500 million lost transaction since 2012 (Ganesan & Baertlein, 2017).

Table 1.1  
*Performance of some selected franchise firms/systems*

Franchise Systems		Indicators of Poor Performance
<b>International Brands/Systems</b>	McDonald's	<ul style="list-style-type: none"> <li>Declining sales in both global (53%) and US (9%) markets in 1<sup>st</sup> half of 2016.</li> <li>Plunging traffic (more than 500 million lost transactions since 2012).</li> <li>Plunging stock price.</li> <li>Running crisis with franchisees.</li> </ul>
	South Korean Franchise system	<ul style="list-style-type: none"> <li>60% of franchisors die within 5 years</li> <li>16% of franchisors close shop within the first one year</li> <li>Franchisees do not stay beyond 3years &amp; 9 months</li> </ul>
	Australian Franchise System	<ul style="list-style-type: none"> <li>Nearly 10% of franchisors went out of business between 2014 and 2016</li> </ul>
<b>Nigerian Brands</b>	Mr. Bigg's	<ul style="list-style-type: none"> <li>Increasing cases of relationship conflicts</li> <li>Declining sales and profits</li> <li>Poor corporate image</li> </ul>
	Tantalizers	<ul style="list-style-type: none"> <li>High number of outlet closure</li> <li>Declared losses for four consecutive years since 2012 totaling US\$7.5 million</li> </ul>

Source: Developed for this research

Although McDonald's is a franchisor, it has been noted that the performance of franchisors like McDonald's is a reflection of the collective performance of its franchisees (Lucia-Palacio, Bordonabe-Juste, Madanoglu, & Alon, 2014). Indeed, reports show that the major cause of McDonald's hemorrhaging sales and profit levels is the fact that the company has been having a long running conflict with its franchisees regarding the need to revamp operations and renovate outlets (Gensler, 2015; Giammona, 2015; Wahba, 2015).

Similarly, in spite of the rapid growth of franchise industry in South Korea, declining system performance has become a major challenge in recent years (Lee, Kim, Seo, 2015). According to Korean Business Daily Knowledge Vitamin, cited in Lee, *et al.* (2015) business life expectancy for over 60% of franchisors in Korea is less than 5 years while roughly 16% of

Korean franchisors close shop in less than 1 year of operation. Arguably, going out of business by franchisors is not a one-day event, and especially for a chain with high franchise proportion or pure franchise, it is a process that presumably starts with a number of franchisees failing and opting out of the system. In the event of such closure or failure of the franchisors, the franchisees pick up most of the pieces as unlike franchisors that have their risks spread across several franchise units, franchisees' investment is typically undiversified.

Further, it has been argued that poor performance of franchisors may be attributed directly to problems in franchisees' outlet and more specifically the declining number of franchisees that stay with their franchisors. For example, the disturbing trend of high exit rates in franchise system has since been observed by Lafontaine & Shaw (1998). While it may be true that high exit does not necessarily mean failure or closure of business as some leaving franchisees sometimes have their outlets converted to company-owned or transferred to another franchisee (Michael & Combs, 2008), but over time, Holmberg & Morgan (2003) caution that increasing franchisees' turnover could well mean high possibility of failures. A recent survey by the Korean Small Business Institute (2011) cited in Lee *et al* (2016) confirms that on average, franchisees in South Korea exit their franchise system after just about 3.9 years. Given that for most franchise systems, especially the food-service franchise, the average period for renewal of license is 5 years, this in essence means that most franchisees do not renew their licenses after the expiration of the very first contract in South Korea. This situation "costs franchisors tremendous money as they have to constantly recruit and train new franchisees in order to fill the leaky bucket instead of using the resources for other strategic growth opportunities" (Lee *et al*, 2016:49).



In Nigeria, the problem of poor system performance in recent years seems to be more precarious. Although the Nigerian franchise industry grew rapidly and became a popular path for entrepreneurship for many (Aderibigbe *et al.*, 2016), things have taken the turn for the worse in recent years. The available performance report of leading franchise systems in the country is worrisome. For example, the financial performance of Mr Bigg's – the largest (by number of outlets) franchise system in Nigeria has been dismal since 2013. Its revenue was down 20% while profits dropped by a whopping 63% at the end of 2014 (UAC, 2015). Its efforts to shore up performance by divesting 49% stakes to Famous Brands of South Africa in 2013 has not made much impact as it continues to record losses with the company revenues going down 19% (year-on-year) while profit before tax recorded a staggering decrease of 88% (from US\$189,500 to US\$21,500) in the first quarter of 2015 (UAC, 2015). The half-year 2016 report of the parent company (where it still constitutes substantial percent of the portfolio) showed that sales were down 2% while profits went down further by 16% (UAC, 2016). The number of the company's outlets also shrunk considerably from almost 300 in 2012 to under 150 currently (UAC, 2016). That is more than 50% closure rate within a span of 4 years.

Similarly, Tantalizers, the second largest franchise system, has been operating on a losing streak since 2012. The company which was doing so well and attracted IFC to invest in it in 2010 has declared losses four years consecutively (N303.3m in 2012, N564.8m in 2013, N784.3m in 2014 and N707.1m in 2015) totaling N2.36 billion (US\$7,468,354.4 million) (Farinde, 2015). What is more concerning is the rate at which the company's revenue falls. For example, the audited 2015 annual account of the company shows that it recorded a 66% decrease in sales – from N2,919,691 billion (US\$9,239,528.5m) in 2014 to N1,931,012 billion (US\$6,110,797.5m) in 2015 (Farinde, 2015). Perhaps due to this unsettling performance, it is reported that IFC has been forced to write off its investment in the company (Nairametrics,

2016) and this has obvious negative consequences not just for the company (Tantalizers) but for the country's drive for foreign direct investment.

Thus, the above stated negative performance records of franchise systems across the world and the recent dismal performance of some notable franchise companies in Nigeria have arguably highlighted the need for studies to reassess the nature of franchise business performance. At present, it is believed that not enough research have been done to understand the critical issues that explain performance of franchise units/system (Akremi *et al.*, 2015; Gillis & Combs, 2009; Hua & Dalbor, 2013; Michael, 2000; Nijmeijer *et al.*, 2014; White, 2010). Therefore, exploring factors that influence success in franchising is a promising area of academic inquiry (White, 2010).



### **Lack of Clear Understanding of Level and Factors that Drive Franchise Firm Performance**

Apart from the problem of poor system performance discussed above, this study is also motivated by the need to clarify the conflicting account of level of franchisees' outlet performance. Besides the lack of agreement among scholars on the extent of performance of franchise firms vis-à-vis the non-franchised ones, it has been observed that the knowledge-base of factors that influence success in franchise business is shallow (Lee *et al.*, 2016: 49).

While a number of scholars maintain that franchise businesses perform better (Aliouche & Schlenrich, 2009; Frazer, Weaven, & Grace, 2014b; Hua & Dalbor, 2013) and survive longer than their independent-owned counterpart (Frazer *et al.*, 2014), others conclude that there is no significant difference between the performance and survival rate of franchised businesses and their independently-owned counterparts (Bates, 1995). Some other scholars contend that

although franchising as a business model has become popular in recent years, there is no firm empirical evidence that firms operating under the arrangement achieve superior performance (Aliouche & Schlentrich, 2005). In some instances, empirical supports have been found for the possibility that in the long run, franchising is not as infallible as some people present it and that the practice may actually hurt the entire franchise systems in terms of quality of offerings and overall reputation (O'Neill, Mattila, & Xiao, 2006). This is because of the high tendency for free-ride behaviors by franchisees, loss of control over company's brand management as well as inability of franchisors to enforce standards (A. El Akremi, Mignonac, & Perrigot, 2011; Kidwell, Nygaard, & Silkoset, 2007).

Meanwhile, apart from the disagreement among scholars as to the true state of franchise firms' performance, it has been noted that even where franchise firms have been found to succeed, only very little is understood about the factors that contribute to such success (Lee *et al.*, 2016). Thus, given the interest of various stakeholders in franchise business performance, it is worthwhile exploring and understanding the fundamental reasons why some franchisors and franchisees fail or perform better than the others (Combs, Ketchen, Shook, & Short, 2011). It is this need to understand the distinguishing performance factors that has driven research in the field in recent years (e.g. Lee, *et al.*, 2015; Mignonac, Vandenberghe, Perrigot, El Akremi, & Herrbach, 2015; Nijmeijer *et al.*, 2014). The present study is part of efforts in this regard.

### **General Paucity and Partiality of Extant Franchise Research**

Since the 1950s when business format franchising started to gain popularity in the US (Killion, 2008), the academic world has been striving to understand the phenomenon (Larty, 2010). Notwithstanding the modest academic efforts so far, nor the recognition that franchising has a proven potential to significantly enhance the economic performance of nations (IFA, 2015;

Nijmeijer *et al.*, 2014) and SME development in particular (Alharbi, 2014; Binh & Terry, 2013; Chanut *et al.*, 2013; Hao & Yu, 2013; Nasri, 2014), research in the domain of franchising remains scanty (Dant *et al.*, 2011; Gillis, 2007; Ketchen, Short, & Combs, 2011), single-country focused (Dant, 2008a), fragmented (Nijmeijer *et al.*, 2014) and ‘incomplete and partial’ (Brookes & Altinay, 2011:344).

Franchising research is still very much in its infancy (Dant *et al.*, 2011) and obviously needs to be developed and firmly established as a credible academic field of entrepreneurial study (Ketchen *et al.*, 2011). It is believed that not much is yet known about the complexities of the business model especially in countries outside the West (Dant, 2008a; Dant *et al.*, 2011). Owing to the apparently few studies in the area, franchising research seems to be losing its credibility as an academic field of study in entrepreneurship. A survey shows that only 41.2% of editors of *Journal of Entrepreneurship Theory and Practice* believe that franchising research is in the domain of entrepreneurship (Ketchen *et al.*, 2011). This inspired Ketchen and colleagues to recommend that in order to establish franchising as a viable field of academic endeavor, ‘more inquiry into small, growing franchise operations would be valuable’ (Ketchen *et al.*, 2011:589). This description fits franchise operations in Nigeria where the business format franchise practice only recently started to gain traction (Odunsi, 2015).

Thus, given the increasing recognition of franchise business model across the world and the fact that there is a rapidly emerging academic interest in the field, concerted efforts at more in-depth research in franchising will help not just to broaden and update knowledge in the field (Combs, Michael, & Castrogiovanni, 2004; Doherty, Chen, & Alexander, 2014), but also to establish it as a credible area of entrepreneurship research (Ketchen *et al.*, 2011). Such a

franchising study is especially needed in Africa where not much is understood about the practice of the business model.

Furthermore, a recent systematic review of franchising studies around the world by Nijmeijer *et al* (2014) revealed the acute dearth of research in the field of franchising in Africa. Of the 126 studies that were available and worthy of inclusion in the review, 62% were done in North America, 22% in Europe, 9% in Oceania, 5.5% in Asia and 1.5% in South America. Not a single of the pool of available franchising research was done in Africa. For a continent that is tipped as the next frontier for franchise business (FASA, 2017), the knowledge-base of franchising practice on the continent arguably needs to be established and improved upon. This will help investors exploring the option of the business model to be aware of the contexts and nuisances of the business model in the continent. More so, given the fact that findings in the West may not necessarily be applicable in other nations (Hoskisson, Wright, Filatotchev, & Peng, 2013) as culture plays a critical role in a successful franchise operation (Dant, Perrigot, & Cliquet, 2008; Falbe & Welsh, 1998 and Prebble & Hoffman, 1999), there is a need to understand the unique practice of the business model and the contextual factors influencing franchising success in Africa.

By and large, the above discussions have demonstrated that more studies on franchise business model is needed, particularly in Nigeria. The key factors that highlight this need include recent downturn in the performance of franchise firms in country, unclear understanding of factors that drive success in franchise business and the general paucity of studies on franchising. It is expected that this study will contribute to address current challenges as well as facilitate exploitation of the potentials of franchise business in Nigeria.

On the basis of the above arguments, this study is conducted to address the core Research Problem: *What are the factors that influence franchisees' business performance in Nigeria?*.

#### 1.4 Research Issues

Based on the research gaps so far identified, four specific research issues were outlined to guide the conduct of the study.

- i. What are the important **business format factors** that influence franchisees' business performance in Nigeria?
- ii. What are the key terms in the **franchise contracts** that have influence on franchisees' business performance in Nigeria?
- iii. What are the major **relationship quality** factors that influence franchisees' business performance in Nigeria?
- iv. What are the important franchisees' **attitude and skills** that have influence on their business performance in Nigeria?

#### 1.5 Objectives of the Study

The core aim of this study is to explore and establish the important factors that influence performance of franchisees in Nigeria. To achieve this aim, four specific objectives have been formulated and they include the following.

- i. To explore the important **business format factors** that influence franchisees' business performance in Nigeria.
- ii. To examine the key terms in the **franchise contracts** that have influence on franchisees' business performance in Nigeria.
- iii. To identify the major **relationship quality** factors that influence franchisees' business performance in Nigeria.

- iv. To explore the important franchisees' **attitude and skills** that influence their business performance in Nigeria.

## 1.6 Significance of the Study

Given the identified gaps and the stated objectives, this study is significant in three broad areas, namely: theoretical, methodological and practical.

Table 1.2  
Summary of significance/contributions of the study

Significance of the Study	Description
1. Theoretical Significance	<ul style="list-style-type: none"> <li>• Adds to stock of knowledge in the field of franchising.</li> <li>• Provides new insights into issues relating to franchise system performance.</li> <li>• Addresses perceived bias in literature by investigating issues from the perspective of franchisees.</li> <li>• Broadens theoretical base of franchise research by using new theory to explain findings.</li> </ul>
2. Methodological Significance	<ul style="list-style-type: none"> <li>• Contributes African perspective to franchising research.</li> <li>• Utilization of qualitative approach helps address one of the common criticisms of extant franchising research.</li> </ul>
3. Practical Significance	<ul style="list-style-type: none"> <li>• Framework for existing franchisors and franchisees to redesign policies and practices to enhance performance.</li> <li>• Findings will assist aspiring franchisees in deciding to select appropriate franchisors.</li> <li>• Findings will assist aspiring franchisors in deciding to select appropriate franchisees.</li> <li>• Findings will help existing franchisees to develop greater understanding of performance-enhancing factors.</li> <li>• Findings could be a useful tool for government and NGOs towards better enterprise promotion and SME development.</li> <li>• Provides emerging market and Africa perspectives of franchising practice. This could be useful to international researchers and development agencies.</li> </ul>

Source: developed for this research

As illustrated in table 1.2 above, this study contributes to fill five key *theoretical* gaps. First, given the acknowledged paucity of research in franchising (Dant *et al.*, 2011) and the recent calls (e.g Nijmeijer, *et al*, 2014) for more studies in different contexts on different aspects of the business model, this study adds to the existing stock of knowledge and contributes empirical evidence that will strengthen theory in the field of franchising research. With the increasing academic interest in franchising, the generation of in-depth understanding of the practice helps

not just to broaden and update knowledge in the field (Doherty *et al.*, 2014), but also to establish franchising as a credible field of entrepreneurship research (Ketchen *et al.*, 2011). Meanwhile, this study contributes to literature beyond franchising. Most of the issues explored are also relevant to other fields and by providing evidence for affirming and expanding the dimensions of the issues, the present study contributes to solidify constructs for other related fields such as licensing, contracting, joint venture and conventional SMEs research.

Second, the theoretical relevance of this study can be seen from its contribution to verify and affirm the factors that influence franchising success. Although White (2010) has since noted that it is worthwhile to examine factors that affect success in franchising, not many research have been done in this direction (Akremi *et al.*, 2015; Gillis & Combs, 2009; Hua & Dalbor, 2013; Nijmeijer *et al.*, 2014). This study helps to bridge this gap in knowledge by generating deep insights and identifying important factors that influence success of franchise operations in Nigeria.

Third, it is believed that the current knowledge base of franchising is fragmented and partial because it almost entirely relates to realities from the perspective of franchisors (Altinay & Brookes, 2012; Nijmeijer *et al.*, 2014; Wright & McAuley, 2012). The importance of franchisees in the long-term health of the franchise system is well noted in the literature. Their satisfaction and intention to remain determine not only the long-term health of their particular franchise chain but also the sustainability of the business model (Chiou & Droge, 2015; Lucia-Palacio *et al.*, 2014). By investigating issues from the perspective of a key party in franchise relation, this study has contributed in enhancing the understanding of the business mode.



The fourth major contribution of this study is in the area of theoretical explanation for franchise reality. For years, agency and resource scarcity theories have dominated the literature on franchising (Alon, Madanoglu, & Shoham, 2017). Meanwhile these two theories have been found not to be appropriate in explaining some aspects of franchising and this has informed calls to deepen the theoretical base of the field (Combs *et al.*, 2011b). This investigation adopts a rarely used theory to underpin the study and explain its findings. By so doing, the study helps to enlarge the theoretical lens by which franchise research is conducted.

Finally, this study contributes to address the dearth of empirical studies in franchising that is contextualized in settings outside the West (Welsh *et al.*, 2006; Alharbi, 2014). Forecasts indicate that emerging and African economies will be playing leading roles in global business and investment in the near future (Ernst & Young, 2014, UNCTAD, 2014). With franchising being seen as an important business model which could provide investors a less risky route to expand into other countries (Chanut *et al.*, 2013; Madanoglu, Shoham, & Alon, 2017), a study designed to understand different country's peculiarities and contexts is obviously a worthwhile effort. It is believed that Africa in particular will be the next frontier for franchise business given the saturation of most developed and emerging markets (FASA, 2017). By providing robust information and thick details of franchising practices in Nigeria, an academic effort which to the best of this researcher's knowledge has not been undertaken before, this study makes a key contribution to the literature.

Thus, it has been demonstrated that this study has a number of theoretical relevance which include addition to stock of knowledge, generation of insights into factors influencing franchise firm performance, addressing perceived bias in extant literature, deepening of theoretical base of franchise research and contribution to understanding African experience in franchising.

In terms of its *methodological* relevance, this study contributes towards addressing one of the common criticisms of the methodology of extant franchising research. It has been noted that current franchising literature is not fine-grained as it provides little in-depth insights into franchising issues in different contexts (Ajayi-Obe, 2007; Altinay *et al.*, 2014b; Doherty *et al.*, 2014; Elango & Fried, 1997). This reality is often attributed to the limited use of emic and contextually grounded research methodology like qualitative inquiry (Dant, 2008b). Thus, for the purpose of gaining more in-depth understanding of franchising practice in different contexts, several calls have been made to adopt more qualitative approach in investigating franchising issues (Altinay & Brookes, 2012; Dant *et al.*, 2011). This current study used qualitative methods to capture deep insights and unique idiosyncrasies of franchising practices, processes and relationship in Nigeria, thereby making a useful methodological contribution.

From the perspective of the *practical* contributions of this study, the findings will be useful to existing and prospective franchisors and franchisees, stakeholders in enterprise promotion and other group of potential beneficiaries in Nigeria. Four broad practical contributions of this study are discussed thus.

First, findings of this investigation will provide a useful framework and valuable insights to both current and potential franchisors and franchisees in Nigeria regarding the fundamental factors that shape performance of franchise units. This will ultimately help the parties to redesign appropriate strategies to improve performance. Given that the success of franchisors and in fact the entire franchise system depends on the collective performance of franchisees (Lucia-Palacio *et al.*, 2014), understanding the determining factors in franchisees' performance is critical to evolving policies and practices that improve the performance of the entire franchise system and for a satisfactory and sustainable franchise relationship.

Second, findings of this study will be a useful resource for intending franchisees. The study provides deep insights into issues in franchise units' performance, thereby informing prospective franchisees on the important factors to consider prior to joining a particular franchise system. It is expected that the findings of this study will inspire prospective franchisees to do more due diligence and carry out good background checks on the contract terms, types and quality of services provided by franchisors, as well as other issues that have been explored in this study. In the same vein, existing partners that desire to reevaluate their partnership will also find this study useful. Scholars have noted that many franchise agreements are formed based on good chemistry (Doherty *et al.*, 2014), but rationality and due diligence have been found to be very critical for achieving success in franchise business (Frazer, Weaven, Giddings, & Grace, 2012). Findings of this study will facilitate rational and informed decision by both parties with regards to whether it is wise and beneficial to continue business relation with each other.

Third, findings of this study is a potentially resourceful policy tool for both non-governmental organizations (NGOs) and public sector promoters of self-employment and SMEs in Nigeria. Given that franchising has been confirmed to be useful in developing SMEs (Alharbi, 2014; Binh & Terry, 2013), it is expected that this study will raise awareness on the option of franchising in this regard. The management strategies proffered in this study will potentially help in increasing the number and quality of franchised SMEs in Nigeria.

Lastly, the findings of this study will potentially help the relevant professional associations in Nigeria (Nigerian International Franchise Association – NIFA) and across the world (e.g. International Franchise Association - IFA, World Franchise Associate – WFA) on issues that

need to be addressed by members in order to enhance and preserve the integrity of the business model at local levels and in the international arena.

By and large, this section has discussed the key theoretical, methodological and practical relevance of the present study. The discussions identified five (5) important theoretical contributions, one (1) broad methodological contribution and four (4) key practical significance. In total, this study is expected to make impact in at least ten (10) important ways which further justifies the need for it conduct.

### 1.7 Scope and Delimitation of the Study

Having discussed the relevance of the study in the previous section, this section identifies the scope of the study. As shown in table 1.3 below, this study addresses factors influencing franchise firm performance from the perspective of business format franchisees using a sample drawn from thirteen (13) large cities in Nigeria. This is thus discussed in detail.

Table 1.3  
*Scope of the study*

Focus	Justification
Franchisees	<ul style="list-style-type: none"> <li>To address perceived bias in franchise literature</li> <li>Franchisees are the backbone of franchise system.</li> <li>Franchisees are more accessible in terms of data collection.</li> </ul>
Franchisees Performance	<ul style="list-style-type: none"> <li>Franchisees performance critical for the long-term health of franchise system.</li> <li>Conflicting accounts of franchisees performance.</li> <li>Not much research has been done on franchisees performance.</li> </ul>
Business Format Franchise	<ul style="list-style-type: none"> <li>More prevalent in many parts of the world</li> <li>Least understood in Nigeria</li> <li>Not well-developed yet</li> </ul>
Nigeria	<ul style="list-style-type: none"> <li>More complex but with high potentials to develop SMEs</li> <li>Huge potentials for franchise growth</li> <li>Franchise system potentials not yet realized</li> <li>Need to understand why some franchise firms currently perform poorly</li> </ul>
Respondents drawn from 13 largest cities in Nigeria	<ul style="list-style-type: none"> <li>These are cities where franchise outlets are mostly found</li> </ul>

Source: Developed for this research

Previous studies have lamented that although franchisees are the major contributors and backbone of franchise systems, the development of franchise theory and understanding has not always incorporated their opinions and perspectives (Lucia-Palacio *et al.*, 2014; Michael & Combs, 2008; Stanworth & Kaufmann, 1996; Tuunanen & Hyrisky, 2001). For long, large percentage of franchise studies have focused exclusively on franchisors (Dant *et al.*, 2011), disregarding the reality that the success of franchise business depends on the action of three equally important actors – the franchisors, franchisees and customers (Dant, 2008b). Hence, this study is specifically about franchisees and the expectation is that it will potentially bridge the observed gap and in effect, contribute to the robustness of franchising literature.

The study was done in Nigeria where franchising has been noted to be a potential market of over US\$100 billion (Export.gov, 2016b). The country is a huge domestic market of over 170 million people, growing middle class with increasing purchasing power (Aderibigbe *et al.*, 2016), young demographic who are outgoing and characterized with lifestyles such as outdoor eating. All these are features that could support franchising especially in food-service sector.

Although there are such other types of franchising as product manufacturing, product distribution, trademark license and promoter (Mohd Harif, 2002) as detailed in section 2.1 (chapter two), this investigation focuses on business format franchise because of a number reasons.

First, apart from being generally more prevalent in many parts of the world (International Franchise Association, 2016), most franchise research are conducted on the business format variant (Nijmeijer *et al.*, 2014) and so the present study focuses on this type in order to have a similar and fairly established base upon which eventual findings can be compared. Second, this

study focuses on business format franchise because of the need for in-depth understanding of the model in Nigeria. Out of the five types of franchising identified (see Mohd Harif, 2002), only three are commonly practiced in Nigeria. These are product manufacturing, product distribution and business format franchising (Aderibigbe et al., 2016). Of these three, business format franchising is only being recently introduced in country and not much is understood about the practice (Odunsi, 2015). This is unlike product distribution and manufacturing franchises which have a long history and well-understood in the country. Third, business format franchising as presently practiced in Nigeria appears to be having teething problem being a relatively new business model in the country.

Thus, the combination of similar basis for comparison, practice, lack of understanding and complexity of business format franchise in Nigeria make it an interesting research field and therefore chosen as a focus for this study.

In terms of the sector and geographical bounds of the study, business format franchise is practiced only in a few sectors in Nigeria and their outlets are found mostly in cities and urban centers. Hence, respondents for this investigation were drawn from five (5) sectors that commonly apply franchising. These sectors are quick service restaurant (QSR), retailing, ice-cream vending, transportation and telecommunication-mobile devices. Across these sectors, respondents were drawn from thirteen (13) largest cities and commercial hubs in the country. The highest number of respondents come from Lagos, Abuja, Port Harcourt and Kaduna respectively. These cities have the highest concentration of franchise business units in the country. Finally, the study is grounded in constructivist paradigm and thus used the qualitative method of in-depth interview to collect data. NVivo was used to manage and analyze the transcribed data.

## 1.8 Organization of the Thesis

As illustrated in figure 1.2 below, this thesis is organized into five (5) chapters, namely:

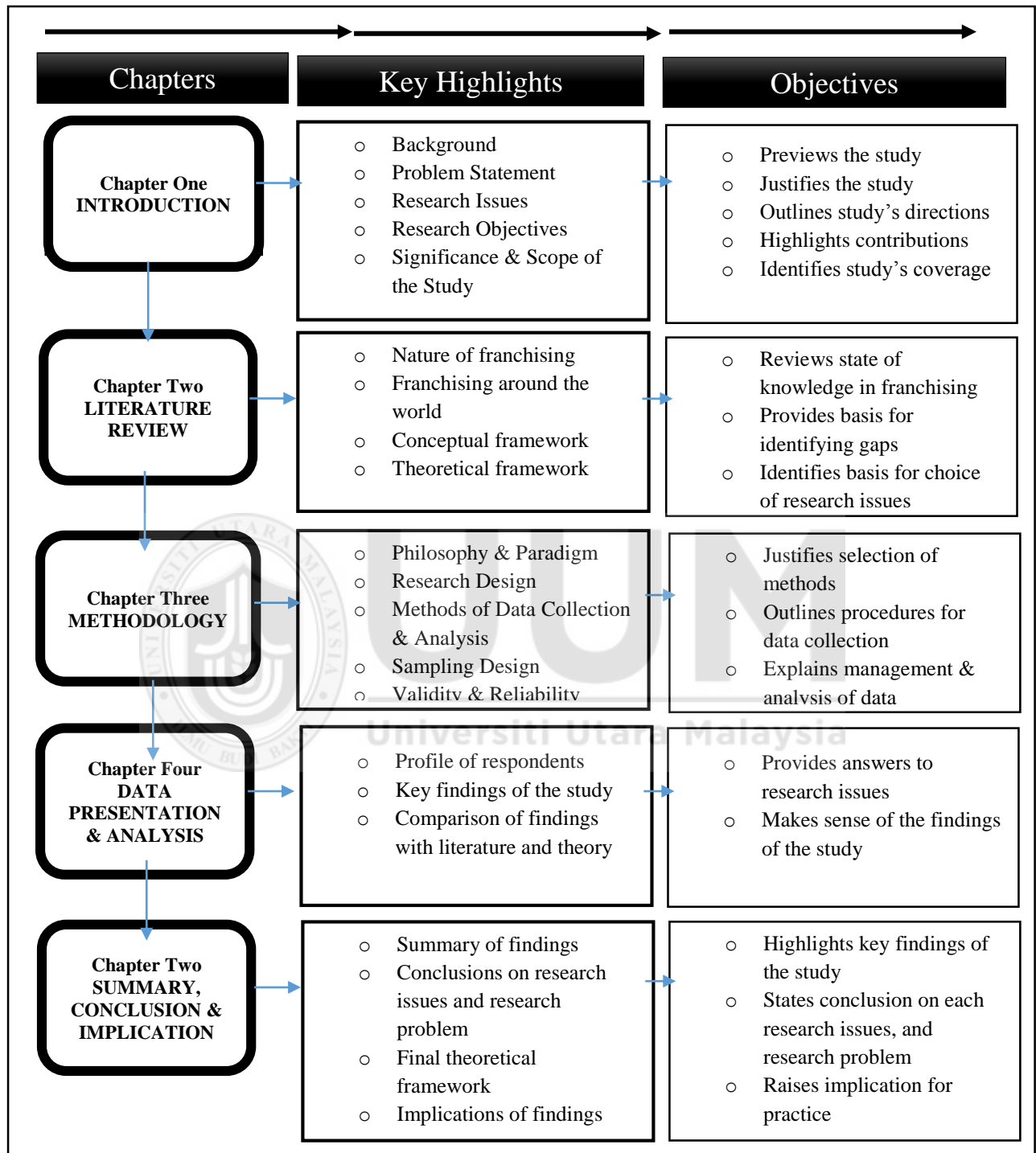


Figure 1.2

*Organization of the Thesis*

Source: Developed for this research

Introduction; Literature Review; Methodology; Data Presentation and Analysis; Summary, Conclusion and Implications respectively. These five (5) chapters collectively provide answers to the research problem and research issues stated in section 1.3 (problem statement) and 1.4 (research issues).

Chapter one introduces the study and presents arguments justifying the need for the investigation. The chapter includes such sections as background of the study which previews what franchising is and briefly discusses the present state of the business model in Nigeria. Other sections in chapter one are: research issues, objectives of the study, significance of the study, scope of the study and organization of the thesis.

Chapter two is the literature review. It presents the current state of knowledge on issues that are relevant to the study. The aim of chapter two are basically three: to review how the business model is currently practiced around the world, to critically document what is known about the fundamental issues underlining the study, and to identify the gaps that will be filled by the current investigation. The chapter also outlines the theoretical lens by which the findings of the study are explained.

Chapter three is specifically about the procedures and methods adopted for the conduct of the study. It presents the step-by-step approach used for selecting respondents, collecting data and analyzing same to answer the questions guiding the study. Attempt is made in this chapter to make a case for the paradigm and philosophy of the study as well as for the appropriateness of the qualitative approach adopted. The chapter also explains measures that were taken to guarantee validity and reliability of findings.



Chapter four contains the results – the findings of the study. The chapter is broadly divided into two; the preliminary findings and the main findings. In general, the chapter provides detail empirical evidences and analyses which address the key issues underlining the conduct of the study.

The last part of the thesis is chapter five and it presents a review of the entire work. Following from the presentation of the review, the chapter highlights the key conclusions arrived at on each of the research issues. Chapter five also includes a section that critically evaluates the approach adopted for the study and then suggests areas for further investigations.

## **1.9 Summary of the Chapter**

In summary, franchising has become an important business model and the fastest growing form of business alliance in the world (Madanoglu *et al.*, 2017). Its increasing relevance is attributed to the benefits it bequeaths to the two parties – franchisors and franchisees, and the larger economy. It is believed that given the proven benefits of franchising, Nigeria could use the business model to develop her SME base and promote entrepreneurship among its youths. This study is conceived to address issues that could have impact on the performance and long-term sustainability of franchise industry in Nigeria. The thesis is organized into five chapters and this is the first.

Hence, this chapter is essentially a preview of the rest of the thesis. It introduces the subject matter of franchising and contains arguments that justify why a study of this nature is needed in Nigeria. The chapter clearly states the underlining research problem which is the need to understand the how and why of the important factors that influence franchisees business performance in Nigeria. To address this problem, four key issues were outlined. It is expected

that once these issues are addressed, the study will make several contributions to the theory of franchising generally and the practice of the business model in Nigeria.



## CHAPTER TWO

### LITERATURE REVIEW

#### 2.1 Introduction

Chapter one has outlined the background and justifications for the study. The chapter also highlights the significance as well as the focus of the investigation. Chapter two now presents the current state of knowledge on aspects of franchising that are relevant to the study.

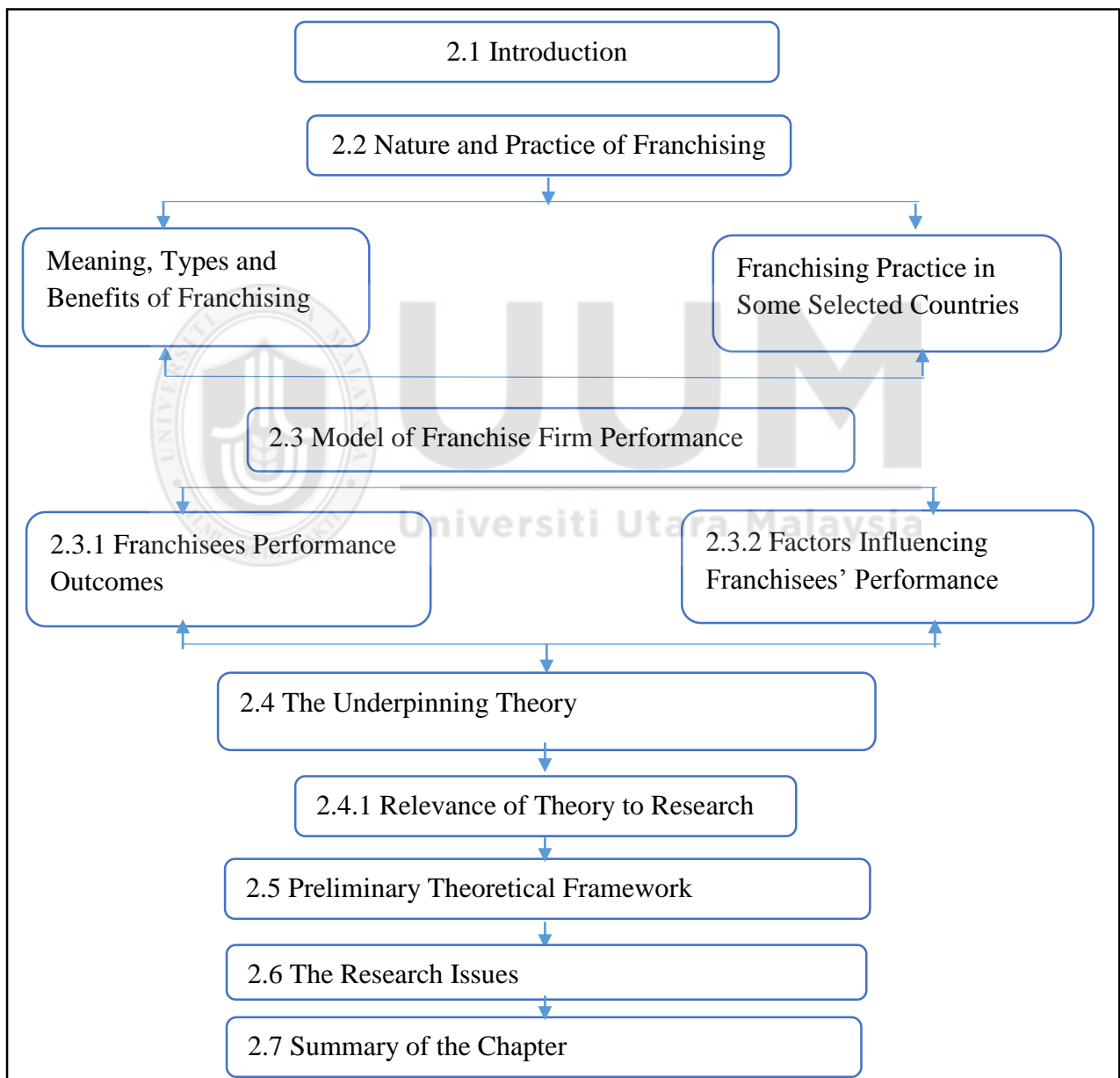


Figure 2.1

*Highlight and flow of chapter two*

Source: Developed for this research

The aim of this chapter is to lay out the basis within which the current study can be located in the broader franchising literature. To achieve this aim, the first section explains the nature of franchising, including a comprehensive discussion on the current state of the business model in some selected countries. The third section is the conceptual framework of the study. Discussions on the section starts with justifications for adopting the framework followed by detail description of the relevant parts of the framework. Under this section, syntheses of previous studies on issues and factors that have the potentials to influence franchisees' business performance are presented. The fourth section is the underpinning theory. This section discusses the major theories commonly used to explain franchising realities, highlighting why Resource-Based Theory is most relevant to the issues being investigated in this study. The fifth section is the development of the preliminary theoretical framework. This framework contains factors that have been considered for further exploration in the study. The last main section explains the research issues that have been derived to answer the preliminary theoretical framework.

## **2.2 Nature and Practice of Franchising**

This section discusses such issues as meaning and benefits of franchising as well as types of franchising. Franchising is a business model that has acquired a stable influence over the last 50 years and represents roughly 35% of global retail trade (Lindblom & Tikkanen, 2010). The business model has indeed become a valuable organizational form especially in retailing and distribution of goods and services across the world (Grewal, Iyer, Javalgi, & Radulovich, 2011). Although the word franchise conjures images of such iconic international brands as McDonalds, KFC, Hilton Hotels, Holidays Inn, The Marriot, Total Oil and so on, it is not just a restaurant or hotel phenomenon, neither is it an exclusive reserve of multinational American companies (Shane, 1998). In many economies, local businesses and brands that have reputation and replicable systems are taking to franchising as a way to scale up and leverage their assets.

For example, in Australia, 90% of all franchised firms in the country are local businesses (Alharbi, 2014). Similarly, in Nigeria, roughly 95% of all those engaged in franchise business are local companies (Ndumanya & Quadri, 2014a; Olotu & Awoseila, 2011). Franchising is not only a business expansion strategy (Lindblom & Tikkanen, 2010), it is increasingly being used as an entrepreneurship, self-employment and SME development option (Anwar, 2011; Mohd Harif *et al.*, 2011).

Given the important roles that franchising plays in today's global economy, studying the subject with a view to improving its practices and outcomes is arguably a worthwhile effort. The next subsections of this review explain what franchising really is, its types, benefits and contributions to countries' economy.

### **2.2.1 Meaning of Franchising**

In today's highly competitive and fast-paced business environment, success requires that entrepreneurs possess an efficient model for products and/or service distribution as well as business expansion. Franchising has proven to be that kind of model (Selden, Gipson and Parker, 2008). It is a rapidly developing means for distributing goods and services around the world.

In its simplest form, franchising is a business relationship wherein one party (franchisor) permits the other (franchisee) to run a replica of a business system that has been proven to have a measure of success (Duckett, 2008). Usually, as a price for the opportunity to benefit from a proven business system, franchisees are required to pay some fees such as the initial franchise or license fee and regular royalties which in most cases is an agreed percentage of sales (International Franchise Association, 2016). From a legal perspective, franchising is understood to be a legal agreement between franchisor and franchisee to sell or distribute a

product or service using the complete business process and brand name provided by the franchisor (Chiou & Droge, 2015).

Combining both the business and legal features of the model as highlighted in the two definitions above, franchising can be seen as an accord between two legally recognized parties whereby a company or group of companies – franchisees, are given the right to make and sell a particular product or service using the trade names, trademarks and/or complete business system of another company – franchisor (IFA, 2015). In this arrangement, the franchisee is obligated to pay some fees (initial license fees and regular royalties) to the franchisor who in turn is expected to provide all necessary business supports – trade name, trade mark, intellectual property rights, procedural system, commercial and technical assistance and so on to the franchisee (European Franchise Federation, 2017).

Thus, drawing from these various definitions, this study defines franchising as *a business model where one party - the franchisor, allows the other - the franchisee, who has been confirmed to possess the energy, discipline, relevant experience and resources, to use the former's goodwill, trade name, product or services and business system to conduct an independent business*. It is a business strategy that has several elements and principles which give reasonable guarantee of sustainability of both the franchisor's and franchisee's businesses.

### **2.2.2 Benefits of Franchising**

Franchising delivers a number of beneficial outcomes to not just the franchisors and the franchisees, but also to the larger economy. For franchisors, it is a great strategy for business growth and development as it provides a cost-effective mean for accessing new markets and securing valuable competitive advantage (Rahatullah & Raeside, 2009). The franchisor

benefits through the opportunity for rapid expansion with minimal capital investment (Altinay & Brookes, 2012; Altinay *et al.*, 2014b; Lim & Frazer, 2004).

Through franchising, franchisors gain maximum brand exposure while minimizing business risks (Lim & Frazer, 2004). These are achieved by having access to cheap resources in the form of capital and managerial talents of franchisees (Altinay *et al.*, 2014; Dant, Weaven, & Baker, 2013). More so, the initial franchise fees and regular royalties shore up the revenue base of the franchisor (Frazer, Merrilees, & Wright, 2007). This is why it is often argued that compared to establishing a company-owned outlet, franchising is a more efficient way of expansion as the incentive system in the business model is better aligned (Michael & Combs, 2008).

On the other hand, franchisees benefit by securing the right to operate an independent business under a reputable and tested business system (Altinay *et al.*, 2014b). Since it is presumed that most top franchised business have had several years track record of success and profitable operations prior to franchising (Frazer, Marrillees & Wright, 2007), franchisees would benefit by way of the extra relative peace of mind investing in a less risky business venture. In addition, the training and other supports offered by franchisors are always invaluable to franchisees and could help greatly in setting their businesses up for success (Binh & Terry, 2013).

On its benefits to the larger economy, franchising has been termed as an enabler of economic growth (IHS Markit Economics, 2017). Beyond being a globally accepted, profitable and ever-growing model for rapidly growing a business (Dant, 2008a; Kosova & Lafontaine, 2010), franchising is a veritable tool for the promotion of entrepreneurship (Bevis, 2015) and a viable instrument for enhancing the overall performance of an economy (Binh & Terry, 2013; European Franchise Federation, 2017; IFA, 2015; IHS Markit Economics, 2017).

According to the European Franchise Federation (EFF), franchising boosts national and global economies in many ways. This include creation of enterprise and small business owners; facilitation of dynamic and efficient system of enterprise growth; it increases survivability and growth of startups; it acts as a natural vector for cross-border trade and generation of foreign exchange; it facilitates transformation, modernization and professionalization of traditional occupation; it promotes acquisition of entrepreneurial skills and encourages healthy competition among businesses (European Franchise Federation, 2017).

More specifically, franchising has been found to be a proven solution to the many challenges of SMEs development (Frazer, Weaven & Grace, 2014; Nasri, 2014; Hao & Yu, 2013; Binh, & Terry, 2013; Alharbi, 2013; Chanut, Gharbi & Fernandez, 2013). For developing countries, franchise business model is particularly relevant as the franchisors' provision of tested system accompanied with training and ongoing supports go a long way in developing the SME sector (Binh & Terry, 2013). In addition to training and general hands-on technical and managerial guidance to franchisees, some franchisors provide such other assistance as financing (Shane, Shankar, & Aravindakshan, 2006), advertising, marketing and brand management (IFA, 2014).

Furthermore, since the process of franchisee selection is presumably, relatively rigorous (Doherty, 2009; Rahatullah & Raeside, 2009; Vaishnav & Altinay, 2009), as franchisors usually expend a significant amount of money and time to search and select franchisees whose experience, style, philosophy and values match those of the franchisors (Gillis, 2007), it follows that business format franchise model helps to match prospective entrepreneurs-franchisees with business areas or systems that best suit them. The result of this is that franchisees will be better aligned and more committed since they will be doing what they love and are passionate about. With this, it is not surprisingly that franchised business outlets have much higher success rate



than their independent-owned counterparts (Alharbi, 2014; Binh & Terry, 2013; Frazer, Weaven, & Grace, 2014b; Hua, Xiao, & Yost, 2013; Lafontaine & Zapletal, 2014).

Thus, franchise business model not only benefits the two parties that are directly involved, it is highly beneficial to a country's economy. The overall impact of the industry could be seen from its contribution to job creation, boosting of national productivity and wealth creation. As detailed in section 2.1.2 (franchising in some selected countries), franchise industry is a major contributor to the GDP of some nations and it has been noted that the industry generates jobs faster than most other industrial sectors in many advanced and developing economies (IFA, 2015).

### 2.2.3 Types of Franchise Arrangement

Table 2.1  
*Types of Franchising*

Types of Franchising	Examples	Practiced in Nigeria	Scope of this Study
Product Manufacturing	Coca-Cola & bottling companies around the world (Gillis, 2017)	✓	▪
Product Distribution	Fast-moving consumer goods multinationals and local dealers	✓	▪
Business Format	McDonald's, KFC, Holiday Inn, Mr. Bigg's etc.	✓	✓
Trademark/Trade name	Walt Disney, Pierre Cardin (Noraini, 1998 cited in Mohd Harif, 2002)	▪	▪
Promoter	Avon, Bonia etc. (Noraini, 1998 cited in Mohd Harif, 2002)	▪	▪

Source: Developed for this research

As shown in table 2.1 above, there are five popular types of franchising identified in the literature and these include, product manufacturing, product distribution/dealership, business format franchising, trademark license and promoter (e.g. Anwar, 2011; Dant et al., 2011; Gillis, 2007; Mohd Harif, 2002). Taken from the last, while *trademark franchising* is an arrangement where a franchisee sells franchisors' goods or services for commissions, *promoter franchising* is characterized with franchisors provision of facilities and supports to franchisees who in turn

purchase goods from franchisors for resale (Mohd Harif, 2002). These last two are not practiced in Nigeria and they also do not suit the definition of franchising in this study. The first three are commonly practiced in Nigeria and are thus discussed.

*Product (or process) manufacturing* franchise is an arrangement where a franchisor grants a franchisees a legal right to manufacture a given good or service using the recipe, formula or process provided or recommended by the franchisor (Gillis, 2007; Mohd Harif, 2002). The relationship between Cola-Cola international and its bottlers around the world is a good example of this type of franchise (International Franchise Association, 2016). Examples of this franchise arrangement in Nigeria include the Nigerian Bottling Company which produces Coca-Cola products and the 7-Up Bottling Company which produces PepsiCo products (Aderibigbe et al., 2016).

*Product distribution franchising* involves only the licensing of a brand name to a third party firm to transact an independent business (Killion, 2008). It is purely a franchise relationship where one company or person – called the supplier, mandates another – called the dealer, to sell the product and or service of the former (Odunsi, 2015). In product distribution arrangement, the dealer may or may not necessarily use the complete system of the supplier (Gillis, 2007). Example of this arrangement can be seen in the automobile industry where an auto dealer is allowed to run his own independent dealership using the name of the auto manufacturers whose cars he/she distributes. Other examples include dealership relationship between major Nigerian household goods dealers and international fast-moving consumer goods manufacturers like Procter and Gamble and Unilever. The companies that are engaged in this type of franchising in Nigeria include Peugeot Automobile Nigeria, Coscharis Motors, Unilever Nigeria, Danhausa Nigeria and so on.

*Business format franchising* on the other hand, is a continuing business partnership whereby the franchisor (a firm with a reputable brand and proven business concept) grants the franchisees (independent individuals or firms), the rights to undertake an independent business using the franchisors' brand name and complete business processes (Aliouche & Schlenrich, 2009). In return for these rights and the benefits thereof, the franchisees pay some applicable fees such as franchise/license fees, management fees, regular royalty and/or advertising contribution (Lindblom & Tikkanen, 2010; Michael, 2000; Shane, 2005; Sorenson & Sorensen, 2001). Business format franchising is more prevalent in many economies around the world (International Franchise Association, 2016) and it is being applied in a wide range of industries such as quick service restaurant, hotel and lodging, retail/convenience stores, real estate, and car rental. The next paragraphs identify the keys differences between business format and the other two types of franchise arrangements popularly practiced in Nigeria.

First, business format franchising is more prevalent around the world than product distribution (European Franchise Federation, 2017). Second, while product manufacturing and distribution franchises involve only the granting of right to a third party to use a business name, business format is all-involving as the franchisor not only grants the right to his business name, but also provides supports and trains to the franchisees on all elements (system, operations and strategies) necessary to undertake the venture (Lindblom & Tikkanen, 2010). Third, in business format franchising, the franchisor has more control over what the franchisees sell and how the entire business is operated unlike product manufacturing and distribution franchises where local practices vary widely (Surbhi, 2016). The fourth difference between business format franchise and others is that while business format franchising is specifically legislated and regulated in many countries of the world mainly because of its unique practices, there are no such targeted regulations for product manufacturing and distribution franchises.

This study focuses on the business format type of franchising for reasons that have been given in section 1.7 (scope of the study in chapter one). The first reason is that business format is more prevalent in many parts of the world and most franchise studies are conducted under this type. Hence, in order to appropriately compare findings with previous research, this study focuses on the business format type of franchising. Second, business format model is only recently introduced in Nigeria and there is a need to understand its uniqueness and complexity in the country. Third, business format is about the only type of franchising that people quickly remember when a discussion on the topic of franchising comes up in Nigeria (Aderibigbe et al., 2016; Odunsi, 2015).

Thus, the forgoing discussion has been about the meaning, benefits and main types of franchising practiced in Nigeria. The discussion has highlighted the key benefits of franchising to the two parties involved as well as to the economy at large. The next section explains the state of franchising in different countries with the key highlights being the industry's contribution to national productivity, GDP, employment generation and wealth creation.

#### **2.2.4 Franchising Practices in Some Selected Countries**

Apart from being an important strategy that has changed the world of business (IFA, 2016), franchising has been found to make valuable contribution to the overall economic development of nations (Alharbi, 2014). This can be seen from the contribution of the industry to the stimulation of entrepreneurship, boosting of economic activities, GDP growth, job creation and national competitiveness of many countries of the world. The relative contributions of franchise industry of selected developed, emerging economies and African nations are reviewed in this section.

Eight (8) jurisdictions are included in the review. Three (3) developed countries, three (3) emerging economies and two (2) African countries. Efforts were made to review franchise industry of at least one country from each continent of the world. There are other specific considerations for selecting the countries in this review. For the developed countries, UK, US and Australia have highly advanced franchised systems (Dada, Watson, & Kirby, 2015; European Franchise Federation, 2017; Frazer, Weaven, Grace, & Selvanathan, 2016; IHS Markit Economics, 2017) and there is a need to learn how their systems have evolved.

In the case of the emerging economies, Malaysia, Brazil and China were selected. Malaysia and Brazil are included in the review because of the need to understand the basis for the current rapid growth that the industry is experiencing in these two countries (Fernandes & De Oliveira, 2017; SME Malaysia, 2017). China is in the review because of its large consumer market and the increasing interest of foreign brands to operate in the country through franchising (Doherty *et al.*, 2014; Export.gov, 2017b).

In respect of franchising in Africa, South Africa and Nigeria are the two countries reviewed. South Africa is often cited as the most business-savvy country in Africa (Export.gov, 2016c) and the country is the leading franchise system on the continent (FASA, 2017). Lastly, Nigeria is the setting of this study and hence the current state of franchise business model in the country needs to be understood.

#### **2.2.4.1 Franchising in the Developed Countries**

As shown in table 2.2 below, franchising continues to make a huge impact on the economy of many developed countries. This section shows the state of franchising in some selected

developed countries. The section presents discussions on franchising in the United Kingdom (UK), franchising in the United States of America (USA) and franchising in Australia.

Table 2.2  
*Overview of Franchise Industry in the Developed Countries*

Particulars	Countries		
	United Kingdom	United States	Australia
Number of Brands	901 brands	732,842 brands	1,120 brands
Number of Units/Outlets	44,200 units	732,842 units	79,000 units
Contribution to GDP	NA	5.7%	10%
Annual Turnover	BP15.1 (US\$19.65) billion	US\$868 billion	US\$146 billion
Employment	621,000	7, 636, 000	470,000
Legal Framework	No specific franchise laws. General business laws apply	FTC Franchise Rules and individual state franchise rules	Franchising Code of Conduct
Data Reference Year	2015 – 2016	2016	2016

Source: Developed for this research

#### 2.2.4.1.1 Franchising in the United Kingdom

Franchising has a rich history in the UK which can be traced to the Feudal practices in the 16<sup>th</sup> Century England when the feudal lords occasionally granted permission to peasants to use their lands in return for certain fees (British Franchise Association, 2017b). At present, as shown in table 2.1 above, franchise industry plays a key role in improving the economy and national productivity of the UK.

According to the latest survey of the industry conducted by the British Franchise Association (BFA), there are 901 franchise brands in the UK with 44,200 franchise outlets (British Franchise Association, 2016). The survey further indicates that 621,000 were employed in franchise industry and the industry generated BP15.1 billion British Pounds (US\$19.65) in the year 2015. The most interesting data point in the survey is the fact that 97% of franchised units in the country were operating profitably, with more than 50% recording a turnover in excess of PB250,000 (US\$321,300). This goes to support the empirical findings that franchised

businesses are profitable and could be more so than independently-owned ventures (Hua & Dalbor, 2013).

In the UK, there are no specific laws guiding franchise business partnership (British Franchise Association, 2017a). Apart from the BFA Code of Ethics that guide the conduct of franchise business in the country, contracts in the industry are enforced according to the existing general business and commercial laws (HamiltonPratt, 2017). The important commercial and business laws that are relevant to parties entering into franchise partnership in the UK include The Trading Scheme Act 1996, The Fair Trade Act 1973, The Marks Act 1994, The Data Protection Act 1998, The Bribery Act 2010 (British Franchise Association, 2017a; Drakes, 2017; Nelsons, 2014) and so on. Other issues on which proper legal counsel may be needed to conduct a successful franchise business especially for franchisors include pricing controls, exclusivity, tying practices and online sales by franchisees (Drakes, 2017).

Thus, the foregoing discussion has shown that franchising is an important business model in the UK with the industry contributing meaningfully to enterprise promotion, job creation and GDP growth in the country.

#### **2.2.4.1.2 Franchising in the United States**

Franchising in the US has come of age and continues to be an important business model that strengthens the economy in many ways. As indicated in table 2.1 above, recent reports indicate that as at December 2016, the number of franchise establishments in the US was around 732, 842, contributing 5.7% of GDP and generating 7, 636,000 direct jobs in the country (IHS Markit Economics, 2017). In total, the US franchise industry produced goods worth US\$868 billion and contributed US\$454.1 billion to the country's GDP in 2016 (International Franchise

Association, 2016). More so, franchise businesses provided more direct employment in the US than all manufacturers of consumer goods such as cars, computers, planes, trucks, primary metals, communication equipment, woods products, and instruments (International Franchise Association, 2016).

When the effect of franchising such as product and service demands from other sectors of the US economy is considered, the multiplier impact of the franchise industry can be seen in terms of 16million jobs being created, US\$723.2 billion in payroll, US\$2.08 output and US\$1.20 trillion contribution to GDP (International Franchise Association, 2016).



Figure 2.2  
*Notable US Franchise Brands*

Interestingly, such iconic franchise giants as McDonald's, KFC, 7-Eleven, Subway, Burger King, Holiday Inn (now part of InterContinental) originate from the US.

Meanwhile, there are two major developments in recent years that could potentially modify franchise business model in the US. These are misclassification and joint employer status (Woods, Hurwitz, & McKenzie, 2016). Misclassification relates to whether franchisees should be classified as employees or independent contractors to franchisors while joint employer status has to do with the debate that given the degree of controls that franchisors exert on the



operations of franchised outlets, franchisees should be treated as joint employer of the franchisees workforce (Woods *et al.*, 2016).

In terms of the general regulatory framework, franchising in the US is governed by two levels of laws: the federal and individual state laws. About 26 states have separate laws and regulations guiding registration, disclosure and such contract issues as fees, exclusivity, termination, renewal, transfer and so on (Woods *et al.*, 2016). At the federal level, the Federal Trade Commission (FTC) enacts and reviews regulations guiding the industry and these regulations are commonly called FTC Franchise Rules (Marzheuser-Wood & Baggott, 2016), most notable of which is *The Disclosure Requirements and Prohibitions Concerning Franchising* (Woods *et al.*, 2016). Although there are differences across states in terms of franchise regulations, both levels of laws are generally more protective of franchisees (Woods *et al.*, 2016). Apart from the states and federal regulations, the association of franchise professionals in the US, the International Franchise Association (IFA) has outlined clearly defined Codes of Ethics that regulate franchising practices and relations in the country.

Thus, it is clear from the above review that the US franchise industry is well-developed and it is making significant contribution to the economy of the nation.

#### **2.2.4.1.3 Franchising in Australia**

Interestingly, the Australian franchise industry is often regarded as highly advanced with some scholars labelling the country as the franchise capital of the world (Frazer, Weaven, & Grace, 2014a; Li & Stittle, 2014; Weaven, Frazer, & Giddings, 2010; Wright & McAuley, 2012). This, in part, is because the industry's contribution to the GDP in Australia is one of the highest in the world. According to a biennial survey of the Australia Franchise, the industry generated

US\$146 billion in 2016 representing nearly 10% of the country's GDP (Frazer *et al.*, 2016). Although 32% of franchisors in Australia now operate globally, the country's franchise industry has expanded mostly from within as 90% of the systems are Australian-based chains (Frazer *et al.*, 2016). The report indicates that more than 470,000 people are directly employed by the 79,000 franchise units across the 1,120 franchise systems operating within the country.

An interesting fact about the Australian franchise system is that it is the only country in the world where Burger King, the US franchise giant, is not known by that name. The company is called Hungry Jack in Australia as the original name had been registered to a local take-away food restaurant before Burger King Corporation arrived the country (Terry & Forrest, 2008). Some of the popular home-grown franchise brands in Australia are shown in figure 2.3. They include Foodco (food), Poolwerx (pool cleaning), Gutter-vac (gutter cleaning) and Baker's Delight (bakery).



Figure 2.3  
*Notable Australian Franchise Brands*

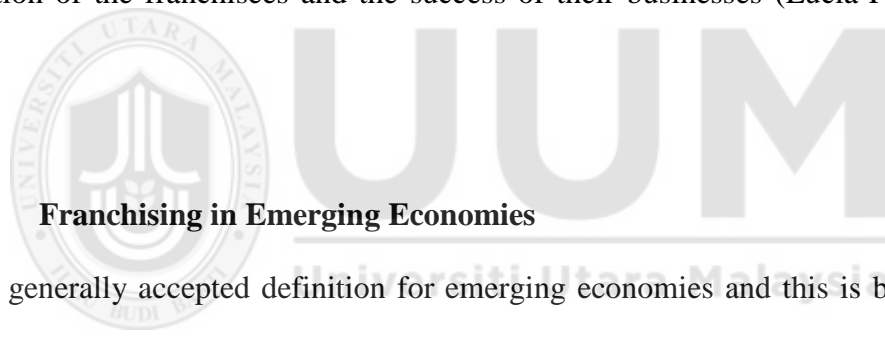
Legally, the Australian franchise industry is governed by a number of laws and agencies. The general laws under which the industry operates is The Franchising Code of Conduct and the main government agency that regulates the industry and enforces the Code is the Australian Competition and Consumer Commission (ACCC). The Franchising Code has been amended many times and the latest amendments came into effect on 1<sup>st</sup> of January, 2015 (ACCC, 2015).

The Code is divided into four parts addressing issues of good faith, disclosure, agreement and dispute resolution respectively. The latest amendments brought about vital changes that must be properly understood as there are serious implications for breach of the code. These new changes as outlined on the website of the regulatory authority (ACCC, 2017) include the following:

- Stiff penalties for franchisors and franchisees who do not act in good faith.
- Infringement notices and financial penalties for serious violation of the Code.
- Franchisors to provide prospective franchisees with a brief information sheet containing the risks and rewards of franchising.
- Greater transparency and accountability to be provided by franchisors in the use of money contributed for marketing and promotion.
- Franchisors to establish a separate marketing fund for marketing and advertising fees.
- Additional disclosure about the ability of the franchisor and franchisees to sell online
- Franchisors are prohibited from imposing significant capital expenditure on the franchisee except in limited circumstances.

Thus, it is apparent from the above listed changes that the Code is designed to protect both parties, but just like the FTC Franchise Rules in the US, it is skewed particularly in favour of franchisees. Franchisees' protection is necessary to check possible abuses by the franchisors who are obviously more powerful and wield significant influence in a franchise agreement (Frazer *et al.*, 2007, 2012; Lagarias & Boulter, 2010). Apparently, the franchise rules or codes highlighted above are designed to provide a healthy environment for the industry to flourish while maintaining its credibility.

By and large, the forgoing discussions have been on the state of franchising in three developed nations – UK, US and Australia. The business model has contributed immensely to the economies of these nations in terms of job creation, GDP growth and overall national competitiveness. Interestingly, the future outlook of franchising in these countries is generally positive as the industry is projected to contribute more to the economies than any other sector (IHS Markit Economics, 2017). It is noted that while a few differences in the practice of the business model exist in the three countries, they share some commonalities. For instance, although UK is the only one of the three countries that do not have franchise-specific laws, they all have frameworks that emphasis disclosure and protection of franchisees. This is perhaps due to the realization that the long-term sustainability of the business model rests on the satisfaction of the franchisees and the success of their businesses (Lucia-Palacio *et al.*, 2014).



#### 2.2.4.2 Franchising in Emerging Economies

There is no generally accepted definition for emerging economies and this is because these economies are not monolithic, there are considerable differences among them (Khanna & Palepu, 2013).

Table 2.3  
*Overview of Franchise Industry in Emerging Economies*

Particulars	Countries		
	Malaysia	Brazil	China
Number of Brands	813 brands	3,073 brands	4,500 brands
Number of Units/Outlets	6,000+ units	138,343 units	NA
Contribution to GDP	3.7%	10%	NA
Annual Turnover	US\$6.36 billion	US\$35 billion	NA
Employment	50,000	1.2 million	NA
Legal Framework	Malaysian Franchise Act 1998	Brazilian Franchise Law 1994	Regulation on Administration of Commercial Franchises etc.
Data Reference Year	2016	2016	2016

Source: Developed for this research

However, there are some characteristic that are often used to describe these countries. These include rising GDP; expanding middle class; young population; large, low-cost and broadly educated labour force as well as increasing business sophistication (Hoskisson *et al.*, 2013; Khanna & Palepu, 2013).

Countries such as Brazil, Russia, India, China and South Africa (BRICS) are often cited as examples of emerging economies (Khanna & Palepu, 2013). Among the business strategy that has been gaining increasing traction within emerging markets is franchising (Madanoglu *et al.*, 2017; Welsh *et al.*, 2006). Currently, franchising in emerging market is experiencing rapid growth (Alon *et al.*, 2017). Table 2.2 above shows key statistics about franchise industry in three emerging economies – Malaysia, Brazil and China. This section discusses the current state of the business model in these countries.

#### **2.2.4.2.1 Franchising in Malaysia**

Over the last few years, franchising has gained increased popularity in Malaysia (Ali, 2017). The franchise industry in the country has been growing rapidly in recent years and according to SME Malaysia (2017), there are currently 813 franchise brands in the country, a growth of about 67% within a space of two years from 486 brands in 2015 (APCFE, 2015; MATRADE, 2015; MFA, 2015). The ministry of Domestic Trade, Cooperative and Consumerism (DTCC) under whose purview the franchise industry falls has set a target of registering between 60 – 80 new franchisors per annum (Ali, 2017), a key performance indicator that has had impact on increasing the number of entrepreneur-franchisees and creation of more jobs in the country. As at 2015, the number of franchise units in the country was 6,000 with over 50,000 direct jobs created (APCFE, 2015; MATRADE, 2015; MFA, 2015). The country has proven to have

strength in different areas of franchise business including food-service, retailing, hotels, education, health and fitness, telecommunication and IT, beverages, fashion and clothing, car sales and servicing, printing and photography and so on (Ali, 2017).

More so, the Malaysian franchise industry has shown that it could be a reliable path to economic growth and national productivity. The industry's contribution to the GDP has been growing steadily, from RM24 billion in 2014 (MATRADE, 2015), RM26.8 billion in 2015 to an estimated contribution of RM28 billion (US\$6.36) in 2016 (SME Malaysia, 2017). The government has been very proactive in supporting the industry with various incentives and strong institutional facilities such as the establishment of Perbadanan Nasional Berhad (PNS), an agency tasked with regulating the industry as well as promoting it through delivery of targeted franchise education and financial supports for players. More so, there is an association of franchise professionals in the country, the Malaysian Franchise Association (MFA) which lays down ethical standards of practice and facilitates cross-border franchise business for Malaysian brands. At present, as revealed by the Minister of DTCC during the 2017 edition of the MFA International Franchise Conference that took place on 13<sup>th</sup> May in Kuala Lumpur, there are more than 60 Malaysian franchise brands operating in over 50 countries. MarryBrown, the home-grown food-service restaurant chain has the highest number of foreign outlets.



Figure 2.4  
*Notable Malaysian Franchise Brands*

As stated in MarryBrown.Com, the company operates in countries as far-flung as Azerbaijan, Islamic Republic of Iran and Tanzania. Figure 2.4 above shows other top indigenous franchise brands in Malaysia including Cool Blog, Tealive (beverages), Poney (kids wears), Laundrybar (dry cleaning) and Focus Point (contact lens).

More interestingly, the country has planned to become the franchise hub of Asia by the year 2020. The path to this aspiration is outlined in the 'National Franchise Development Blueprint 2012-2020' (MATRADE, 2015). This blueprint outlines key milestones and specific actions that relevant stakeholders, particularly government and the regulatory agencies will need to take towards the realization of the stated objective. As contained in the blueprint, the actions and milestone to becoming the franchise hub in Asia include more education and research on franchising, targeted financial investment and development of local franchise brands, strengthening of institutions and enhancing general business environment, and supports for local brands to conduct cross-border business (MATRADE, 2015).

Further, a key part of Malaysia's proactive efforts to promote franchising is the promulgation of specific laws to guide the industry. The enabling law is referred to as Franchise Act 1998, last amended in 2012. The law addresses such issues as definition of franchise business, registration of franchise, disclosure, agreement, conduct of parties and termination. The most distinguishing feature of the Malaysian Franchise Act is the provision for Franchise Advisory Board which is a committee of seasoned business professionals that regularly advises the government on how to best promote the industry and make it more competitive (Franchise Act, 1998).

Thus, the above discussion has demonstrated that Malaysia franchise industry is growing and the country has the ambition to become a franchise hub in a few years.

#### 2.2.4.2.2 Franchising in Brazil

Being a business powerhouse and number one destination for foreign direct investment in South America, Brazil holds high potentials for franchise business especially in terms of foreign brands setting up franchise operations in the country (Restanis, 2017). The Brazilian franchise industry has been experiencing explosive growth over the past few years. Reports by the Brazilian Franchising Association indicate that over the past decade, the industry has been recording an annual growth of between 10 – 20% (Smith & Peterson, 2014). Apparently, this places the country's franchise industry at the top in terms of contributions to economic growth and national productivity.

As at 2015 (the year for which updated data is available), there were 3,073 franchise chains and 138,343 franchise outlets in Brazil with revenue in excess of R\$ 139.593 billion (US\$ 35 billion) generated by the franchise industry in that particular year (Vieitas, 2017). The number of job created by the industry stood at about 1.2 million in 2016 and this was projected to grow by about 8% in subsequent years (Export.gov, 2016a)..



Figure 2.5  
*Notable Brazilian Franchise Brands*

The top performing sectors in the industry are shoes, retailing/service, hotel, food, automotive sales and service, education/training, health and fitness, clothing, IT, cleaning and



home/construction (Vieitas, 2017). The most popular local franchise systems in Brazil include O Boticario (beauty), Cacau Show (food), Correios (retailing) and Escolas Fisk (education).

Brazil is one of the countries that has laws specifically promulgated for franchise contracts. It is known as the Brazilian Franchise Law and officially christened *Federal Law No. 8,955* promulgated on 15<sup>th</sup> December 1994 (Fernandes & De Oliveira, 2017; Guandalini & Yurgel, 2016; Yamaguchi, da Hora, & Cunha, 2016). The Franchise Law addresses issues such as disclosure by franchisors (at least 10 days before signing of the agreement), registration of franchise agreement and execution of franchise contract (Smith & Peterson, 2014). Unlike other jurisdictions like Australia, Malaysia and China that require franchisors to register with relevant government agencies before commencement of business, there is no requirement for registration in Brazil (Yamaguchi *et al.*, 2016). However, for the purposes of contract enforcement, payment of remittances to foreign franchisors and tax deduction for franchisees, foreign franchisors are required to record their franchise agreement with the National Institute of Industrial Property (Fernandes & De Oliveira, 2017; Yamaguchi *et al.*, 2016). Apart from the enabling laws, the country has an active professional association, the Brazilian Franchising Association that helps to promote the industry and enforce ethical practices among members (Yamaguchi *et al.*, 2016).

#### **2.2.4.2.3 Franchising in China**

Over the years, franchising has evolved in China from an unknown word in the early 1990 (Edwards, 2011), to being one of the major means of doing business today in the country (Smith, 2014). The early days of the business model in China was problematic as it suffered from problem of credibility principally because products of low quality were being offered for sale and some franchisors even defrauded their franchisees and customers (Smith, 2014).

However, with series of specific regulations and legislations introduced by the Chinese government, the business model is gradually becoming established and many foreign companies now operate multiple franchise outlets in the country (Export.gov, 2017a). Interestingly, as of 2014, China was said to be ‘the most franchised country in the world’ as it had the highest number of franchise systems in the globe – more than 4,500 franchise brands (Canada-China Business Council, 2012; Xiao, Hu, & Zhao, 2014:1). As shown in figure 2.6 below, some of the popular home-grown franchise brands in China include Yo! China (food), Wowo (convenience) Chow Tai Fook (jewellery), City Wok (food) and so on.

As at January 2017, the China Chainstore and Franchise Association (CCFA) reported that the top 100 franchise systems in the country had a total number of 124,086 outlets and the combined annual sales of these outlets stood at about RMB428 billion (Export.gov, 2017b). Recent statistics on the number of franchise outlets in China is not available but it had been estimated that by end of 2016, there would have been 800,000 franchisees in the country who were expected to create about ten million jobs (Doherty *et al.*, 2014). Had this projection been met, it would have effectively made China not only the highest franchise system in the world but also the country with the highest number of franchisees in the globe (Xu, 2015).



Figure 2.6  
*Notable Chinese Franchise Brands*

Observably, the recent rapid growth in the Chinese franchise industry may be attributed to the restructuring of regulations and series of laws being enacted by the government.

The Chinese franchise industry is regulated by the Ministry of Commerce (MOFCOM) (Xu, 2015) and at present, there are four key laws by which the industry is governed. These are: *the Regulation on Administration of Commercial Franchises*, *the Administrative Measures for the Registration of Commercial Franchises*, *the Administrative Measures for Information Disclosure of Commercial Franchise* and *the Archival Filing of Commercial Franchises* (Export.gov, 2017a). As their names imply, the four laws address regulation, registration, disclosure and archival filing of franchise agreements respectively. Like in other jurisdictions, franchise laws in China is heavily designed to protect franchisees. Further, one distinctive feature of franchise regulation in China is a provision called “two units and one year” which requires a franchisor to operate at least two outlets for a minimum of one year before franchising (Xu, 2015).

Furthermore, it has to be noted that being still a relatively new model in China, there are some challenges that operators in the Chinese franchise industry face and these include poor understanding of the concept by franchisees, difficulty in collecting royalties and making sure that franchisees maintain brand reputation and integrity (Export.gov, 2017a).

Thus, it is clear from the above discussion on Chinese franchise industry that the business model has gradually become a popular way of doing business in the country. With the regular review of the enabling laws and China’s increasing openness to the world, franchising seems to hold a great promise for the economy of the country.

### **2.2.4.3 Franchising in Africa**

Given the recent economic turmoil and saturation of franchise markets in the developed world, many international franchise brands now look to African as the next frontier in franchising

(Aderibigbe *et al.*, 2016; FASA, 2017). This section contains reviews of the state of franchising in South Africa and Nigeria.

#### **2.2.4.3.1 Franchising in South African**

Despite the recent downturn in the performance of the South African economy, the country remains the number one destination for foreign direct investment in Africa (FASA, 2017; Sidler, 2016). As an important vector for FDI inflow, the South African franchise industry recently got a boost with the recent arrival of high profile international franchise brands such as Starbucks, Paul Bakeries, Krispy Kreme, and Dunkin Donuts (Sidler, 2016). Burger King, Domino, Pizza Huts, KFC and McDonald's have been operating in the country since the last few years and together have more than two thousand outlets in the country (Export.gov, 2016c; Sidler, 2016). Given its contribution to GDP, job creation and competitiveness, the franchise industry is an important driver of South African's economy.

According to the Franchising Association of South Africa (FASA, 2017), franchise industry in the country account for 12.5% of the GDP. As at 2014, the industry had a turnover of R465.27 billion (US\$34.46) (Export.gov, 2016c). In 2015, there were 627 franchise systems and 39,119 outlets in South Africa (BusinessTech, 2016) and this numbers were expected to grow significantly given the expressed interests of many foreign brands to start operations in the country by the year 2016 (Sidler, 2016). The most interesting part of the industry statistics recently released by FASA is the fact that nearly 80% of franchisees in the country indicated that they were satisfied with their businesses while 72% expressed optimism about the future (BusinessTech, 2016; FASA, 2017). Figure 2.4 shows four of the popular South African-based franchise brands. These are Nandos (food), Shoprite (retailing), 2<sup>nd</sup> Take (clothing) and Amandla Plumbing (plumbing).



Figure 2.7  
*Notable South African Franchise Brands*

In terms of the regulatory and legal environment, franchisors and franchisees are not statutorily required to register with any agency before entering into franchise agreement (Export.gov, 2016c).

However, in order to protect their brands and safeguard them against possible infringements, foreign franchisors are advised to register their brands with Companies and Intellectual Properties Commission – CIPC (Protulis, 2017). Broadly, the South African franchise industry is overseen by the National Consumer Commission and the National Consumer Tribunal with FASA playing the complimentary role of ensuring high ethical practice among industry players (FASA, 2017). But unlike other emerging economies such as Malaysia, Brazil and China which have enacted specific laws to govern their franchise industry, South Africa has no such laws (Export.gov, 2016c). Moreover, the important legislation that regulates franchising practice in the country is the Consumer Protection Act (CPA) No. 68 “2008” (Strachan, Visser, & Adams, 2016). The Act addresses such issues as definition of franchise, disclosure, “cooling off” period (10 working days), good faith and fair dealing, online trading, contract terms and renewal, transfer, termination and other issues (Protulis, 2017).

Apart from the Consumer Protection Act, there are other laws that may have bearing on franchising practices in the country and these include the Copyright Act No. 98 of 1978, the

Competition Act No. 89 of 1998, Contract Laws, Intellectual Property Laws, the South African Reserve Bank exchange Control Manuals (which stipulates modalities for payment of royalties to foreign franchisors) (Export.gov, 2016c; Protulis, 2017; Strachan *et al.*, 2016). Lastly, a key development in the regulatory environment expected in 2017 is the establishment of Franchise Industry Ombudsman (FIO) that will be charged with the responsibilities of receiving complaints, settling disputes and enhancing relationship among parties (Strachan *et al.*, 2016). Thus, the above review of the South African franchise industry has demonstrated that the industry is a key driver of the country's economy and even though there are no specific laws guiding franchising practices in the country, the regulatory environment seems to be structured and its being improved to enhance the industry.

#### **2.2.4.3.2 Franchising in Nigeria**

Business format franchising in Nigerian is still at its infancy as the industry only recently started to attract the attention of international investors and foreign franchise brands (Odunsi, 2015). However, there are many factors that indicate that with the right environment, the country could become a dominant player in the African franchise market. Just like other African countries, Nigeria could benefit from the renewed interest of international franchise brands in exploring the African markets (FASA, 2017). Given the country's huge population of more than 170 million people, growing middle class, increasing purchasing power and high taste for recognized brands, there is a high chance for franchise business to thrive and achieve higher returns in Nigeria (Aderibigbe *et al.*, 2016). More so, over the last two years, there have been renewed efforts on the part of the government to improve the general environment for doing business in the country and the newly launched Economic Recovery and Growth Plan is expected to have positive impact on food and retail sectors of the country (Buhari, 2017). All these are factors that will boost the franchise industry in Nigeria.

Perhaps due to the above indicators, the United States of America in particular has been tracking development in the Nigeria's franchise industry. A survey by the US Commercial Service in 2010 valued the market size of the industry at about US\$25 billion (Agu, 2013). The same survey estimated that the Nigerian franchise industry was a potential market of over US\$100 billion in annual revenue (Agu, 2013).

Product distribution franchise has been in the country since 1960 and this is commonly found in such sectors as automobile (Ford, Peugeot, Toyota etc.), petroleum (Mobil, Total, Texaco etc.) and beverages (e.g. Coca-Cola, Pepsi etc.) (Aderibigbe *et al.*, 2016). The business format mode has witnessed significant growth over the last few years with growing number of international brands establishing outlets in the country. The list of international brands currently operating in Nigeria include KFC, Steers, Chicken Licken, Hawthorn Suits, Hilton, Avis Car Rentals, Signarama, Tutti Frutti, Crestcom, Cold Stone Creamery, Hard Rock Café (Export.gov, 2016b). Famous Brands of South Africa recently acquired a 49% stakes in Mr. Biggs – one of the indigenous franchise brands (Nairametrics, 2015).



Figure 2.8  
*Notable Nigerian Franchise Brands*

The indigenous franchise systems have also grown steadily, starting around 2003 when Mr. Biggs (quick service restaurant) began to offer franchise license (Aderibigbe *et al.*, 2016). The company which is now a pure franchise has about 150 outlets across the country (UAC, 2016).

Other popular indigenous brands include Tantalizers (food), Chicken Republic (food), SLOT (mobile devices and telecommunication), HIIT (IT/Education), Fanmilk (ice-cream), Peace Mass Transit (transport) (Export.gov, 2016b).

In terms of legal and regulatory framework, although a draft franchise bill is now before the National Assembly, the Nigerian franchise industry does not currently have a specific law regulating it (Aderibigbe *et al.*, 2016). At present, there is no statutory requirement for pre-sale registration and no law requires franchisors to disclose any information prior to agreement (Export.gov, 2016b). However, franchise agreements involving foreign franchisors are to be registered with the National Office of Technology Acquisition and Promotion (NOTAP) within 60 days of signing the agreement (Aderibigbe *et al.*, 2016).

Meanwhile, there are other general laws that apply to franchise agreements especially the ones involving foreign franchisors. These include the Trademark Act 1985, the Patent and Design Act 1970, the Copyright Act 1988, the Cybercrimes Act 2015, the Investment and Securities Act 2007, the Immigration Act 1990, the Company and Allied Matters Act, the Nigerian Investment Promotion Act, the Consumer Protection Act, the Price Control Act 2004, the Company Income Tax Act, the Foreign Exchange (Monitoring and Miscellaneous) Manuals and so on (Aderibigbe *et al.*, 2016; Export.gov, 2016b; Ofodile, 2014; Smith & O'Brien, 2014). From their names, these laws taken together address issues of business registration, definition and validity of contract, good faith and fair deal, honesty and appropriate conduct, intellectual property protection, resale price, corporate and withholding tax and so on. Additionally, all products coming into the country are supposed to be certified by the Standards Organization of Nigeria (SON) while brands that sell packaged foods and beverages are



expected to obtain certifications from the National Food and Drugs Administration and Controls (NAFDAC) (Aderibigbe *et al.*, 2016).

Thus, the above discussion on the Nigerian franchise industry has indicated that the industry is still emerging and there is high potential for growth in the future. However, it is apparent that for ease of doing business, laws governing the industry have to be streamlined. It is expected that this concern will be addressed when the franchise bill currently in the national legislative house becomes a law.

By and large, this section has reviewed franchising around the world, featuring three developed countries (UK, US and Australia), three emerging countries (Malaysia, Brazil and China) and two African countries (South Africa and Nigeria). From the review, it is clear that there is no two countries that have the same franchise practice. Countries differ in terms of regulations and laws governing their franchise industry and in terms of the industry's contribution to each economy. It is however clear that while the franchise markets in the developed (and to some extent the emerging) economies seem to have saturated and thus these countries now look to foreign markets, the reverse is the case in the African countries where the franchise markets are mostly at infant stage and these countries are strategizing to attract foreign brands into their domains.

### **2.3 Model of Franchise Firm Performance**

The previous section has reviewed the state of franchising practice in some selected countries. This section focuses on reviewing the state of empirical understanding of factors that could influence franchisees business performance. The ultimate objective of this section is the derivation of the preliminary theoretical framework and the research issues that will guide the

conduct of the study. To this end, this study adopts the outcome-related model of factors for franchise firm performance developed by Nijmeijer, Fabbrocetti, & Huijsman (2014) (please see figure 2.9 below). The model is adopted on the basis of three key reasons.

First, the model was developed based on the synthesis and review of the most recent empirical studies on franchise system performance and so contains relatively current issues that potentially drive franchise firms' performance in most parts of the world. The second reason for adopting the model as the conceptual guide for this study is that it incorporates both the process and structural issues or elements that have been found to have the potentials to influence franchisees' performance.

The above call is most instructive in the context of African, particularly Nigeria given that the synthesis that led to the construction of Nijmeijer and colleagues' model does not include any study conducted in African. Therefore, this study attempted to explore and confirm the relevance of the identified factors in the performance of franchise firms in Nigeria.

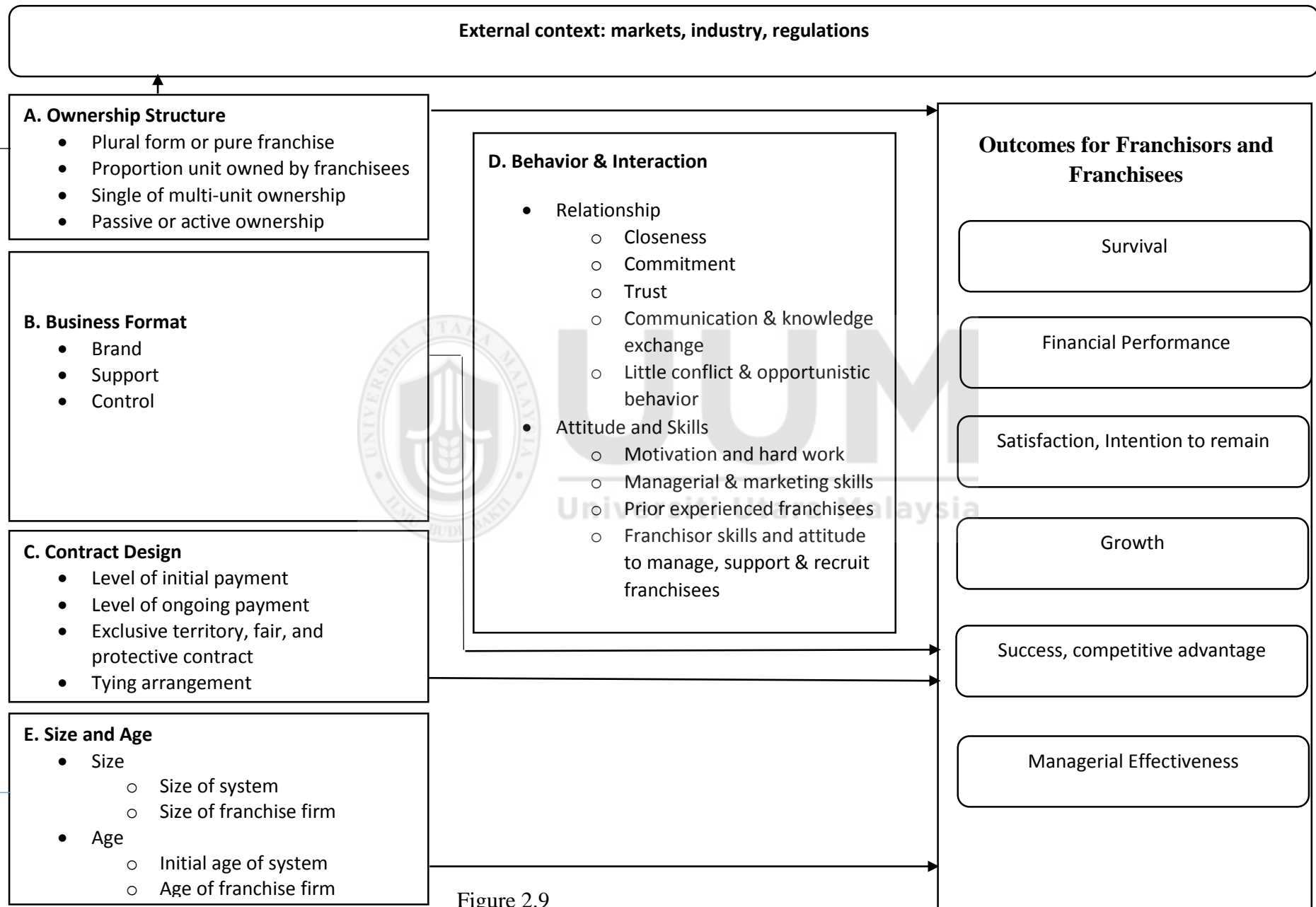


Figure 2.9  
 Model of factors related to franchising outcomes  
 Source: Nijmeijer et al, 2014

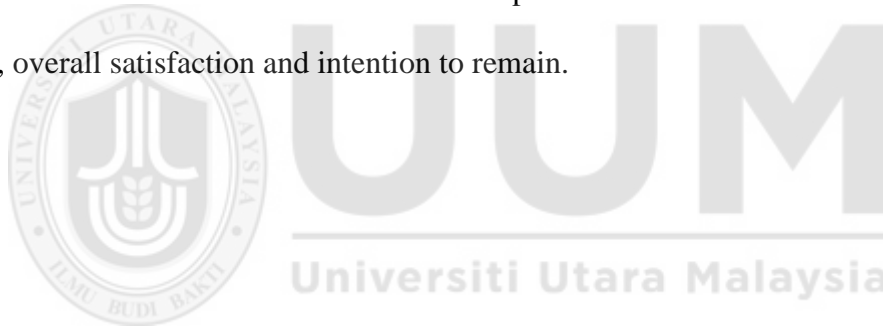
Having justified the adoption of the conceptual framework, attention now turns to the description of the factors contained in the model as well as the modification thereof. Thus, as shown in figure 2.9 above, the model has two main parts, namely: the outcome part and element (main factors) part. The outcome part contains measures of performance for both franchisees and franchisors used in the studies that were reviewed. These measures include: satisfaction, intention to remain, survival, financial performance, growth, success and competitive advantage, and managerial effectiveness. The factor part on the other hand, contains five process and structural elements including ownership structure; business format; contract design; behavior and interaction; and age and size. Each of these main elements contains a number of specific factors that have direct influence on franchise firm performance.

Under ownership structure, there are such factors as plural form or pure franchise, proportion of unit owned by franchisees, single or multi-unit ownership and passive or active ownership. In the case of business format, there are such factors as brand value, support and control. In terms of contract design, there are such key factors as level of initial payment, level of ongoing payment, exclusive territory and tying agreement. The aspect of behavioral and interaction is further divided into – relationship, and attitude & skills. The *relationship* division includes such factors as closeness, commitment, trust, communication and knowledge exchange, little conflict and opportunistic behavior while *attitude & skill* division has factors such as motivation & hard work; managerial & marketing skills; prior experience; and franchisor skills and attitude to manage, support and recruit franchisees.

Meanwhile, since this model relates to both franchisors and franchisees whereas the present study is interested only in franchisees, the model is thus redrawn (see figure 2.10 below) to reflect only franchisees-specific elements and factors. From the original model, there are two

groups of elements that have possible influence on franchise business performance. These are structural and process elements. Structural elements relate more to franchisors while process elements are more relevant to franchisees (Nijmeijer et al, 2014).

The structural elements in the model include ownership structure and age & size of the system. Both of these relate more specifically to franchisors and are thus excluded from the redrawn framework and consequently from the review. Similarly, the review places more emphasis on outcomes that are directly related to franchisees. While outcomes like financial performance, success and survival are relevant to both parties, others such as growth, network competitive advantage and managerial effectiveness are more relevant to franchisors (Nijmeijer, *et al*, 2014). The redrawn model retains such franchisees-specific outcomes as financial performance (or success), overall satisfaction and intention to remain.



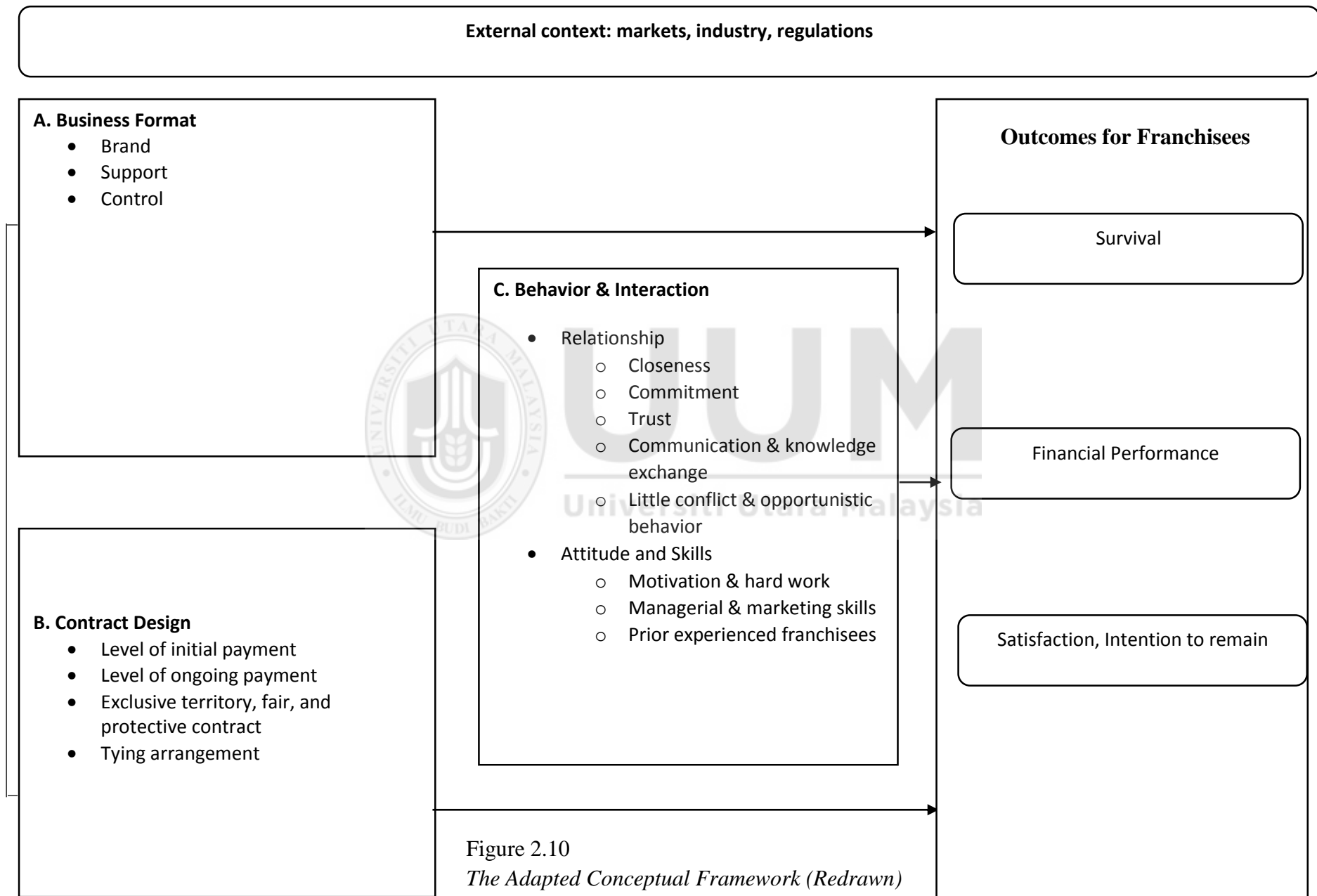


Figure 2.10  
*The Adapted Conceptual Framework (Redrawn)*  
 Source: Nijmeijer et al, 2014

Thus, having explained the relevant parts of the conceptual model adapted for this study, the focus will now be to synthesis extant literature and establish empirical findings on the elements and their respective factors that have potential to influence franchisees business performance in Nigeria. The synthesis starts with performance outcomes for franchisees after which each of the identified elements as well as their respective factors are discussed.

### **2.3.1 Performance Outcomes for Franchisees**

#### **2.3.1.1 Financial and Non-Financial Performance**

Most studies on franchisors' performance usually measure organizational outcomes in such terms as numerical growth of sales, profits and outlet (Nijmeijer *et al.*, 2014). This is because many franchisors are publicly quoted companies and their data is in the public domain and accessible. This is not the case with franchisees who are mainly SMEs and privately owned, and thus do not publish their financial records (Shane, 2005). Hence most studies from the franchisees perspective focus on obtaining subjective assessment of their financial performance. Respondents' subjective assessment of financial performance is found to be equally reliable and useful for research purpose (Gorovaia & Windsperger, 2013). This study sought franchisees' subjective assessment of their financials to get a sense of their business performance or success.

Other commonly used metric for judging franchisees performance are non-financial aspects of performance such as outlet survival, managerial effectiveness (Nijmeijer *et al.*, 2014) overall satisfaction (Altinay, Brookes, Madanoglu, & Aktas, 2014) and intention to remain. Of all these, overall satisfaction and intention to remain have been recognized to be better determinants of franchisees' business outcomes and commitment (Lucia-Palacio *et al.*, 2014). The next two sections discuss more on overall satisfaction and intention to remain.

Hitherto, evidence of performance based on process and structural issues have been scanty, disorganized and sometimes confusing (Nijmeijer *et al*, 2014). The third reason for adopting the model is to use it as a base for providing a scholarly answer to the call for further studies in other contexts to verify the relative importance of the different factors identified in the model. Such a study, as noted by Nijmeijer *et al*, (2014:77) will help to “determine whether it is truly problematic that the current empirical studies mostly focus on the US and the restaurant/food sector or whether the results of such studies can be generalized to other countries and industries”.

#### **2.3.1.2 Overall Satisfaction**

Research in franchisees’ overall satisfaction is presumed to be rooted in the concept of consumer satisfaction (Bordonabe-Juste & Polo-Redondo, 2008), as franchisees are usually seen not just as business partners to franchisors but also in many ways as customers to franchisors (Abdullah, Alwi, Lee, & N. and Ho, 2008; Frazer & Winzar, 2005; Hing, 1999). Although different definitions abound in both marketing and franchising literature, the understanding of satisfaction remains the same. It is the degree of fulfilment or contentment with key aspects of business relationship (Chiou, Hsieh, & Yang, 2004; Eser, 2012).

In the marketing literature, consumer satisfaction has been conceptualized in several different ways. It has been seen as a conscious appraisal or cognitive evaluation regarding how well or poorly a particular product or service has performed (Swan, Trawick, & Carroll, 1982). It is the evaluation of the overall fit of a particular purchase decision (Fornell, 1992). In this sense, the evaluation could be positive or negative. But some studies seem to suggest that satisfaction is used to signal only positive evaluation. Satisfaction is mainly a favorable subjective assessment



of the different results and experiences derived from using a particular service or product (Westbrook, 1980). In effect, satisfaction is the point at which consumers have the feeling that their resources have not been wasted. Hence, it is the consumers' cognitive feeling that adequate rewards have been obtained from sacrifices being made (Howard & Sheth, 1969).

Meanwhile, some other scholars have taken the definition of consumer satisfaction beyond being a mere evaluation of purchase decision to include responses to the evaluation. It is the consumers response to the assessment of difference between what is expected and the actual experience using a particular product or service (Tse & Wilton, 1988). It is a feeling inspired and shaped by experiences with use of a particular product or service (Cadotte, Woodruff, & Jenkins, 1987).

More so, other scholars in this group have conceptualized consumer satisfaction as a transaction-specific affect response resulting from the customer's comparison of product performance to some pre-purchase standard. In the latter sense, satisfaction is the extent to which experiences parallel expectations. When experience equals or exceeds expectations, satisfaction is achieved but when actual experience falls below expectation, dissatisfaction arises (Halstead, Hartman, & Schmidt, 1994). The sources of franchisees' expectation is another important issue in the discourse of franchisees' satisfaction, and it is believed that franchisees form their expectations mainly from the promises and sales pitches of franchisors (Frazer *et al.*, 2012; Frazer & Winzar, 2005).

Given this background, franchisees' overall satisfaction can thus be defined as the 'pleasurable fulfilment' (Chiou *et al.*, 2004:23) and feeling of 'contentment' (Eser, 2012:778) arising from the conscious appraisal or cognitive evaluation of every aspects of experience with joining the

franchise system (Swan *et al.*, 1982). Going by the conceptualization of Churchill & Suprenant (1982), it is the net result of purchasing a franchise license resulting from the franchisee's comparison of the cost and benefits of the investment decision in relation to the envisaged outcomes. And in the light of Halstead *et al* (1994)'s multisource effect conceptualization of satisfaction process, franchisees' overall satisfaction can be described as the investment-specific 'affect response' consequent to comparison of their unit performance to a number of pre-engagement yardsticks. Pre-engagement yardsticks could be both financial and non-financial. In effect, franchisees' overall satisfaction is the affective state of being rewarded higher than or at least equal to the opportunity cost of joining a franchise system.

Thus, drawing from all the above definitions, this study conceptualizes franchisees overall satisfaction as the evaluable and positive assessment of overall experience with joining a franchise network.

It is argued that franchisees' overall satisfaction is an important measure of franchise unit performance in the sense that most measures of franchisees' overall satisfaction include both financial and non-financial indicators, making it a robust and all-inclusive determinant of performance (Abdullah *et al.*, 2008). More so, franchisees' overall satisfaction is said to be the key determinant of coordination (Tuunanen, 2002) and cooperation in a franchise arrangement (Liu, Chen, & Hsu, 2014; McDonnel, Beatson, & Huang, 2011). High cooperation between franchisees and franchisors predict other key performance measures including level of conflicts (Davis, 2012), free-ride behaviors (Davies, Lassar, Manolis, Prince, & Winsor, 2011), franchisees' turnover rate and system stability (Frazer *et al.*, 2012; Frazer & Winzar, 2005; Holmberg & Morgan, 2003), productivity (Tuunanen, 2002), system growth (Hing, 1999). Franchisees' satisfaction has also been linked to a positive post engagement behaviors and this

obviously contributes to excellent goodwill for the franchise system and improvement of the franchise brand equity (Tuunanen, 2002). More so, satisfied franchisees are more likely to recommend the franchise system to other prospective franchisees (Hing, 1999), thereby facilitating the growth of the system.

Given the above, a number of studies have used franchisees' satisfaction as a measure of outlet performance (e.g. Abdullah *et al.*, 2008; Altinay *et al.*, 2014a; Bordonabe-Juste & Polo-Redondo, 2008b; Chiou & Droge, 2015; Chiou *et al.*, 2004; Mysen & Svensson, 2010; Tuunanen, 2002). For example, in a study designed to gauge the long-term performance of Finnish franchisees, Tuunanen (2002) concludes that the general allure of franchise career as well as the long-term success of a franchise system are, to a significant extent, determined by franchisees' satisfaction.

Thus, it appears that efforts to improve franchisees' satisfaction has impact not just for franchisees alone but for the entire franchise system. The findings of Tuunanen (2002) confirmed the conclusion of Hing (1999), that a satisfied franchisee is a valuable and most efficient franchise marketing tool to the system as their recommendations to prospective franchisees stand a better chance of winning those potential franchisees to join the system. Similarly, Chiou *et al.* (2004) confirmed the appropriateness of using franchisees' satisfaction as a measure of franchise unit performance and found that highly satisfied franchisees have intention to remain with the franchise system. More so, Bordonabe-Juste & Polo-Redondo (2008b) analyzed the effects of relational norms, interdependence structures and commitments within Spanish franchise system and found that the ultimate outcomes of these three variables is franchisees' satisfaction. The authors argue that in order to assure the commitment of franchisees to the franchise system and consequently facilitate the success of the chain,

franchisees' satisfaction must be emphasized through investment in developing excellent relational norms and overall effective management of the interdependence between the two parties.

In terms of the key indicators for franchisees overall satisfaction, previous studies used such items as 'expectation being met' (Tuunanen, 2002), 'happy business relation', 'positive relationship' and 'satisfied relationship'. Others have used such indicators as 'happiness about decision to choose the franchise', 'believe in having done the right thing in the decision' and 'satisfied overall with the franchise relationship' (Chiou *et al.* (2004). More so, franchisees overall satisfaction has been conceptualized as consisting of five dimensions namely: satisfactory social interaction, satisfactory service support, satisfactory financial gains, and franchisors' assurances and competencies (Abdullah *et al.*, 2008).

From a synthesis of these various indicators, this study will explore such elements of overall satisfaction as: satisfaction with outlet's financial performance (outlets' sales and profits), satisfaction with relationship with franchisor, satisfaction with franchisors' service support, and satisfaction with franchisors' delivery on contractual and implied promises.

Thus, the foregoing discussion has been about the meaning of franchisees overall satisfaction and its appropriateness in measuring franchisees business performance and long-term commitment. Thus, this study uses franchisees overall satisfaction as an indication of their business performance.

### **2.3.1.3 Intention to Remain**

This is commonly understood to be willingness to continue business relation with the other partner. It is the business-to-business version of behavioral intention in business-to-customer

circle. Just like overall satisfaction, franchisees' intention to remain in the franchise system is a commonly used dependent variable in franchise studies (Chiou *et al.*, 2004; Doherty *et al.*, 2014; Lucia-Palacio *et al.*, 2014; McDonnell *et al.*, 2011), probably due to its predictive power of franchisees' long-term commitment to the franchise system as well as being an important indicator of franchise chain's long-term success (McDonnell *et al.*, 2011).

Like consumer behavioral intention, franchisees' intention to remain in the franchise system could be either affirmative or negative. Intention to remain is affirmative when franchisees have a firm plan to renew their contracts and maintain a long-term relationship with the franchise system. When this is the case, franchisees must have had a positive evaluation of the important aspects of their relationship with their franchisors and a positive evaluation is often indicated by willingness to enhance cooperation, comply with standards, prevent conflicts and to recommend the system to other prospective franchisees (Davies *et al.*, 2011; Davis, 2012; Frazer *et al.*, 2012; Roh & Yoon, 2009). Negative intention on the other hand often implies, at best, indifference to the brand and minimal efforts at promoting it and at worst, all sorts of negative behaviors including non-compliance, opportunism, negative word-of-mouth and in some cases, litigations (Frazer *et al.*, 2007).

Franchisees intention to remain is often judged by such indicators as franchisees' willingness to introduce other prospective franchisees to their system, willingness to collaborate with their franchisor in the future (for example open new stores under this franchise system) and current rating of their franchise system relative to others (Chiou *et al.*, 2004; McDonnell *et al.*, 2011).

Thus, the foregoing discussion has attempted to justify the importance of such franchisees performance outcomes as outlets sales and profits growth, overall satisfaction and intention to

remain. Hence, this study focuses on exploring these three franchisees outcomes. The next section presents a synthesis of the key empirical findings on the influencing factors identified in the adapted conceptual framework.

### **2.3.2 Factors Influencing Franchisees' Business Performance**

According to the redrawn Nijmeijer *et al* (2014)'s model (please see figure 2.10 above), there are three major elements and a number of respective factors that have the potentials to influence franchisees business performance. The major elements are business format, contract design, and behavior and interaction. Business format include such specific factors as brand name, supports and amount of control that franchisees have. Contract design element include such key contract terms as level of initial payment, level of ongoing payment, exclusive territory, and tying agreement. The last element – behavior and interaction is subdivided into relationship and, attitude & skills. The relationship part include factors such as closeness of the relationship, commitment, trust, communication, and little conflicts & opportunistic behavior while the attitude and skills part include franchisees' motivation and hard work, managerial and marketing skills and prior experience.

Therefore, the focus of this review is to identify and discuss empirical findings on the specific factors under each of the main elements in the redrawn conceptual model. Because of the sheer volume of papers on each of the issues in fields other than franchising and the need for a focused discussion, the review adopted three criteria for inclusion of article. First, given the necessity for trusted materials for the study, the review included only articles that are published in recognized (scopus and above) journals. Secondly, the articles whose empirical findings would be quoted must not be earlier than 2000 (i.e must have been published between 2000

and 2017) and thirdly, articles to be included must be either about franchising specifically or business-to-business relationship.

Thus, with the above three criteria in mind, suitable articles on each of the identified factors for franchisees business performance were retrieved and synthesized. The synthesis is organized under four (4) main headings, namely; *business format factors* (brand name, supports and control), *contract design* (initial payments, ongoing payments, exclusive territory and tying), behavior and interaction – *relationship* (closeness, commitment, trust, communication and relationship satisfaction) and *attitude & skills* (motivation & hard work, managerial & marketing skills and prior experience).

### **2.3.2.1 Business Format Factors**

Business format factors are the first set of factors in the redrawn conceptual model that have the potentials to influence franchisees' business performance. They are a set of operational and management structures that facilitate franchisees outlets to produce, market and deliver the offerings – services and products – of the franchise system (Nijmeijer *et al* (2014). According to the model, these facilitators are essentially three: brand name, supports and amount of control that franchisees have in operating their outlets. Each of these is thus discussed with synthesized empirical findings on their respective influence on franchisees business performance. Table 2.3 below contains the summary of the discussions.

#### **2.3.2.1.1 Brand Name**

The importance of brand and branding in a successful marketing programme has been well documented (e.g. D. A. Aaker & Biel, 2013; J. L. Aaker, 1997). Successful brand is the most valuable resource that a company can have (Sasmita & Mohd Suki, 2015). Brands whose

personality matches that of their target customers are more likely to achieve greater customer awareness, trust and long-term commitment (Molinillo, Japutra, Nguyen, & Chen, 2017).

In the modern world where customers choice set keeps expanding and time for evaluation is increasingly shortening (Sasmita & Mohd Suki, 2015), respected brand name is an important asset for any organization (O’Neill & Mattila, 2004). Customers have been found to choose brands that stand out, have a track record of delivery and is found to be credible among consumers (O’Neill *et al.*, 2006).

Table 2.4  
Summary of Literature Synthesis on Business Format Factors

S/N.	Business Format Factors	Literature Synthesis	Justification for Further Exploration
1.	<i>Brand Name</i>	<p>➤ <b>Mostly positive:</b></p> <ul style="list-style-type: none"> <li>Highly valuable brand name is a key factor in improving franchisees bottom line (e.g. Chien, 2014; Doherty, 2009).</li> </ul>	Extant findings relate mostly to Western countries. Need to confirm relevance of the factor in different contexts (Nijmeijer, <i>et al</i> , 2014).
2.	<i>Supports</i>	<p>➤ <b>Mostly positive:</b></p> <ul style="list-style-type: none"> <li>Facilitates smooth take-off of franchisees outlets (e.g. Altinay <i>et al</i>, 2014).</li> <li>Enhances franchisees outlet performance (e.g. Lucia-Palacio <i>et al.</i>, 2014).</li> <li>Critical to franchisees satisfaction and intention to stay (e.g. Chien, 2014).</li> <li>Reduces relational conflict (e.g. Frazer <i>et al</i>, 2012).</li> </ul>	More empirical findings from different settings are needed in order to firmly establish the relevance of franchisors supports in franchisees business performance (e.g. Vaux, 2014; Frazer <i>et al</i> , 2012).
3.	<i>Controls</i>	<p>➤ <b>Autonomy:</b></p> <ul style="list-style-type: none"> <li>More autonomy enhances franchisees satisfaction and business performance (e.g. Cochet <i>et al</i>, 2008; Davies <i>et al</i>, 2011).</li> </ul>	➤ More investigation needs to be done to affirm the relevance of autonomy on franchisees performance (Dant, <i>et al</i> , 2013).
<b>Further Justifications:</b>			
➤ There is a need to develop a reliable model linking franchisors’ resources to franchisees performance (Frazer <i>et al.</i> , 2012; Vaux, 2014).			

Source: Developed for this research



Empirically, the value of franchisor's brand name has been found to have significant influence on the business performance of franchisees (Chien, 2014; Doherty *et al.*, 2014; Michael & Combs, 2008; Roh & Yoon, 2009; Watson & Johnson, 2010). In a study involving US franchise systems operating in different industrial sectors, it was found that franchisees' decision to buy the license of and stay with a franchisor for the long haul depends on their perception of value of the franchise brand (Lucia-Palacio *et al.*, 2014). The same conclusion was reached in a study of franchisees in China where brand name is highlighted as being very important not just to the initial decision to join the franchise system but also for the anticipated return on investment (Doherty *et al.*, 2014).

This conclusion lends support to Watson & Johnson (2010)'s admonition that franchisors must take the responsibility of building an excellent brand by investing in quality leadership, effective communication and excellent support services. More directly, highly valuable brand name has been found to be an important factor in improving franchisees' bottom line (Chien, 2014). When franchisors invest reasonable resources in building and promoting their brands, franchisees benefit by way of increased customer awareness and patronage which subsequently translates into better financial performance for their outlets as well as enhanced overall satisfaction (Chien, 2014; Michael & Combs, 2008).

Thus, having discussed brand name as a key business format factor and demonstrated that empirically, it has been found to have a measure of influence on franchisees' business performance, this study considers the factor for further exploration in Nigeria.

### 2.3.2.1.2 Supports

Support is the second business format factor in the adapted model that is thought to have influence on franchisees business performance. In this study, support services is defined as a collection of business services and infrastructures that enable franchisees to establish and successfully launch their business units, grow them and achieve reasonable and sustainable level of performance (Franchising World, 2014; Frazer *et al.*, 2012; Hnuczek, Ismail, & Haron, 2013; Roh & Yoon, 2009). Provision of quality business support services to franchisees is recognized as critical for sustaining cooperative franchise relationship and for achieving superior organizational performance for the entire chain (Altinay & Brookes, 2012; Chien, 2014; Chiou *et al.*, 2004; Doherty *et al.*, 2014; Roh & Yoon, 2009).

For most franchisees, a key disincentive for starting an independent business is lack of experience (Chien, 2014). Thus, franchisees' single most important reason for joining a franchise system rather than an independent start-up in the first place is the expectation of provision of reliable support services by franchisors (Frazer *et al.*, 2012; Roh & Yoon, 2009; Watson & Johnson, 2010). Hence, it is reasonable to observe that a perception of inadequate support will elicit all sort of undesirable effects.

The range of support services to be provided to franchisees may depend on the terms of the franchise contract. But generally, franchisors' support services may be divided broadly into training and management services (Chiou *et al.*, 2004). Each of these support services may be provided at the initial period and/or continuously throughout the duration of the contract. In essence, support services include initial and ongoing training on the one hand, and initial and ongoing management services on the other hand. In specific terms, support services include: assistance in site selection, provision of initial and ongoing training, financing supports,

management services, operations management services, marketing and promotional supports, research and development supports (Abdullah *et al.*, 2008; Chien, 2014; Chiou *et al.*, 2004; Hnuchek *et al.*, 2013; Michael & Combs, 2008). Other supports include market analysis, sales forecast, new product development, brand promotion and assistance in employee recruitment (Roh & Yoon, 2009).

The importance of good quality training support for franchisee's outlet and indeed the entire chain cannot be overstressed. The centrality of training is underscored by the fact that knowledge predicts the operational success and competitiveness of any organization (Minguela-Rata, Lopez-Sanchez, & Rodriguez-Benavides, 2010) and more so for a business firm in a fast-paced and ever-dynamic world. Through pre-opening briefings, initial training and continuous dissemination of relevant information, franchisees acquire the necessary business skills and experiences as well as the shared vision of the chain, understand the chain's unique value proposition and appreciate the need to work for the long-term success of the system (Altinay *et al.*, 2014b; Minguela-Rata *et al.*, 2010; Roh & Yoon, 2009). In addition to its positive impact on franchisees' mentality, training also has a significant positive effect on the job satisfaction and commitment of staff at the outlet (Choo & Bowley, 2007; Latif, 2012). Similarly, management services such as site selection, assistance in employee recruitment, central purchasing, accounting and operational guidance, market analysis and sales forecast, new product/service development, advertising etc. facilitate the smooth take off, operational and marketing efficiency, and ultimately improve the overall satisfaction and profitability of franchisees' outlet (Abdullah *et al.*, 2008; Chien, 2014; Frazer *et al.*, 2012; Minguela-Rata *et al.*, 2010).

Empirical findings have revealed that the major source of conflicts and disagreement in franchise as well as cause of franchisees' opportunistic behaviors, disconnection from

franchisors and subsequent exit from the system is the perceived inadequacy of support services provided by franchisors (Doherty *et al.*, 2014; Frazer *et al.*, 2007, 2012; Hnuczek *et al.*, 2013; Lucia-Palacio *et al.*, 2014). When it comes to provision of support services, franchisees are said to have a redline, what Spinelli & Birley (1998:329) term 'zone of tolerance' below which they experience disappointment and frustration in the franchise relation. They may also engage in opportunistic behaviors and comply less with system standards when franchisors' services go below their 'zone of tolerance' (Doherty *et al.*, 2014). The ultimate consequence of poor service provision is that franchisees may not only exit from the system, but also instigate a costly litigations and in some cases, set up their own independent outlet in direct competition with the franchise chain (Frazer *et al.*, 2012). Empirical investigations have indeed revealed occasions when franchisees abandoned their franchise system and started operating an independent venture simply because they experienced poor supports or were disappointed in the type and quality of services they received from their franchisors (Frazer *et al.*, 2007).

Meanwhile, adequate and quality training enables franchisees to apply system-specific knowledge to obtain better performance, quickly recoup initial investment and facilitate speedy response to market conditions (Lucia-Palacio *et al.*, 2014; Minguela-Rata *et al.*, 2010). Well-planned and excellently delivered training programs for franchisees and their employees have positive effects on their job satisfaction, turnover and retention rates (Choo & Bowley, 2007). An important consequence of a culture of excellent training for franchisees and their outlet personnel is improved brand image and value which are necessary ingredients for securing and maintaining long-term commitment of franchisees (Lucia-Palacio *et al.*, 2014).

In a similar vein, delivery of excellent initial and ongoing operational assistance and management services to franchisees have been found to be critical for building and sustaining

excellent franchise relationship (Chien, 2014; Chiou *et al.*, 2004). Franchisors can significantly shore up the trustworthiness of their systems by ensuring that adequate range of quality assistance is delivered to franchisees (Chiou *et al.*, 2004). Indeed, findings have shown that the best route to growing a franchise chain is the provision of excellent services to franchisees. This is because service provision is positively associated with franchisees' performance and overall satisfaction which in turn not only lead to fewer disagreements, lower opportunistic behaviors and avoidance of costly franchisee turnover, but also result in higher franchisees' satisfaction, higher commitment to an improved relationship (collegial work ethics) and ultimately intention to remain and recommend others to the system (Abdullah *et al.*, 2008; Harif, Hoe, & Chin, 2013; Heong, 2014; Hnuchek *et al.*, 2013; Roh & Yoon, 2009).

Thus, the above synthesis has shown the relevance of support as a key business format factor in franchisee' performance. However, although the importance of franchisor support in the performance of franchisees outlets has been highlighted by a number of empirical studies, scholars contend that more empirical findings from different settings are needed in order to firmly establish the relevance of franchisors supports in franchisees business performance (Frazer *et al.*, 2012; Vaux, 2014). Hence, this study considers the factor for further exploration in Nigeria.

#### **2.3.2.1.3 Control**

Control refers to extent of franchisees *autonomy* in the management of their outlet. Autonomy refers to the capacity of an individual to act independently towards the realization of set objectives such as initiating a new venture and exerting every necessary action to make it successful (Lumpkin & Dess, 2001; Rauch, Wiklund, Lumpkin, & Frese, 2009). Autonomy is often associated with setting ones' own goals and evolving ones' own plan of action towards

achieving set goals (Rauch & Frese, 2007b), characterized by tendency to avoid or even rebel against environment that constrains independent actions. It is also sometimes seen as the capacity to function effectively in an independent environment (Campo, Parra, & Parellada, 2012).

In franchising, it has been found that since most franchisees join the network as a mean of realizing their entrepreneurial ambition (Frazer *et al.*, 2007), mounting too much constraints on the operations of their outlets has the potential to invoke a sense of disappointment in them (Cochet, Dormann, & Ehrmann, 2008) and consequently, the risks of undesirable behaviours. For example, in a study examining the challenge of autonomy and dependence in franchised channels, Dant & Gundlach (1999) conclude that franchisees that are granted autonomy are more motivated to perform than others who are given none. Similarly, Cochet *et al.* (2008)'s study on capitalizing on franchisees' autonomy, involving a sample of 208 German franchisees concludes that granting franchisees autonomy can enhance chain-wide adaptation and improve franchisees' overall satisfaction. In the same vein, Davies *et al.* (2011)'s study which culminated into the development of model of trust and compliance in franchising found that a major cause of conflict and franchisees' dissatisfaction is lack of autonomy. Franchisees usually feel that they do not join the franchise network merely to implement the dictates and commands of a central bureaucracy but to be able to act within certain bounds to advance the interest of their own outlets (Kidwell *et al.*, 2007).

There are two key reasons why more autonomy results in better result for franchisees. First, it has been found that autonomy or flexibility conveys the message that franchisees are being trusted (Doherty *et al.*, 2014) and this places a responsibility on them to justify the trust. Perhaps in an effort to justify the trust, they inadvertently take actions that lead to the success

of their outlets. In essence, franchisees are more motivated, committed and experience personal satisfaction when certain decisions are left in their hands (Kidwell *et al.*, 2007). Secondly, autonomy encourages innovative thinking and this helps franchisees to generate ideas that could enhance the operational efficiency of their outlets (White, 2010). Franchisees are more knowledgeable about local opportunities and trends and so, more flexibility in the operations of their unit, instead of a 'strict blanket approach', enables them to exploit these opportunities (Abdullah *et al.*, 2008:196).

Thus, the forgoing discussions have demonstrated that although franchisee's autonomy is a key control issue in franchising and franchisees tend to perform better when it is granted, it is however unclear if this relationship holds in contexts other than the West and a other countries. To confirm this, scholars (e.g. Dant *et al.*, 2013) urged that more investigations be done on the relevance of autonomy to franchisees business performance. Therefore, this study considers the factor for further exploration in Nigeria.

By and large, the above discussions have been about business format factors that have the potential to influence franchisees' business performance in Nigeria. Given the need to explore and confirm relevance of previous findings in other settings, the three (3) main factors identified in the adapted conceptual model and subsequently synthesised have all been considered for further exploration in this study. These factors are brand name, franchisors' supports and nature controls.

### **2.3.2.2 Contract Design Factors**

The second element in the adapted conceptual framework is contract design. The particular design of franchise contracts is a key issue in the performance of franchise systems generally

(Combs *et al.*, 2011a). A properly designed, clear and fair franchise contract can enhance the performance of franchise chains (Akremi *et al.*, 2015; Boulay, 2010; Cochet & Garg, 2008; Michael & Combs, 2008). Thus, while some have argued that business format franchise contract is often one-sided and designed to favor mainly the franchisors (Lagarias & Boulter, 2010), others have posited that modern franchise contract is increasingly becoming balanced, as franchisees have become a lot more sophisticated and powerful and always bargain for better terms in all the key aspects of the franchise contract (Dant *et al.*, 2011).

Moreover, it has been noted that the particular design of the key terms of the contract is a major sticking point in the franchise relationship (Frazer *et al.*, 2012; Grunhagen & Dorsch, 2003; Michael & Combs, 2008; Roh & Yoon, 2009). This is because conventional wisdom holds that franchise contract is often one-sided and worded primarily to protect the franchisor (Lagarias & Boulter, 2010). Since franchisors may differ in terms of their aggressiveness and key concerns, it can be presumed that the performance effect of the respective contract terms differ from one franchise business unit to the other. Therefore, there is a need to explore and understand these varying performance effects as it relate to franchise business units in Nigeria.

Thus, in line with the preliminary conceptual framework guiding this study, the major aspects of a business format franchising contract that could have varying level of influence on franchisees business performance include: initial franchisee investment, franchise fee, ongoing payments, contract duration, exclusive territories, tying, fairness and special clauses (Gorovaia & Windsperger, 2013; Nijmeijer *et al.*, 2014).

Applying the three criteria for literature selection highlighted in section 2.2.2 above, a number of studies on contract design exploring one or more of the key terms in business format contract



were reviewed. The next subsections discuss empirical findings on each of the identified contract terms. Table 2.5 below contains the summary of the review.

Table 2.5  
*Summary of Literature Synthesis on Key Terms in Franchise Contract*

S/N.	Terms in Franchise Contract	Literature Synthesis	Justification for Further Exploration
1.	<i>Initial Payment</i>	<ul style="list-style-type: none"> <li>➤ <b>Positive:</b> franchisees' businesses survive more when level of initial investment is high (e.g. Akremi <i>et al.</i>, 2015; Frazer &amp; Winzar, 2005).</li> <li>➤ <b>No Effect:</b> higher initial investment indicate no consistent pattern of impact on franchisees' survival (Holmberg &amp; Morgan, 2003).</li> <li>➤ <b>Negative:</b> (e.g. Frazer &amp; Winzar, 2005; Michael &amp; Combs, 2008).</li> </ul>	No firm empirical finding on the effects of high or low level of investment on franchisees' business performance. This necessitates further explorations.
2.	<i>Ongoing Payments</i>	<ul style="list-style-type: none"> <li>➤ <b>Mostly negative:</b> <ul style="list-style-type: none"> <li>• High royalty rate is significantly associated with franchisees' failure (Michael &amp; Combs, 2008)</li> <li>• Constitutes a major source of dissatisfaction among franchisees as it reduces perception of franchisor's value (e.g. Abdullah <i>et al.</i>, 2008; Frazer <i>et al.</i>, 2007)</li> </ul> </li> </ul>	There is a need to verify relative effects of ongoing payment on franchisees performance in different settings (Nijmeijer <i>et al.</i> , 2014).
3.	<i>Exclusive Territory</i>	<ul style="list-style-type: none"> <li>➤ <b>Mostly positive:</b> <ul style="list-style-type: none"> <li>• Failure rate among franchisees decreases significantly when their contracts offer exclusive territory (Michael &amp; Combs, 2008).</li> <li>• Exclusive territory enhances franchisees financial performance (e.g. Kalnins, 2004).</li> </ul> </li> </ul>	Only a few studies have investigated this. There is need to confirm relevance of the term on franchisees performance in different contexts (Nijmeijer, <i>et al.</i> , 2014).
4.	<i>Tying</i>	<ul style="list-style-type: none"> <li>➤ Franchisees are satisfied with punctuality of delivery but not so with the prices of the items as well as the requirement to have their employees recruited by franchisors (Roh &amp; Yoon, 2009)</li> </ul>	<ul style="list-style-type: none"> <li>➤ Limited literature on the issue of tying.</li> <li>➤ Lack of empirical clarity on effects of tying</li> </ul>
<b>Further Justifications:</b>			
<ul style="list-style-type: none"> <li>➤ There is a need to explore and understand varying performance effects of franchisors' policies on franchisees business performance (Heong, 2014).</li> </ul>			

Source: Developed for this research

### 2.3.2.2.1 Level of Initial Payment

Level of initial payment refers to license fees that a franchisee is required to pay respectively at the commencement of a franchise contract.

Empirical findings are mixed on the effect of level of initial payment on franchisees business performance. On the positive side, a number of studies have found that the odd of franchisees' survival is significantly enhanced when the level of initial payment required by franchisors is high (Akremi *et al.*, 2015; Bates, 1995, 1998; Castrogiovanni *et al.*, 1995; Frazer & Winzar, 2005). The reasoning is that high amount of investment by franchisees is instrumental to securing their commitments (Castrogiovanni *et al.*, 1995) due to personal interest in the sense of not wanting to lose their life savings. If the amount of initial payment is insignificant, franchisees would find it a lot easier to abandon their outlets (Frazer & Winzar, 2005) and such a scenario is not healthy for the entire franchise system.

However, other studies have a contrary conclusion. For example, while Holmberg & Morgan (2003) conclude that higher initial fees indicate no consistent pattern of impact on franchisees' survival (Holmberg & Morgan, 2003), other studies (e.g. Frazer & Winzar, 2005; Jambulingam & Nevin, 1999; Michael & Combs, 2008) found that high level of initial fees (startup capital and franchise fees) has a negative impact on franchisees' survival.

Furthermore, when initial level of fees are perceived to be unnecessarily too high, the seed of future disputes and conflict is sowed (Frazer *et al.*, 2007; D. Grace & Weaven, 2011; Grunhagen & Dorsch, 2003; Weaven *et al.*, 2010). Increased franchise disputes lead to franchisees' dissatisfaction (Davis, 2012; Spinelli & Birley, 1998) and subsequent exit from the franchise system (Frazer *et al.*, 2012; Frazer & Winzar, 2005).

Thus, the foregoing discussion has shown that there is no firm empirical finding on the effects of high or low level of initial payment on franchisees' business performance. Given the level of inconsistency in the literature regarding the effect of this contract issue, this study attempts to explore the issue and find evidence to clarify its relevance to franchisees business performance in Nigeria.

#### **2.3.2.2.2 Ongoing Payments**

One of the key features that distinguish business format franchise from product distribution franchise is the payment of ongoing fees including advertising fees and especially royalties by franchisees (Tsang & Finnegan, 2013). The amount of ongoing fees, especially royalty is usually a percentage of the franchised outlet's monthly gross revenue (Michael & Combs, 2008 and Rubin, 1978) or a percentage of net profit margin as practiced in Japan (Jeon & Park, 2002) or fixed flat regular rate used by most Australian franchise systems (Frazer, 1998), or a percentage of raw materials and operating supplies purchased by franchisees as practiced in South Korea (Roh & Yoon, 2009).

Ongoing payments by franchisees is important to franchise system in many ways. It motivates franchisors and enhances their capacity to exercise effective monitoring and enforcement of standards for the protection of the franchise brand (Shane, 2001). It helps in the general effective management and promotion of franchise network (Fadairo, 2013). In some instances, ongoing fees enhance the survival (Kosova & Lafontaine, 2010) and growth (Frazer, 1998) of the chain. Some of the variables that franchisors consider in fixing the percentage ongoing fees include the franchisor-franchisee value trade off, legislation (termination or registration states), the rate of demand from franchisees, prospects of the business, industry type, the competitive

strategy of the franchisor (Brickley, 2002; Shane, 2001; Shane *et al.*, 2006) and of course pure hunches (Shane, 2005).

As is the case with other terms of franchise contract, there is a presumption that ongoing payments have performance implications for franchise business units. Most empirical findings are unequivocal that ongoing payments have a significant negative effects for franchisees' business performance (Abdullah *et al.*, 2008; Akremi *et al.*, 2015; Benjamin, Chinloy, Jud, & Winkler, 2006; Benjamin *et al.*, 2007; Frazer, Merrilees, & Wright, 2007; Michael & Combs, 2008).

In a study of entrepreneurial failures among franchisees involving 88 franchised restaurants chains in the US, Michael & Combs (2008) found that high ongoing fees, especially royalty rate is significantly associated with franchisees' failure. Ongoing payments are first line charge on franchisees' gross revenues and thus increasing their rates automatically reduces franchisees' profit margins thereby heightening the possibility of failures among them (Michael & Combs, 2008). More so, increased rates of ongoing payment has been noted to be an extraction of excess rent by franchisor (Benjamin *et al.*, 2006), and it constitutes a major source of dissatisfaction among franchisees as it reduces perception of franchisor's value (Abdullah *et al.*, 2008; Frazer *et al.*, 2007; Tuunanen & Hyrisky, 2001). It could ultimately lead to a highly dysfunctional and adversarial relationship especially where franchisees perceive that commensurate support services are not being provided by franchisors (Frazer & Winzar, 2005; Spinelli & Birley, 1998).

Thus, given the centrality of ongoing payments in franchise contract and the negative perception that they have among many franchisees as reported by previous studies, this present study considers it for further exploration.

#### **2.3.2.2.3 Exclusive Territories**

The third term indicated in the contract design aspect of the model is *exclusive territory*. Exclusive territory is an arrangement where franchisees outlets are the only ones allowed to operate within a particular geographical area. As a common part of the franchise contracts, it supposedly represents an incentive package to enhance franchisees' satisfaction, minimize possible free-riding and drive their financial performance (Michael & Combs, 2008; Shane, 2001). A key cause of conflict in franchisor-franchisee relationship is the tendency of franchisors to encroach on franchisees' territory, especially with company-owned outlets (Frazer *et al.*, 2012). Whenever franchisors encroach on franchisees' territory, the latter's sales are cannibalized as they have to compete with the new outlet and incur more expenses for every unit of sales (Kalnins, 2004; Michael & Combs, 2008) and this has the potential to cause franchisee's poor financial performance and exit from the system.

Many empirical studies show that exclusive territories have a positive effect on the survival of franchisees (Azoulay & Shane, 2001; Michael & Combs, 2008) as well as their financial performance (Kalnins, 2004). Failure rate among franchisees decreases significantly when their contracts offer reasonable amount of territory for their outlets (Michael & Combs, 2008). The reason for this relationship is that with exclusive territory, franchisees are able to maximize the benefits of their investment in store promotion and other localized efforts.

Thus, given its importance to franchisees performance and the fact that it is one of the major cause of conflicts in franchise relationship, this study considers exclusive territory for further exploration.

#### **2.3.2.2.4 Tying Agreements**

Tying agreements are clauses that require franchisees to rely on franchisors as the exclusive supplier of their inputs and raw materials such as setup equipment and daily operational supplies. It includes practices such as obligatory central purchasing (Nijmeijer *et al* 2014). For example, it is a standard requirement of Tantalizers Nigeria that their new franchisees will purchase all kitchen equipment for the restaurant business from them. Key materials for most menu items are also to be supplied in semi-cooked form by the head office (Tantalizers, 2013).

Tying arrangement is an important tool for franchisors to control their systems and maintain brand reputation (A. E. Akremi *et al.*, 2015). This is obviously to enhance the long-term survival and financial performance of the franchise system. Clearly, tying agreement is a classic example of a constraining contract and in such contracts, studies show that franchisors benefit more as their managerial effectiveness and the long-term performance of the chain are enhanced (Akremi *et al.*, 2015; Chaudey & Fadaïro, 2010). However, notwithstanding the claimed impact on the performance of the entire chain, tying agreement is one area where the interests of both parties are at odds. For example, franchisees usually resent franchisors' requirements of central purchasing as the prices charged for items in this arrangement are usually excessive, eating deep on franchisees' margins (Roh & Yoon, 2009).

At present, there is lack of empirical clarity on the impact of tying agreement on franchisees performance. For example, according to a survey in South Korea, while franchisees were found

to be highly satisfied with the punctuality at which franchisors deliver supplies and raw materials to their outlets, the same survey revealed that franchisees are most dissatisfied with the prices of the items as well as the requirement to have their employees recruited by franchisors (Roh & Yoon, 2009).

Thus, given the limited literature on the contract term of tying agreement and unclear understanding of its effects on franchisees satisfaction, this study considers the factor for further exploration.

By and large, the foregoing discussions have been about the element of contract design as a potential influencer of the performance of franchisees' business in Nigeria. As contained in the adapted conceptual framework, a synthesis of the meaning, importance and empirical findings on each identified term of franchise contract has been given. Based on various reasons including the need to confirm relevance of previous findings in other contexts (Nijmeijer *et al*, 2014), all the contract terms highlighted in the adapted model have been chosen for further exploration in this study. These terms are: initial level of payment, ongoing payment, exclusive territory and tying arrangement. The next section discusses the next element in the adapted conceptual framework.

### **2.3.2.3 Behavior and Interaction Factors**

Apart from business format and contract design factors discussed in the last two preceding sections, behavior and interaction is the third and last element in the conceptual model adapted for this study. As summarized in tables 2.5 and 2.6 below, this particular element is broadly grouped into two: (i) relationship quality factors: closeness, commitment, trust, communication and relationship satisfaction and (ii) attitude and skills factors: motivation & hard work,

management & marketing skills and prior experience of franchisees. This section reviews empirical findings on these groups of factors.

#### **2.3.2.3.1 Relationship Quality Factors**

Relation quality is defined as the robustness and the staying power of the relational bonds between two parties (Paulin, Ferguson, & Payaud, 2000; Shemwell & Cronin, 1995). The centrality of high quality relationship to the performance of any relational exchange and franchise partnership in particular has been well established in the literature (Altinay *et al.*, 2014b; Bordonabe-Juste & Polo-Redondo, 2008; Dant *et al.*, 2013; Doherty *et al.*, 2014; Heong, 2014; Kidwell *et al.*, 2007; McDonnel *et al.*, 2011; Watson & Johnson, 2010).

It is believed that high quality relational exchange leads to better cooperation and high 'collaborative ethics' (Thomas, 1992), ensures greater ability to cope with uncertainty in the franchise business environment (Altinay *et al.*, 2014b), acts as a buffer that neutralizes the negative effect of occasional service failure (Caceres & Paparoidamis, 2007), increases relationship satisfaction (Altinay *et al.*, 2014a; Chiou *et al.*, 2004; Lee *et al.* 2015a), increases franchisees' loyalty (Kuvaas, 2008), predicts franchisees' intention to stay (Chiou *et al.*, 2004; Hashim & Tan, 2015), enhances compliance with quality standards (Weaven *et al.*, 2010), thereby reducing monitoring cost. Good quality franchise relationship also facilitates better financial performance (Brown & Dev, 1997; Kidwell *et al.*, 2007; Rajagopal, 2007), and ultimately leads to superior performance in terms of strong competitive edge and survival of the entire chain (Caceres & Paparoidamis, 2007; Hunt, Arnett, & Madhvaram, 2006:77; Mohr & Nevin, 1990).



Given the importance of good quality relationships in the performance of franchise firms, ‘it seems necessary to understand what factors impact on these relationships’ (Dant *et al.*, 2013:281). Five factors were identified in the adapted conceptual framework, namely: closeness, commitment, trust, communication and relationship satisfaction.

Table 2.6  
*Summary of Literature Synthesis on Relationship Quality Factors*

S/N.	Relationship Factors	Literature Synthesis	Justification for Further Exploration
1.	<i>Closeness</i>	<p>➤ <b>Mostly positive:</b></p> <ul style="list-style-type: none"> <li>• Important factor in franchise (Diaz-Bernardo, 2013)</li> <li>• Has a positive effect on franchisees overall satisfaction and intention to stay (Altinay <i>et al.</i>, 2014b; Diaz-Bernardo, 2013; Doherty <i>et al.</i>, 2014; Huang &amp; Phau, 2008; Kidwell <i>et al.</i>, 2007; Watson &amp; Johnson, 2010)</li> </ul>	Further exploration needed to confirm relevance of relationship quality factors to franchisees in different settings (Frazer <i>et al.</i> , 2012; Nijmeijer <i>et al.</i> , 2014).
2.	<i>Commitment</i>	<p>➤ <b>Mostly positive:</b></p> <ul style="list-style-type: none"> <li>• Leads to high franchisees satisfaction (e.g. Frazer <i>et al.</i>, 2007, 2012; Frazer &amp; Winzar, 2005)</li> <li>• Results in willingness to maintain long-term relationship (e.g. Caceres &amp; Paparoidamis, 2007).</li> <li>• Enhances corporate performance (e.g. Wright &amp; Grace, 2011)</li> </ul>	Findings mostly relate to US and western countries and so there is a need to confirm the relative importance of the factors in difference contexts in order to enhance theory (Nijmeijer <i>et al.</i> , 2014)
3.	<i>Trust</i>	<p>➤ <b>Mostly positive:</b></p> <ul style="list-style-type: none"> <li>• Key antecedent of good quality franchise relationship (e.g. Altinay <i>et al.</i>, 2014a; Eser, 2012; Nijmeijer <i>et al.</i>, 2014).</li> <li>• Enhances compliance and minimizes cost of operations (e.g. Davies <i>et al.</i>, 2011).</li> <li>• Reduce dysfunctional conflict (e.g. Frazer <i>et al.</i>, 2012),</li> <li>• Positively influence franchisees business performance, overall satisfaction and long-term commitment (e.g. Chiou</li> </ul>	<p>➤ Despite its importance in franchise relationship, trust has not been properly explored in the literature (e.g. Altinay <i>et al.</i>, 2014a; Grace <i>et al.</i>, 2016).</p> <p>➤ Applicability of previous findings in the context of developing countries needs to be confirmed as earlier findings relate more to the US market (e.g. Chiou &amp; Droge, 2015).</p>

Table 2.6 continues

S/N.	Relationship Factors	Literature Synthesis	Justification for Further Exploration
4.	<i>Communication</i>	<p>&amp; Droge, 2015; Dickey <i>et al.</i>, 2008; Eser, 2012)</p> <p>➤ <b>Mostly positive:</b></p> <ul style="list-style-type: none"> <li>• Building block of excellent franchise relationship (Chiou <i>et al.</i>, 2004).</li> <li>• enhances franchisees' business performance (e.g. Abdullah <i>et al.</i>, 2008)</li> </ul>	Franchise research community highly interested on the factor and there is a need for more empirical confirmation of its relevance in different contexts (Nijmeijer <i>et al.</i> , 2014)
5.	<i>Relationship Satisfaction</i>	<p>➤ <b>Mostly positive:</b></p> <ul style="list-style-type: none"> <li>• Significant effect on franchisees intention to remain (Chiou <i>et al.</i>, 2004).</li> <li>• Leads to franchisees overall success (e.g. Frazer <i>et al.</i>, 2012; Weaven <i>et al.</i>, 2010).</li> </ul>	➤ Limited literature on the relevance of relationship satisfaction factor.

Further Justifications:

- More studies in other countries needed to identify other factors influencing franchise relationship development (Altinay *et al.*, 2014b).
- Applicability of previous findings in the context of developing countries needs to be confirmed (Eser, 2012).
- Studies be done in other countries to enhance generalizability of behavioural quality model (McDonnell, Beatson & Huang, 2011).

Source: Developed for this research

### 2.3.2.3.1.1 Closeness

The first relationship factor in the model is the *closeness* of the relationship (otherwise referred to as intimacy). Previous studies have identified a range of benefits that are derivable when parties in a partnership make efforts to invest in and nurture a closely-knitted relationship. When there is considerable positive psychological atmosphere and closeness between franchisors and franchisees, there will be solidarity and hence mutually beneficial outcomes for both parties (Diaz-Bernardo, 2013).

Previous studies on franchise relationship largely conclude that closeness between the two parties is essential to improving the quality of the relationship, just as closeness has been found to have a positive effect on franchisees organizational outcomes of overall satisfaction and

intention to stay (Altinay *et al.*, 2014b; Diaz-Bernardo, 2013; Doherty *et al.*, 2014; Huang & Phau, 2008; Kidwell *et al.*, 2007; Watson & Johnson, 2010). This is especially so when the closeness is characterized with mutual respect and recognition for each part's needs, roles and tasks (Nijmeijer *et al.*, 2014).

Thus, given the consensus of many scholars on the importance of closeness to high quality franchise relationship, this study attempts to carry out further exploration to confirm the relevance of the factor in franchisees business performance in Nigeria.

#### **2.3.2.3.1.2 Commitment**

Commitment is the second relationship quality factor in the model. Generally, no successful and lasting relationship can be built without the active commitment of the key parties involved (Anderson & Weitz, 1992). Commitment is one of the key dimensions of relationship quality that scholars generally associate with a highly cooperative and functional relational exchange (Bordonabe-Juste & Polo-Redondo, 2004, 2008b; Caceres & Paparoidamis, 2007; Hunt *et al.*, 2006; McDonnel *et al.*, 2011; Morgan & Hunt, 1994; Perry *et al.*, 2002; Weaven *et al.*, 2010).

Commitment is a lasting desire to keep a valued relationship (Moorman, Deshpande, & Zaltman, 1992:316). It occurs when parties in a relational exchange recognize the importance of their relationship and go the extra mile to make necessary investment to preserve such relationship (Morgan & Hunt, 1994).

Many empirical studies have found partners' commitment to be critically important in building an enduring franchise relationship. The perception of high commitment in a business-to-business relational exchange results in loyalty and consequently the development of long-term

orientation towards the relationship (Caceres & Paparoidamis, 2007). Commitment facilitates partners alignment and cooperation as it enhances timely sharing of critical information and ideas (Bordonabe-Juste & Polo-Redondo, 2004). High commitment stimulates compliance with standards, reduces opportunistic behaviors and minimizes possibility of conflict in the relational exchange (Wright & Grace, 2011). With reduced relational conflict, franchisees will presumably be happier, more satisfied and express willingness to maintain long-term relationship with franchisors (Frazer *et al.*, 2007, 2012; Frazer & Winzar, 2005). The end result of high commitment is enhanced corporate performance for both parties (Wright & Grace, 2011), especially franchisees as it engenders their satisfaction, performance and intention to commit to long-term business relationship (Caceres & Paparoidamis, 2007; Frazer *et al.*, 2012; Watson & Johnson, 2010; Wright & Grace, 2011).

Thus, the forgoing discussion has been about the meaning of commitment, its relevance and empirical findings regarding its place as a factor in franchise relationship. Given the interest of scholars on this factor and the need to confirm its relative importance in franchise relation in other settings, this study considers commitment for further exploration.

#### **2.3.2.3.1.3 Trust**

The third relationship factor in the adapted Nijmeijer *et al* (2014)'s model is *trust*. Trust is the willingness to be vulnerable (Kramer & Lewicki, 2010), faith in the good will of another (Davies *et al.*, 2011), the knowledge that one party will act in ways that help the interest of another (Anderson & Weitz, 1992) and readiness to depend on an individual (Moorman, Deshpande, & Zaltman, 1993). Drawing from all these definitions, trust can be seen as having a sense of security and unwavering conviction that another person will deliver on expressly stated or implied responsibility.

Majority of previous studies on trust have concluded that trust is a key antecedent of good quality franchise relationship (Altinay *et al.*, 2014a; Chiou *i.*, 2004; Dickey *et al.*, 2008; Eser, 2012; Nijmeijer *et al.*, 2014), especially as it affects franchisees. Trust is found to enhances compliance (Davies *et al.*, 2011; Kidwell *et al.*, 2007), reduce incidence of dysfunctional conflict (Frazer *et al.*, 2012), minimize costs of supervision and operation (Davies *et al.*, 2011), promotes system growth as franchisees that trust their franchisors often recommend them to others (Dickey *et al.*, 2008; Eser, 2012), and positively influence franchisees business performance, overall satisfaction and long-term commitment (Chiou & Droge, 2015; Chiou *et al.*, 2004; Dickey *et al.*, 2008; Eser, 2012).

Thus, based on the noted relevance of trust in relationship building in franchise and given the need to confirm the above cited empirical findings in different settings (Nijmeijer *et al.*, 2014), this study considered the factor for further investigation. Indeed, Chiou & Droge (2015) recently reiterate that more studies are needed in other countries to confirm the relevance of trust in franchise relationship and in the performance of franchisees as majority of earlier findings relate more to the US market.

#### **2.3.2.3.1.4 Communication**

The next factor under behavior and interaction in the conceptual model of this study is *communication*. Communication is defined as the exchange and comprehension of meanings (Dwyer & Tanner, 2014). It is a human activity that connects people together and strengthens relationships (Duncan & Moriarty, 1998:2). Effective communication is the transfer of meaning from one party to another such that the receiver understands the message the same way the sender intended it.

Communication has been found to be a critical element in building and sustaining excellent working relationships with organizational stakeholders and for managing the inevitable conflicts that usually arise in relationships (McDonnell *et al.*, 2011; Vaux, 2014). In this sense, communication not only facilitates exploration of opportunities in a relational exchange, it also performs a helpful role in overcoming possible challenges that may occur as people interact. By facilitating exchange of ideas, enhancing understanding and keeping people connected, communication performs the roles of developer, organizer and disseminator of knowledge (Duncan & Moriarty, 1998) within a relational exchange and with the outside world.

Previous studies have made wide ranging conclusions on the organizational outcomes of relationship communication. Apart from being empirically confirmed as the building block of excellent relational exchange in franchise organization (Chiou *et al.*, 2004); respectful, open and up-to-date information exchanged enhances franchisees' business performance (Abdullah *et al.*, 2008; Bordonabe-Juste & Polo-Redondo, 2008; Falbe & Welsh, 1998; Rodriguez *et al.*, 2006). A major cause of conflict in franchise relation include wrong perception and unmet expectations (Frazer *et al.*, 2012). Communication has been found to be instrumental in clarifying perceptions and expectations, thereby resulting in reduction of relational conflict and facilitating cooperative behaviors (Rodriguez *et al.*, 2006). Communication has also been found to enhance convergence of interest and facilitates achievement of common goals (Bordor 2008). For a franchise system to succeed, franchisors need to effectively transfer their know-how to franchisees. Communication is the critical means through which franchisors share their expertise, develop emotional bond and create a sense of team with franchisees, thereby helping to facilitate and quicken the process of franchisees' integration with the system (Altinay *et al.*, 2014b).

Thus, the forgoing discussion has highlighted the meaning of communication, its importance as well as empirical findings regarding its role in franchise business relationship. Given the interests of franchise research community on relationship communication and the need for more empirical confirmation of the factor, this study attempts to further explore the influence of communication in franchisees' business performance in Nigeria.

#### **2.3.2.3.1.5 Relationship Satisfaction**

The fifth factor identified in the conceptual framework to play a role in shaping behavior and interaction in a franchise relationship is *relationship satisfaction*, otherwise referred to as little conflict (Nijmeijer *et al.*, 2014). Relationship satisfaction in a relational exchange is described as the feeling of happiness with alliance partners (Dant *et al.*, 2013). It is achieved when a partner has a positive affective feeling regarding the key aspects of their relationship with other partner (Dant *et al.*, 2013). Relationship satisfaction is said to be the corollary of fewer conflicts and fewer opportunistic behavior (Frazer *et al.*, 2012). More so, It may be seen as the extent to which franchise relational exchange meet expectation (Tuunanen, 2002). It may also be a reflection of happy, positive and contented relational atmosphere (Bordonabe-Juste & Polo-Redondo, 2008). It is sometimes measured simply as the extent of believe in the rightness of choosing a particular franchisor for a franchise relationship or simply as overall satisfaction with the franchise relationship (Chiou *et al.*, 2004).

Based on different conceptualizations such as fewer conflicts, studies have attempted to empirically determine the organizational outcome of franchisees' relationship satisfaction. The general conclusions of most studies is that relationship satisfaction enhances franchisees; business performance (Chiou *et al.*, 2004; Davies *et al.*, 2011; Frazer *et al.*, 2007, 2012; Frazer & Winzar, 2005; Kidwell *et al.*, 2007; Rodriguez *et al.*, 2006; Watson & Johnson, 2010; Wright & Grace, 2011). In a study involving franchisees of a major convenience store in Taiwan, Chiou

*et al* (2004) found that franchisees' relationship satisfaction has a significant effect on their intention to remain in the franchise system. Similarly, Frazer *et al.* (2012)'s study of causes of conflicts in the Australian franchise system found that franchisees that indicate high relationship satisfaction in their franchise system have lower record of disagreement and conflicts with their franchisors. The study found empirical evidences largely confirm that franchisees that are in less satisfactory relationship will be less cooperative, more likely to engage in opportunistic behaviors, court conflicts and ultimately withdraw from the franchise system (Frazer *et al.*, 2012; Weaven *et al.*, 2010).

In a nutshell, the level of satisfaction franchisees feel in their relationship with franchisors have impact on the franchisees' business performance as well as their long-term commitment to the franchise system (Caceres & Paparoidamis, 2007; Chiou *et al.*, 2004; Frazer *et al.*, 2012; Heong, 2014). However, only a limited empirical findings have investigated and made this conclusion. Given the need to firmly established and verify the relevance of each of the factors in the adapted model especially in different settings, this study attempts to find further empirical evidence in Nigeria.

By and large, the foregoing discussion has been about relationship quality factors which is the first part of the behavior and interaction element of the adapted conceptual framework. The factors within this part include closeness of the relationship, commitment of the franchisor, trust, effectiveness of communication and relationship satisfaction. Literature synthesis generally revealed that these factors have potentials to influence franchisees' business performance. Based on this and the need to confirm relevance of the factors in other contexts (Nijmeijer *et al*, 2014), this study has considered all the identified relationship factors for further exploration.



The second part of the behavior and interaction element is attitude and skills of franchisees. The next subsection presents findings of empirical studies on each of the identified franchisees attitudes and skill factors.

#### **2.3.2.3.2 Attitude and Skills**

The previous section has been about relationship quality factor which is one of the two parts of behavior and interaction element in the adapted conceptual framework. The second group of factors under the element is attitude and skills of franchisees. As summarized in table 2.6 below, it is believed that the personal attitudes and skills of entrepreneurs and franchisees in particular are likely to be important factors in their business success (e.g. Dant *et al.*, 2013; Rauch & Frese, 2007a; Soontiens & Lacroix, 2009; Weaven, Grace, & Manning, 2009).

To underscore the importance of appropriate attitude and skills in franchisees' success, the International Franchise Association Code of Ethics requires that franchisees should only be selected after reasonable investigation and confirmation that they possess the basic skills, attitudes and personal characteristics to conduct the business of the particular system (International Franchise Association, 2016).

The key attitude and skill factors in the adapted model include franchisees motivation & hard work, management & marketing skills and prior experience. Each of these along with empirical findings on their relevance to franchisees' business performance is thus discussed.

### 2.3.2.3.2.1 Motivation & Hard work

*Motivation & hard work* is the first attitude and skill factor identified as having the potential to influence their business performance. A large number of empirical studies have concluded that motivation and hard work matter for franchisees success (Frazer *et al.*, 2007; Frazer & Winzar, 2005; Merrilees & Frazer, 2006; Parsa *et al.*, 2005; Watson, 2008).

Table 2.7  
*Summary of Literature Synthesis on Attitude and Skill Factors*

S/N.	Attitude and Skills	Literature Synthesis	Justification for Further Exploration
1.	<i>Motivation &amp; Hard work</i>	Among the desired attitude that help franchisees succeed in business (e.g. Frazer <i>et al.</i> , 2007; Merrilees & Frazer, 2006; Parsa, Self, Njite, & King, 2005; Watson, 2008).	➤ Applicability of these factors need to be confirmed in other contexts (e.g. Dant <i>et al.</i> , 2013; Nijmeijer <i>et al.</i> , 2014).
2.	<i>Management &amp; Marketing Skills</i>	Franchisees performance improve when they possess good management and marketing skills (e.g. Chien, 2014; Jiang, Yang, Pei, & Wang, 2014)	➤ Considered for further exploration given the limited empirical studies that have investigated the factor.
3.	<i>Prior Experience</i>	Franchisees prior experience has not positive impact on their business performance (e.g. Rahatullah & Raeside, 2009)	➤ Further empirical findings from other settings needed to confirm lack of impact. More so, there is limited empirical work on the issue.

Further Justifications:

- There is generally limited empirical work on franchisees personality and attitudinal factors (Dant *et al.*, 2013).

Source: Developed for this research.

Notwithstanding the seeming conclusive findings on the issue of motivation & hard work, this study sought to answer the call of scholars (e.g. Dant *et al.*, 2013; Nijmeijer *et al.*, 2014) to confirm the relevance of literature-identified personality attitudes of franchisees in other contexts. This factor is considered for further empirical confirmation in Nigeria.

#### **2.3.2.3.2.2 Management & Marketing Skills**

In terms of excellent *management & marketing skills*, empirical findings have shown that franchisees' business performance improve when they possess these skills (Chien, 2014; Clarkin, 2008; Jiang *et al.*, 2014; Merrilees & Frazer, 2006). And from the perspective of franchise practitioners, one of the most important factors that lead to franchisees success is sales and marketing skills (Hancock, 2015; Nguyen, 2015).

In a study of alliance firms in China, Jiang, Yang, Pei, & Wang (2014) conclude that alliance members (franchisees) who possess excellent ideas for improving the business and general knowledge of management achieve better organizational performance. In a similar vein, Chien (2014), found that knowledge and skills form the basis for exploitation of new opportunities and maximization of resources provided by franchisors. Arguably, when new local opportunities are appropriately exploited, the particular outlets will be first to benefit from the results of such initiative. Thus, franchisees' management and marketing skills are key attitudinal factors in their performance and therefore considered for further empirical exploration the present study.

#### **2.3.2.3.2.3 Prior Experience**

Franchisees *prior experience* in a related business or industry is the third attitude & skill factor included in the adapted conceptual framework. The expectation is that franchisees' prior knowledge of the particular business will play a critical role in achieving a strategic fit between the business objective of the two parties (Altinay & Wang, 2006). However, most empirical findings point to the contrary. For example, in an investigation of partner selection process in international franchise arrangement, it was found that franchisees prior experience and previous success are among the least important factors necessary for their success (Al-Khalifa

& Eggert Peterson, 1999). Similarly, a study on the dynamic of partner selection criteria in franchising found that technical competence and past experiences of franchisees are not relevant to their business performance (Rahatullah & Raeside, 2009).

Thus, although the few studies on prior experience show that the factor is not relevant to franchisees performance, this study considers it for further exploration. This is to confirm the validity of the earlier findings in other settings as suggested by Nijmeijer *et al* (2014).

To recap on the attitude and skills factors, the adapted model identified three key attitude and skills to have potential to influence franchisees performance. These are motivation & hard work, management & marketing skills and prior experience. Literature synthesis have documented empirical findings on each of the three factors and all three have been considered for further exploration in this study.

To conclude, a model of factors influencing franchise system performance developed by Nijmeijer *et al* (2014) was adapted as the conceptual framework for this study. Three factors informed the adoption of the model: the model is recent, it is comprehensive and that there is need to confirm its relevance in an Africa country. The original model (please see figure 2.9) contains five main elements with a number of respective factors that are believed to have the potentials to influence franchise system performance. However, only three of these five main factors are directly relevant to franchisees. The other two main factors – ownership structure and system age and size are peculiar to franchisors. So, the model was adapted for this investigation by redrawing and highlighting (please see figure 2.10) the elements and specific factors that are relevant to franchisees. These three elements are; business format, contract design, and behavior & interaction. Eventually, the factors are grouped into four as the last

element on behavior and interaction is subdivided into two. This is to enhance clarity and understanding. Subsequently, efforts were made to identify suitable literature on each of the elements for review. The review and ensuing synthesis led to justification and consideration of specific factors for further exploration in this study.

Thus, with a solid literature grounding of the elements and their respective factors, the next task is to explain the theory that can explain the relationship between the identified factors and franchisees performance outcomes.

## **2.4 The Underpinning Theories**

The two commonly used theories in franchise research are *agency* and *resource scarcity theories* (Alon *et al.*, 2017). Resource-based view is also being increasingly used to explain franchising realities (e.g. Gillis, Combs, & Ketchen, 2014). Given the call to deepen the theoretical base of franchise research (Combs *et al.*, 2011b) and looking at the key assumptions and predictions of the above-mentioned theories as illustrated in table 2.8 below, resource-based theory is found to be more relevant to the research issues identified for exploration in this study. Nonetheless, a brief explanation of agency and resource scarcity theories is given, with a highlight on why they are not found suitable for explaining the issues being currently investigated.

### **2.4.1 Agency Theory**

Agency theory essentially explains the relationship between two individuals – the principal and the agent, whereby the principal hires the agent to undertake some services on his/her behalf for certain agreed considerations/rewards (Hill and Jones, 2001). The basic assumption of agency theory is that the interests of the principal and that of the agent are not usually the same (Gillis & Combs, 2009). So, in order for the principal to reduce the negative effect of

divergence of interest with the agent, he or she has to institute some incentives for the agents (Doherty and Alexander, 2006; Hill and Jones, 2001).

Table 2.8  
*Key Assumptions and Predictions of Agency, Resource Scarcity and Resource-based Theories*

Theories	Key Assumptions	Key Predictions
<i>Agency Theory</i>	<ul style="list-style-type: none"> <li>➤ Parties in a relational exchange are self-interested and rational.</li> <li>➤ Corporate outlet managers exhibit shirking behavior.</li> <li>➤ Franchisees potentially free ride on the brand name.</li> <li>➤ It is costlier to deal with company employee (vertical agency cost) than franchisees (horizontal cost).</li> </ul>	<ul style="list-style-type: none"> <li>➤ Being residual claimants on profits motivates franchisees.</li> <li>➤ Efficient franchising results in better performer.</li> <li>➤ Franchising is more appropriate than company-owned option when monitoring cost is high and when it is not so easy to free-ride.</li> </ul>
<i>Resource Scarcity Theory</i>	<ul style="list-style-type: none"> <li>➤ Franchising makes it easier to acquire capital and managerial resources (e.g. money, talents or skills).</li> <li>➤ It is more profitable for firms to own their distribution outlets than to franchise them.</li> <li>➤ Minimum efficient scale is a survival imperative for business firms.</li> </ul>	<ul style="list-style-type: none"> <li>➤ Younger firms will franchise heavily at the early years.</li> <li>➤ Firms will ultimately own all units as they mature by repurchasing all franchised units.</li> <li>➤ Possibility of survival can be enhanced through franchising.</li> </ul>
<i>Resource-Based Theory</i>	<ul style="list-style-type: none"> <li>➤ Better performance is the main goal of every firm.</li> <li>➤ The condition for better performance is the possession of a collection of resources and capabilities.</li> <li>➤ That resources and capabilities result in sustainable performance only if they are firm specific.</li> </ul>	<ul style="list-style-type: none"> <li>➤ Deficiency in resources will lead to poor performance.</li> <li>➤ Firms with valuable and rare resources will perform better.</li> <li>➤ Firms with non-imitable and non-substitutable resources will sustain better performance.</li> </ul>

Source: Developed for this research.

More so, because of the twin problem of adverse selection and moral hazards (Eisenhardt, 1989), the principal needs to ensure that only well qualified and capable hands as well as those requiring little supervision are engaged (A. E. Akremi *et al.*, 2015; Boulay, 2010; Michael & Combs, 2008). Another way to overcome agency problem is to increase or restructure the firm's incentive systems in ways that align the interests of both the agents and the principal (Bryant, 2011). It is believed that finding this balance within a corporate structure is challenging as the costs involved could prove prohibitive (Alon *et al.*, 2017).

Meanwhile, franchising is seen as a useful framework for addressing the above mentioned agency problems that are often associated with outlet managers (Michael & Combs, 2008). First, in term of problem of adverse selection (wrongly hiring people because they exaggerated their talents), it is believed that franchising addresses this problem in the sense that franchisees who join a franchise system are reasonably confident that they have the requisite skills and capabilities to run the business (Gillis *et al.*, 2014). And in terms of moral hazards (not exalting maximum commitment and energy for company's success), franchising resolves the problem by giving franchisees high amount of incentives which keep them aligned and committed (Perdreau, Le Nadant, & Cliquet, 2015). Another way in which moral hazard problem is resolved is due to the fact that the business model offers a level of independence to franchisees (IHS Markit Economics, 2017) which enables them to take actions and decisions that satisfy their psychological needs for achievement and success. More so, franchisees are the primary beneficiaries of the residual profits made by their outlets and so they are more likely to work harder for the success of their outlet than a company manager would (Kotliarov, 2013; Weaven & Frazer, 2006).

Thus, given the above discussion, it is clear that agency theory is most helpful when explaining reasons for franchising particularly from the franchisor's perspective (Gillis & Combs, 2009). It is however not so appropriate for explaining other issues in the field (Combs, Ketchen, & Short, 2011) such as influencing factors for franchisees success which this study focuses on. On this basis, the theory is not found suitable and thus not adopted for the investigation.

#### **2.4.2 Resource Scarcity Theory**

Resources are critical for firm's performance, survival and growth (Lockett, 2005; Nair, Trendowski, & Judge, 2008). Resources include human, physical and organizational assets (Barney, 1996). While established and older firms have access to rich amount of each of these resources with which they can pursue various strategies and achieve their corporate objectives, young firms on the other hand are generally resource-constrained (Carney & Gedajlovic, 1991; Castrogiovanni, Combs, & Justis, 2006). It is this paucity of resources that forces young firms to search for external opportunity for growth (Madanoglu *et al.*, 2017). Franchising offers such an opportunity to overcome resource constraints and access external assets for rapid expansion (Carney & Gedajlovic, 1991; Oxenfeldt & Kelly, 1969). The theoretical basis that is often used to explain this phenomenon is resource scarcity theory.

According to the theory, firms franchise when internal resources are not enough to satisfy desire to achieve economies of scale in advertising and promotion (Castrogiovanni *et al.*, 2006). The key prediction of resource scarcity theory according to Alon *et al* (2017) as illustrated in table 2.8 above include that (i) franchising will enhance firm survival (ii) young firms will franchise heavily at the early stage and that (iii) franchised systems will ultimately become purely company-owned as they mature and repurchase franchised units.



The resource scarcity theory of franchising was popularized by Oxenfeldt & Kelly (1969). According to the authors, the central proposition of resource scarcity theory of franchising is that the growth of young firms are constrained by lack of resources. These firms would therefore seek or accept individuals or other firms that have human and financial resources to expand, grow and achieve scale economies. The firm would continue to use franchising up to the point when it can generate enough resources to achieve scale and competitive advantage. The firm will at this point not only stop franchising, but also start pursuing ownership redirection by acquiring successful franchised outlets and converting them to wholly company-owned (Castrogiovanni *et al.*, 2006; Oxenfeldt & Kelly, 1969).

Meanwhile, according to Castrogiovanni *et al* (2006), although resource scarcity is a dynamic theory, its application in franchise research is typically confined to three issues, all of which apply to franchisors. These are: to assess general resource endowments of the system; to examine specific indicators of resources which include age, size and growth of the system and thirdly to analyze franchisors motive for franchising. More so, results of empirical studies so far conducted through the lens of resource scarcity has largely been mixed (Combs *et al.*, 2011b), making it difficult to verify the reliability of the theory as an explanatory framework for franchising reality.

From the foregoing, it is clear that just like agency theory, resource scarcity theory focuses on franchisors and it is often used to explain propensity to franchise. It has a limited application and it appears inappropriate to explain success factors and/or consequences of franchising (Castrogiovanni *et al*, 2006; Combs *et al.* 2011a; Combs *et al*, 2011b). As such, this theory is not considered relevant for this study.

Thus, given the central arguments of both agency and resource scarcity theories, it is apparent that they both address franchise realities from the perspective of franchisors. This present study focuses on franchisees and therefore, agency and resource scarcity theories are not suitable as theoretical underpinning. The next section discusses the resource-based view which is believed to be a more appropriate explanatory framework for explaining issues in franchisees performance (Stanworth, Stanworth, Watson, Purdy, & Healeas, 2004).

### **2.4.3 Resource-Base View (RBV): the Underpinning Theory**

#### *Meaning and Evolution of RBV*

The relevance of resources in the enduring performance of a firm has long been espoused in the literature. The work of Penrose (1959) marked an important epoch in the discussion of the critical importance of resources in the performance of a business firm. Much of what is today known as the resource-based theory is credited to Penrose's work which posits, essentially, that the performance of a firm, in form of return on investment (ROI) or growth, can be achieved through optimal combination of internal and external resources (Lockett, 2005).

The Resource-Based Theory (RBT), otherwise called Resource-Based View (RBV) is a theoretical perspective that gives structure to Penrose's ideas and emphasized the relevance of different types of resources in the firm's attempt to achieve a sustainable competitive advantage (Rugman & Verbeke, 2002). It provides an explanatory framework for advantages accruable to a firm that controls a unique collection of locational, human, material and organizational resources (Rindova & Fombrun, 1999).

RBV was first popularized by the seminar work of Wernerfelt (1984) who argued that instead of the hitherto product-based analysis of the firm championed by Porter (1979), it is more useful to analyze firms' ability to earn rent (above average performance) by looking at their

resource endowment. However, scholars (e.g. Arend & Levesque, 2010; Newbert, 2007; Priem & Butler, 2001) believe that it is the various works of Barney (e.g. Barney 1991, 1996, 2001) that influence understanding of the modern RBV.

#### *Assumptions and Prescriptions of RBV*

According to Barney (1991) (cited in Priem & Butler, 2001), there are two elemental assumptions that are central to the theoretical proposition of RBV. First, that resources are heterogeneously distributed among firms operating in a particular industry and second, that resources are imperfectly mobile, that is, it is expensive to transfer them from one firm to another. Based on these foundational assumptions, four implicit prescriptions of RBV can be drawn and according to Rugman & Verbeke (2002), these prescriptions include:

- i. That the main goal of a firm is to achieve an enduring – better than rival – performance (ROI).
- ii. That the essential precondition for firm's performance is the possession of a collection of resources and capabilities that are not available to other firms
- iii. That resources and capabilities result in sustainable performance only if they are firm specific (i.e. imperfectly mobile).
- iv. That innovation in the process of configuring resources can enhance sustainable or enduring performance.

#### *Key Concept and Definition in RBV*

Central to RBV is the concept of resources. According to Barney (1991), a firm's resources consist of assets, knowledge, capabilities, attributes, processes, information etc. which enable it to initiate and execute action plans that enhance its effectiveness and efficiency. Resources could be broadly categorized into physical capital resources, human capital resources and

organizational capital resources (Barney, 1996). The capacity of any resource to help a firm to create and sustain enduring performance depends on whether it has any or a combination of four characteristics. This include (i) that the resources must be valuable, that is, they must be such that can exploit opportunities or make threat irrelevant or both; (ii) the resources must be rare, that is, they must be such that both current and potential competitors do not have easy access to (iii) the resources must be imperfectly imitable, that is, they must be such that it is highly expensive for current and potential competitors to copy and that (iv) the resources must be non-substitutable (Barney, 1991; Newbert, 2007).

#### *Acceptability and Criticism of RBV*

A meta-analysis of empirical studies grounded in RBV revealed that the theory has received a modest overall empirical support (Newbert, 2007). Given the versatility of RBV, it is no surprise that it has been widely applied in many fields of studies including strategic management (Newbert, 2007), competitive advantage (Lewis, Brandon-Jones, Slack, & Howard, 2010), information system research (Wade & Hulland, 2004), diversification research (Nath, Nachiappan, & Ramanathan, 2010), tourism excellence research (Denicolai, Cioccarelli, & Zucchella, 2010) and even film industry research (Miller & Shamsie, 1996). RBV is believed to be ‘one of the most widely accepted theories of strategic management’ (Newbert, 2007:121) and apparently, it has generated immense interests among scholars and practitioners.

Moreover, regardless of the wide acceptance of RBV, it has received its share of criticism just like every theory that have sought legitimacy. The most robust critique of RBV as well as counter responses and dialectics can be found in the interesting intellectual exchanges between Priem (2001); Priem & Butler (2001) and Barney (2001); Makadok (2001). Essentially, RBV especially as espoused by Barney (1991) has been criticized on two major grounds by Priem &

Butler (2001) viz. that the theory is tautological and that it lacks practical application. These criticisms and counter responses from Barney (2001) are discussed below.

Citing Popper (1959)'s falsifiability requirement, Priem & Butler (2001)'s major criticism of RBV is that the theory is tautological in the sense that its empirical content – its propositions – are untestable. The authors argue that the cardinal proposition of RBV that “valuable and rare organizational resources can be a source of competitive advantage” does not need to be confirmed by any data, it is true by definition. Barney (2001) however dismissed this criticism arguing that Priem & Butler (2001) merely based their criticism on one part of the theory – the definitional part – to reach the conclusion that it is tautological. Barney further argues that if this were to be the case, every other theories including Porter's ‘industry attractiveness model’ and ‘transaction cost economies’ would be termed as tautological as well, and they are not.

The second major criticism of RBV by Priem & Butler (2001) has to do with the practical strategic management use of the theory. The authors argue that ‘simply advising practitioners to obtain rare and valuable resources in order to achieve competitive advantage and, further, that those resources should be hard to imitate and non-substitutable for sustainable advantage, does not meet operational validity criterion’ (Priem & Butler, 2001:32). Their contention is that there should be a prescription that specifies how to measure each resources on the focal characteristic of value, rarity, imitability and non-substitutability, arguing that without this system of ‘parameterization’, the prescription of RBV may not be very useful for managers. In response, Barney (2001) acknowledges that some of the attributes of resources are indeed not amenable to managerial manipulation, but however argued that non-manipulability of resource attributes in itself is not a limit to practical use of RBV. Barney (2001) spelt out three specific applications of the logic of RBV. First, managers who are currently strategically disadvantaged

can use the logic to identify and mobilize critical resources that can help them move to par with those who presently enjoy advantage. This can be done through either imitation or substitution. Second, RBV can help managers to bridge the gap between manifest and latent potentials of their resources to achieve superior performance. Some managers have resources that are capable of earning high rents but are yet to fully deploy these resources. The author argue that RBV logic can help this group of managers to get the best out of their resources. And lastly, RBV logic can enable firms to deliberately develop and protect current resources that have the potentials to be valuable, rare, imitable and non-substitutable.

Thus, the foregoing discussion demonstrates that RBV is a versatile theory for explaining the interconnection between resources and firm performance.

#### **2.4.3.1 Relevance of the Underpinning Theory to Research Issues**

As the above discussions show, RBV is generally appropriate for explaining issues in small business performance as differences in level of performance are usually attributed to resource availability (Woschke, Haase, & Kratzer, 2017). From the literature synthesis of the issues in this study (please see *sections 2.2.2.1.1 to 2.2.2.3.6* for details) it is reasonably clear that that most of the elements and specific factors to be explored – business format factors (brand name, supports and control), contract design (initial payments, ongoing payments, exclusive territory and tying), behavior and interaction (relationship: closeness, commitment, trust, communication and relationship satisfaction; attitude & skills: motivated and hardworking franchisees, managerial and marketing skills and prior experience) – directly or indirectly constitute some kind of resources to franchisees upon which their business performance could rest as predicated by RBV (Lin & Wu, 2014). Table 2.9 below summarizes literature supports for the relationship between RBV and the research issues in this study.

Table 2.9

*Summary of literature supports for the link between RBV and the research issues in this study.*

S/N.	Research Issues (RI)	Literature Supports for Factors being a Resource	RBV's Relevance
1.	RI – 1: Business Format Factors	➤ Brand name, support services and appropriate controls are important resources to franchisees (Doherty <i>et al.</i> , 2014; Hnuchek <i>et al.</i> , 2013; Roh & Yoon, 2009).	RBV is relevant to explain this research issue
2.	RI – 2: Contract Design	➤ Unfavourable contract terms such as increase in rate of payments (initial and ongoing), poor territory and cut-throat tying arrangement extract valuable resources from franchisees (Michael & Combs, 2008; Roh & Yoon, 2009).	RBV is relevant to explain this research issue.
3.	RI – 3: Relationship Quality	➤ Close and satisfactory personal relationship (Abdullah <i>et al.</i> , 2008; Heong, 2014), trust (Dickey <i>et al.</i> , 2008; Doherty <i>et al.</i> , 2014), commitment (Wright & Grace, 2011), effective communication (Chiou <i>et al.</i> , 2004) are key resources that could enhance franchisees performance	RBV is relevant to explain this research issue.
4.	RI – 4: Attitude and Skills	➤ Attitude and skills are example of intangible resources (Barney, 2001)	RBV is relevant to explain this research issue.

Source: Developed for this research.

The idea is that when franchise partnership is structured in such a way that each of the factors leaves more resources in the hands of the franchisees, RBV postulates that such a condition will help to improve franchisees business performance (Michael & Combs, 2008). For example, *business format factors* such as brand name, support services and appropriate autonomy (control) are important resources to franchisees (Doherty *et al.*, 2014; Hnuchek *et al.*, 2013; Roh & Yoon, 2009). As predicted by RBV, slack or inefficiency in the provision of any of these key resources will affect franchisees business performance. Therefore, RBV is suitable in explaining the relationship between business format factors and franchisees business performance.

Further, in terms of *contract design*, unfavorable contract terms such as increase in rate of payments (initial and ongoing) as well as unfavorable territory (Michael & Combs, 2008) and tying arrangements (Roh & Yoon, 2009) constitute extraction of excess cash (a valuable resources) from franchisees which ultimately leaves them with little resources to implement strategies that can improve their outlet efficiency.

Similarly, consistent with the prediction of RBV, it has been noted that more or less of such *relationship factors* as close and satisfactory personal relationship (Abdullah *et al.*, 2008; Heong, 2014), trust (Dickey *et al.*, 2008; Doherty *et al.*, 2014), commitment (Wright & Grace, 2011), effective communication (Chiou *et al.*, 2004), from the franchisors can determine the extent to which franchisees achieve reasonable business performance. In the same vein, franchisees *attitude and skills* are example of intangible resources that proponents of RBV believe could be instrumental in creating and sustaining a superior performance for their business (Barney, 2001).

By and large, it has so far been demonstrated that each of the research issues under investigation is a resource center and as predicted by RBV (Barney, 1996), reduction and/or inappropriate deployment of each of these key resources is likely to adversely affect franchisees business performance. This analysis has firmly established the connection of resource-based theory with the research issues being investigated, confirming the appropriateness of the theoretical lens for exploring and describing factors influencing franchisees' business performance in Nigeria.

Thus, having justified the appropriateness of the underpinning theory in explaining the key research issues, a preliminary theoretical framework can now be developed for the study. The next section discusses this.



## 2.5 The Preliminary Theoretical Framework

It is stated in the introductory section that the aim of chapter two is to lay a solid foundation within which the current study can be located in the broader franchising literature. As would be found in the various sections of this chapter, the discussions have attempted to achieve this aim. *Section 2.1* clarifies the nature of franchising including discussions on the definition, the benefits, the major types and current state of franchise business in many countries of the world. *Section 2.2* presents the conceptual framework which reflects the current empirical state of knowledge regarding factors that potentially influence franchisees business performance. In terms of theoretical explanations for franchising reality, *section 2.3* discusses the common theories in franchise research. Subsequently, justifications were given for the appropriateness and adoption of one of the theories to explain the research issues.

Thus, the above sections have laid an excellent foundation for the development of the preliminary theoretical framework for the study. As shown in figure 2.11 below, the preliminary theoretical framework was derived as a product of three stages of discussion.

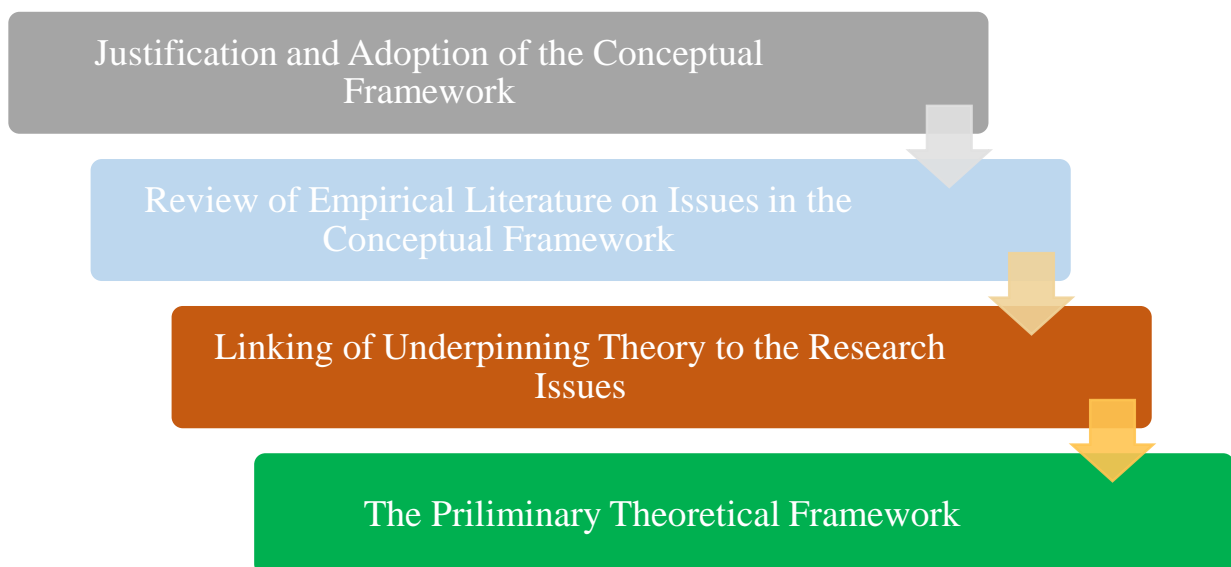


Figure 2.11

*Flow of Discussion for the Development of the Preliminary Theoretical Framework*

Source: Developed for this research

These stages include justification and adoption of conceptual framework, review of related empirical literature and linking of underpinning theory to the research issues.

To elaborate, the development of the preliminary theoretical framework shown in figure 2.12 below began with identification of a suitable conceptual framework. This is consistent with the approach adopted by a number of scholars for a study of this nature. For example, Mansor (2011) applied the same approach in a PhD research aimed at developing a framework for tax administration performance management in developing countries. Thus, Nijmeijer *et al* (2014)'s model of factors influencing franchise firm performance was subsequently adopted and justified to be suitable for the study.

Once the conceptual framework was explained and appropriately adapted to suite the scope of the study, the next stage in the development of the preliminary theoretical framework was the review of empirical studies on the performance-influencing factors identified in the adapted model. The position of the empirical literature as well as other justifications such as the need to verify relevance of the identified factors in different contexts and general paucity of research on some of the factors informed considerations of the relevant factors for further exploration in this study.

The third and last stage in the development of the preliminary theoretical framework was the presentation of theories commonly used to explain franchising realities. Three theories were discussed and eventually, the resource-based theory was found to be more relevant to the research issues and thus adopted as the underpinning theory for the study.

Thus, as shown in figure 2.12 below, the preliminary theoretical framework contains a total of fifteen (15) factors which are grouped into four elements (hereafter called main factors). The main factors are business format factors, contract design, relationship factors and attitude and skills factors.



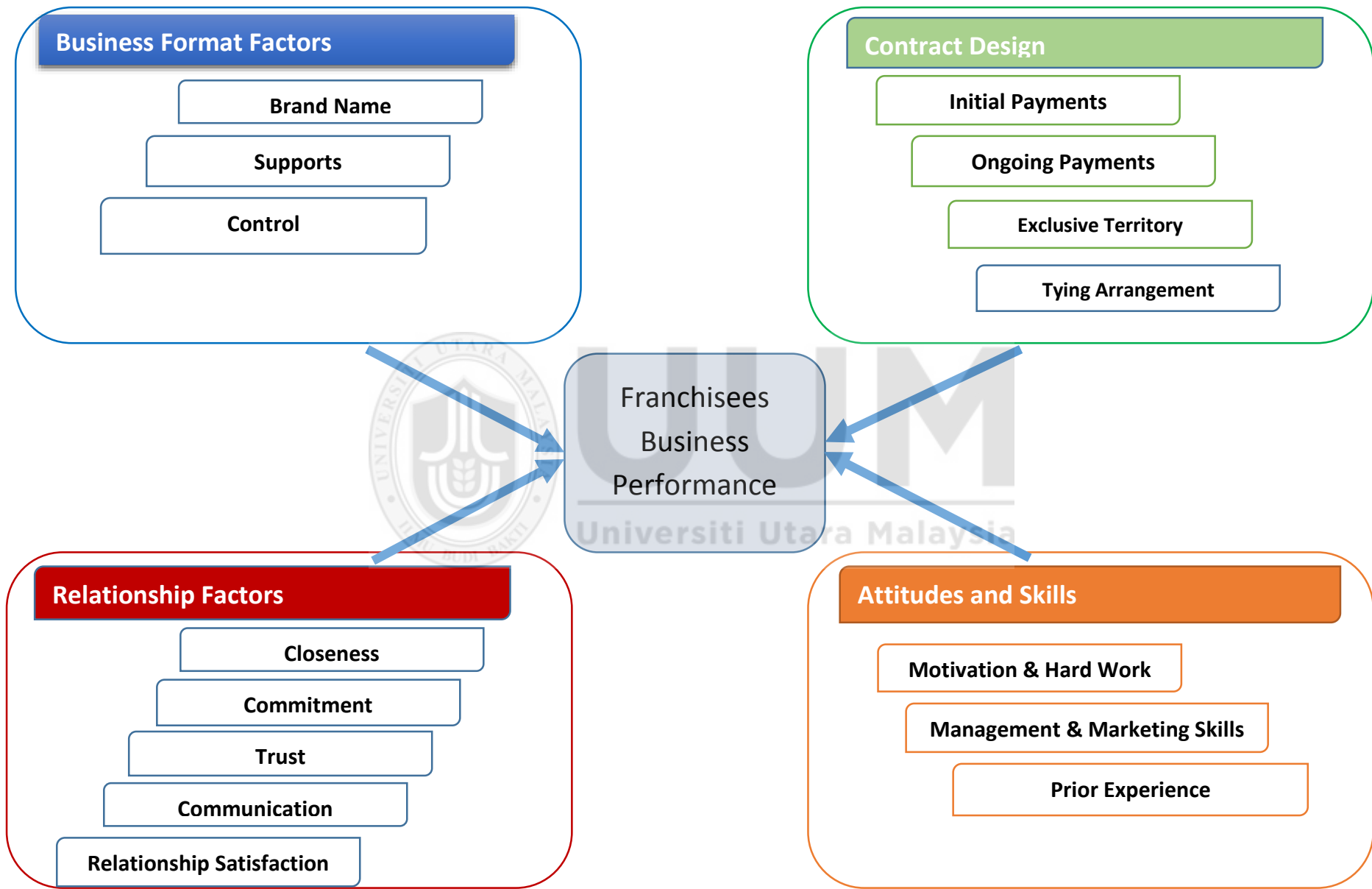


Figure 2.12:  
*The Preliminary Theoretical Framework*  
 Source: Developed for this research

There are three (3) business format factors namely; brand name, supports and control. The second main factor is contract design and has four (4) factors (contract terms) including initial payment, ongoing payment, exclusive territory and tying. Relationship is the third main factor and it contains five (5) specific factors, viz.; closeness, commitment, trust, communication and relationship satisfaction. The last main factor is attitude and skills and it consists three (3) specific factors namely; motivation & hard work, management & marketing skills and prior experience.

By and large, the process that led to the development of the 15-factor preliminary theoretical framework has been explained. The framework developed was subjected to empirical confirmation through data collected from franchisees in Nigeria. The confirmatory process was conducted based on the research issues derived for this study. The next section explains the four research issues.

## **2.6 The Research Issues**

Previous sections presented and discussed the preliminary theoretical framework developed for this study. This section explains the key factors in each of the research issues shown in table 2.10 below. In order to confirm the above theoretical framework, four research issues were derived. The research issues were generated from the adapted (redrawn) conceptual framework (figure 2.10). First, it could be recalled that there are three main elements in the redrawn conceptual framework. These are business format, contract design and behavior & interaction. Each of these elements corresponds to and gives rise to one research issue, except the behavior and interaction element that divides into two research issues. This came about based on feedback from the preliminary investigation which points to the fact that although attitude and skill factors are related to behavior and interaction, they nonetheless constitute a unique set of

factors and in order to enhance clarity of ideas and presentation, it would be better to group these factors separately. Thus, the next paragraphs explain the four research issues.

Table 2.10  
*Research Issues*

S/N.	Research Issues (RI)	Elements in the Conceptual Framework
1.	What are the important <b>business format factors</b> that influence franchisees business performance in Nigeria?	Business Format
2.	What are the key terms in the <b>franchise contracts</b> that influence franchisees' business performance in Nigeria?	Contract Design
3.	What are the major <b>relationship quality</b> factors that influence franchisees' business performance in Nigeria?	Behavior and Interaction
4.	What are the important franchisees' <b>attitude and skills</b> that influence their business performance in Nigeria?	Behavior and Interaction

Source: Developed for this research

### 2.6.1 Research Issue 1:

#### **Business Format Factors Influencing Franchisees Business Performance.**

Based on the adapted conceptual framework and the subsequent literature synthesis as reflected in the preliminary theoretical framework, there are three main business format factors that have the potentials to influence franchisees' business performance in Nigeria. The three factors as illustrated in figure 2.13 below are brand name, supports and control. Brand name includes brand marks and all other means used to identify and distinguish a particular franchise system or franchisor from the others

Supports are resources and services that enable franchisees to form, launch and run their outlets. Control is about franchisees autonomy in the operation and management of their outlet.

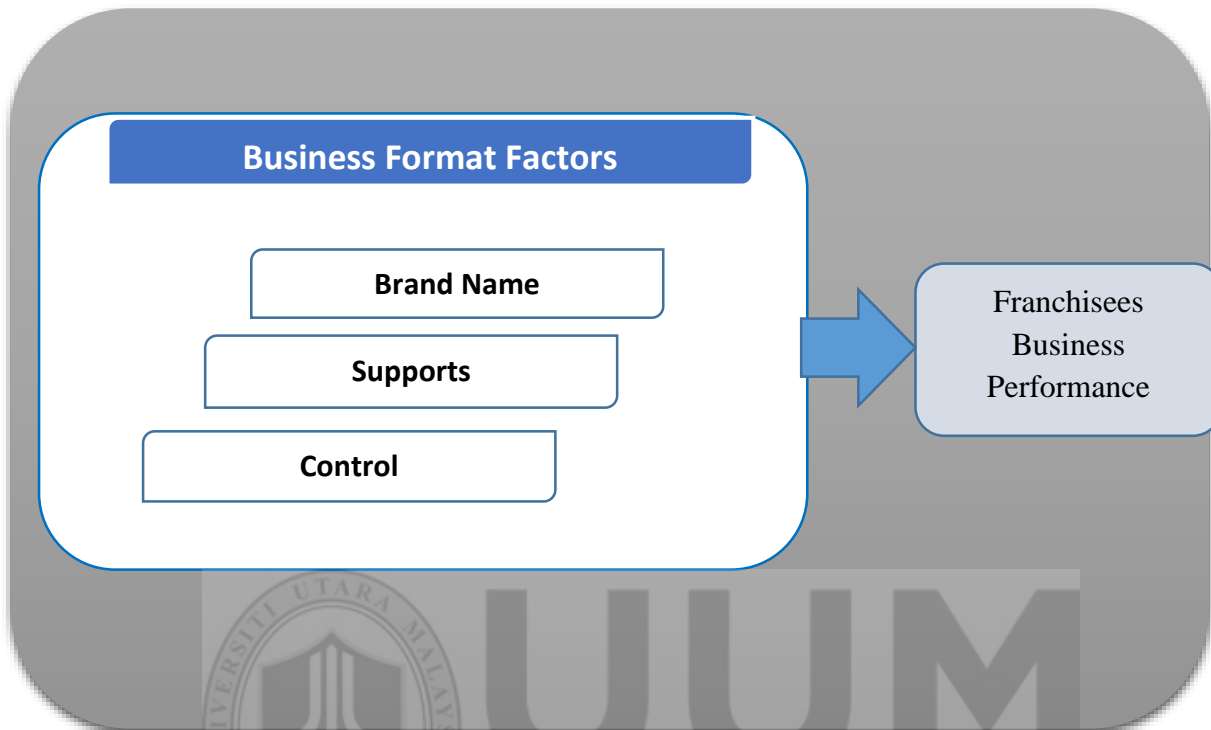


Figure 2.13  
*Business Format Factors Influencing Franchisees Business Performance*

Source: Developed for this study

Thus, the corresponding research issue considered for detail exploration in this study is stated as:

What are the important **business format factors** that influence franchisees' business performance in Nigeria?

## 2.6.2 Research Issue 2:

### **Terms in Franchise Contracts that Influence Franchisees' Business Performance.**

From the conceptual framework and subsequent literature synthesis, there are four key terms in franchise contract that could influence franchisees business performance in Nigeria. As

shown in figure 2.14 below, these are initial payment, ongoing payment, exclusive territory and tying arrangement.

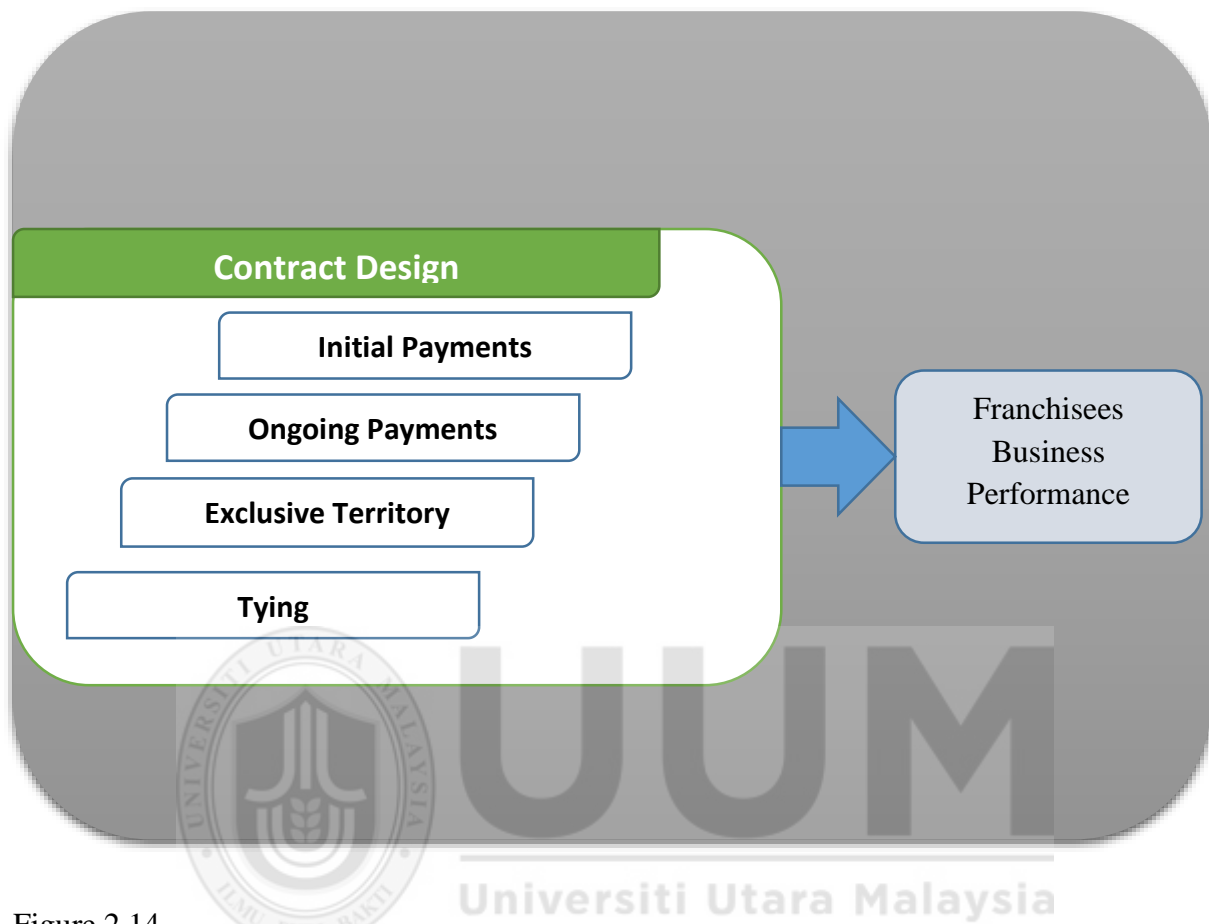


Figure 2.14  
*Contract Terms Influencing Franchisees Business Performance*  
Source: Developed for this study

Initial payment is the amount of money paid to secure the franchise license. Ongoing payments is specifically include regular royalties, advertising and management fees. Exclusive territory is the range of area allotted to a franchise outlet. Tying agreement is specifically about requirement to have franchisors supply or approve a supplier for certain business inputs and services. Hence, the relevant research issue to be explored is stated as:

What are the key terms in the **franchise contracts** that influence franchisees' business performance in Nigeria?



### 2.6.3 Research Issue 3: Relationship Factors that Influence Franchisees Business Performance.

Based on the conceptual framework and literature synthesis, the important relationship factors that could potentially influence the performance of franchisees' business in Nigeria include closeness, commitment, trust, communication and relationship satisfaction.

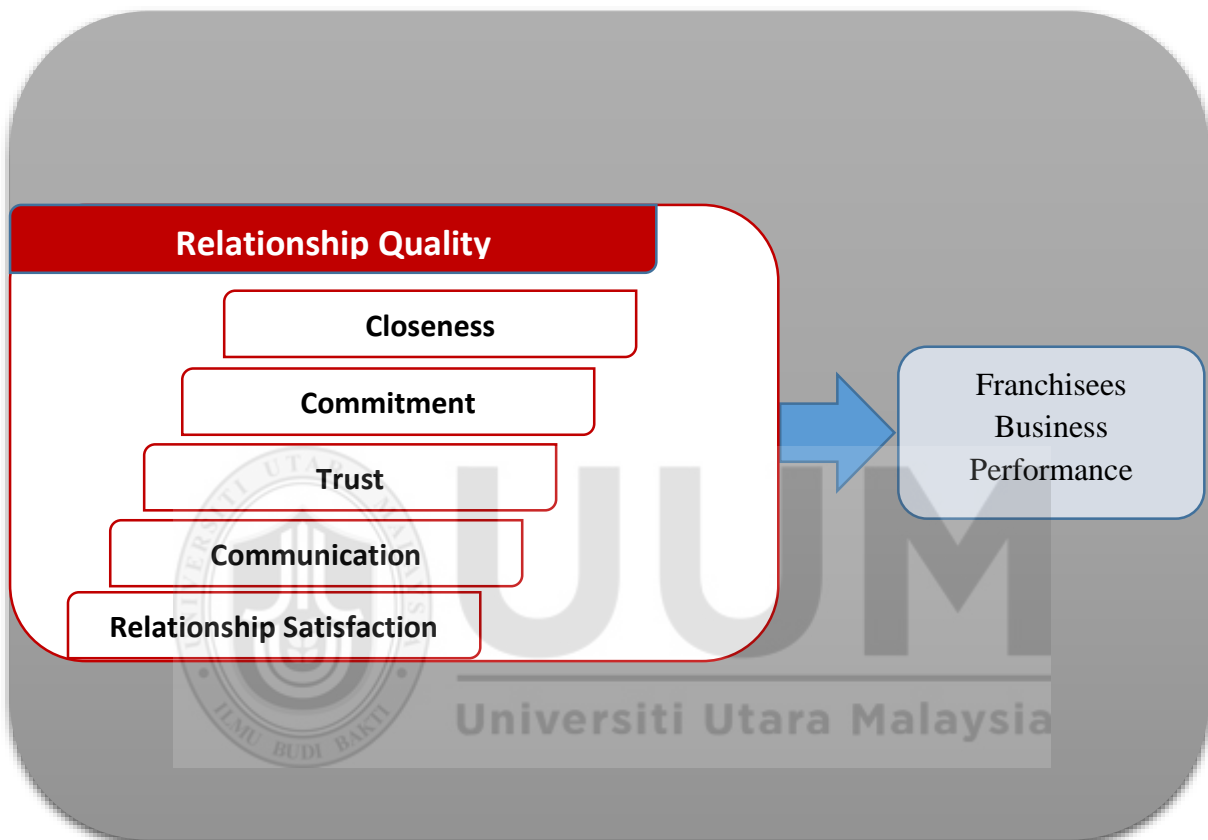


Figure 2.15  
*Relationship Quality Factors Influencing Franchisees Business Performance*  
Source: Developed for this study

Closeness is the personal connection with franchisors, commitment is personal dedication to the success of the franchisees, trust is the degree of dependability on franchisor, communication is the effectiveness of ideas and information flow in the relationship and relationship satisfaction signifies a happy personally satisfactory partnership. In this regard, the third research issue considered for exploration in this study is stated as:

What are the major **relationship quality** factors that influence franchisees' business performance in Nigeria?

#### 2.6.4 Research Issue 4:

##### **Attitude and Skills Factors that Influence Franchisees Business Performance.**

From the adapted conceptual model and subsequent literature synthesis, there are three important attitude and skills factors that have the potential to influence franchisees business performance in Nigeria.



Figure 2.16

*Attitude and Skills Factors Influencing Franchisees Business Performance*

Source: Developed for this study

As illustrated in figure 2.16 above, these are motivation & hard work, managerial & marketing skills and prior experience of franchisees. Hence, it is proposed that the research issue relevant to attitude and skills to be explored in this study is:

What are the important franchisees' **attitude and skills** that influence their business performance in Nigeria?

By and large, *section 2.6* and its subsections have been about the key research issues that were used to explore and confirm the preliminary theoretical framework of this study. The respective subsections have defined the related factors identified and considered for further exploration during literature review. To recap the journey up to this point, the next section summarizes the entire chapter two and restates the need for a study of this nature in Nigeria.

## **2.7 Summary of the Chapter**

Sequel to chapter one which discusses the need and offers extensive justifications for the conduct of the study, chapter two aimed to provide an understanding of the current state of knowledge on the factors that could potentially influence franchisees business performance in Nigeria. To provide structure to the discussion of the possible factors, a suitable conceptual framework was adapted. Based on the adapted conceptual model, the chapter presents syntheses of findings of previous studies on the identified issues and factors.

Moreover, in an effort to establish a solid theoretical base for the study, the chapter explains the major theories commonly used in franchise research. Subsequently, a justification was given for the selection of one of the theories – RBV to underpin the study. A preliminary theoretical framework was developed to guide the study and the four-staged process that resulted in the development of the framework was extensively discussed. The chapter outlines and discusses the research issues that were derived to confirm the preliminary theory framework.

Thus, from the adapted conceptual framework and synthesis of relevant literature, it emerged that although modest efforts have been made by scholars to identify factors that have influence on franchisees' business performance, the efforts so far have suffered from two prominent

problems. First, it is apparent from the literature review that research efforts into performance-enhancing factors for franchisees is still at its infancy and so full complement of factors on various issues such as relationship development, personality attitudes, contract design and so on have not yet been identified (Altinay *et al*, 2014b; Dant *et al.*, 2013).

The second problem is that the preponderance of extant research in franchising were conducted in North America and other Western countries with emerging markets far behind (Dant *et al.*, 2011; Kacker, Dant, Emerson, & Coughlan, 2015). This would not have been a problem if institutions which largely determine the nature of business in emerging markets were not different from the developed world (Hoskisson *et al.*, 2013). With this reality, generalization of findings from the West would be problematic. More so, it is believed that even where institutions are similar, it is not yet clear if findings of previous studies regarding performance-enhancing factors in franchising can be confidently generalized to other contexts (Nijmeijer *et al*, 2014). It is on these bases that many scholars (e.g. Altinay *et al*, 2014a, 2014b; Nijmeijer *et al*, 2014) have recently called for more studies in different settings for the purpose of verifying conclusions and developing a reliable framework for franchise system performance in general and franchisees in particular. This present study is an answer to these calls.

## CHAPTER THREE

### METHODOLOGY

#### 3.1 Introduction

The previous chapter has outlined and synthesized the state of knowledge regarding the key issues which culminated into the development of the preliminary theoretical framework for the study. Now, chapter three presents the step-by-step approach and procedures that were adopted for the conduct of the investigation.

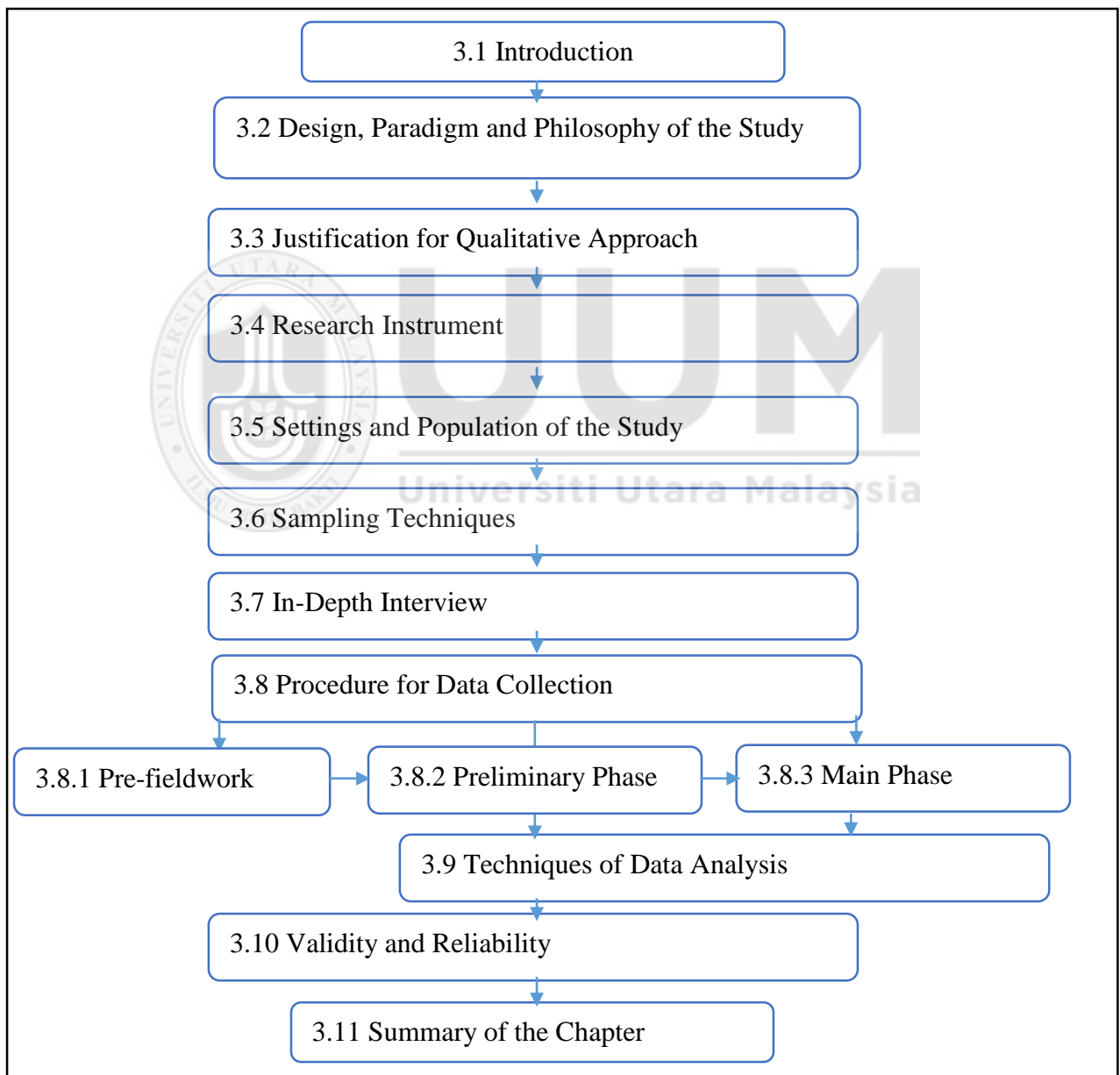


Figure 3.1  
*Highlights and flow of chapter three*  
Source: Developed for this study

Specifically as illustrated in figure 3.1 above, this chapter describes such methodological issues as the philosophy and paradigm of the study; justification for selection of qualitative approach; the research instrument; setting and population of the study; sampling design and sample size; data collection procedures; techniques of data analysis; and validity and reliability.

### **3.2 Design, Paradigm and Philosophy of the Study**

Informed by the research questions being posed for this study, the basic design of the investigation is exploratory. The questions of the study suggest that the core aim is to explore. As an exploratory research, this study attempts to gain a deep understanding into the issues under investigation. Exploratory approach is often adopted when little is known about a subject (Cavana, Delahaye, & Sekaran, 2001; Cooper & Schindler, 2014; Sekaran & Bougie, 2013), as is the case with factors influencing performance of franchisees in Nigeria (Agu, 2013). The exploratory approach is also often used in business and management research when not much previous work has been done on the issues or elements of interest within the context of the study to serve as credible reference points (Cooper & Schindler, 2014; Sekaran & Bougie, 2013).

Meanwhile, in order to explore and achieve the objectives of this study, the selection of an appropriate research paradigm and philosophy is necessary. The paradigm and philosophy will provide appropriate interpretation for the findings of the study. The next few paragraphs explains the common paradigms in scientific research with a conclusion on why constructivist paradigm is chosen as an organizing conceptual foundation for the study.

Paradigm is a collection of basic assumptions about how the world is, how the world should be and how the world could be best understood (Filstead, 1979; Waller, Farquharson, & Dempsey,

2016). Philosophy on the other hand is essentially the anchor or the conceptual foundation guiding the search for knowledge (Ponterotto, 2005). These conceptual foundations include epistemology, ontology, axiology, rhetorical structure and methodology. The relationship between paradigm and philosophy is that each paradigm adopted for a research must be guided by appropriate philosophies (Ponterotto, 2005). The next paragraphs explain the meaning of the highlighted philosophical issues in research and subsequently major paradigms are discussed, indicating the philosophical position of each.

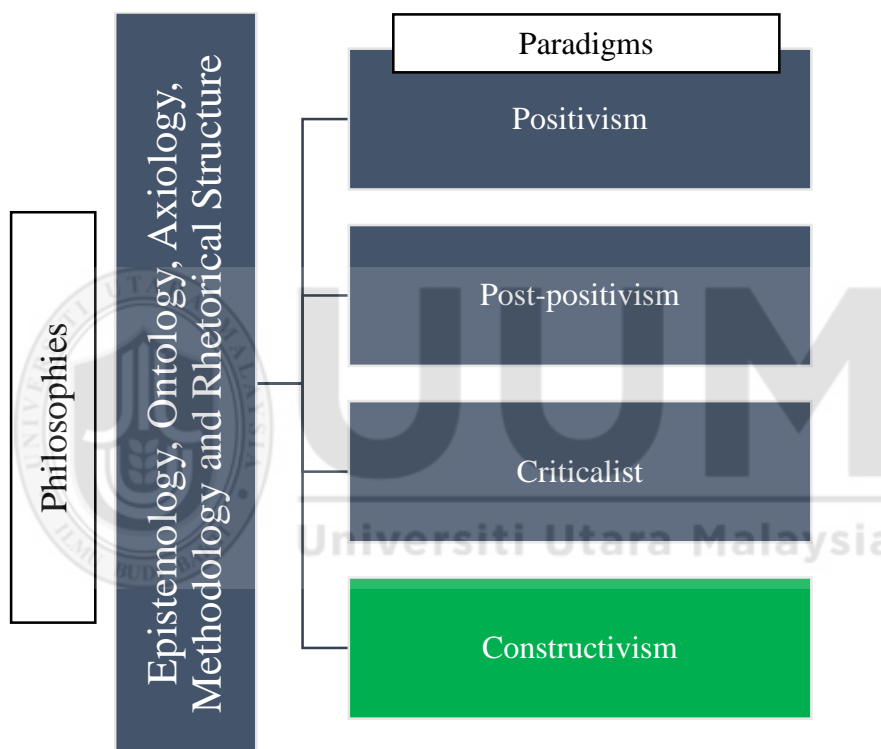


Figure 3.2  
*Philosophies and Paradigms*  
 Source: Developed for this research

As shown in figure 3.2, first on the list of philosophical issues in research is epistemology. This is essentially concerned with the relationship of the researcher with the research subject, whether the researcher is objective and independent of the subject (Lincoln, Lynham, & Guba, 2011). It relates to such issues as the researcher’s biases and influence over the research participants (Ritchie, Lewis, Nicholls, & Ormston, 2013). The next philosophical issue is ontology. Ontology is a research philosophy that addresses the issue of reality and answers

such questions as: is there a true reality and whether reality is single or dual (Hesse-Biber & Leavy, 2010). The third issue bothering on research philosophy is axiology which is simply about the roles of researchers' values, emotions, feelings and hope in a research setting (Creswell, 2012; Ponterotto, 2005). Rhetorical structure as a philosophical issue refers to the mode of presentation and language used in the explanation of research procedures and reporting of findings. Last in the list of philosophical issue is methodology. Methodology relates to the procedures and processes adopted for the conduct of research (Ponterotto, 2005).

Moreover, with regards to research paradigm, scholars have classified paradigms in different ways (please see Denzin & Lincoln, 2000; Guba & Lincoln, 1994; Ponterotto, 2005) but this study adopts the more recent schema of Waller *et al.* (2016) because of its conciseness. This schema categories research paradigm into four, namely: positivism, post-positivism, criticalist and constructivism. As discussed hereunder, each of these paradigms has different philosophical positions regarding objectivity of the researcher (epistemology), nature of reality (ontology), roles of researcher's values and emotion (axiology), language of presentation (rhetorical structure) and procedure for investigating a subject (methodology).

### **3.2.1 Positivism Paradigm**

Positivism is a philosophical realism that conforms rigidly to deductive hypothetical method and aims primarily to explain phenomenon in ways that imply prediction of event (Ponterotto, 2005). It sees research as a systematic process that flows from selection of a model or theory, formulating a hypothesis, conducting a strictly controlled experiment, applying inferential statistics to test the formulated hypothesis and interpreting the results within the context of the adopted theory (Cacioppo, Semin, & Berntson, 2004).



Positivism believes that there is a single reality out there and that it is possible to use a rigorous method of inquiry to gain a perfect knowledge of that reality (Waller *et al.*, 2016). In an effort to gain this knowledge, the researcher is expected to be objective and independent and perform the role of a detached impartial observer (Ponterotto, 2005). Flowing from the singularity of the paradigm, positivism believes that numbers are the best way to present and communicate truth (Creswell, 2012) and hence the appropriate methodology is a rigorous quantitative procedure.

This study is aimed at deeper understanding of issues from the perspective of franchisees, a group of people who do not necessarily share the same background and circumstances and who may not have experienced business life in the same way. Hence, positivism paradigm is not found appropriate as an organizing framework for the study.

### **3.2.2 Post-positivism Paradigm**

Just like positivism, post-positivism aims to examine issues in ways that result in prediction and control of event or phenomenon (Ponterotto, 2005). However, post-positivism arose as an attempt to address the perceived weaknesses of positivism, notably the notion that reality can be known with certainty. Post-positivism believes that the world is imperfect and such imperfection makes the notion of perfect knowledge of reality unrealistic (Lincoln *et al.*, 2011). Essentially, post-positivists contend that reality cannot be known with certainty, it can only be estimated (Waller *et al.*, 2016). According to Guba & Lincoln (1994), while positivism is about verifying theory, post-positivism is more concerned with falsifying theory. Notwithstanding these differences, both positivism and post-positivism share a lot in common. They both believe in a single reality and that the researcher is objective and independent of the research issue (Waller *et al.*, 2016). More so, just like in positivism, researchers working under post-

positivism paradigm are seen not to have any personal bias and do not wield influence over research participants (Lincoln *et al.*, 2011). Rhetorical structure in post-positivist is also more about numbers and the dominant methodology is quantitative (Ponterotto, 2005).

Thus, just like positivism, post-positivism is not appropriate as a paradigm for this study as the aim is neither to establish a rigid cause and effect relationship not necessarily to predict, but to gain a deep knowledge of the experiences of franchisees in Nigeria with regards to each of the issue under investigation.

### **3.2.3 Criticalist Paradigm**

Unlike positivism and post-positivism which stress the importance of objectivity and independence of the researcher, criticalist paradigm believes that the researchers' values and subjective understanding of the world are essential for understanding realities (Waller *et al.*, 2016). Since reality is constructed through power relations that has both social and historical contexts, the role of the researcher is not to be objective but to take a proactive stance and conduct the kind of research that will call attention to injustice and oppression in a social setting (Kemmis & McTaggart, 2015). Research conducted under this paradigm holds a skeptical view of the so-called reality. According to Ponterotto (2005), criticalists essentially aim to challenge the social-economic order in the society by encouraging research participants to take action and work towards egalitarian and democratic society. For example, feminist researchers hold the belief that women are disadvantaged and therefore they conduct research to call on political and social institutions as well as women themselves to take action to correct the perceived imbalances and advance the interest of women. Since scholars believe that critical paradigm 'form the conceptual base for qualitative multicultural research' (Ponterotto, 2005:130), it

follows that the rhetorical structure that is likely to dominate criticalism research is words and other non-numerical presentations.

The present research does not assume that franchisees are necessarily disadvantaged and it is not aimed at criticizing the existing franchise business practices. More so, the present research has a different scope, one that goes beyond social-historical contexts that criticalists focus on. Given all these therefore, criticalist paradigm is not suited for the study. The last paradigm in Waller *et al* (2016)'s classification is constructivism.

### **3.2.4 Constructivism Paradigm**

Constructivism is otherwise referred to as interpretivism paradigm (Ponterotto, 2005). As against positivism and post-positivism paradigms which aim for scientific explanation of occurrences, the aim of constructivism paradigm is to understand lived experience from the perspective of those who have lived it (Schwandt, 2000). This paradigm does not believe in a single reality but rather contends that reality is local, specific (Waller *et al.*, 2016) and equally valid (Ponterotto, 2005). Constructivism believes that there are multiple realities all of which constructed from the perspective of each individual (Hansen, 2004; Waller *et al.*, 2016). More so, unlike critical paradigm which focuses mainly on social issues, constructivism discus extends to objects, for example the design of franchise contracts, and contends that meanings are purely matters of individual perception (Waller *et al.*, 2016).

Meanwhile, like criticalists, constructivists take the position that the researcher is not independent of the research issue but should be actively engaged with the research subjects to discover and create meanings (Ponterotto, 2005). In essence, constructivism holds the position that some level of subjectivity, rather than objectivity, is required to gain deeper understanding

of issues and create meaning. It is believed that researcher-participant interaction is central to bringing the consciousness of the research participants to awareness and for gaining insights into the issues under investigation. Given this description, it is apparent that constructivism calls for a research approach that is not bounded by a rigid preconceived notion of reality but a much more open-minded methodology like qualitative that can unravel the different lived experiences of the research participants (Ponterotto, 2005). Consequently, the dominant rhetorical structure to be found in such a research is word, including the direct expressions and statements of the research participants (Ponterotto, 2005).

Thus, given all the above discussions and the objective of this study which is essentially to explore and gain deeper understanding of the lived experiences of franchisees in Nigeria with regards to important factors that influence their business performance, constructivism is a more suited paradigm for this investigation and it is therefore adopted for the study. Although generalization may be problematic in constructivist paradigm (Sandelowski, Docherty, & Emden, 1997), this study does not necessarily aim for generalization but to gain understanding of franchise business practices in Nigeria in way that could lead to design of strategies for improving the effectiveness of the business model in the country. More so, even though constructivist paradigm welcomes some level of subjectivity, efforts were made to keep sentiments out of the conduct and reporting of findings of the study.

In a nutshell, having explained the epistemological, ontological, axiological, rhetorical structure and the dominant methodology of each of the four major research paradigms, constructivism is found suited for this study and thus adopted as the general conceptual foundation for the investigation. Flowing from this paradigm, the appropriate methodology for

the study is qualitative and the next section discusses specific justification for the selection of this approach to data collection.

### 3.3 Justification for Using Qualitative Approach

Consistent with the nature of most exploratory designs and the constructivist paradigm adopted for the present study, the data collection approach suitable for the investigation is qualitative (Cavana *et al.*, 2001; Cooper & Schindler, 2014; Sekaran & Bougie, 2013). Other reasons for adopting qualitative approach in this study are shown in figure 3.3 below.

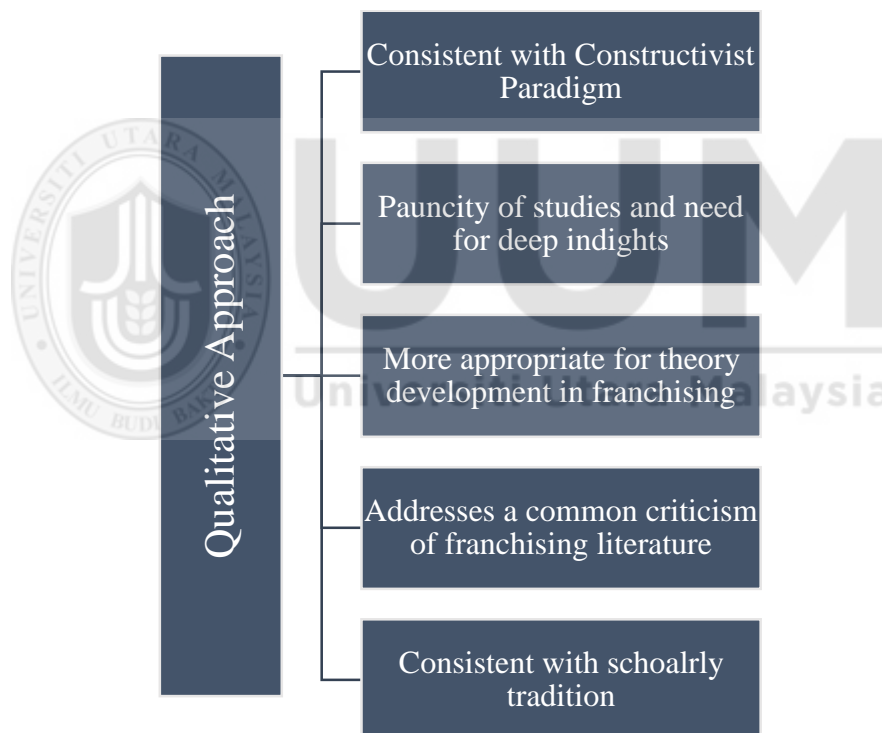


Figure 3.3  
*Justifications for using qualitative approach*  
Source: Developed for this research

Qualitative method is often adopted when the objective of a study is not to measure, but to gain deep insights into the research issues (Frazer *et al.*, 2012; Sekaran & Bougie, 2013; Zikmund, Babin, Carr, & Griffin, 2012) especially in a subject that is characterized by paucity of research like franchising currently is (Alharbi, 2014; Dada *et al.*, 2015; Watson & Johnson, 2010).

Moreover, there are other specific reasons that informed the choice of qualitative method for this study. These are (i) Need for deeper understanding of franchising practice in Nigeria and to develop theory in franchise research (ii) need to address a common criticism of franchising research being too quantitative (iii) and consistency with development of franchising research in many countries.

**Need for deeper understanding of franchising practice in Nigeria and to develop theory in franchise research.**

Franchising in Nigeria is a relatively new phenomenon and there is paucity of studies into the practice of the business model in the country (Olotu & Awoseila, 2011), making qualitative emic approach to the study of the phenomenon more appropriate (Alharbi, 2014; Dant, 2008b). Generally, qualitative approach is seen to be most suitable for an emerging research area like franchising (Dant *et al.*, 2011; Ketchen *et al.*, 2011) where very little is understood specifically about: the application of the business model generally (Dant *et al.*, 2011; Ketchen *et al.*, 2011), the link between the model and firm performance (Alharbi, 2014; Hua & Dalbor, 2013) and particularly the key factors in the business model that have potential influence on firms performance (White, 2010).

Moreover, since it has been established that franchising practices differ from one culture to another (Altinay *et al.*, 2014b) and no prior comprehensive study has been done to understand the practice in Nigeria, qualitative approach is the appropriate method for a new study of this nature as it helps to gain a deeper understanding of the context and real-life situation of the practice (Cooper & Schindler, 2014; Sekaran & Bougie, 2013; Zikmund *et al.*, 2012). This argument is also consistent with the observation of Creswell (2007:40) that qualitative studies

help to understand participants' contextual style of solving a specific problem 'as we cannot separate what people say from the context in which they say it'.

More so, franchising research domain is being criticized for lacking theories that link contextual factors and firm performance (Combs, Ketchen, & Short, 2011). This makes qualitative methods appropriate for study in the area as it permits deeper exploration and understanding of the issues and building of theories (Ajayi-Obe, 2007; Brookes & Altinay, 2011; Elango & Fried, 1997). Qualitative methods help to build or elaborate a theory that is not only rich in itself, but also one that is contextually-informed and process-oriented (Elsbach, 2005).

Thus, the adoption of qualitative approach in this study contributes to enhancing the understanding of the contextual issues in franchisees performance in Nigeria, hence elaborating relevant theories in the field of franchise research.

#### **To address a common criticism of franchise research methodology**

The second reason for the adoption of qualitative approach in this study is to contribute to efforts to address one of the most common criticisms of extant franchising research. This is the fact that it relies too heavily on quantitative methods (Dada *et al.*, 2015) in spite of its peculiar weaknesses and in the knowledge of the advantages of the alternative qualitative approach.

The review by Elango & Fried (1997) was perhaps the first to raise awareness about the fact that for long, franchising research has been mainly 'coarse-grained' (relied heavily on quantitative methods). While quantitative method has the advantage of generalization, the approach lacks the capacity to capture the complexities and unique nuisances of actual practices

of franchising (Altinay *et al.*, 2014b), thereby making existing knowledge base to be limited in practical relevance. Additionally, it has been noted that quantitative approach often ignores the unique voice of the research participants as well as the idiosyncrasies of business or entrepreneurial practices in different settings (Pratt, 2015). This is all the more instructive given that business practices and particularly franchising practices differ from one culture and country to the other (Ajayi-Obe, 2007; Altinay *et al.*, 2014b; Eser, 2012; Todeva & Knoke, 2005). Hence, it is recommended that more fine-grained approach be adopted as they have the advantages of capturing the complexities of franchising practices while also offering reasonable generalization (Altinay & Brookes, 2012).

However, since, Elango and co.'s lamentation many years ago, only a modest effort has gone in the direction of qualitative franchise studies. The recent review by Nijmeijer *et al.* (2014) reveals the dearth of qualitative franchising research. Of the total 126 studies reviewed, only 16 (13%) utilized qualitative approach. While this is an improvement over 7.7% reported by Young *et al.* (2000) more than a decade and half ago, it is nonetheless worthy of note that more qualitative franchise studies are needed to understand the complexities of the business model and build theories ( Altinay *et al.*, 2014b; Frazer *et al.*, 2012). Hence, scholarly calls are being made to leverage the advantages of qualitative methods in franchising research (e.g. Ajayi-Obe, 2007; Altinay & Brookes, 2012; Doherty, 2009; Scott, Frazer, & Weaven, 2006; Weaven *et al.*, 2010).

Interesting, qualitative approach is beginning to gain traction and confidence of franchise research community especially among editors of high quality journals. Recent qualitative efforts published in such journals include, among others, Altinay *et al.* (2014b), Doherty *et al.* (2014) and Grace, Frazer, Weaven, & Dant (2016).



Thus, the adoption of qualitative methods in this study fits the current methodological renaissance in the field and will contribute to achieving the much-needed deepening of methodology in franchising research.

### **Consistency with development of franchising research in many countries**

It is instructive to state that franchise research in many countries (e.g. USA, UK and Australia, South Korea, Malaysia etc.) where the business model is now firmly established as a powerhouse for SME growth started out with qualitative studies which first fleshed out the issues as they relate to the country, and then subsequently, after a reasonable grasp of the contextual issues have been gained, mixed and quantitative approaches are gradually applied to understand the business model. For example, such top franchise scholars as Watson (UK), Dada (UK), Frazer (Australia) and Altinay (USA), conducted their early franchise studies (please see Ajayi-Obe, 2007; Altinay, 2004; Frazer & Perry, 1998; Frazer, 2001; Vaishnav & Altinay, 2009) in their respective countries exclusively through qualitative approach.

Interestingly, Frazer in particular who used qualitative methods in most of her franchising studies is an award-winning Australian franchise scholar and she is the most notable name in franchising research community today. More so, it could be argued that her singular effort in grounded, context-based qualitative studies of the industry has contributed to the development and movement of the Australia franchising sector to the enviable height it has attained today. Hence, the use of qualitative method in this study is consistent with the usual scholarly tradition of using the approach to first explore the contextual issues about franchise business model in a particular country prior to application of quantitative methods.

The above discussion has demonstrated why qualitative approach is appropriate for this study. The key justifications include general paucity of empirical studies in franchising, need for deep knowledge of franchising practice in Nigeria, suitable for theory building, part of efforts to address common criticism of extant franchising literature and lastly need to be consistent with scholarly tradition.

Thus, having discussed the conceptual paradigm as well as the data collection approach adopted for the study, the next sections explain the specific actions taken for the conduct of the study. First the suitability of the research instrument is explained, then sampling techniques as well as specific approaches taken for data collection are discussed.

### **3.4 Research Instrument**

In order to explore the factors that influence franchisees business performance in Nigeria, the research instrument used for the investigation was the researcher. This instrument is consistent with qualitative interview-based methods (Glaser, 2009; Myers, 2013). Apart from his familiarization with the ethics of qualitative research, the researcher has had reasonable amount of training on how to identify suitable respondents, make contacts, establish rapport, secure respondents confidence and obtain unbiased responses and evidences that will enable appropriate triangulation of data. The researcher's personal contacts and appreciable familiarity with the general business environment and context of the study were also leveraged upon in managing the logistics of the study.

More so, the researcher's understanding and familiarization with the subject matter of the study permitted good grasp of participants' responses and the significance of what they say, thereby enabling productive exploration of only relevant questions (Corbin & Strauss, 2008). It must

however be stressed that while the researcher drew on his knowledge and familiarity with the subject area to get the most valuable responses from the study's participants, conscious efforts were made to guard against the possibility of projecting personal understanding into the research agenda. The researcher only used his knowledge and understanding to guide interpretation of the data.

Thus, armed with training in data collection strategies, familiarity with the research context and understanding of the subject, the researcher made contacts with each of the respondents and secured their willingness to participate in the study. The researcher also personally designed the interview protocol, conducted and meticulously recorded every interview.

### 3.5 Setting and Population of the Study

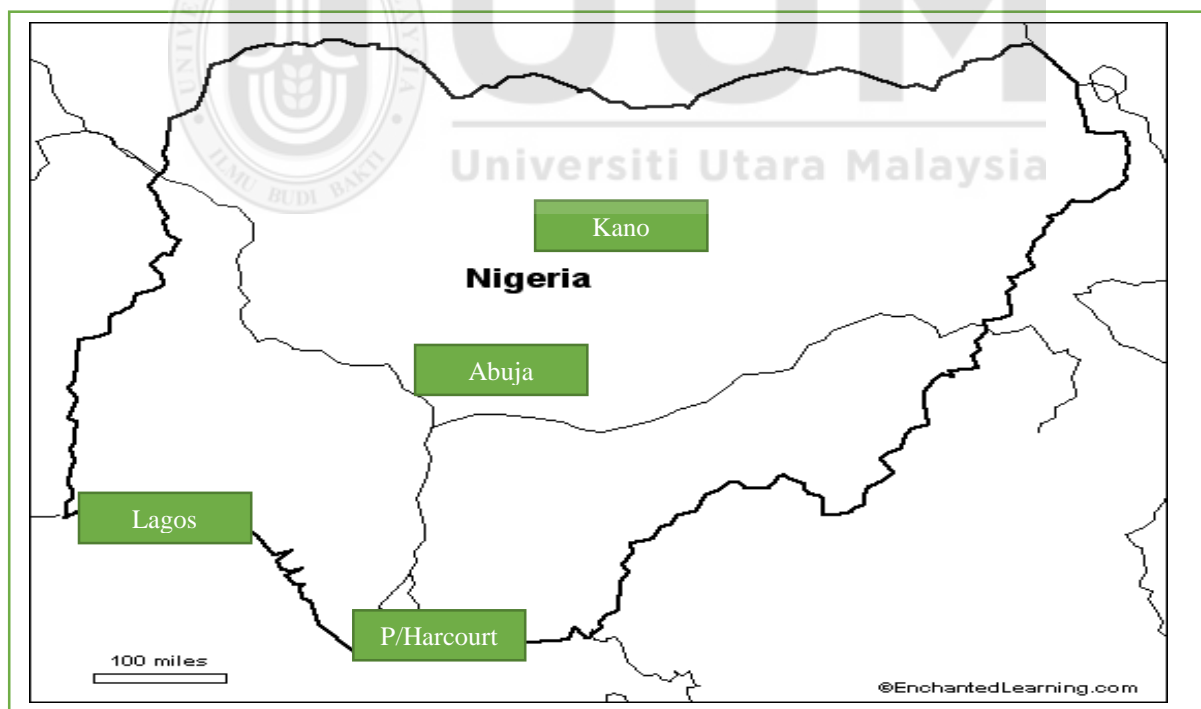


Figure 3.4  
*Map showing setting of the study*  
Source: Drawn for this research

This study was conducted in Nigeria, a West African country which shares borders with Cameroun (on the East), Niger Republic and Chad (to the North), Togo (on the West) and Atlantic Ocean (South). Nigeria is the most populous country and biggest economy in African. It is an estimated population of 170 million people (Aderibigbe *et al.*, 2016).

It has 36 constituent states with Abuja as its capital. The country has a fast growing middle-class and a young population (Export.gov, 2016b). Outdoor dining as well as other ways of life that support quick service restaurants and hospitality are common in the country. As shown in figure 3.4, the biggest cities are Lagos, Kano, Port Harcourt and Abuja. These cities are also the most important business districts of the country and all franchise business outlets are mostly found in these cities.

The population of this study consists all the franchisees that currently own franchised business units in Nigeria. Perhaps due to the fact that indigenous franchise systems in Nigeria are not required to register with any agency before offering franchise license (Aderibigbe *et al.*, 2016), there is no reliable database for the number of business format franchise brands and units currently operating in the country. So to get some ideas of the population of the study, recourse was made to several sources to identify existing franchise outlets in Nigeria. First the most popular systems were identified and once this was done, the websites of each chain was searched to identify their franchised locations. A list of the locations was subsequently drawn and the initial list contains 420 franchised outlets. Preliminary investigation through calls and clarification with the respective systems revealed that some of the locations have either stopped operating or have been converted to company-owned. This led to the removal of some location from the list, bringing the final list to 387 franchise outlets. The final list contains mainly locations of the most popular systems found in big towns and cities. It should be stressed that

this list was obtained just to facilitate the logistics of data collection in this study and so it does not accurately reflect the number of franchise outlets in the country.

The most notable business format franchise systems in Nigeria include Shoprite, Spar (convenience stores); Sheraton, Protea, Ramada Best Western (hotels and hospitality); Mr. Bigg's, Tantalizers, Chicken Republic, Sweet Sensation, Big Treat, Kas Chicken, Frechies, Chiquita, Gina's Fast Food Delight, Cold Stone Creamery, Fanmilk, The Kitchen, Charlies, Quarter Jack, Trendy's, Domino Dina, Pizza Hut, KFC (quick service restaurants, food & beverages); LagBus, Abia Line (transport); HIIT, JetKing, Meridian Technologies (IT) and Century 21<sup>st</sup> (real estate) (Ndumanya & Quadri, 2014a; Olotu & Awoseila, 2011; Orji, 2013). KFC was the first international quick service franchise brand to start operations in the country in 2005 (Ndumanya & Quadri, 2014a). Currently, there are such other international franchise brands as Avis Car Rental, Crestcom (Trainers to the World), Precision Tune Auto Care Center, Signarama, Computer Troubleshooters, WSI - Internet Consulting and Education, Hawthorn Suites (Ndumanya and Quadri, 2014). The indigenous brands constitute over 90% of the franchise brands currently operating in Nigeria (Ndumanya & Quadri, 2014b).

### **3.6 Sampling Technique**

Consistent with the qualitative design of the study, purposive sampling technique was used in both the preliminary and main phases (of data collection) to select appropriate subjects for the investigation. Purposive technique was considered to be appropriate for this study because there was a need to obtain the real-life expert views of some specific types of respondents (Cooper & Schindler, 2014; Sekaran & Bougie, 2013; Zikmund *et al.*, 2012) and to ensure that the different voices of the population is represented in the study (Alharbi, 2014; Myers, 2013; Sekaran & Bougie, 2013).

As shown in figure 3.5 below, the specific types of respondents sought and were reached through this sampling methods include owners, that is, franchisees (or their knowledgeable representative like unit manager) of fairly older outlets (more than five years in operation) as they are likely to have reasonable experience with the focal issues of the investigation and have probably seen the intricacies of the business model. Other categories of respondents considered for inclusion in the sample include:

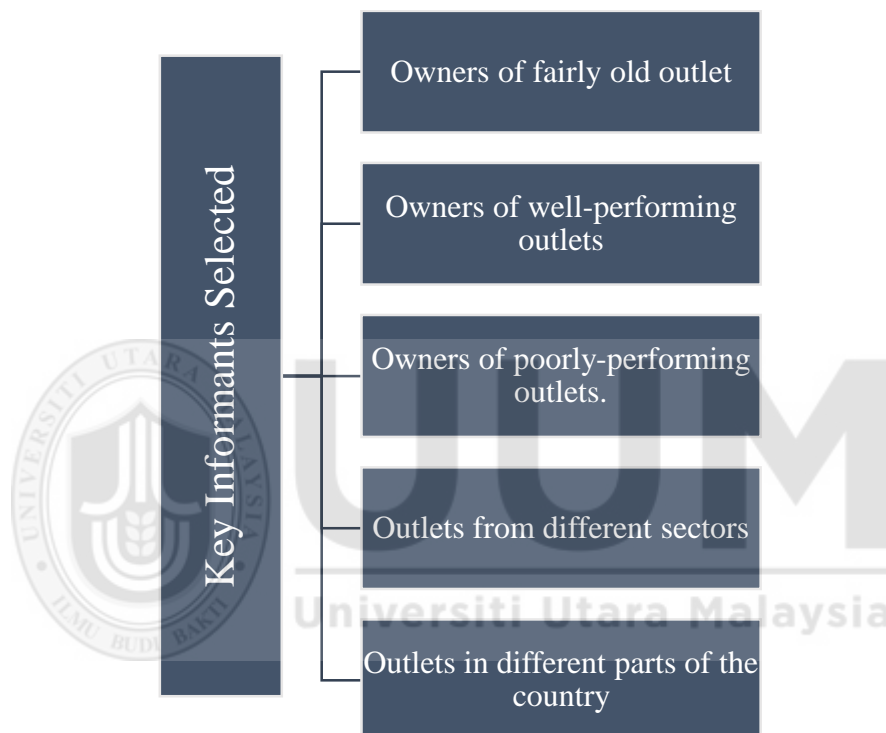


Figure 3.5  
*Criteria for selecting respondents*  
 Source: Developed for this research

owners of well-performing franchise outlets; owners of poorly performing franchise outlets; and franchise outlet owners in different parts of Nigeria – North (e.g. Abuja), West (e.g. Lagos) and South (e.g. Port Harcourt), as experience and observation revealed that there exist some differences in business sophistication and entrepreneurial behaviors of people from these different locations in Nigeria. The sources of information for understanding and identifying these specific types of respondents prior to detail face-to-face interview include preliminary

search (through website and referral), contact with, and opinion of respective franchisors, as well as initial contact with the particular franchisee.

Having identified and located the addresses of the franchisees that fit the outlined criteria, initial contacts were made via phone and visits to the respective outlets. As explained under section on procedure for interview, contacts had earlier been made with the respective franchisors and the regulatory agency to get them to encourage their franchisees to participate in the study. Subsequently, six (6) franchisees participated in the preliminary phase of data collection while twenty-six (26) franchisees took part in the main phase. Detail discussions on each phase of data collection are presented in the respective subsection below. Meanwhile, the next session explains why in-depth interview was adopted as the method of data collection in both phases of the investigation.

### **3.7 In-depth Interview**

Interview is an exchange of view between two individuals for the purpose of constructing knowledge and making meanings (Marshall & Rossman, 2010). In keeping faith with the constructivist paradigm and qualitative approach of the study which necessitates that individual respondent's perspectives on the research issues are uncovered (Marshall & Rossman, 2010), face-to-face semi-structured in-depth interview was adopted as the method of data collection in both the preliminary and main phases of the investigation.



Figure 3.6  
*Justifications for using in-depth interview*  
 Source: Developed for this research

Moreover, there are other types of interview commonly used in qualitative research. Convergent interview is one of such and it is where researchers conduct one-on-one discussion with successive research participant with the aim of arriving at a converged consensus (Rao & Perry, 2003). This study aims for depth and understanding of individual experiences and so convergent interview was not deemed to be suitable for the investigation. More so, because of the high potential for interviewer bias inherent in convergent interviewing and its inflexibility compared to in-depth interview (Bellenger, Bernhardt, & Goldstucker, 2011; Rao & Perry, 2003), it was not considered appropriate for this study. As shown in figure 3.6 above, other justifications for the adoption of in-depth interview for the investigation include the following.

First, in-depth interview method is most appropriate when a research project aims to understand and document detail lived experiences of individual respondent on a particular issue of concern



(Myers, 2013). This study desires depth of information and thus aims to explore the individual views and opinions of franchisees with regards to factors that influence their business performance. The ultimate aim is to analysis the narrated experiences of each franchisee in Nigeria and identify the most important factors they agree on as having impact on their outlet performance. Alternative method like focus group discussion may not be able to generate the deep individuals' insights (Marshall & Rossman, 2010) that are needed to construct a good picture of reality of franchise business practice in the country due to what scholars refers to as peer-pressure or group influence (Creswell, 2007).

Second, closely related to the need to gain insights into individual experiences, interview method is also most appropriate when more information is likely to be gained when respondents speak in private (Ritchie *et al.*, 2013). The sensitivity of the issue involved was a key consideration for using interview in this study as preliminary investigation revealed that a number of franchisees were having dysfunctional relationships with their franchisors with a few others having cases before the courts. In such instances, respondents may not want to speak openly for both legal and relationship implication. Hence one-on-one, rather than group discussion, was more appropriate.

The third reason for using in-depth one-on-one interview is the uniqueness of individual franchisee and the need to avoid personality clashes and draw out maximum insights from individual experiences. Owing to variations in business experience, location, potentially uneven level of business performance, personality and so on, it was reasoned that in order to achieve the goal of obtaining insights into the unique individual experiences, bringing franchisees together, for example in a focus group discussion, might not help much and could lead to unproductive clash of ideas and personality.

Meanwhile, although scholars express the concerns that in-depth interview is time-consuming, poses greater challenges in terms of transcription and analysis, and can only be used with a few respondents (Sekaran & Bougie, 2013), however, rigorous measures as detailed under validity and reliability section below were taken to address these concerns. Efforts were also made not to rely only on in-depth interview for making sense of respondents' responses as regards their business performance.

In addition to the in-depth interview, the researcher observed the body language of the respondents, the interaction with colleagues and customers as well as the physical surrounding of the business premises in order to build a good picture of the franchisee's business practice. Relevant documents were also sought to confirm participants' position and to achieve rich data. Such documents as franchise contract, web pages, corporate memos, newsletters, blogs, social media timelines and so on complemented interviews and field observation as they provided additional evidences for building a robust picture of realities and actual business practices (Myers, 2013; Yin, 2014). Arguably, this data triangulation increases the richness of each case data and thus useful in constructing an insightful picture of factors that influence the performance of franchisees in Nigeria.

More so, to guarantee consistency of structure throughout the interviews and enhance the overall reliability of approach (Yin, 2009), the interview protocol (please see appendix I) was used as a guide. The protocol spells out the steps and procedures that must be undertaken before, during and immediately after each interview. The interview questions (please see appendix II) were designed to seek participants' responses to broad questions relating to the focal issues of the study. However, it must be stressed that being an exploratory study, these questions were only a necessary guide. Other issues that emerged from the stories of the

respondents were also explored using appropriate follow-up and probing questions (Myer, 2013).

Thus, in-depth interview was adopted for data collection because of the nature of the study, the advantages of the method and its justified suitability compared to other qualitative methods. The method is not without its weaknesses as highlighted in the discussion but efforts were made to address the weaknesses while maximizing its advantages.

The forgoing discussion has been about ‘the what’ and ‘the why’ of in-depth interview as applied in this study. The next section discusses other key procedures for data collection.

### **3.8 Procedures for Data Collection**

Data for this study was collected in two phases, namely: preliminary phase and the main phase. Purposive sampling procedure and in-depth interviews were used in both phases. The next subsection describes the pre-fieldwork and other procedures that are common to and used in both phases. The subsequent section gives the detail explanations of what was done during each phase of the investigation.

#### **3.8.1 Pre-Fieldwork Procedures**

Having used purposive technique to identify franchisees that suit the selection criteria outlined in section 3.5 above, a number of actions as illustrated in figure 3.7 below were undertaken before actual contacts were made. These actions include review and clarification of the research issues, drafting of interview questions, negotiation of access to respondents, planning the interview logistics and drawing up checklist of needed items.

The first main activity undertaken before the first interview visit was clarification of research issues. The researcher conducted a detailed analysis of each of the four research issues and took mental notes of the primary purpose of the questions. Being clear about the purpose of each issue/question was necessary to keep the conversation on track as well as to ensure that relevant clarifications were sought as respondents narrate their experiences. Flowing from the review of the research issues, the next pre-fieldwork activity was the drafting of interview questions in line with the respective research issues.

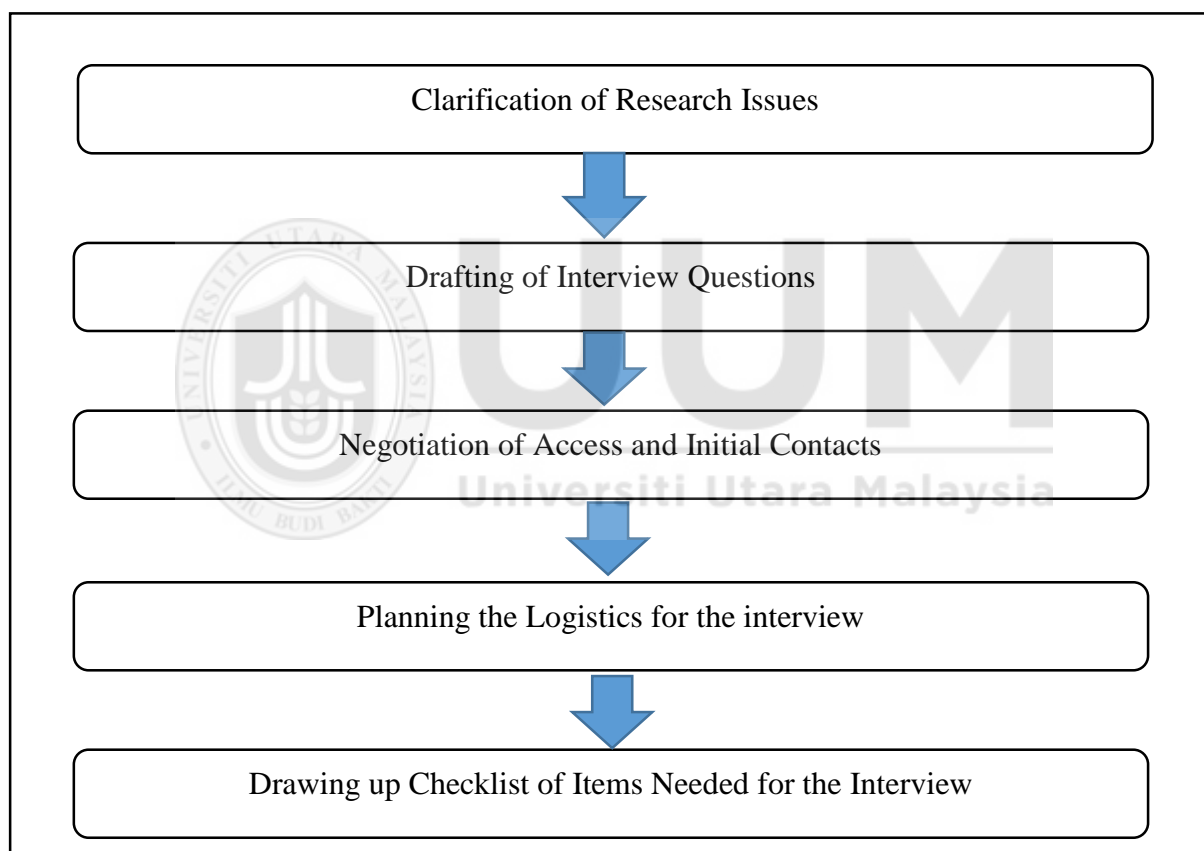


Figure 3.7  
*Flow of pre-fieldwork activities*  
Source: Developed for this research

The questions were designed to be open-ended and broad in order to give the respondents freedom to narrate all relevant experiences on the issues. Two individuals who are expert in English Language were contacted to review the wordings of the questions and this resulted in

further editing and reviews. This review helped to simplify the questions in language that would be easily understood by the respondents. The review also led to reordering of the questions in ways that would ensure good flow of thoughts and exchanges with the respondents.

Having ensured that the research issues and their corresponding interview questions were clear and in harmony with the objectives of the study, the researcher's attention turned to the issues of accessing the respondents that have been identified and sampled to participate in the study. It is believed that in an interview-based research, access to respondents is a key issue that requires thoughtful planning and execution (Witzel & Reiter, 2012). In order to secure access to the sampled respondents and obtain their commitment to participate in the study, the researcher used dual approaches for contact: franchisees were contacted directly on the one hand and then contacts were also made with the respective franchisors. More so, in order to improve the odds of securing maximum access, the regulatory authority (NOTAP and NIFA) were also informed of the study and requested to introduce the researcher to the sampled participants.

The rationale for contacting the franchisors and the regulatory agencies was to explain the objectives as well as to sell the merits of the study to them and thereby obtain their assistance in getting their franchisees and members to freely participate in the study. The approach of using franchisors to sell the research objective and secure the commitment of their franchisees was successfully adopted by Frazer *et al* (2012) in their study of reasons for franchise conflicts and franchisees' exit in Australia. Similarly, Doherty *et al* (2014) secured a rare access to franchisees in China in their study of franchise relationship development in the country by making contact with the regulatory authority.

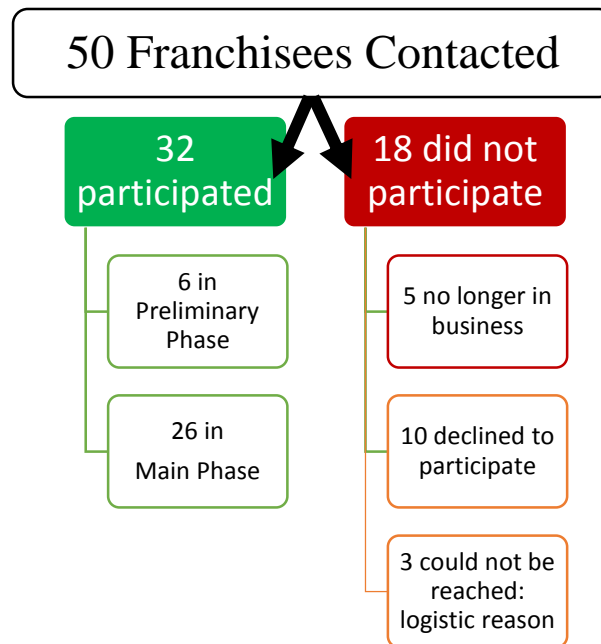


Figure 3.8  
*Initial contacts and eventual participants in the interviews.*  
 Source: Developed for this research

Thus, based on the outlined plans, phone calls and pre-approved visits were made to the sampled franchisees. As illustrated in figure 3.8 above, out of the 50 sampled franchisees that were initially contacted via phone calls, personal visits and introduction by respective franchisors, a total of thirty-two (32) franchisees participated in the study. For various reasons, the other eighteen (18) franchisees in the sample could not be interviewed. Five (5) of these franchisees were no longer in business while ten (10) declined to participate in the study for undisclosed reasons. For the remaining three (3), suitable and convenient time for both the researcher and the franchisees could not be found after several trials.

Of the total of thirty-two (32) franchisees that were interviewed, the first six (6) respondents took part in the preliminary study while the remaining 26 participated in the main phase of the study. Meanwhile, it should be noted that the pre-fieldwork activities up till this point were

done before the very first interview. The next two pre-fieldwork activity were carried out before every visit to the interview location.

Thus, once access to respondents have been properly negotiated and reasonable commitment to participate in the study was secured from most of those sampled, the next set of activities were efforts to foresee and plan all necessary logistics for the interviews. This was usually done at least three (3) to two (2) days before the interview day. Among the logistic arrangements include getting familiar with traffic flow in the respondents' city, securing and testing tape-recorders, keeping back-up tape and batteries, obtaining body microphone (in case there was a need to amplify any interviewee's voice), making provision for writing materials – a notebook and pens, and budgeting stipends for lunch at respondents outlets in the case of QSR franchisees.

The final part of the pre-field work activity was drawing up of checklist of all necessary logistics and items for each interview. Some of the items listed above were written out in the checklist. They were usually cross-checked and properly packed for each interview.

Thus, having discussed the pre-fieldwork arrangements preceding actual visitation for interview, the next two sections explain the specific details of each of the phases of the data collection. First the preliminary phase and then the main phase were explained.

### **3.8.2 Data Collection: Phase One - Preliminary Study**

The preliminary phase of the study involved the first six (6) respondents that were interviewed. These were purposively selected following the criteria outlined under section 3.5 (sampling techniques). The six respondents operate outlets in Lagos (a city where more than half of all

franchised outlets in Nigeria operate) and they are from 3 different franchise brands, across three industrial sectors of quick service restaurants, retailing (convenience stores) and ice-cream vending.

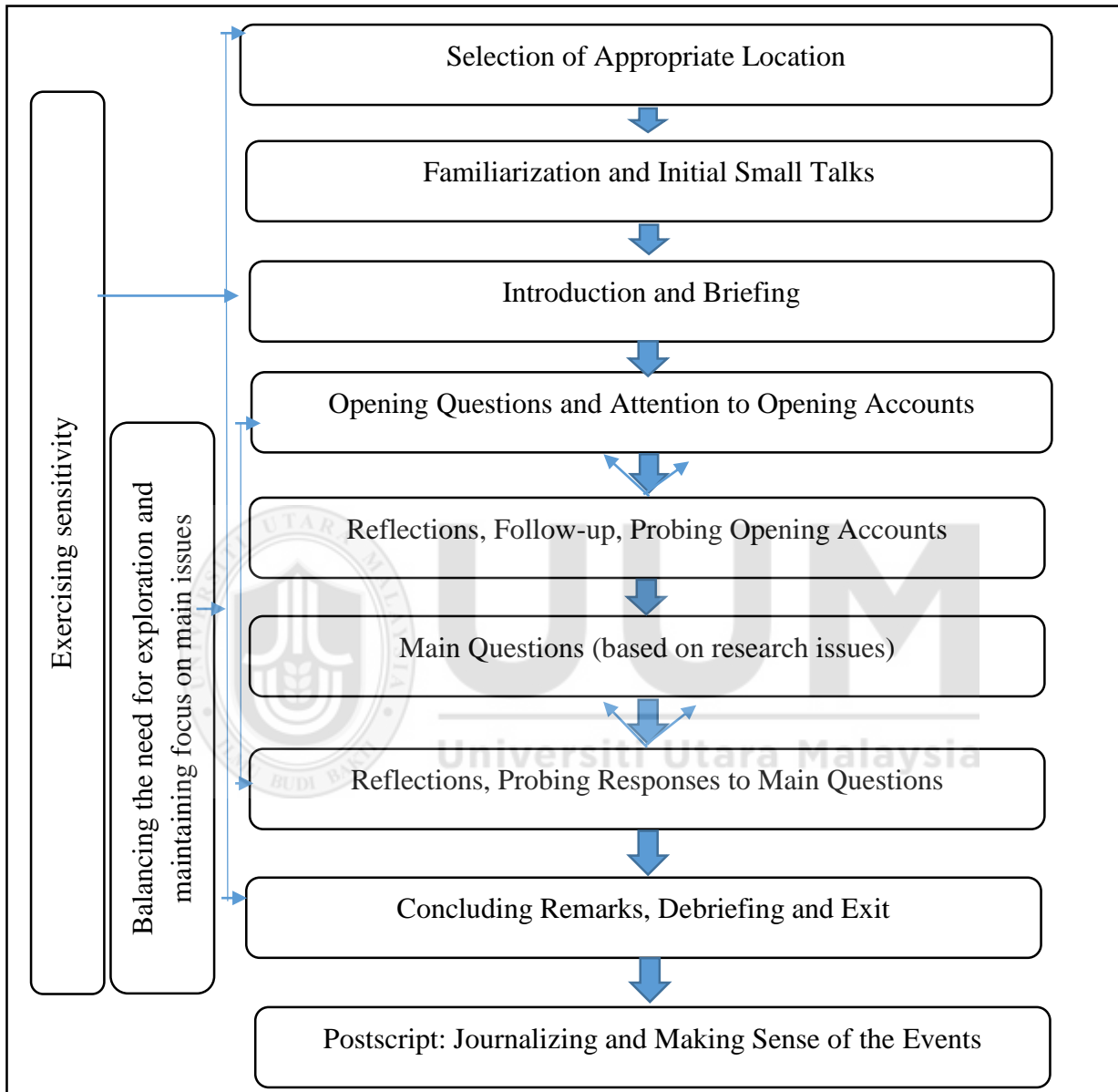


Figure 3.9  
*Highlights and flow of the interviews*  
 Source: Developed for this research

This phase of the investigation was designed to achieve two objectives. First, to explore and confirm the relevance of the factors identified in the preliminary theoretical framework of the study. This preliminary confirmation was necessary to get quick inputs into the relevance of



the identified issues prior to detailed design. Secondly, the preliminary study was undertaken to ensure that the interview protocol as well as the individual questions were relevant and clear enough to the respondents.

Thus, the interviews were conducted following the structure outlined in figure 3.9 above. This include; first, selection of appropriate and convenient location; familiarization with the respondents; briefing and introductory explanation, comments on the objectives of the study and clarification of issues bordering on research ethics; asking warm up and opening questions for general exploration; listening and taking notes of respondents opening account; reflecting, follow-up and probing questions to clarify meanings; maintaining sensitivity throughout and taking control of the conversation; concluding discussion including giving respondents the opportunity to ask questions and share final thoughts.

The last important part of the interview process was outside the conversation. This was post-interviewing journalizing by the researcher which served to reflect and make sense of respondent's thoughts.

Meanwhile, since this same structure was followed in both preliminary and main phases of data collection and in order to avoid repetition, the details of the flow are explained under the main phase of data collection below.

### **3.8.3 Data Collection: Phase Two - Main Study**

Following the preliminary phase which led to adjustments in the interview protocol and revision of the preliminary theoretical framework (please see figure 4.3 in chapter four), the main data collection began. In order to interview appropriate and adequate number of

respondents for the study, the researcher aimed for theoretical saturation (Myers, 2013). Saturation is the point at which no new information or different view is expressed by successive respondent (Vaux, 2014).

Thus, bearing the idea of data saturation in mind, 50 franchisees were initially contacted for participation in the face-to-face interviews. Eventually, using purposive sampling technique, a total of thirty-two (32) franchisees participated in the study; six (6) in the preliminary phase and twenty-six (26) in the main phase (please see tables 4.1 and 4.9 in chapter) and this number is considered to be a reasonable sample size for a study of this nature as it is within the recommended range of 20-30 considered adequate to reach saturation (Corbin & Strauss, 2008; Creswell, 2007). This is also well above and consistent with the common size adopted in some recent franchise studies. For example, Doherty *et al* (2014) used a sample size of 18 respondents to investigate franchisor-franchisee relationship in China. Similarly, Altinay *et al.* (2014b) investigated franchisees' perception of relationship development in both Turkey and Macau using 25 and 23 samples respectively. Frazer *et al* (2012) also utilized 25 sample cases to analyze the cause of conflicts between franchisors and franchisees in Australia.

As outlined in the preliminary phase, the flow of both phases of the interviews was structured to address such issues as selection of appropriate setting; familiarization with respondents; briefing and introductory explanation; warm up and opening questions; taking special note of respondents opening account; reflecting, asking follow-up and probing questions; sensitivity to respondents and taking control of the conversation; and conclusion, debriefing and exit. Detailed explanation of each of these elements as undertaken during the two phases is thus presented.

In terms of the setting, all the interviews were conducted in the participants' business premises, mostly in their personal offices. This setting was generally quiet and less noisy except for the occasional interruptions by staff members which were well within tolerable frequency and did not have any negative impact on the conversations. In fact, the occasional bump in of staff and colleagues provided the researcher an opportunity to observe respondents interaction with colleagues and team members, an insight that would be valuable in making sense of some of the issues being discussed. More so, this location not only helped to observe and gain insights into the daily real-world business experiences of the respondents, it provided a comfortable and safe space for franchisees to freely express themselves, thereby facilitating generation of depth and breadth of information needed to construct reality.

Meeting on the appointed date for the interview, the researcher made effort to establish good rapport and get personally familiar with each of the respondents. This was necessary to establish and build a relationship of trust with the respondents (Witzel & Reiter, 2012). The respondents were engaged in a few small talks on topics outside the research such as their families, interests after business hours and so on. However, care was taken not to unnecessarily prolong this initial talks in order not to waste respondent's time. The initial talk served the purpose of helping the respondents to get used to speaking and hearing their own voices before the beginning of the actual interview. Through this warm up and familiarization talks, the researcher got to understand the communication style of the respondents in terms of clarity of voice, articulateness and willingness to talk. This piece of knowledge was useful for managing and directing conversation during the actual interview.

The next step in the flow of the interview process is introduction and briefing. Although the researcher would have earlier introduced himself and where he works during the preliminary

contacts, it was nonetheless necessary to restate these facts on the first one-on-one meeting with the respondents. Once this was done, the researcher proceeded to briefing the respondents on the subject matter of the interview. First, the objective of the study, the expected practical benefits to participants' respective outlets and the entire franchise system in Nigeria were explained. The researcher also highlighted the fact that the respondent was deemed an expert on the issue under investigation and hence their selection to participate in the interview.

Part of the briefing was comments on issues regarding research ethics. First the shape of the interview and how long it would likely take to conclude was discussed. The participants were given assurance that their responses would continue to remain anonymous and that no identifying information about them would be reported in the study. After this, at each interview, the printed copy of the informed consent was handed out to the interviewee for endorsement and this was followed by a request to have the conversation recorded. While about half of the respondents signed the informed consent, others gave verbal approval and this is accepted as good enough a consent to proceed with the interview (Witzel & Reiter, 2012).

Having established rapport, briefed the respondent on the purpose of the research and secured their informed consent to participate in the interview, the researcher set up (turned on) the tape-recorder and asked the opening question. In addition to tape-recording, notes were taken throughout all the interviews. The opening question was simply 'tell me about this business, how you got started and your assessment of the way things are currently'? This opening question was for general exploration and essentially meant to break the ice and facilitate the establishment of conversational flow of ideas that would emerge based on the priority of the respondents. The respondent's remarks to the opening question led to follow up questions and rewording of the initial broad questions drafted for the interview. The rewording of subsequent

questions did not change their focus but merely reframed them based on the opening accounts of the respondents.

Generally, the researcher listen carefully and maintained a reflective posture in asking follow-up and probing questions. This ensured that the interview was more a conversation aimed at uncovering important insights relating to each of the research issues, rather than a question and answer session. Given that social (and business) realities are likely to be local and specific to each individuals including language used in expressing such reality (Ponterotto, 2005; Waller *et al.*, 2016), efforts were made to first get respondents to define and state their own meaning of elements or factors associated with each research issue. For example, there were questions that specifically asked respondents to define such elements as relationship quality, contract, business format and relationship and attitude.

Even as the researcher probed and encouraged respondents to dive deep into their experiences and express same, care was taken to maintain high level of sensitivity to their feelings. This include avoiding questions that are judgmental as well as those that unfavorably compared them to other franchisees. Efforts were also made not to lead them or influence their position on any of the research issues. However, in order to strike a balance between deep exploration and discussion of issues that are most relevant to the investigation, the researcher occasionally tried to redirect the conversation as appropriate.

The last stage of the interview was exit and debriefing. Satisfied that all relevant issues have been explored and appropriate clarifications obtained from the respondents, the researcher gradually guide the interview to wind down. This was done by using expressions that help to transit the conversation from formal interview back to every day conversation. The researcher

would usually asked question such as *'I would like to work here someday, what will it take to get you to hire me'*? At other times, the researcher would say *'I will like to invite you to speak in my entrepreneurship class someday, I hope you will oblige the request'*. After these transitional conversation, the researcher thanked the respondents for their participation and restated the promise to keep their responses confidential.

Moreover, part of the exit conversation was requests to respondents to make any final contributions and share further thoughts on the investigation. They were also asked whether they would be available for follow-up research. It was pertinent to get the post-interview views of the respondents regarding the research project and how the interview went. Hence, respondents were urged to ask any question they might have about the study and to share their general feelings about the just concluded interview.

Finally, given the emphasis of scholars (e.g. Corbin & Strauss, 2008; Witzel & Reiter, 2012) on the importance of postscript, memos were written immediately after each interview. This was done to capture the thoughts and impressions of the researcher with regards to what transpired *before the interview* (e.g., experience establishing contacts with the particular respondent, notable moments before the interview and the respondent's initial dispositions); *during the interview* (e.g. respondent's believability, emotions and thought process) and *after the interview* (e.g. respondent's questions, concluding thoughts on the research, follow-up plan and so). The memos do not form part of the data but merely an instrument to reflect and interpret both the spoken and unspoken words of the respondents.

Each interview at both phases of data collection lasted between one and one-and-a-half hours. Once the interviews were completed and memos written for each conversation were assembled,

transcriptions begin immediately. The next section discusses how transcription was done as well general issues regarding data analysis.

Thus, the above discussions have been about the key highlights and flow of the interview. It begins with selecting appropriate location for the conversation, formal introduction and familiarization, actual conversations, note-taking and asking follow-up questions, and finally concluding and expression of appreciations. The discussion also highlights that memos were written immediately after each interview for reflection and to make sense of the conversation.

### 3.9 Techniques of Data Analysis

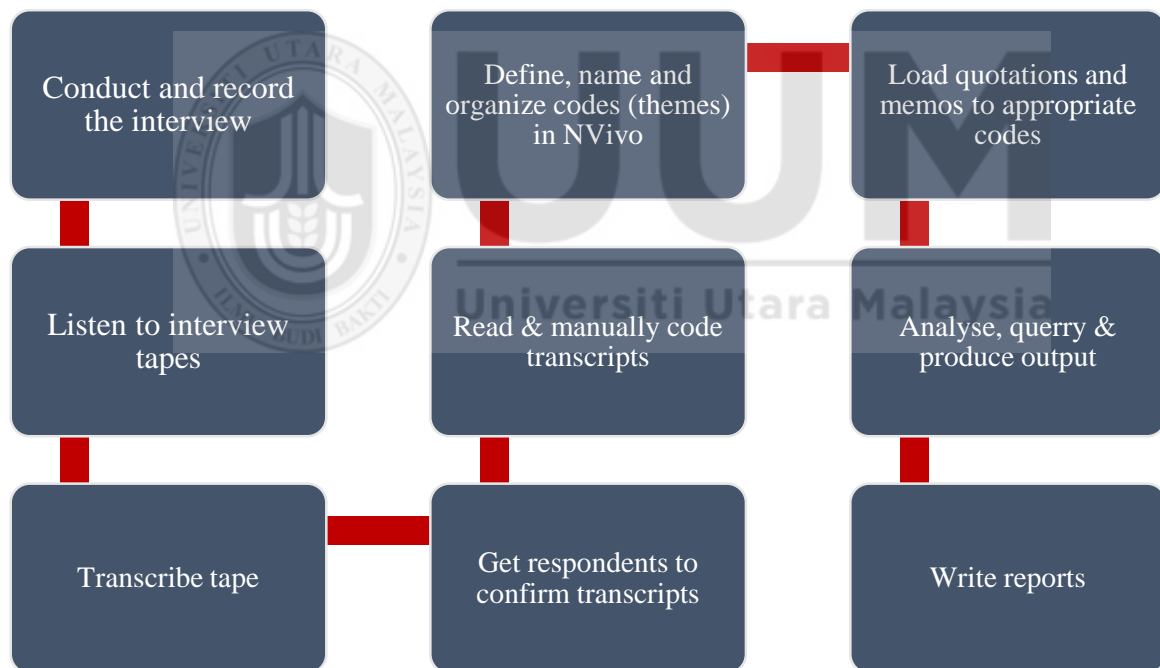


Figure 3.10  
*Procedures for data analysis*  
Source: Developed for this research

Similar techniques were adopted for analyzing data collected in the two phases of the interview. As illustrated in figure 3.10 above, data analysis process started from conducting and recording the interviews.

The analysis involved eight (8) other steps after interviewing respondents. The steps include listening to the interview tapes; transcribing the tapes; getting respondents to confirm transcripts; manually coding the transcripts once confirmed; defining, naming and organizing codes (themes) in NVivo; loading quotations and memos to appropriate codes; analyzing, querying and producing outputs; and lastly writing reports. Detail of these is discussed below.

First, the researcher meticulously listened to the recorded interviews twice to get a sense of what the respondents were saying. The interviews were subsequently transcribed with the assistance of a transcription program called *'Transcriber Pro'* (version 1.0.3.1). In order to ensure that what has been transcribed is exactly what the respondents said; the transcripts were given to respective franchisees for confirmations. All the transcripts were retrieved usually between 2 to 3 days with minor adjustments.

Subsequently, the transcripts were manually coded following Corbins & Straus, (2008)'s three-stage coding style of open, axial and selective coding as illustrated in figure 3.11 below. Once coding was done, the relevant themes, sub-themes and sub-sub themes (in some cases) were loaded into the latest version of the Computer-Assisted Qualitative Data Analysis Software (CAQDAS) called NVivo (version 11). NVivo, previously called NUD\*IST (Non-numerical Unstructured Data, providing ways of managing ideas by Indexing, Searching and Theorizing) is one of the most popular data analysis software commonly used in qualitative research (Myer, 2013:177). According to QSR International (2015), NVivo is a powerful platform used for analyzing all types of unstructured data. The software has the capacity to quickly code data and appropriately organize same. There are also features to interrogate data, count words and display a descriptive analysis of responses.



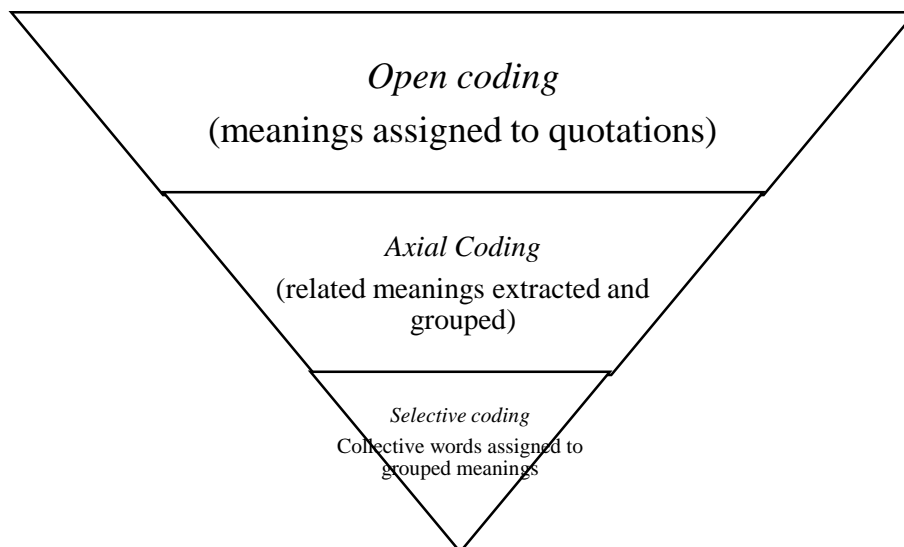


Figure 3.11  
*Stages in coding interview transcripts*  
 Source: Developed for this research

The researcher used this software to define, name organize code or themes for the data; appropriately organize and link memos and annotations to relevant quotation; uncover connections, analyze opinions of different groups of respondents, search for common themes, visualize data, justify findings and assist in report writing. Finally, the themes, the various subthemes and other outputs of the analysis were extracted from the software and converted to word documents. This was necessary for ease of use in the final report.

Thus, the above discussions has been about the techniques adopted for analyzing the data from the two phases of the study. The analysis was stage-wise including listening to each interview twice, transcribing the interview and giving to respondents to confirm, coding the transcripts, naming and organizing the analytical codes (themes) in NVivo, loading quotations and memos to NVivo, producing outputs and writing the reports.

### 3.10 Validity and Reliability

The foregoing discussions have been about the specific methods and procedures adopted for conducting the investigation. Meanwhile, it is pertinent that the specific measures taken to ensure the validity and reliability of the procedures are equally documented. Thus, for findings and conclusions of qualitative research to be acceptable as meeting quality standard and contributing to knowledge, they must be verified to be plausible, valid and reliable (Sekaran & Bougie, 2013). There are four tests for establishing the quality of any qualitative research (Yin, 2014). These are construct validity, internal validity, external validity and reliability. The author recommends a number of tactics for guaranteeing each of these four measures of quality. As illustrated in figure 3.12 below and subsequently discussed, these tactics were incorporated throughout the conduct of the study.

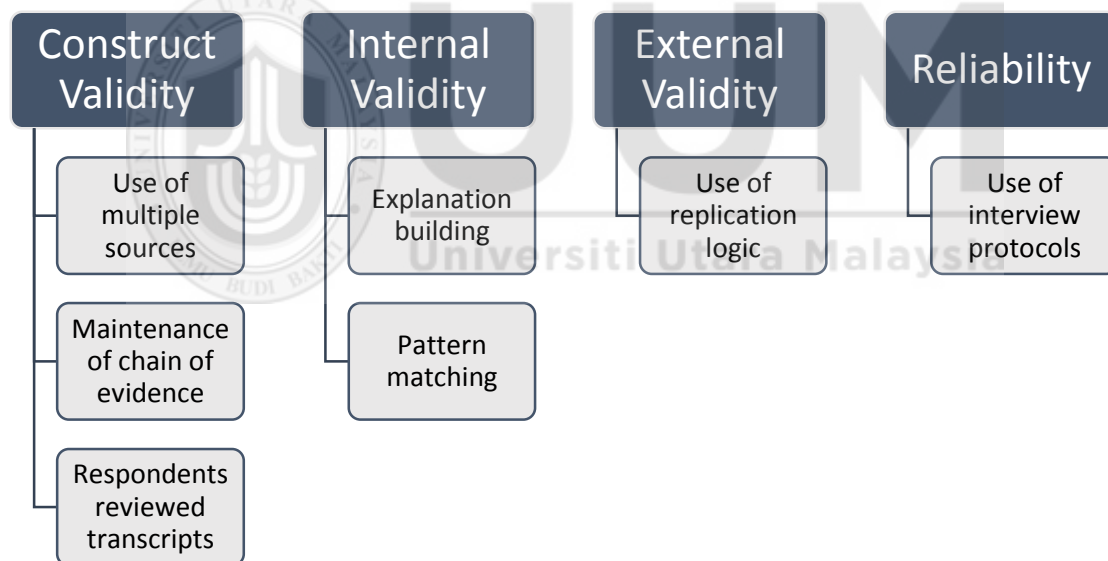


Figure 3.12  
*Measures to assure validity and reliability of study*  
Source: Developed for this research

*Construct validity* deals with outlining appropriate operational measures for the constructs under investigation. To meet this test, attempt was made to define the key issues, elements and factors explored in this study. These are found throughout the chapter on literature review. Further, as recommended tactics suggested by Yin (2014) for assuring constructs validity, this

study used *multiple sources of evidence* (interviews, documents and observation), *maintained chain of evidence* (by using digital recording device and software for handling data transcription and analysis), and *had respondents review transcripts* prior to final usage.

*Internal validity* is about establishing cause and effect relationship whereby some specific conditions are linked to the occurrence of other conditions. Although Yin (2014) argued that internal validity is not an issue for an exploratory study such as this, nonetheless the recommended tactics such as *explanation building* and *pattern making* were useful, and were incorporated in analyzing the case data.

*External validity* relates to establishing the basis on which findings from the study can be generalized beyond a particular immediate case. Yin (2014) suggests that *replication logic*, a system of strengthening theory by applying the same questions derived from literature (theory)-based concepts. This was the approach adopted in this study as the same set of protocol was adhered to for each interview.

*Reliability* has to do with showing evidence that the same findings will be arrived at if another researcher follows the same approach in data collection and analysis on the same case. Reliability is a test of amount of error and biases in a study (Ajayi-Obe, 2007). Consistent with Yin (2014)'s recommendations, this study utilized *interview protocol*, a manual of steps and broad questions that guided the conduct of the interviews (please see appendix I). The protocol is the blueprint of the processes and actions that were taken during the research process. It also helped the researcher to get a handle on the logistics of the data collection process and to stay on the subject matter of the study.

Thus, this section has outlined the key measures taken to guarantee validity and reliability of the study. The measures were adapted from Yin (2014) and used as guides throughout the different stages of the investigation.

### **3.11 Summary of the Chapter**

This chapter has discussed the details of the methodologies and procedures adopted for the conduct of the study. The basic design of the study is exploratory. In terms of the philosophical and paradigmatic base of the study, constructivist paradigm guided the investigation. This is justified primarily on the ground that the core objective of the study is to explore and describe the lived experiences of individual franchisees in Nigeria. Consistent with the exploratory nature and constructivist paradigm of the study, qualitative methods were used to collect data. Specifically, in-depth interview was adopted and this is because of the need to generate deep insights into the practice of franchising in Nigeria. The other justification for using in-depth interview is the need to elicit maximum openness from franchisees and to get them to freely express their experiences.

Furthermore, in line with the qualitative nature of the study, purposive sampling technique was used to select key informants for the study. Following a structured protocol which include negotiation of access and planning of interview logistics, data were collected in two phases: preliminary phase with six (6) respondents and the main phase with twenty-six (26) respondents. Subsequently, the interviews were transcribed, coded and analyzed using a computer-aided qualitative data analysis software. The next chapter presents findings of the analysis done for both phases of the study.

## CHAPTER FOUR

### DATA PRESENTATION AND ANALYSIS OF FINDINGS

#### 4.1 Introduction

Chapter three has explained the procedures and methods adopted for data collection and analysis in both the preliminary and main phases of the investigation. This chapter now presents the findings of each phase in line with the research issues derived for the study. The aim of the chapter is to confirm the validity of the preliminary theoretical framework (figure 2.12, chapter two) and to identify new insights generated during the investigation. Figure 4.1 gives the highlight of the issues covered in this chapter.

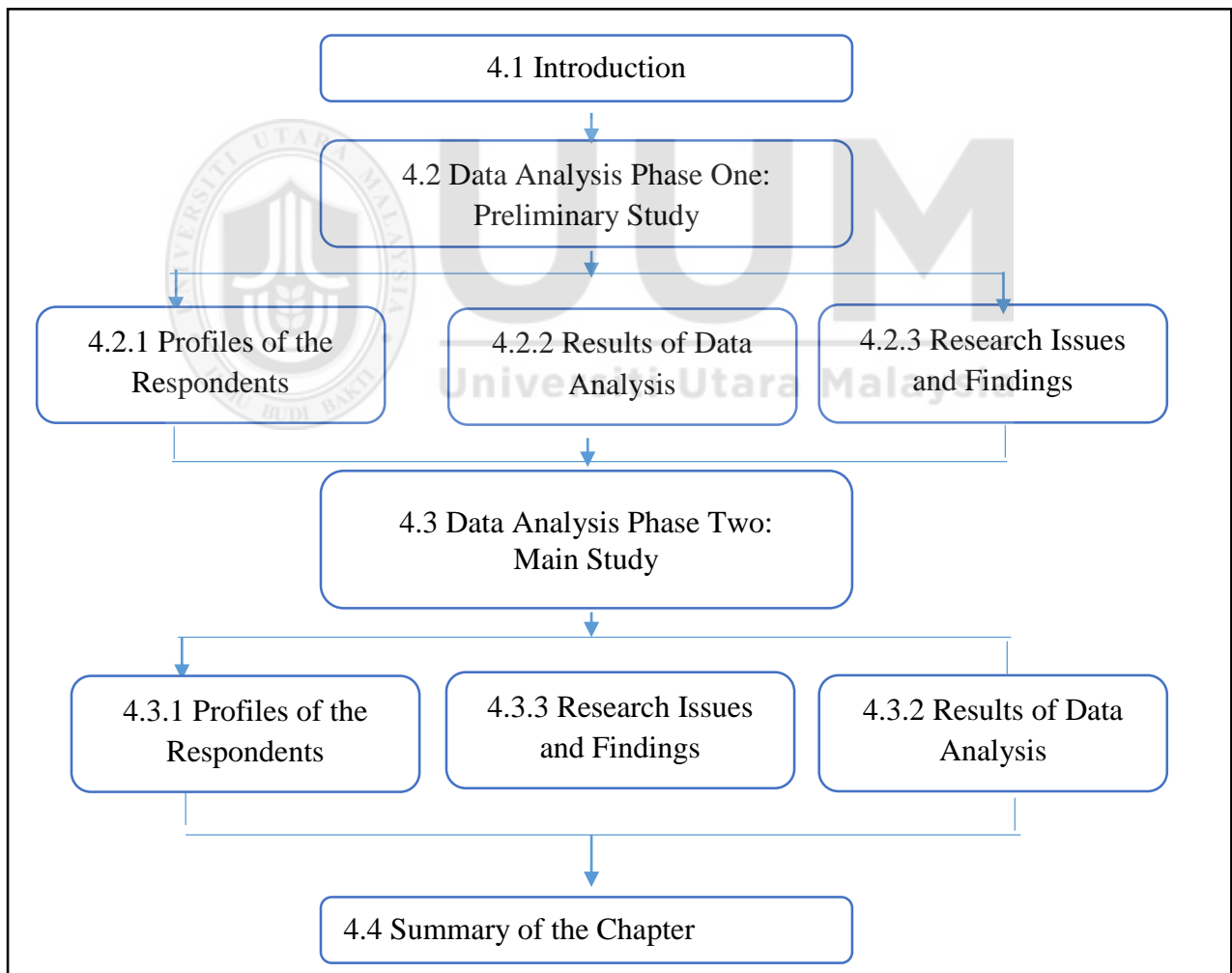


Figure 4.1  
*Highlight and flow of chapter four.*  
Source: Developed for this research

The ultimate objective of chapter four is to create a familiarization with some of the issues that have impact on franchisees business performance in Nigeria. The analysis is presented in two phases and at each phase, a brief profile of the respondents is given. Subsequently, the results of the analysis generated from NVivo are presented. From these results, answers are provided to the research issues formulated for the study. The four research issues investigated relate to business format factors, contract design, relationship quality and franchisees attitude and skill factors. Findings that answer each of the research issues are presented accordingly at each of the two phases of the analysis.

#### **4.2 Data Analysis Phase One: Preliminary Study**

As highlighted in figure 4.2 below, *phase one* of the investigation was designed to achieve two objectives. First, to explore and pre-confirm the relevance of the factors identified in the preliminary theoretical framework (figure 2.12, chapter two) of the study. This preliminary confirmation was necessary to get quick inputs into the identified research issues prior to detailed design. It was believed that this would help to further clarify and scope the research issues for detail exploration. Secondly, the preliminary study was undertaken to ensure that the interview protocols as well as the individual questions were relevant and clear to the respondents. Some of the key insights from the preliminary study and the appropriate adjustments made are illustrated in figure 4.2 below:

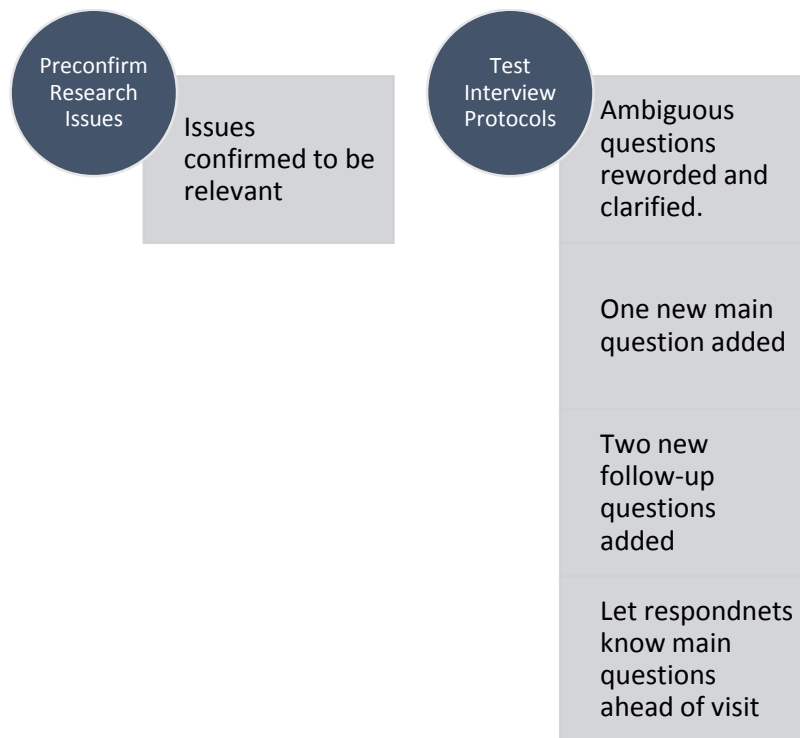


Figure 4.2  
*Insights from preliminary study*  
 Source: Developed for this research

On the first objective, the result of the preliminary study as presented in the respective section generally confirmed that the initial issues identified in the preliminary theoretical framework are the top factors that have varying level of influence on franchisees' business performance in Nigeria. Second, the preliminary study informed a number of adjustments in the interview protocols as follows.

First, some questions were found to be a bit ambiguous and these were redrafted and clarified. The follow-up questions were also re-worded to elicit direct responses that indicate whether or not a particular factor has a direct impact on franchisees' business performances. Second, one new main question and two probing questions were added to the original protocol (please see appendix II). At the initial stage, there was one general opening question, four (4) main (open-ended) questions – one for each of the four (4) research issues and ten (10) probing and follow-

up questions. But based on feedback from the preliminary study, the main questions were increased to five (5) while two (2) more follow-up questions were added bringing the total follow-up questions in this category to twelve (12).

Thirdly, it was learnt that richer information and responses would be obtained if the main questions were mailed to the respondents at least a day ahead of the interview day. This was subsequently done and the value was apparent in the richness of information obtained from successive interviews.

Thus, having explained the objectives of the preliminary study as well as insights gained and adjustments made to the interview protocols, the next section now presents the key findings of this phase of the study. First, a brief profile of the six (6) respondents that participated in the study is given and then the key findings are presented based on the research issues.

#### 4.2.1 Profile of Respondents – Preliminary Phase

Table 4.1  
*Profile of the Respondents – Preliminary Study*

S/N	Respondents	Designation	Organization	Unit Size	Sector	Location	Years in Business
1.	Informant 1	Franchisee	Brand 3	Medium	Retail	Lagos	7years
2.	Informant 2	Outlet Manager	Brand 1	Small	Ice-Cream	Lagos	5years
3.	Informant 3	Franchisee	Brand 1	Small	QSR	Lagos	7years
4.	Informant 4	Franchisee	Brand 2	Medium	QSR	Lagos	5years
5.	Informant 5	Franchisee	Brand 3	Medium	Retail	Lagos	6years
6.	Informant 6	Franchisee	Brand 2	Small	Ice-Cream	Lagos	5years

Source: Developed for this research

The preliminary phase of the study involved the first six (6) respondents that were interviewed at the beginning of the study. These were purposively selected following the criteria outlined under section 3.6 (sampling techniques in chapter three). As shown in table 4.1 above, all the



six respondents operate outlets in Lagos, a city where more than half of all franchised outlets in Nigeria are located. The respondents are from three (3) different franchise brands that operate in quick service restaurants, retailing (convenience stores) and ice-cream vending respectively. Except for one respondent who is an outlet manger, the other five respondents were the franchisees themselves. The researcher got reasonable confirmation that the outlet manager interviewed is knowledgeable about every aspect of the franchise partnership and had the authority of her franchisee to give accounts of the business relationship.

Thus, having given a brief profile of the respondents, the next section presents the results of data analysis from the preliminary phase.













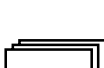




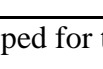
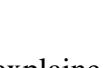
#### **4.2.2 Results of Data Analysis – Preliminary Study**

As illustrated in figure 3.10 (flow of data analysis) and subsequently discussed in detail under *techniques of data analysis* in chapter three, the analysis in this phase of the study involved nine (9) steps including interviewing and recording, listening to recorded tapes, transcribing the tapes, getting respondents to confirm transcripts, manually coding the confirmed transcripts using Corbin & Strauss (2008) style, naming and organizing codes in NVivo, loading quotations and memos to appropriate codes, analyzing and producing outputs using NVivo, and lastly writing the reports. For clarity, codes here refers themes or subthemes. In the software, the name ‘family codes’ was used to represent the main themes while ‘codes’ simply means subthemes.

Following the data analysis process described above, the software was used to organize and appropriately group the various themes and subthemes as shown in table 4.2 below. As the table shows, the analysis produced nineteen (19) subthemes and 4 themes. The four themes

correspond to the four research issues formulated for this study. These are also referred to as elements or main factors in this study. The subthemes on the other hand are the specific factors that have influence on franchisees business performance.

Table 4.2  
*Sub-themes, Themes and Research Issues - Preliminary Study:*

Interview & Transcribe	NVivo Analysis on Coded Transcripts	Sub-themes	Themes	Research Issues
Confirmed Transcripts		BF1: Brand name	Business Format	<b>Research Issue #1:</b> What are the important business format factors that influence franchisees business performance in Nigeria?
		BF2: Supports		
		BF3: Controls (autonomy)		
		BF4: Quality of supervision		
		CD1: Initial Payment	Contract Design	<b>Research Issue #2:</b> What are the key terms in the franchise contracts that have influence on franchisees' business performance in Nigeria?
		CD2: Ongoing Payments		
		CD3: Exclusive Territory		
		CD4: Tying Arrangements		
		CD5: Contract Duration*		
		RQ1: Closeness	Relationship Quality	<b>Research Issue #3:</b> What are the major <b>relationship quality</b> factors that influence franchisees' business performance in Nigeria?
		RQ2: Commitment of Franchisor		
		RQ3: Trust in Franchisors		
		RQ4: Effectiveness of Communication		
		RQ5: Relationship Satisfaction		
		AS1: Motivation & hard work	Attitude & Skills	<b>Research Issue #4:</b> What are the important franchisees' <b>attitude and skills</b> that have influence on their business performance in Nigeria?
		AS2: Managerial & marketing skills		
		AS3: Innovative skills*		
		AS4: Proactive skills*		
		AS5: Competitive Aggressiveness*		

Source: Developed for this research

Thus, having explained the general summary of the results of NVivo analysis, the next subsections highlight the findings under each main factors as shown in table 4.3 below. The

accompanying discussions demonstrate how the findings achieve the objective of this phase and answer the research question/issues derived for the study.

Table 4.3  
*Summary of Factors Influencing Franchisees Business Performance in Nigeria - Preliminary Study.*

<b>Business Format Factors</b>	<b>Key Terms in Franchise Contract</b>	<b>Major Relationship Quality Factors</b>	<b>Important Franchisees Attitude and Skills</b>
<b>4</b>	<b>5</b>	<b>5</b>	<b>5</b>
<ul style="list-style-type: none"> <li>✓ Brand Name</li> <li>✓ Supports</li> <li>✓ Controls</li> <li>✓ Quality of Supervision*</li> </ul>	<ul style="list-style-type: none"> <li>✓ Initial Payment</li> <li>✓ Ongoing Payments</li> <li>✓ Exclusive Territory</li> <li>✓ Tying Arrangements</li> <li>✓ Contract Duration*</li> </ul>	<ul style="list-style-type: none"> <li>✓ Closeness</li> <li>✓ Commitment of Franchisor</li> <li>✓ Trust in Franchisors</li> <li>✓ Effectiveness of Communication</li> <li>✓ Relationship Satisfaction</li> </ul>	<ul style="list-style-type: none"> <li>✓ Motivation &amp; hard work</li> <li>✓ Managerial &amp; marketing skills</li> <li>✓ Innovative skills*</li> <li>✓ Proactive skills*</li> <li>✓ Competitive Aggressiveness*</li> </ul>

Source: Developed for this research

From table 4.3 above, the first phase of the study identified nineteen (19) factors as having influence on franchisees business performance in Nigeria. Of this total number, there are four (4) business format factors, five (5) key terms in franchise contract, five (5) relationship quality factors and lastly five (5) franchisees attitude and skill factors. The next section explains how these results address the research issues outlined for the study.

#### **4.2.3 Research Issues and Findings of Preliminary Study**

The previous sections have explained how the analyses were done and the key factors that were identified as having influence on franchisees business performance in Nigeria. This section

now discusses and indicates how the findings address the research issues formulated for this study.

#### **4.2.3.1 Research Issue (RI) One and Preliminary Findings**

The first research issue relates to business format factors that could have influence on franchisees business performance in Nigeria. Based on series of arguments and discussions in section 2.6 (research issues in chapter three), the first relevant question or issue posed to guide the conduct of this study is stated as follows:

RI 1 (One): What are the important **business format factors** that influence franchisees business performance in Nigeria?

Business format are a group of factors that facilitate the smooth running of franchisees business. From the in-depth interviews conducted with six (6) franchisees in Nigeria and subsequent analyses that were done using a computer-aided qualitative data analysis software during the preliminary study, all the respondents indicated that business format factors are critical and that they do have influence on the performance of their business. The six respondents also gave their views on the important business format factors that have the most influence on their performance. From the analysis of the interview transcripts as illustrated in table 4.2 and subsequently summarized in table 4.3 above, four business format factors were identified as having influence on franchisees business performance in Nigeria. As shown in table 4.4 below, these factors include brand name, franchisors supports, controls and quality of supervision.

*Brand name* is the first business format factor identified to be having influence on franchisees business performance. Brand name is the unique name used to identify and distinguish one firm

or their offering from the others (D. A. Aaker & Biel, 2013). All the respondents except informant 4 agreed that the value of the franchisor brand has influence on franchisees business performance.

Table 4.4  
*Summary of Data Analysis on Business Format Factors in Relation to the Preliminary Theoretical Framework – Preliminary Study.*

S/N	Respondents	Business Format Factors			
		Brand Name	Supports	Controls	Supervision*
1.	Informant 1	✓	✓	✓	✓
2.	Informant 2	✓	✓	x	✓
3.	Informant 3	✓	✓	✓	x
4.	Informant 4	x	✓	✓	x
5.	Informant 5	✓	✓	x	✓
6.	Informant 6	✓	✓	✓	✓
<b>Total Confirmation</b>		5	6	4	4

Legend: \* Newly found factor

Source: Developed for this research

The expressions of informant 2 and 5 below are representative of what the other franchisees in this preliminary study feel about the influence of respected franchisor brand.

*Frankly that's the reason i sold off my previous business to join this network. I have always known that operating a franchise under a respected brand brings a lot of immediate advantages. The first day we opened, our customers only saw { }, not my name. And we thank God the company doesn't joke with its brand reputation. The brand value sure helps us. (Informant 2).*

*I earlier told you I was operating under a different brand before right? I left them mainly because their brand lost its original spark. Customers no longer bring their family and children as they used to be and sales were way down. I left even before my contract expired. (Informant 5).*

Thus, brand name is confirmed as an important business format factor that influences franchisees' business performance in Nigeria.

The second business format factor that has been identified as having influence on franchisees business performance in Nigeria is *support*. Franchisor support refers to a collection of

infrastructures that enable franchisees to establish and successfully operate their businesses (Franchising World, 2014). All six of the franchisees that participated in this preliminary phase of the study believe that franchisors continuing supports are essential to the performance of their business. The following quotations from informants 1 and informants 6 indicate the relevance of quality supports for franchisees outlet performance.

*Surely, good support program is very critical to our success, not just at the beginning but throughout. Most of us don't know anything about this business and it's their guidance and assistance that can really move us towards the path of success. If for whatever reason they don't measure up on that guidance at the right quality and as at when needed, then we are likely to be negatively affected. Yes, they fall short once in a while and the effect is always never good for us. (Informant 6).*

*For about two years now, I have been the one supporting myself, providing all the basic things that my franchisor is supposed to help me with? I decided to run my things my own way because I am not one to beg people for what they know very is their responsibility. But frankly, it's not been easy running things without their help. But 'how I go do'. (Informant 4).*

From the above expressions, it is clear that franchisors support is key and thus confirmed as an important business format factor influencing franchisees business performance in Nigeria.

*Control* is the third business format factor that analysis revealed to be having influence on franchisees business performance in Nigeria. Theoretically, control connotes one or a combination of three things: use of good quality procedures by franchisors to select qualified franchisees, manipulation of resources by franchisors to elicit compliance and thirdly, allowing franchisees a reasonable autonomy in the running of their outlets. However, majority of franchisees that participated in this preliminary phase of the study tended to understand control in respect of the last definition. In that sense, four (4) out the six (6) respondents believe that control, that is, autonomy for

franchisees, has a positive influence on the performance of their outlets. The following expression by informant 3 confirm this position.

*Ya we have some control regarding a number of operational issues. We largely chose our suppliers for vegetables and chickens. They used to insist that they must approve but they eventually gave us free hands when they realized that we know what we are doing. It would have been unwise for them to insist on supplying us those items as local issues play a role in amount of use of such items. I heard some systems still on supplying everything. Well what I can say is that I have seen the difference and I am convinced that leaving such matters in franchisees hands is better. Especially if the franchisees can be trusted. (Informant 3).*

Therefore, control in the form of franchisees autonomy is confirmed as an important business format factor influencing franchisees business performance in Nigeria.

The fourth business format factor identified to be having influence on franchisees business performance in Nigeria is *quality of supervision*. Effective supervision by franchisors is seen as an important means of maintaining the reputation and integrity of the system. Four (4) of the six (6) franchisees that participated in this phase of the study believe that franchisees in general benefit when franchisors ensure that other franchisees are not engaging in free-ride behaviors. The following expression by informant 5 represents the position of the other three respondents in this regard.

*We have talked about it many times. The only way they can help every one of us to maintain our customer is to ensure that these customers get the same value from all our outlets everywhere, city, town and villages. If you tolerate infringement from one group of franchisees and feel that it would not harm the brand perhaps because those outlets are not in the city, you are gradually eroding the value of the brand. Customers travel everywhere and their experience in one outlets is a story. If that story happens to be bad, we all pay for it. The only way to keep that story from being bad is through franchisors investment in effective monitoring of especially those outlets in the villages. (Informant 5).*

With the above points, it is obvious that quality of supervision by franchisor do matter and therefore confirmed as one of the important business format factors that influence franchisees

business performance in Nigeria. Meanwhile, as indicated in table 4.3 above, this particular business format factor emerged newly from this study, hence a contribution to the literature.

To **summarize findings relating to research issue one**, four (4) factors including one newly found have been identified to be the important business format factors influencing franchisees business performance in Nigeria. These factors are; brand name, supports, control (franchisees autonomy) and quality of franchisors' supervision. Hence, this finding addresses the objective of the preliminary phase of the study as well as answer the first research issue of this study. The finding has also confirmed the business format part of the preliminary theoretical framework (figure 2.12, chapter two). The next section discusses findings relating to the second research issue.

#### 4.2.3.2 Research Issue (RI) Two and Preliminary Findings

The second research issue being explored in the study is about the key terms in franchise contract that could have influence on franchisees business performance in Nigeria. Arising from various discussions and explanation in section 2.6 (chapter two) the second relevant issue raised for the investigation is as follows:

RI 2 (Two): What are the key terms in the **franchise contracts** that influence franchisees' business performance in Nigeria?

It is believed that the particular design of franchise contracts is a key issue in the performance of parties to franchise agreements (Combs *et al.*, 2011a). Analysis of the results of the in-depth interviews held with six (6) franchisees in Nigeria during the preliminary study confirmed that the nature of franchise contract has a pervasive influence on the performance of franchisees in Nigeria. The six informants also gave their individual accounts of the key contract terms that have had the most influence on the performance of their businesses. As illustrated in table 4.2



and subsequently summarized in table 4.3 above, analysis revealed that five contract terms have noticeable influence on franchisees business performance in Nigeria. As shown in table 4.5 below, these terms are: initial payment, ongoing payment, exclusive territory, tying arrangement and contract duration.

Table 4.5  
*Summary of Data Analysis on Contract Design in Relation to the Preliminary Theoretical Framework – Preliminary Study*

S/N	Respondents	Contract Terms				
		Initial Payment	Ongoing Payments	Exclusive Territory	Tying	Contract Duration*
1.	Informant 1	✓	✓	✓	✓	✓
2.	Informant 2	✓	✓	✓	✓	✓
3.	Informant 3	✓	✓	✓	✓	x
4.	Informant 4	✓	✓	✓	✓	✓
5.	Informant 5	✓	✓	✓	✓	✓
6.	Informant 6	✓	✓	x	✓	x
<b>Total Confirmation</b>		6	6	5	6	4

Legend: \* Newly found factor

Source: Developed for this research

From table 4.5 above, it is clear that all the identified key terms in franchise contract exert strong influence on franchisees business performance in Nigeria. The first contract term on which respondents indicated strong agreement as being influential to franchisees business performance in Nigeria is *initial payment*. Initial payments are monies paid by franchisees to obtain a franchise license from the franchisors. Data analysis revealed that all the six respondents perceive the amount of fees paid to get a franchise license to be a key factor that influences franchisees subsequent performance. The following statement by informant 3 represents the position of the respondents with regards to the influence of initial payment on franchisees business performance.

*I can tell you categorically that it's a factor. From what the business is doing, how are we going to recover what we have paid so far and save to pay*

*another when it's time for renewal? The franchise fees, except if reduced will make many small outlets like my own not to come back. (Informant 3).*

Given the above discussion, initial payment is confirmed as a key term in franchise contract that influences franchisees business performance in Nigeria.

*Ongoing payment* is the second key term in franchise contract being identified to be influencing performance of franchisees in Nigeria. Ongoing payments are the regular and continuing fees that franchisees are required to make to franchisors throughout the duration of the franchise contract. They include royalties, advertising fees and in some cases, management fees (Tsang & Finnegan, 2013). Analysis shows that all the six (6) respondents in this phase of the study agreed that the rate of ongoing payment being regularly made to their franchisors has a strong influence on the performance of their outlets. The following comments by informants 2 and informants 6 describe the general feelings of the respondents on the relationship between ongoing payments and franchisees business performance in Nigeria.

*By my current business circumstance, the royalty is a big problem. Now, how much do we make for ourselves that we have to pay that percentage to them? That is the question I asked myself about a year ago and when I couldn't answer it, I stopped paying them. There is another fee they called marketing contribution. That too, I don't see the value of it. (Informant 2).*

*It happened just recently. Can you imagine that in this period? When they suddenly raise all these fees even if our business is doing well, what they don't know is that they are introducing a key source of conflict. That's where we are now. (Informant 6).*

With the above, ongoing payment is confirmed as a key term in franchise contract that has influence on the performance of franchisees business in Nigeria.

The third term in the franchise contract that is found to be a key influence on franchisees business performance in Nigeria is exclusive territory. Exclusive territory is a contract term that gives franchisees the right to solely exploit the marketing potential of a defined location (Michael & Combs, 2008). Data analysis revealed that 83% of the respondents in this phase of

the study agreed that the quality and integrity of the marketing territory under their exclusive control has influence on the performance of their outlets. This position is evidenced by the following statements made by informants 4 and informants 5.

*Yes, that little competitive breathing space helps in a way. Though it doesn't completely eliminate competition for us, of course as you can see, there are other brands around here but the fact that we are not sharing our market with another { } outlet around here lets us concentrate on something else. (Informant 4).*

*I want to believe that it has had positive impact on our business. Like in this whole estate, we are the only { } allowed to operate here. Although we have other restaurants but you know cant { }. Sure, it has influence on our sales and I am happy. (Informant 5).*

Therefore, exclusive territory is confirmed as key term in franchise contract that has influence on franchisees business performance in Nigeria.

The number four term that has been found to have influence on the performance of franchisees in Nigeria is *tying agreement*. Tying agreements are contract terms or clauses that mandate franchisees to rely on franchisors for the supply of their inputs and raw materials. Analysis of the result of this preliminary study revealed that all the six (6) franchisees that participated in the in-depth interview indicated that tying clauses affect franchisees negatively and thus a key influence on their business performance. The following comments by informants 3 and 4 confirm the influence of tying on franchisees business performance in Nigeria.

*Straight up the items in question are very expensive. It doesn't have to be so. It encourages some franchisees to use ordinary (unbranded) items for serving and that is not good for the brand. It also applies in other items as precooked meat pies and other food items. This has resulted into some outlets using substandard materials, thereby compromising the quality of their food. This is not good for all us. (Informant 3).*

*It annoys me because in addition to being expensive, you cannot rely on them to get the items. What they are doing is very wrong. I have complained many times. They promise to change things, we are still waiting. It may be too late before they realize the damage. (Informant 4).*

Hence, it is confirmed that tying agreement is a key franchise contract term that has influence on franchisees business performance in Nigeria.

The fifth key term in franchise contract that has been identified to be having influence on franchisees business in Nigeria is *contract duration*. Contract duration is the amount of time, usually in years that a franchise contract remains valid (Shane, 2005). The analysis of the interview transcripts for this phase of the study indicated that four (4) out of the six (6) franchisees that were interview believe that contract duration has an influence on franchisees business performance in Nigeria. The following excerpts from the transcripts of the in-depth interviews confirm the influence of contract duration on franchisees business performance in Nigeria.

*But when people are not doing well in their businesses and you want them to pay another heavy money for renewal of license, they will be unhappy. (Informant 2).*

*Before I joined, I thought that the duration is long enough to make money and renew. But from what I have seen, it's not going to be easy. Business is not very good and costs and expenses are increasing every day, making it difficult for us to make some savings. (Informant 5).*

Given the number of respondents that agreed that contract duration has impact on their performance, the term is therefore confirmed as one of the key terms in franchise contract that influence franchisees business performance in Nigeria. Moreover, as highlighted in table 4.5, this particular term emerged newly from this study, hence a contribution to the literature.

By and large, to **recap findings relating to research issue two**, five (5) key contract terms have been confirmed to have influence on franchisees business performance in Nigeria. These terms include one newly found factor – contract duration and all the four original terms identified in the preliminary theoretical framework (figure 2.12, chapter two). These four other terms are; initial payments, ongoing payments, exclusive territory and tying. Therefore, this

finding has answered the second research issue of this study. By extension, the finding has also confirmed the contract design part of the preliminary theoretical framework. The next section discusses findings relating to the third research issue.

#### **4.2.3.3 Research Issue (RI) Three and Preliminary Findings**

Next to research issue two discussed above is the third research issue being explored in this study. It relates to relationship quality factors that have the potentials to influence franchisees business performance in Nigeria. To facilitate exploration, the following relevant question was asked:

RI 3 (Three): What are the major **relationship quality** factors that influence franchisees' business performance in Nigeria?

It is believed that good quality relationship increases franchisees satisfaction (Altinay *et al.*, 2014a), as well as loyalty (Kuvaas, 2008) and predicts their intention to stay (Chiou *et al.*, 2004; Hashim & Tan, 2015). From the analysis of data collected in this phase of the study through in-depth interviews with six (6) franchisees in Nigeria, it is confirmed that quality of relationship has a strong influence on the performance of franchisees in Nigeria. Analysis also revealed the assessment of the respondents regarding the relationship quality factors that directly influence franchisees business performance. As illustrated in table 4.2 and subsequently summarized in table 4.3, analysis showed that five (5) relationship quality factors have strong influence on franchisees business performance in Nigeria. These factors are shown in table 4.6 below and they include closeness, commitment, trust, communication and relationship satisfaction.

The first relationship quality factor that influences franchisees business performance in Nigeria is *closeness* of the relationship. This refers to positive psychological atmosphere between

franchisors and franchisees (Diaz-Bernardo, 2013). From the analysis, four (4) out of the six (6) respondents that participated in the interview expressed the view that closeness with franchisors has a positive effect on the performance of franchisees business. The following statements by informants 4 and 6 confirm such views.

Table 4.6  
*Summary of Data Analysis on Relationship Quality in Relation to the Preliminary Theoretical Framework – Preliminary Study.*

S/N	Respondents	Relationship Quality				
		Closeness	Commitment	Trust	Communication	Relationship Satisfaction
1.	Informant 1	x	✓	✓	✓	✓
2.	Informant 2	x	✓	✓	✓	✓
3.	Informant 3	✓	✓	✓	✓	✓
4.	Informant 4	✓	✓	✓	✓	✓
5.	Informant 5	✓	✓	✓	✓	✓
6.	Informant 6	✓	✓	✓	✓	x
<b>Total Confirmation</b>		4	6	6	6	5

Source: Developed for this research

*Absolutely, personal closeness makes a lot of difference. It breaks down unnecessary walls between us and creates an atmosphere of relationship fluidity that helps to enhance several aspects such as effective communication and understanding, ideas sharing, cost saving and business satisfaction. (Informant 4).*

*They don't maintain close relationship with us. it is purely transactional and I am personally not happy with it. Although the business is not doing badly, we still need to relate like human. (Informant 6).*

Thus, closeness with franchisors is confirmed as a major relationship quality factor that influences franchisees business performance in Nigeria.

The second relationship quality factor found to be influencing franchisees business performance in Nigeria is *commitment* of franchisors. Commitment occurs when parties in a

relationship go the extra mile to make necessary investment to preserve such relationship (Morgan & Hunt, 1994). All the six (6) franchisees that participated in this phase of the study shared personal experiences that indicated that franchisors commitment to franchisees outlet is an important relationship quality factor that influences franchisees business performance in Nigeria. The following comments by informants 2 and 3 highlight the importance of franchisors commitment.

*They show high commitment. They regularly check on us to make sure that all is going on well. They show concerns when we are not doing well in the business and always work with us to make things better. (Informant 2)*

*Their commitment has not measured up recently. It has been sort of bad for us because you only kind of see them it concerns them most. So, I think that they are not much invested in my success and the impact is showing in our performance. (Informant 3).*

Therefore, franchisors commitment is confirmed as one of the major relationship quality factors that influence franchisees business performance in Nigeria.

The third relationship quality factor that has been identified to have influence on franchisees business performance in Nigeria is *trust* in franchisors. Trust refers to faith in the good will of another party (Davies *et al.*, 2011). As can be seen from table 4.6 above, all the six (6) franchisees that participated in the interview emphasized the importance of a trusted franchisors in the performance of franchisees business. The following quotations indicate the influence that a trusted franchisors has on the performance franchisees.

*The first two years was good but from then till now, they have broken every single promise they made to me before we started. They tried to increase my royalty. They opened a new outlet close to me. They don't provide the quality of support they promised. They almost stopped giving me promotional materials. They became arrogant in relating with me. They treated me like I don't matter. (Informant 3).*

*I personally lost confidence in them at some point before the new management came on. For instance I am still bitter up till date that I was deceived into paying too much money to buy this outlet. The equipment they handed over to me do not meet up with the money I paid. (Informant 4).*

Thus, based on the results of data analysis, trust is confirmed as a major relationship quality factor that influences franchisees business performance in Nigeria.

The fourth relationship quality factor that has been found to have influence on franchisees business performance in Nigeria is *communication*. This refers to exchange and comprehension of meanings by parties in a relationship (Dwyer & Tanner, 2014). In this preliminary phase of the study, all the six (6) franchisees interviewed stressed the importance of effective communication in the success of their outlets. The following comments by informants 1 and 2 highlight the influence of effective communication on franchisees business performance.

*It was really bad before and it led to several mistakes that affected the entire company. But after several discussion and diagnosis, as well as implementation of new communication systems, we are beginning to see the impact. The new way we communicate encourages spirit of cooperation within the system and it has improved our ability to adapt to changing business circumstances. (Informant 1)*

*Communication has be at least good. If not, we will all be frustrated. For example, if we can't talk to them or get easy access to towards addressing issues that bother our business, we will fail and nobody will be here again. (Informant 2)*

Thus, as can be seen from the analysis and the above comments, effective communication is important and it is thus confirmed as a major relationship quality factor that influences franchisees business performance in Nigeria.

The fifth relationship quality factor that has been identified to be influencing franchisees business performance in Nigeria is *relationship satisfaction*. This is otherwise referred to as little conflict (Nijmeijer *et al.*, 2014) and it refers to feeling of happiness with alliance partners (Dant *et al.*, 2013). Analysis revealed that five (5) out of the six (6) respondents in this phase of the study indicated that personal satisfaction in franchise partnership is a key relationship factor that influences franchisees business performance. The comments of Informant 5 below represent the feelings of the respondents on the importance of this factor.



*You will not understand what it means to be in an energy-draining business relationship unless you have in one. I have been in several. That is why I appreciate the efforts these guys make to make us happy. I know it is not easy for them but I can say that if they can keep at it, the rewards will be huge in the future. Even now, the fact that we are happy is showing in not just our results but in their own too. (Informant 5).*

Thus, relationship satisfaction is confirmed as a major relationship quality factor that influences franchisees business performance in Nigeria.

To **summarize results of analysis on research issue three**, five (5) relationship quality factors have been confirmed to have influence on franchisees business performance in Nigeria. These factors are as identified in the preliminary theoretical framework. They include closeness of the relationship, commitment of franchisors, trust in franchisors, effectiveness of communication and relationship satisfaction. It is therefore concluded that this finding has answered the second research issue three in this study. In the same vein, the finding has confirmed the relationship quality element in the preliminary theoretical framework. The next section discusses findings relating to the last research issue.

#### **4.2.3.4 Research Issue (RI) Four and Preliminary Findings**

The fourth research issue being explored in the study has to do with important attitude and skills that influence franchisees business performance in Nigeria. Based on discussions and synthesis in section 2.6 (chapter two) the fourth relevant question posed for exploration is as stated below:

RI 4 (Four): What are the important franchisees' **attitude and skills** that influence their business performance in Nigeria?

Franchisees attitude and skills are likely to be important determinant of their success in the business (e.g. Dant *et al.*, 2013; Weaven, Grace, & Manning, 2009). The results of the in-depth interviews conducted with six (6) franchisees in Nigeria during the preliminary phase of the

present study affirmed that in order for franchisees to successfully operate their outlets, they need to possess positive attitude and excellent skills. The six respondents narrated personal experiences that confirmed that franchisees attitude and skills do matter. As illustrated in table 4.2 and subsequently summarized in table 4.3, data analysis indicated that five key attitudes and skills have influence on franchisees business performance in Nigeria. As shown in table 4.7 below, these attitude and skills include: motivation & hard work, management and marketing skills, innovative skills, proactive attitude and competitive aggressive attitude

Table 4.7  
*Summary of Data Analysis on Attitude and Skills in Relation to the Preliminary Theoretical Framework – Preliminary Study.*

S/N	Respondents	Attitude and Skills					
		Motivation & Hard work	Management & Marketing Skills	Prior Experience	Innovative Skills*	Proactive Attitude*	Competitive Aggressive Attitude*
1.	Informant 1	✓	✓	x	x	✓	✓
2.	Informant 2	✓	✓	x	x	✓	✓
3.	Informant 3	✓	✓	✓	✓	✓	✓
4.	Informant 4	✓	✓	x	✓	✓	✓
5.	Informant 5	✓	✓	x	✓	✓	x
6.	Informant 6	✓	✓	x	✓	✓	x
<b>Total Confirmation</b>		6	6	1	4	6	4

Legend: \* Newly found factor

Source: Developed for this research

As shown in table 4.7 above, two of the original three attitudes and skills identified in the preliminary theoretical framework received absolute confirmation while the third one – prior experience was not found to have serious influence on franchisees business performance in Nigeria. Out of six (6) respondents, only one mentioned it as a factor. Therefore, prior experience is not empirically confirmed as having influence on franchisees business performance in Nigeria. The confirmed attitude and skills are discussed as follows.

The first attitude and skills factor found to have influence on franchisees business performance in Nigeria is franchisee's *motivation & hard work*. Motivation connotes a drive to engage in something, while hard work could be seen as exertion of extra efforts to succeed in a chosen endeavor. In this preliminary phase of the study, all the six (6) franchisees interviewed indicated that motivation & hard work are important attitudes that influence franchisees business performance. The following quotation represent the general feelings of the respondents and confirm the influence of motivation and hard work on franchisees success.

*It's a no brainer. The business environment is always tough. What will get any entrepreneur particularly in franchise arrangement through is to be self-motivated and be ready to put in extra efforts. Some of my colleagues made the mistakes of thinking that once you join, you don't need to stress yourself that franchisors has figured it all out. Things don't work out that way. Many discovered early and rewired their philosophies but many were not that lucky. It took their outlets running out of cash and closing down before they realized that a lot depends on franchisees themselves in this business. (Informant 3).*

Hence, motivation & hard work are confirmed as important attitude and skill factor that influences franchisees business performance in Nigeria

The second attitude and skill factor identified to be influential in the performance of franchisees in Nigeria is *management & marketing skills*. Obviously, marketing skills help a business to create and keep a profitable base of customers while management skills enable an entrepreneur to efficiently handle the complexities of running a business. The six (6) respondents in this first phase of the study agreed that these skills have significant influence on the performance of franchisees. The following comments by informants 1 and 4 capture the relevance of these skills in franchisees business performance.

*In this business, you have to be hungry for customers. You have to have your own unique way of selling your products and services and once you are able to get them through your door, you must do everything to keep them. That is quite a hard thing to do these days but that is the only thing you can do to survive. If you don't do it, your competitors will do it and you will be out. (Informant 1).*

*The way to know how critical a good management skill is in this business is to come over to our kitchen. It's a huge construction site and if good management is not exercised in such situation, a lot of things can easily go wrong. Sure, sometimes things do go wrong but you don't want to make that a culture. Good management skills help to keep things moving in ways they should. (Informant 4).*

Therefore, management & marketing skills are confirmed as important attitude and skill factor that influence franchises business performance in Nigeria.

Apart from franchisees *motivation & hard work* and *managerial & marketing skills* being confirmed as having influence on franchisees business performance in Nigeria as identified in the preliminary theoretical framework, three new attitude and skill factors emerged from data analysis in this first phase of the study. These are innovative skills, proactive attitude and competitive aggressive attitude. These are discussed and confirmed below.

The first new found attitude and skill factor that influences franchisees business performance in Nigeria is *innovative skills*. Innovativeness is a firm's or an individual's propensity to engage in creativity and experimentation that could lead to the introduction of new products/services (Rauch *et al.*, 2009:763). Data analysis revealed that 67% of the respondents in this preliminary phase of the study believe that franchisees innovative skill is important for improving their business performance. The following statements by informants 5 and 4 affirm this believe.

*Personally, I value new ideas because I believe that for any business in today's world to succeed, that business must continue to reinvent itself. That is where innovation comes from. Even though we cannot implement just what comes to our minds in this business, I am glad that my suggestions have always been respected and sometimes implemented. If every franchisee has the attitude of suggesting quality ideas backed with evidence that those ideas can change things for the better, the company will remain relevant for long. (Informant 5)*

*We are encouraged to think and act innovatively by our franchisors. We actually attended several seminars where we were taught, and in a way now forced, to develop the skill of questioning everything and thinking of how to make it better. That skill has been useful to our operations here. (Informant 4).*

Based on the above, innovative skill is confirmed as a new found attitude and skill factor that influences franchisees business performance in Nigeria.

The second newly identified attitude and skill factor that has influence on franchisees business performance in Nigeria is *proactive attitude*. Proactiveness is about taking needed action and initiative as well as having a sense of responsibility (Covey, 2006). Data analysis showed that all the six (6) respondents in this phase of the study view being proactive as essential for franchisees to achieve excellent business performance. The following comments by informants 2 and 3 highlight the influence of proactive attitude on franchisees business performance.

*It's a complex operation here. Success requires anticipating and planning ahead. Much as you cannot accurately know what will happen every day, you don't want to be too far away from the actual turn of event. For instance, we have to plan well and ensure that we neither run out of menus for our customers nor produce in excess. So, studying the demand and taking responsibility to plan ahead is important for success in this business. (Informant 2).*

*Regardless that it is a standardized business, we are always confronted with situations that require us to decide and act swiftly. Personally, I don't even wait for things to happen first before I act. I gather intelligence and act before hand. Such attitude has helped me in this business and in life generally. (Informant 3).*

Therefore, franchisees proactive attitude is confirmed as a newly found attitude and skill factor that influences franchisees business performance in Nigeria.

The third and last newly found attitude and skill factor that influences franchisees business performance in Nigeria is *competitive aggressive attitude*. Competitive aggressiveness is a measure of an individual's desire to outshine and perform better than others in a given situation (Lumpkin & Dess, 2001). Analysis of data showed that four (4) out of the six (6) respondents in this first phase of the study emphasised that for franchisees to achieve a decent return on their investments, they need to be competitively aggressive in the way they market and present

their products and brands. The following statements by informants 1 and 4 highlight the influence of competitive aggressiveness on franchisees business performance in Nigeria.

*For me, doing business has always be like a game and the game can only be won if you are ready to fight for what you believe in. The fact that we have to fight for every customer helps us to stay on top of our game. (Informant 1).*

*There is no other way, you just have be strong and compete well. The way the current market is requires thinking fast and jumping ahead of your competitors. For us, it's about our customers. We do everything we can to keep them. We also try to operate efficiently in order to keep our cost down. (Informant 3).*

With the above analysis, competitive aggressiveness is confirmed as a newly found attitude and skill factor that influences franchisees business performance in Nigeria.

To **summarize the results of analysis on research issue four**, a total of five (5) attitude and skills factors have been confirmed to have influence on franchisees business performance in Nigeria. Two of these factors are among the original three factors identified in the preliminary theoretical framework in figure 2.12. The other three are newly found factors. The two original factors confirmed are franchisees motivation & hard work and management & marketing skills. Franchisees prior experience is the third factor identified in the preliminary theoretical framework but not found to have influence on franchisees business performance in this preliminary study. The three newly found factors are innovative skills, proactive attitude and competitive aggressive attitude. With these, it can be concluded that this finding has answered the fourth research issue of the study. More so, the newly found factors are the contributions of this study to franchising literature.

Thus, to summarize and conclude on the preliminary phase of the study, six (6) franchisees were purposively selected to participate in the in-depth interview. The interview and subsequent data analysis were done as described in sections 3.7 and 3.8 (chapter three)

respectively. The preliminary study confirmed the relevance of the four research issues derived for this study. It also helped to effect some modifications on the interview protocol being used for data collection.

Table 4.8  
*Summary of answers to the research issues – Preliminary Study.*

	<b>Research Issues</b>	<b>Factors Influencing Franchisees Business Performance in Nigeria</b>
1.	What are the important <b>business format</b> factors that influence franchisees business performance in Nigeria?	BF1: Brand Name BF2: Supports BF3: Control (Autonomy) BF4: Supervision*
2.	What are the key terms in the franchise <b>contracts</b> that have influence on franchisees' business performance in Nigeria?	CD1: Initial Payment CD2: Ongoing Payment CD3: Exclusive Territory CD4: Tying CD5: Contract Duration*
3.	What are the major <b>relationship quality</b> factors that influence franchisees' business performance in Nigeria?	RQ1: Closeness RQ2: Commitment RQ3: Trust RQ4: Communication RQ5: Relationship Satisfaction
4.	What are the important franchisees' <b>attitude and skills</b> that have influence on their business performance in Nigeria?	AS1: Motivation & Hard work AS2: Management & Marketing Skills <del>AS3: Prior Experience</del> AS4: Innovative Skills* AS5: Proactive Attitude* AS6: Competitive Aggressive Attitude*

*Legend: \* Newly found factors.*

Source: Developed for this research

As summarized in table 4.8 above, analysis of data in the preliminary phase resulted in the identification of nineteen (19) factors that have influence on franchisees business performance in Nigeria. This include five (5) newly found factors and fourteen (14) of the factors originally identified in the preliminary theoretical framework. The only one factor in the preliminary theoretical framework that did not get empirical support in the preliminary study is franchisees prior experience.

The plausible reason why this factor was not mentioned by franchisees could be the fact that one of the reasons individuals join a franchise system is to acquire experience, not to prove one. For franchisees, lack of experience is a known hazard which the system is designed to remedy and enable them to succeed regardless. It is therefore implausible to cite lack of previous experience as a reason why a franchisee could fail or succeed.

Thus, taken on the basis of each research issue, the analysis of data in the preliminary study confirmed four (4) business format factors (research issue one) including one newly found factor and all the three factors originally identified in the preliminary theoretical framework (figure 2.12, chapter two). Similarly, five (5) contract design factors (research issue two) were confirmed and this include one (1) newly found factor and four (4) factors originally identified in the preliminary theoretical framework. In the same vein, all the five (5) relationship quality factors (research issue three) identified in the preliminary theoretical framework were confirmed and there is no newly found factor under this element. Lastly, the preliminary study confirmed five (5) attitude and skills factors (research issue four), three (3) of which are newly found and the other two were identified in the preliminary theoretical framework.

Finally, arising from the above preliminary confirmatory process, the preliminary theoretical framework is therefore revised as shown in figure 4.3 below. Obviously, the preliminary phase of the data collection proved useful and it has laid a solid foundation for the main phase of the study. The next section discusses the main phase of data analysis and the key findings therefrom.



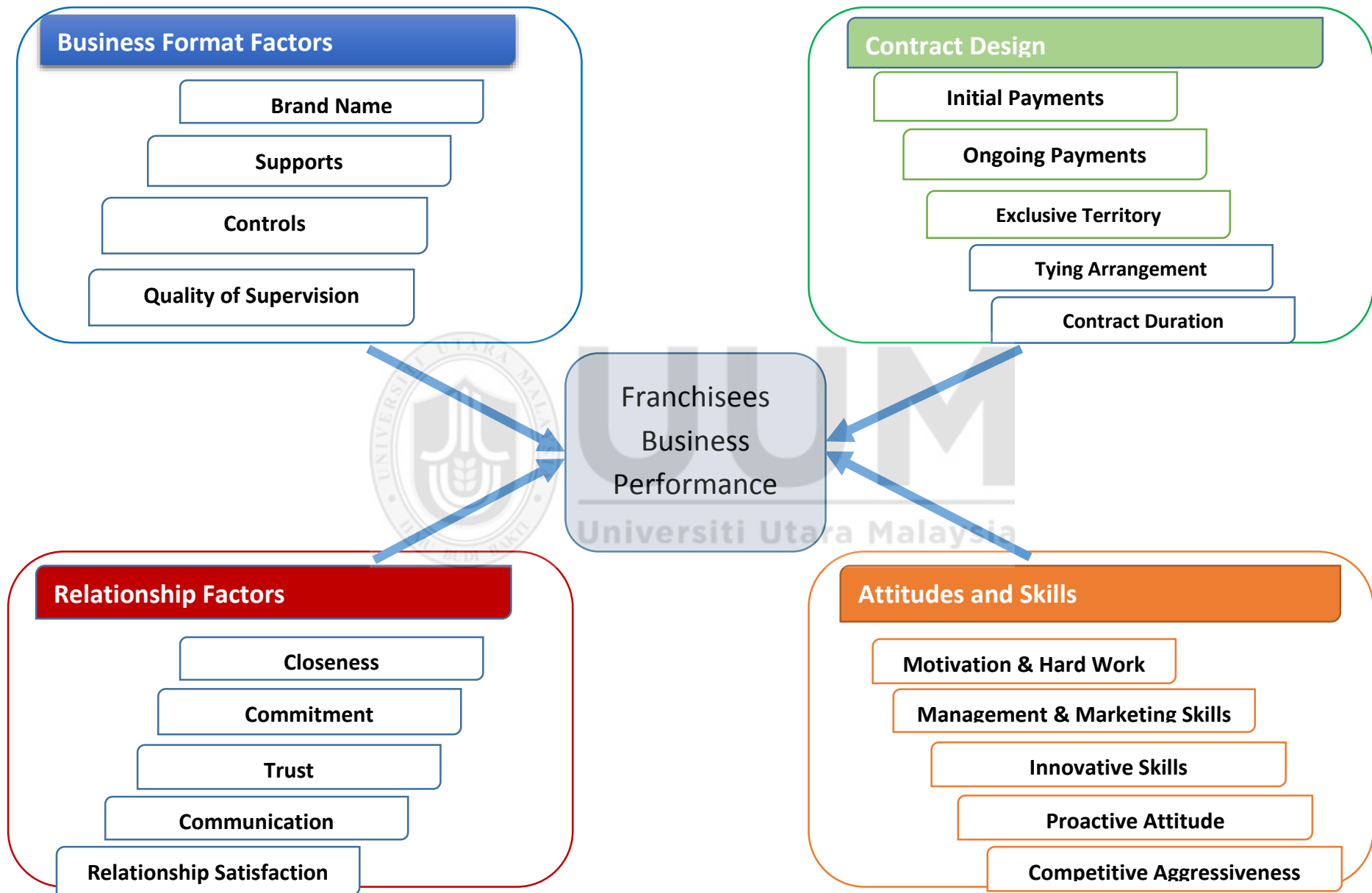


Figure 4.3  
 Revised Preliminary Theoretical Framework (first)

### **4.3 Data Analysis Phase Two: Main Study**

The preliminary phase of the study has done a first-stage confirmation of the preliminary theoretical framework (figure 2.12, chapter two) and unraveled additional factors that have influence on franchisees business performance. The phase also helped to refine the interview protocols and made it suitable for use in the main study. This section now presents the results of data analysis in the main study. First a brief profiles of the respondents are given and subsequent sections explain the analytical process and the key results of the analysis.

#### **4.3.1 Profiles of Respondents in the Main Study**

A total of twenty six (26) franchisees participated in the study. As used in the preliminary phase, the participating franchisees are referred to as informants in this report. The informants were purposively drawn from across six franchise systems herein labelled simply as *system 1*, *system 2*, *system 3*, *system 4*, *system 5* and *system 6*. The franchise systems cut across six industrial sectors including quick service restaurants (QSR), retailing, transportation, telecommunication and mobile devices, and ice-cream vending. Table 4.9 below gives the business profiles of the respondents.

Due to the dominance of QSR sector which represents 85% of the companies in the Nigerian franchise industry (Ndumanya & Quadri, 2014a; Orji, 2013), about two-third (18) of the informants were drawn from the sector. Three (3) of the interviewees are from retail sector, two (2) are from ice-cream and related products sectors, two (2) are from mobile phone sector and 1 informant is from the transportation sector. Nearly 50% of the respondents are from South West particularly Lagos which is the commercial hub of the country where more than 50% of all franchise units in Nigeria operate. Other franchisees are from such cities as Abuja (North Central), Port Harcourt (South South), Ibadan (South West), Abeokuta (South West),

Kaduna (North West), Kano (North West), Jos (North Central), Lafia (North Central), Enugu (South East), Asaba (South South) and Lokoja (North Central).

Table 4.9  
*Profile of the Respondents – Main Study*

S/N	Respondents	Designation	Organization	Unit Size	Sector	Location	Years in Business
1.	Informant 1	Franchisee	<i>System 1</i>	Small	QSR	S/West	7years
2.	Informant 2	Franchisee	<i>System 2</i>	Medium	QSR	N/Central	4years
3.	Informant 3	Franchisee	<i>System 2</i>	Small	QSR	N/Central	3years
4.	Informant 4	Franchisee	<i>System 1</i>	Medium	QSR	S/South	5years
5.	Informant 5	Franchisee	<i>System 1</i>	Medium	QSR	S/East	3years
6.	Informant 6	Franchisee	<i>System 1</i>	Medium	QSR	N/West	7years
7.	Informant 7	Franchisee	<i>System 1</i>	Large	QSR	S/West	6years
8.	Informant 8	Franchisee	<i>System 1</i>	Medium	QSR	S/West	6years
9.	Informant 9	Franchisee	<i>System 3</i>	Large	Retail	S/West	5years
10.	Informant 10	Franchisee	<i>System 2</i>	Medium	QSR	S/South	4years
11.	Informant 11	Franchisee	<i>System 1</i>	Large	QSR	N/Central	8years
12.	Informant 12	Franchisee	<i>System 2</i>	Medium	QSR	N/Central	7years
13.	Informant 13	Franchisee	<i>System 1</i>	Medium	QSR	S/West	6years
14.	Informant 14	Franchisee	<i>System 2</i>	Small	QSR	S/West	6years
15.	Informant 15	Franchisee	<i>System 1</i>	Small	QSR	S/West	7years
16.	Informant 16	Franchisee	<i>System 1</i>	Medium	Mob.- Tele	S/West	6years
17.	Informant 17	Franchisee	<i>System 3</i>	Medium	Retail	S/West	10years
18.	Informant 18	Franchisee	<i>System 4</i>	Medium	Ice-C	N/Central	5years
19.	Informant 19	Franchisee	<i>System 5</i>	Medium	Trpt	S/East	4years
20.	Informant 20	Franchisee	<i>System 2</i>	Small	QSR	N/West	8years
21.	Informant 21	Franchisee	<i>System 3</i>	Large	Retail	N/West	6years
22.	Informant 22	Franchisee	<i>System 1</i>	Medium	QSR	S/South	8years
23.	Informant 23	Franchisee	<i>System 4</i>	Medium	Ice-C	S/West	5years
24.	Informant 24	Franchisee	<i>System 1</i>	Small	QSR	S/West	6years
25.	Informant 25	Franchisee	<i>System 6</i>	Medium	Mob- Tele	S/West	4years
26.	Informant 26	Franchisee	<i>System 2</i>	Medium	QSR	S/West	6years

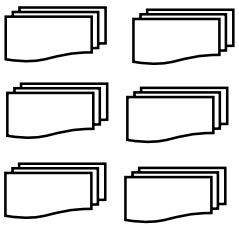
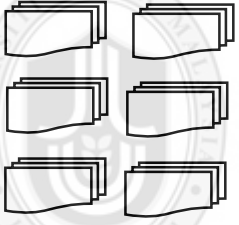
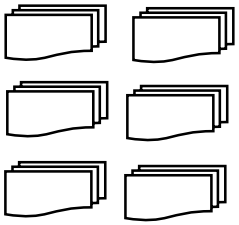
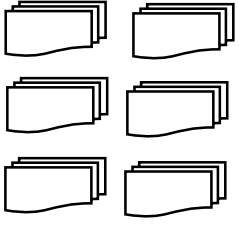
Source: Developed for this research

Effectively, five of the six geo-political zones of the country where franchise businesses mainly operate are represented in this study. Apart from the security challenges which would have made visitation for the purpose of data collection impossible in the sixth zone, the North-East

zone, not many franchise outlets do business in the zone and hence non-inclusion of franchisee from this zone is not considered to have negative impact on the richness of the data for this study. The subsequent sections present the key findings of the study.

### 4.3.2 Results of Data Analysis – Main Study

Table 4.10  
*Sub-themes, Themes and Research Issues – Main Study*

Interview & Transcribe	NVivo Analysis on Coded Transcripts	Sub-themes	Themes	Research Issues
Confirmed Transcripts		BF1: Brand name BF2: Supports BF3: Franchisees autonomy BF4: Quality of supervision	Business Format	<b>Research Issue #1:</b> What are the important business format factors that influence franchisees business performance in Nigeria?
		CD1: Initial Payment CD2: Ongoing Payments CD3: Exclusive Territory CD4: Tying Arrangements CD5: Contract Duration CD6: Renewal Fees*	Contract Design	<b>Research Issue #2:</b> What are the key terms in the franchise contracts that have influence on franchisees' business performance in Nigeria?
		RQ1: Closeness RQ2: Commitment of Franchisor RQ3: Trust in Franchisors RQ4: Effectiveness of Communication RQ5: Relationship Satisfaction RQ6: Use of marketing contribution*	Relationship Quality	<b>Research Issue #3:</b> What are the major <b>relationship quality</b> factors that influence franchisees' business performance in Nigeria?
		AS1: Motivation & hard work AS2: Managerial & marketing skills AS3: Innovative skills AS4: Proactive skills AS5: Competitive Aggressiveness	Attitude & Skills	<b>Research Issue #4:</b> What are the important franchisees' <b>attitude and skills</b> that have influence on their business performance in Nigeria?

Legend: \*Newly found factor  
 Source: Developed for this research

The previous section has presented a brief profile of the respondents. This section now gives the details of data analysis and the results generated. Similar to the preliminary phase, data analysis in this main phase of the study involved nine (9) steps as illustrated in figure 3.10 (flow of data analysis in chapter three). These steps include interviewing and recording, listening to recorded tapes, transcribing the tapes, getting respondents to confirm transcripts, manually coding the confirmed transcripts using Corbin & Strauss (2008) style, naming and organizing codes in NVivo, loading quotations and memos to appropriate codes, analyzing and producing outputs using NVivo, and lastly writing the reports.

Table 4.11  
*Summary of Factors Influencing Franchisees Business Performance in Nigeria – Main Study.*

<b>Business Format Factors</b>	<b>Key Terms in Franchise Contract</b>	<b>Major Relationship Quality Factors</b>	<b>Important Franchisees Attitude and Skills</b>
<b>4</b>	<b>6</b>	<b>6</b>	<b>5</b>
<ul style="list-style-type: none"> <li>✓ Brand Name</li> <li>✓ Supports</li> <li>✓ Controls</li> <li>✓ Quality of Supervision</li> </ul>	<ul style="list-style-type: none"> <li>✓ Initial Payment</li> <li>✓ Ongoing Payments</li> <li>✓ Exclusive Territory</li> <li>✓ Tying Arrangements</li> <li>✓ Contract Duration</li> <li>✓ Renewal Fees*</li> </ul>	<ul style="list-style-type: none"> <li>✓ Closeness</li> <li>✓ Commitment of Franchisor</li> <li>✓ Trust in Franchisors</li> <li>✓ Effectiveness of Communication</li> <li>✓ Relationship Satisfaction</li> <li>✓ Use of Marketing Contributions*</li> </ul>	<ul style="list-style-type: none"> <li>✓ Motivation &amp; hard work</li> <li>✓ Managerial &amp; marketing skills</li> <li>✓ Innovative skills</li> <li>✓ Proactive skills</li> <li>✓ Competitive Aggressiveness</li> </ul>

*Legend: \*Newly found factors*  
 Source: Developed for this study

As part of the analytical process described above, the software was used to organize and appropriately group the various themes and subthemes as shown in table 4.10 above. As the table shows, the analysis produced twenty 4 themes and 21 subthemes. The four themes are

consistent with the four research issues derived for this study. The subthemes on the other hand correspond with the specific factors that could have influence on franchisees business performance.

Thus, having explained the general summary of the results of NVivo analysis in the main study, the next subsections highlight the findings under each main factor as shown in table 4.11 above. The relevant discussions show how the findings achieve the objective of this main phase and answer the research question/issues derived for the study.

From table 4.11 above, the main phase of the study found that twenty-one (21) factors have influence on franchisees business performance in Nigeria. Of this total number, there are four (4) business format factors, five (6) key terms in franchise contract, five (6) relationship quality factors and lastly five (5) franchisees attitude and skill factors. The next section explains how these results address the research issues outlined for the study.

### **4.3.3 Research Issues and Findings of Main Study**

The previous sections have explained how the analyses were done and the key factors that were found to have influence on franchisees business performance in Nigeria. This section now discusses and indicates how the findings in this main study address the research issues derived for the study.

#### **4.3.3.1 Research Issue (RI) One and Findings of Main Study**

The first research issue relates to business format factors that could have influence on franchisees business performance in Nigeria. Based on several discussions and arguments in section 2.6 (research issues in chapter two), the first relevant issue derived to guide the conduct of this study is stated as follows:

RI (One): What are the important **business format factors** that influence franchisees business performance in Nigeria?

From the in-depth interviews conducted with twenty-six (26) franchisees in Nigeria and subsequent analyses that were done using NVivo, 96% of the respondents indicated that business format factors are critical and that they do have influence on the performance of their business. The respondents also expressed their views on the important business format factors that have the most influence on their performance. From the analysis of the interview transcripts as illustrated in table 4.10 and subsequently summarized in table 4.11 above, four business format factors were found to have influence on franchisees business performance in Nigeria. As shown in table 4.12 below, these factors include brand name, franchisors supports, controls and quality of supervision by the franchisors.

*Brand name* is the first business format factor found to be having influence on franchisees business performance. All the respondents except informants 8 and 14 agreed that the value of franchisor's brand has influence on franchisees business performance.

The expressions of informants 5, 10, and 25 below are representative of what the other franchisees feel about the influence of brand on franchisees business performance.

*The brand has lost some energies and customers are not that excited about us like before. For example, they were supposed to start a new advertising campaign to re-launch the brand last year but up till now, that has not been done and I have not heard any explanation why. If our business will pick up again, we need to bring the children back. (Informant 5)*

*Our brand is dying now because they have failed to honor their promise to increase marketing and promotional activities. What value has a dying brand (Informant 10).*

*Before they embarked on the corporate rebranding that led to change of management, I had very little regard for whatever came from them. But things have changed for the better now. The rebranding efforts helped not just to increase our trust in them but also restore customer confidence in our business. The results is clear (Informant 25).*

Therefore, brand name is confirmed as an important business format factor that influences franchisees' business performance in Nigeria.

Table 4.12  
*Summary of Data Analysis on Business Format Factors in Relation to the Revised Preliminary Theoretical Framework – Main Study.*

S/N	Respondents	Business Format Factors			
		Brand Name	Supports	Controls	Supervision
1.	Informant 1	✓	✓	✓	✓
2.	Informant 2	✓	✓	x	✓
3.	Informant 3	✓	✓	✓	x
4.	Informant 4	✓	✓	✓	x
5.	Informant 5	✓	✓	x	x
6.	Informant 6	✓	✓	✓	✓
7.	Informant 7	✓	✓	✓	✓
8.	Informant 8	x	✓	✓	x
9.	Informant 9	✓	✓	✓	✓
10.	Informant 10	✓	✓	✓	✓
11.	Informant 11	✓	✓	✓	x
12.	Informant 12	✓	✓	✓	✓
13.	Informant 13	✓	✓	✓	✓
14.	Informant 14	x	✓	✓	x
15.	Informant 15	✓	✓	✓	✓
16.	Informant 16	✓	✓	✓	✓
17.	Informant 17	✓	✓	✓	✓
18.	Informant 18	✓	✓	✓	✓
19.	Informant 19	✓	✓	✓	✓
20.	Informant 20	✓	✓	✓	x
21.	Informant 21	✓	✓	✓	✓
22.	Informant 22	✓	✓	✓	x
23.	Informant 23	✓	✓	✓	✓
24.	Informant 24	✓	✓	✓	✓
25.	Informant 25	✓	✓	✓	✓
26.	Informant 26	✓	✓	✓	x
		24	26	22	17
	<b>Confirmation (%)</b>	(92%)	(100%)	(85%)	(65%)

Source: Developed for this research

The second business format factor that has been found to have influence on franchisees business performance in Nigeria is *support*. All the twenty-six (26) respondents believe that franchisors' supports are essential to the performance of their business. The following



quotations from informants 1, 11 and informants 13 indicate the relevance of quality supports for franchisees outlet performance.

*The current support system is almost non-existent and it is hurting our business. I don't know of any support they render to us now, apart from always shouting to bring money. Now we train our own workers and run our system ourselves. The marketing and advertisement they are supposed to provide to create more awareness to customers, they don't do. Before I came in, they promised to help me secure bank loan with good terms, it never happen. So all these things. (Informant 1).*

*Yes, I can say that those initial supports were helpful. I can still remember the day we first opened, we were overwhelmed as customers trooped in to order food. The entire first few weeks of our opening was so hectic that for days, I was not sleeping. But I was very happy as we were making a lot of money. (Informant 11).*

*The training as well helped. In fact without the training, we wouldn't know what to do. For sure I was managing an outlet before but that's still not enough to run the new outlet. I had to be trained from the perspective of a franchisee, not as an outlet manager. (Informant 13).*

From the above expressions, it is clear that franchisors support is key. It is thus confirmed as an important business format factor influencing franchisees business performance in Nigeria.

*Autonomy (control)* is the third business format factor that has been found to have influence on franchisees business performance in Nigeria. 85% of the respondents believe that level of autonomy for franchisees has an influence on the performance of their outlets. The following expression by informants 4, 7, 14 and 22 confirm this position.

*I think that allowing us some control especially in terms some basic raw materials and where to buy from can help. A situation where you have to always wait for the head office to give and dictate everything, every minor things slow us down and make it difficult to operate smoothly sometimes. (Informant 4)*

*Being in charge helps. I have been in business for long to know that when you don't take charge, when you wait to blame others, you will eventually fail. (Informant 7).*

*If you are in control, you take action immediately to solve problems. But where you always have to seek approval, the problem may get out of hands and that actually happened to us. (Informant 14).*

*I used to think that they are the ones to control everything so I relaxed and was not doing everything I should be doing to run the outlet. I later discover that I didn't have to wait for them for everything and so I take charge now. I am beginning to see difference and trust me it is a positive difference. (Informant 22).*

Therefore, control, that is, autonomy is confirmed as an important business format factor influencing franchisees business performance in Nigeria.

The fourth business format factor being found to have influence on franchisees business performance in Nigeria is *quality of supervision*. 65% of the respondents believe that all franchisees would benefit when franchisors take measures to make cheating by other franchisees hard. The following expression by informants 12, 18 and 24 represent the position of the other three respondents in this regard.

*They have the responsibility to improve supervision and find those who are doing that and remove them from the company immediately. When you that and everyone know you are serious about it, they will comply and we will all be better for it. (Informant 12).*

*We are really feeling the heat. They need to be monitoring the account officers too. Some of them don't do their work. I heard they don't like to travel to those village outlets to supervise. Why won't those franchisees there do whatever they like? (Informant 18).*

*We are few and that's good for their supervision. Complying with their standards could be very nerve-wrenching but it is good for the business. I personally appreciate it. (Informant 24).*

With the above points, it is obvious that quality of supervision by franchisor do matter and therefore confirmed as one of the important business format factors that influence franchisees performance in Nigeria.

To **summarize findings of data analysis on research issue one**, four (4) factors have been found and confirmed to be the important business format factors influencing franchisees

business performance in Nigeria. These factors are; brand name, supports, control (franchisees autonomy) and supervision by franchisors. Hence, this finding addresses the objective of the preliminary phase of the study as well as answer the first research issue of this study. The finding has also confirmed the business format aspect of the revised preliminary theoretical framework shown in figure 4.3. The next section discusses findings relating to the second research issue.

#### **4.3.3.2 Research Issue (RI) Two and Findings of Main Study**

The second research issue being explored in this study is about the key terms in franchise contract that could have influence on franchisees business performance in Nigeria. Based on the discussions and explanation in section 2.6 (chapter two) the second relevant issue raised for the investigation is as follows:

RI 2 (Two): What are the key terms in the **franchise contracts** that influence franchisees' business performance in Nigeria?

Analysis of the results of the twenty-six (26) in-depth interviews confirmed that the nature of franchise contract has an influence on the performance of franchisees in Nigeria. The respondents highlighted the key contract terms that have had the most influence on the performance of their businesses. As illustrated in table 4.10 and subsequently summarized in table 4.11, analysis revealed that six (6) contract terms have marked influence on franchisees business performance in Nigeria. As shown in table 4.13 below, these terms are: initial payment, ongoing payment, exclusive territory, tying arrangement, contract duration and the newly found *renewal fees*.

From table 4.13 below, it is clear that all the identified key terms in franchise contract exert strong influence on franchisees business performance in Nigeria. The first contract term which

respondents identified to be influential to franchisees business performance in Nigeria is *initial payment*.

Table 4.13  
*Summary of Data Analysis on Contract Design in Relation to the Revised Preliminary Theoretical Framework – Main Study.*

S/N	Respondents	Contract Design					
		Initial Payment	Ongoing Payments	Exclusive Territory	Tying	Contract Duration	Renewal Fees*
1.	Informant 1	x	✓	✓	✓	✓	✓
2.	Informant 2	✓	✓	✓	✓	✓	✓
3.	Informant 3	✓	x	x	✓	x	x
4.	Informant 4	✓	✓	✓	✓	x	x
5.	Informant 5	x	✓	✓	✓	✓	✓
6.	Informant 6	✓	✓	x	✓	✓	✓
7.	Informant 7	✓	✓	x	✓	✓	✓
8.	Informant 8	x	✓	✓	✓	x	✓
9.	Informant 9	✓	✓	x	✓	✓	✓
10.	Informant 10	✓	✓	✓	✓	✓	✓
11.	Informant 11	✓	✓	✓	✓	✓	✓
12.	Informant 12	✓	x	X	✓	✓	✓
13.	Informant 13	✓	✓	✓	✓	✓	✓
14.	Informant 14	✓	✓	✓	✓	x	✓
15.	Informant 15	x	✓	x	✓	✓	✓
16.	Informant 16	✓	✓	✓	✓	✓	✓
17.	Informant 17	✓	✓	✓	✓	✓	✓
18.	Informant 18	✓	✓	x	✓	✓	✓
19.	Informant 19	x	✓	x	✓	✓	x
20.	Informant 20	✓	✓	✓	✓	✓	✓
21.	Informant 21	✓	✓	✓	✓	✓	✓
22.	Informant 22	✓	✓	✓	✓	✓	✓
23.	Informant 23	✓	✓	✓	✓	x	✓
24.	Informant 24	✓	✓	✓	✓	✓	✓
25.	Informant 25	x	✓	✓	✓	✓	✓
26.	Informant 26	✓	✓	✓	✓	✓	✓
		20	24	18	26	21	23
	<b>Confirmation (%)</b>	(92%)	(92%)	(69%)	(100%)	(81%)	(88%)

Legend: \* Newly found factor

Source: Developed for this research

Data analysis revealed that 77% of the respondents perceive the amount of fees paid to get a franchise license to be a key factor that influences franchisees subsequent performance. The following statements by informants 2, 3 and 14 represent the position of the respondents with regards to the influence of initial payment on franchisees business performance.

*I doubt if it is still the right decision for anyone to put that much of money on buying a franchise license/outlet like ours. The opportunity to recover the money within reasonable period is almost not there anymore. It is frustrating working hard every day and not seeing any impact on your finances (Informant 2).*

*The franchise fees are very high. I don't think it is reasonable especially considering what I now know about the business. After paying the initial fees, I was left with nothing to run the business. It has been hard to be frank (Informant 3).*

*When we signed on, we thought it was reasonable. I even tried to convince some of my friends to open outlets too. Now, in retrospect, I think I made a mistake by spending that money just to get a license to use their name when I could have used the money to build my own brand. (Informant 14).*

Given the above discussion, initial payment is confirmed as a key term in franchise contract that influences franchisees business performance in Nigeria.

*Ongoing payment* is the second key term in franchise contract being identified to be influencing performance of franchisees in Nigeria. Ongoing payments include royalties, advertising fees and in some cases, management fees (Tsang & Finnegan, 2013). Analysis shows that 92% of the respondents agreed that the rate of ongoing payment being regularly made to franchisors has a strong influence on franchisees business performance in Nigeria. The following comments by informants 12, 13 and 24 describe the general feelings of the respondents on the relationship between ongoing payments and franchisees business performance in Nigeria.

*...it is a source of dissatisfaction for me as it doesn't reflect the current circumstance that we find ourselves in. I think that the ideal thing is not to have a static figure through all business circle. (Informant 12)*

*You know these things are based on the amount of sales, so it is an expense and where all other expenses are increasing and this too is there, we are always left with very little profit. (Informant 13).*

*It is not easy to cope with all those fees. ...How about if they make them based on profit that we make instead of as an expense for us? That would also make them to be more committed to our outlet because they know that it is only when we make profit that they will make money and so they will not just sit back there and dictate to us. (Informant 24)*

With the above, ongoing payment is confirmed as a key term in franchise contract that has influence on the performance of franchisees business in Nigeria.

The third term in the franchise contract that is found to be a key influence on franchisees business performance in Nigeria is *exclusive territory*. Data analysis revealed that 69% of the respondents agreed that granting of exclusive territory franchise contracts is good for the performance of franchisees. This position is evidenced by the following statements made by informants 2, 11 and informants 20.

*I think the philosophy is great. It is a good idea that we enjoy being the sole outlet in this area. It helps our sales. (Informant 2).*

*The increasing competition has made it useless for us. That said, I think it still makes sense that we are not located too close to each other. (Informant 11).*

*It makes sense. Without it, there will be serious conflict. It term has helped us to maximize the advantage of our location. (Informant 20).*

*It has an obvious impact on our franchisees' performance in the sense that we don't have to compete with each other for sales in the same location. It gives some relieves. (Informant 20).*

Therefore, exclusive territory is confirmed as a key term in franchise contract that has influence on franchisees business performance in Nigeria.

The fourth contract term that has been found to have influence on the performance of franchisees in Nigeria is *tying agreement*. Analysis of the result revealed that all the twenty-six (100%) respondents indicated tying clauses to be an influence on franchisees business performance. The following comments by informants 9, 13 and 14 confirm the influence of tying on franchisees business performance in Nigeria.

*It is not fair and we are made to pay too much for the items they tie us up with. The materials are too expensive. To me it is a fraud. They are just taking advantage of the contract to defraud us. (Informant 9).*

*It annoys me because in addition to being expensive, you cannot rely on them to get the items. What they are doing is very wrong. I have complained many times. They promise to change things, we are still waiting. It may be too late before they realize the damage. (Informant 13).*

*That one? That is the most annoying part to me. It annoys me because the items we are supposed to be buying from them are too expensive. Man, it is crazy. It is actually very wrong that they are taking advantage of the contract to make money from the franchisees. (Informant 14).*

Hence, it is confirmed that tying agreement is a key franchise contract term that has influence on franchisees business performance in Nigeria.

The fifth key term in franchise contract that has been found to have influence on franchisees business in Nigeria is *contract duration*. Data analysis indicated that 81% of the respondents believe that contract duration has an influence on franchisees business performance in Nigeria. The following excerpts from the transcripts of the in-depth interviews confirm the influence of contract duration on franchisees business performance in Nigeria.

*My experience in the first few years was good and I felt that the duration was ok. We renew after every 5years. But when costs and expenses keep increasing and we are expected to renew, then the duration may have to change as well. (Informant 9).*

*What I know is that it will be difficult, in this hard times for me to raise an amount as much as 5 million naira to renew license for the business. (Informant 18).*

*Before I joined, I thought that the duration is long enough to make money and renew. But from what I have seen, it is not going to be easy. Business is not very good and costs and expenses are increasing every day, making it difficult for us to make some savings. So, it will be nice if the duration can be extended or if the renewal fees can be reduced seriously. (Informant 24).*

Given the number of respondents that agreed that contract duration has impact on their performance, the term is therefore confirmed as one of the key terms in franchise contract that influence franchisees business performance in Nigeria.

The sixth key term in franchise contract that has been found to influence franchisees business in Nigeria is *renewal fees*. This refers to the amount to be paid to extend the life of a franchise contract. Data analysis showed that 88% of the respondents will find it difficult to renew their license as the fee is considered either too high or not justifiable given current business conditions in Nigeria. The following statements by informants 1, 8, 9 and 14 confirm the influence of contract duration on franchisees business performance in Nigeria.

*We renewed about two years ago. I mean if I knew things would be like this, I probably wouldn't have signed on again. (Informant 1).*

*I cannot imagine paying another five million naira to them. It will hit hard on my business finances. But let's see how things go (Informant 8).*

*Considering my experience with the business so far, I don't think it's justifiable. The franchise fees are very high. (Informant 9).*

*It is a big factor in our conflict, a very big one. When I think about it that I will have to pay that money, I feel disappointed as if I am working just for them. I think that the fees were too high. There is no justification for it.....the brand is almost dead. There is no value to it again. They have killed the brand due to greed and incompetence. All over the country, the brand is now dead. (Informant 14).*

Therefore, renewal fees is confirmed as a newly found key term in franchise contract that influence franchisees business performance in Nigeria. Moreover, as highlighted in table 4.13, this particular term emerged newly from the main study, hence a contribution to the literature.

By and large, to **recap findings relating to research issue two**, six (6) key contract terms have been confirmed to have influence on franchisees business performance in Nigeria. These terms include one newly found factor – renewal fees and all the five (5) terms identified in the revised preliminary theoretical framework in figure 4.3. These five other terms are; initial payments, ongoing payments, exclusive territory, tying and contract duration. Therefore, this finding has answered the second research issue of this study. By extension, the finding has also confirmed the contract design part of the revised preliminary theoretical framework shown in figure 4.3. The next section discusses findings relating to the third research issue.



#### 4.3.3.3 Research Issue (RI) Three and Findings of Main Study

Table 4.14

*Summary of Data Analysis on Relationship Quality Factors in Relation to the Preliminary Theoretical Framework – Main Study*

S/N	Respondents	Contract Design					
		Closeness	Commitment	Trust	Communication	Relationship Satisfaction	Use of Marketing Contribution*
1.	Informant 1	✓	✓	✓	✓	✓	✓
2.	Informant 2	✓	✓	✓	✓	✓	✓
3.	Informant 3	✓	x	x	✓	✓	✓
4.	Informant 4	✓	✓	✓	✓	✓	✓
5.	Informant 5	x	✓	✓	✓	✓	✓
6.	Informant 6	✓	✓	x	✓	x	✓
7.	Informant 7	x	✓	x	✓	✓	✓
8.	Informant 8	x	✓	✓	✓	✓	✓
9.	Informant 9	✓	✓	x	✓	✓	x
10.	Informant 10	✓	✓	✓	✓	✓	✓
11.	Informant 11	x	✓	✓	✓	✓	x
12.	Informant 12	✓	x	x	✓	✓	✓
13.	Informant 13	✓	✓	✓	✓	✓	✓
14.	Informant 14	✓	✓	✓	✓	x	✓
15.	Informant 15	x	✓	x	✓	✓	x
16.	Informant 16	✓	✓	✓	✓	x	✓
17.	Informant 17	✓	✓	✓	✓	✓	x
18.	Informant 18	✓	✓	x	✓	✓	✓
19.	Informant 19	x	✓	x	✓	✓	✓
20.	Informant 20	✓	✓	✓	✓	✓	✓
21.	Informant 21	✓	✓	✓	✓	✓	✓
22.	Informant 22	✓	✓	✓	✓	✓	✓
23.	Informant 23	✓	✓	✓	✓	✓	x
24.	Informant 24	✓	✓	✓	✓	✓	x
25.	Informant 25	x	✓	✓	✓	✓	✓
26.	Informant 26	✓	✓	✓	✓	✓	✓
		19	26	26	26	23	19
	<b>Confirmation (%)</b>	(73%)	(100%)	(100%)	(100%)	(88%)	(73%)

Legend: \* Newly found factor

Source: Developed for this research

Next to research issue two discussed above is the third research issue being explored in this study. It relates to relationship quality factors that have the potentials to influence franchisees business performance in Nigeria. To facilitate exploration, the following relevant question was asked:

RI 3 (Three): What are the major **relationship quality** factors that influence franchisees' business performance in Nigeria?

From the analysis of data collected through in-depth interviews among twenty-six (26) franchisees in Nigeria, it is confirmed that quality of relationship has a strong influence on the performance of franchisees. Analysis also revealed the assessment of the respondents regarding the relationship quality factors that directly influence franchisees business performance.

As illustrated in table 4.10 and subsequently summarized in table 4.11, analysis showed that six (6) relationship quality factors including one newly found, have a strong influence on franchisees business performance in Nigeria. These factors are shown in table 4.14 above and they include closeness, commitment, trust, communication, relationship satisfaction and use of marketing contribution.

The first relationship quality factor that has been found to influence franchisees business performance in Nigeria is *closeness* of the relationship. From the analysis, 73% of the respondents expressed the view that closeness with franchisors has a positive effect on the performance of franchisees business. The following statements by informants 1, 12, 13 and 17 confirm such views.

*So somehow, this lack of closeness has negative impact on our relationship and on the performance of the system generally. (Informant 1).*

*You can easily relate and express what you are facing without having to go through the bureaucratic channels which sometimes block information from being passed...Personal closeness also has advantage for them. It makes*

*supervision and ensuring compliance easy. When they are close to you and know you better, I think they will have a better understanding what you can do and what you cannot do and so it save them time on trying to ask irrelevant questions (Informant 12).*

*Yes, my closeness with the Boss has really helped to improve things. Our business relationship improves, our communication improves, understanding improves and performance and satisfaction also improve. (Informant 13).*

*I believe this has helped us in many way. Our communication is better because of the closeness and we resolve issues more quickly and easily because our personal connection smoothen things out. It is a big advantage for us. (Informant 17).*

Thus, closeness with franchisors is confirmed as a major relationship quality factor that influences franchisees business performance in Nigeria.

The second relationship quality factor found to be influencing franchisees business performance in Nigeria is *commitment* of franchisors. All the twenty-six (26) franchisees that participated in this study shared personal experiences that indicated that franchisors commitment to franchisees outlet is an important relationship quality factor that influences franchisees business performance. The following comments by informants 12, 14 and 17 highlight the importance of franchisors commitment.

*...yes, in many ways, high level of commitment from them can help us do better (Informant 12).*

*When their commitment was good, it assisted us. Their advice and guidance were really very helpful at the beginning (Informant 14).*

*That has helped especially early on when we just started. They put us on track and assisted to avoid costly mistakes (Informant 17).*

Therefore, franchisors commitment is confirmed as one of the major relationship quality factors that influence franchisees business performance in Nigeria.

The third relationship quality factor that has been found to have influence on franchisees business performance in Nigeria is *trust* in franchisors. As can be seen from table 4.14 above,

all the respondents mentioned the importance of a trusted franchisors in the performance of franchisees. The following quotations indicate the influence that a trusted franchisors has on the performance franchisees.

*...but I was frustrated because I felt deceived. I did my plans based on the information they gave me but when realities started kicking in and I noticed that things were not as they said, I had to reverse all my plans and started all over again. That really affected our business and up till date, even though they have tried to amend things, I am still not happy about it. (Informant 14).*

*I believe that having confidence in each other is important for the business. It means that you can plan your activities and be sure that everything will work through. But where you cannot guarantee that the other person would come through on their promises, you would be paralyzed with too much thinking because you have to work out too many scenarios and provide contingencies for each when you are planning your activities. That could be very expensive. (Informant 16).*

*It is important to have them have our backs. If we cannot bank on that anytime, especially if you are just joining the system, then your failure will be imminent. They know the business...they understand the intricacies and have ideas on how to make success of it. Those are the things that we are paying for by joining the business. Now, if they don't come through in guiding us appropriately and in doing right by us, then there is a problem. (Informant 18).*

Thus, based on the results of data analysis, trust is confirmed as a major relationship quality factor that influences franchisees business performance in Nigeria.

The fourth relationship quality factor that has been found to have influence on franchisees business performance in Nigeria is *communication*. From the analysis of data, all the twenty-six (26) respondents stressed the importance of effective communication in the success of their outlets. The following comments by informants 2, 12, 17 and 20 highlight the influence of effective communication on franchisees business performance.

*The communication needs to be improved. It is not the best at this point. I feel there should be more openness and more effective 2-way communication. A situation where decisions are merely being announced to you and you are expected to carry out to the letter even when you don't clearly understand them or have the resources to implement them is not the best. (Informant 2).*

*Good communication of course can help improve our performance. For example, the new management creates an environment where I air my opinion about the problem I face every day. Because of that we both became more understanding and were able to put heads together to solve some of the problems, and frankly I am seeing the result in our sales. And you know what? I am happy now. (Informant 12)*

*Much as they sometimes consult us, sometimes they still take decisions on our behalf and only merely get relayed to us to implement. That is what usually create some frictions between us. They don't care to know if we are not fully prepared for the implementation of whatever decision. But if we are always communicated with, not to, even before the decisions are arrived at, implementation would be very easy for us. (Informant 17).*

*The truth is our communication sometimes breaks down. It is sometimes not their faults anyway because a lot of us franchisees are very busy businesspeople and don't have time to respond to several of their emails and inquiries. Sometimes, they also don't respond to our request as quickly as we would expect. I had a course to seek for clarifications on some issues last week. I sent a mail since and as we speak, I have not gotten a reply. (Informant 20).*

Thus, as can be seen from the analysis and the above comments, effective communication is important and it is thus confirmed as a major relationship quality factor that influences franchisees business performance in Nigeria.

The fifth relationship quality factor that has been found to have influence on franchisees business performance in Nigeria is *relationship satisfaction*. Analysis revealed that 88% of the respondents indicated that personal satisfaction in franchise partnership is a key relationship quality factor that influences franchisees business performance. The comments of Informant 5, 25 and 26 below represent the feelings of the respondents on the importance of this factor.

*Ya, it's very important that you enjoy working with your franchisors. For us, we work like friends and that has impacted our business positively. (Informant 5).*

*I believe that enjoying what you do in a team-based business like this helps in many ways. Apart from raising our energy and commitments, it makes everyone to feel that they are personally responsible for the success of the business and that can lead to better business performance for everyone. (Informant 25).*

*Passion and being happy to work with your franchisors have positive effect on franchisees satisfaction and even business performance. For me, I have not really made any serious money from the business for a number of reasons chiefly the economy and perhaps location, but who are always very happy and upbeat about the future mainly because of the way we relate with them. (Informant 26).*

Thus, relationship satisfaction is confirmed as a major relationship quality factor that influences franchisees business performance in Nigeria.

The sixth relationship quality factor found to have influence on franchisees business performance in Nigeria is *the use of marketing contribution*. Marketing fees is an additional payment, commonly 2-3% of monthly sales that franchisees in many systems in Nigeria are required to contribute. As showed in table 4.14 above, 73% of the respondents mentioned the effect of inappropriate use of marketing contribution. Most franchisees in this study expressed dissatisfaction with how their marketing contribution has been used by franchisors. Complaints resolve around frequency and poor quality of marketing and promotion campaigns. Analysis revealed that franchisees that operate outside the big cities are most displeased about this issue. The following quotations indicate the influence that poor application of marketing contribution is having on the performance of franchisees in Nigeria.

*It is no longer there. Now no advertisement, no free training, no nothing. The part that is paining me most is that they still insist on our paying for advertisement and they use the money to advertise for only those in Lagos and Abuja and forget about us here. (Informant 5).*

*...the promotional items they give us these days are getting smaller than before and not as authentic as they used to be. That is not a way to keep your customers (Informant 7).*

*...they also collect another fees they call marketing contribution. That one is the most annoying. They don't do any marketing of the brand again. That is part of the reasons we are where we are now (Informant 8).*

*...the promotional items are no longer as qualitative as they used to be and sometimes I am even ashamed to give some of my well-to-do customers. (Informant 16)*

Therefore, use of marketing fees is confirmed as a newly found relationship quality factor that has influence on franchisees business performance in Nigeria. Thus, as highlighted in table 4.14, this newly found relationship quality factor is a contribution to the literature.

To **summarize results of analysis on research issue three**, six (6) relationship quality factors have been confirmed to have influence on franchisees business performance in Nigeria. One of these factors is newly found in this main study. The other five factors are as identified in the revised preliminary theoretical framework in figure 4.3. The six factors include closeness of the relationship, commitment of franchisors, trust in franchisors, effectiveness of communication, relationship satisfaction and use of marketing contribution. It is therefore concluded that this finding has answered research issue three in this study. In the same vein, the finding has confirmed the relationship quality element in the revised preliminary theoretical framework shown in figure 4.3. The next section discusses findings relating to the last research issue.

#### **4.3.3.4 Research Issue (RI) Four and Findings of Main Study**

The fourth research issue being explored in this study has to do with important attitude and skills that influence franchisees business performance in Nigeria. Based on discussions and synthesis in section 2.6 (chapter two) the fourth relevant question posed for exploration is as stated below:

RI 4 (Four): What are the important franchisees' **attitude and skills** that influence their business performance in Nigeria?

The results of the in-depth interviews conducted with twenty-six (26) franchisees in Nigeria affirmed that franchisees attitude and skills do matter.

Table 4.15

*Summary of Data Analysis on Attitude and Skill Factors in Relation to the Revised Preliminary Theoretical Framework- Main Study.*

S/N	Respondents	Attitude and Skills				
		Motivation & Hard work	Management & Marketing Skills	Innovative Skills	Proactive Attitude	Competitive Aggressive Attitude
1.	Informant 1	✓	x	x	✓	x
2.	Informant 2	✓	✓	✓	x	x
3.	Informant 3	✓	✓	✓	✓	✓
4.	Informant 4	✓	✓	✓	✓	x
5.	Informant 5	✓	x	✓	✓	✓
6.	Informant 6	✓	x	✓	✓	✓
7.	Informant 7	✓	✓	x	x	✓
8.	Informant 8	✓	✓	✓	✓	✓
9.	Informant 9	✓	✓	x	✓	✓
10.	Informant 10	✓	✓	✓	✓	✓
11.	Informant 11	✓	✓	✓	✓	✓
12.	Informant 12	✓	x	✓	✓	x
13.	Informant 13	✓	✓	✓	x	✓
14.	Informant 14	✓	x	✓	✓	✓
15.	Informant 15	✓	✓	✓	✓	✓
16.	Informant 16	✓	✓	✓	✓	x
17.	Informant 17	✓	✓	x	✓	x
18.	Informant 18	✓	✓	✓	✓	✓
19.	Informant 19	x	✓	✓	✓	✓
20.	Informant 20	✓	✓	✓	x	✓
21.	Informant 21	✓	x	✓	✓	✓
22.	Informant 22	✓	x	✓	✓	✓
23.	Informant 23	✓	✓	✓	✓	✓
24.	Informant 24	✓	✓	✓	✓	✓
25.	Informant 25	✓	✓	✓	✓	✓
26.	Informant 26	✓	✓	✓	✓	x
		25	19	22	22	19
	<b>Confirmation (%)</b>	(96%)	(73%)	(85%)	(85%)	(73%)

Source: Developed for this research

The respondents narrated personal experiences that confirmed that franchisees attitude and skills have influence on the performance franchise outlets. As illustrated in table 4.10 and subsequently summarized in table 4.11, data analysis revealed that five key attitudes and skills



have influence on franchisees business performance in Nigeria. As shown in table 4.15 above, these attitude and skills include: motivation & hard work, management and marketing skills, innovative skills, proactive attitude and competitive aggressive attitude. As shown in table 4.15 above, all the five attitudes and skills factors identified in the revised preliminary theoretical framework received absolute confirmation.

The first attitude and skills factor found to have influence on franchisees business performance in Nigeria is franchisee's *motivation & hard work*. Data analysis revealed that 96% of the respondents mentioned motivation & hard work as being important attitudes that influence franchisees business performance.

The following quotations represent the feelings of the respondents and confirm the influence of motivation and hard work on franchisees performance in Nigeria.

*If not for my resilient and positive spirit, I would have become frustrated. My hard work and ability to spot emerging opportunities and read problem correctly have also helped the business. (Informant 7).*

*I am learning fast. I just have to. Because, if you are not self-motivated to do all it takes to succeed, you cannot run a business. Especially for a franchise arrangement, there are unique challenges. (Informant 9).*

*In this business, your conviction is tested every day. At the beginning, I was always asking myself if I really wanted to continue. Things were really complicated then. But after some thoughts, I told myself that even though they are supposed to support me to succeed, it's ultimately up to me to work hard and recoup my investment. The realization that I am ultimately on my own was a huge motivation and it has made a lot of difference. (Informant 11).*

*As someone that has run a business before and failed, I knew early on that it wasn't going to be as easy as they tried to present it. By the time made up my mind to invest, I also made up my mind that I will have to work extra hard to succeed. (Informant 15).*

Hence, motivation & hard work are confirmed as important attitude and skill factors that influence franchisees business performance in Nigeria.

The second attitude and skill factor found to be influential in the performance of franchisees in Nigeria is *management & marketing skills*. From the analysis of data, 73% of the respondents indicated that these skills have significant influence on the performance of franchisees. The following comments by informants 9, 11, and 17 capture the relevance of these skills in franchisees business performance.

*We have developed a good understanding of customers and I know that by the time we implement the marketing activities we are coming up with, we will be good. We have tried to do this many times it has helped us over the years. (Informant 9).*

*Listening and being able to identify marketing opportunities is key. For instance, a very good friend of mine was doing end of the year party in their company last year and I overheard him talking about outdoor catering company. Even though we don't do that around here, I jumped in and pitch him to give us the contract. We got it and we made good money from it. (Informant 11).*

*Excellent management is very important for retailers like us. I paid a lot for me and my staff to be trained on managing the logistics and others issues about the business. Initially, I thought I was spending too much but now I believe it's worth it. I am seeing the result. For example, we recently pay to be trained on how to operate a new inventory management system. All the management and logistics training we have received are quite helpful. (Informant 17).*

Therefore, management & marketing skills are confirmed as important for improving franchisees business performance in Nigeria.

The third attitude and skill factor found to be influencing franchisees business performance in Nigeria is *innovative skills*. Data analysis showed that 85% of the respondents believe that franchisees innovative skill is important for improving their business performance. The following statements by informants 2, 10, 16 and 26 affirm this believe.

*Previously we opened to customers around 11-12am in the morning. But looking at our competitors and our need to generate more incomes, we decided to introduce breakfast section, opening by 7:30 in the morning. Our decision has paid off hugely as we now make roughly 30% of our daily sales from that sections alone. (Informant 2).*

*Like towards the end of last year, I started this promo called 'Bigg Royalty Pack', where customers that spend N2,000 above for three consecutive time have N1000 worth of lunch free for two each. The promo was a huge success and made a lot of smart sales through that. (Informant 10).*

*We bring in new innovation often. For example, we have been using inverter for our power supply and it has paid off far better than diesel engine. When you think of the noise, the frequent repairs and having to be buying expensive diesel, this is far better. (Informant 16).*

*Being innovative is important for this kind of business. Particularly on the operations side, you need new ideas to make things faster, better and sometimes cheaper like in the case of our solar panels now. (Informant 26).*

Based on the above, innovative skill is confirmed as being influential in the business performance of franchisees performance in Nigeria.

The fourth attitude and skill factor that has been found to have influence on franchisees business performance in Nigeria is *proactive attitude*. Data analysis showed that 85% of the respondents view being proactive as essential for franchisees to achieve excellent business performance. The following comments by informants 5, 12, 20 and 22 highlight the influence of proactive attitude on franchisees business performance.

*Like today, I decided that we are converting the children game section to our village kitchen. Now, that's not against our décor rules. Eventually this decision will bring in more money for us. It's all about being creative with what you have. (Informant 5)*

*We have to plan ahead almost every day. Well, we have our sales projection that we developed together with the franchisor. But truth is, we don't usually follow it. We rely more on our own plans which works better. We usually prepare a weekly estimate of how much sales we expect to make (Informant 12).*

*In running this kind of business, stuffs come up every day necessitating our immediate attention. We have to take immediate decision to keep things in order. Although, we don't take decision to change major activities that much, we act to fix the different pieces of the puzzles every day. (Informant 20).*

*For any franchisees to succeed in this business, he has be thoughtful and take good initiative long before reality kicks in. The business environment keeps changing and you so you can't succeed if you are thinking ahead and implementing policies that will assure survival in the future. (Informant 22).*

Therefore, franchisees proactive attitude is confirmed as a newly found attitude and skill factor that influences franchisees business performance in Nigeria.

The fifth attitude and skill factor that has been found to have influence on franchisees business performance in Nigeria is *competitive aggressive attitude*. Analysis of data showed that 73% of the respondents emphasised that for franchisees to achieve a decent return on their investments, they need to be competitively aggressive in the way they present their products and brands. The following statements by informants 9, 10, 15 and 21 highlight the influence of competitive aggressiveness on franchisees business performance in Nigeria.

*Business has been good. We hard to work more aggressively. Now, we are actually taking business from the existing malls...those that were there before we came in (Informant 9).*

*I am a believer in the notion that competition is good. I mean, the world is such that you cannot achieve extraordinary result unless you have some external push. You will never think of running until someone gives you a run for your money. (Informant 10).*

*I want to believe that that competition has strengthened us. We probably wouldn't have been able to perform as much as we have if there were no competitors around here. (Informant 15).*

*I think competition is good. It makes you to perform at your very best. Just that for us, we have a unique approach that make customers keep coming to us. Our prices are lower and always lowest, and we offer quality and excellent value. (Informant 21).*

Given the above analysis, competitive aggressiveness is confirmed as a newly found attitude and skill factor that influences franchisees business performance in Nigeria.

To **summarize the results of data analysis on research issue four**, five (5) attitude and skills factors have been confirmed to have influence on franchisees business performance in Nigeria. The five factors are as identified in the revised preliminary theoretical framework shown in figure 4.3. The factors include motivation & hard work, management & marketing skills, innovative skills, proactive attitude and competitive aggressive attitude. With these, it can be

concluded that this finding has answered the fourth research issue of the study. The finding has also confirmed the attitude and skill element in the revised preliminary theoretical framework shown in figure 4.3.

Thus, to summarize and conclude on the main study, following the preliminary phase of the investigation which led to the revision of the preliminary theoretical framework, the main study was conducted. Twenty-six (26) franchisees were purposively selected to participate in the in-depth interview for the main study.

Table 4.16  
*Summary of answers to the research issues – Main Study*

	<b>Research Issues</b>	<b>Factors Influencing Franchisees Business Performance in Nigeria</b>
1.	What are the important <b>business format</b> factors that influence franchisees business performance in Nigeria?	BF1: Brand Name BF2: Supports BF3: Control (Autonomy) BF4: Supervision
2.	What are the key terms in the franchise <b>contracts</b> that have influence on franchisees' business performance in Nigeria?	CD1: Initial Payment CD2: Ongoing Payment CD3: Exclusive Territory CD4: Tying CD5: Contract Duration CD6 Renewal Fees*
3.	What are the major <b>relationship quality</b> factors that influence franchisees' business performance in Nigeria	RQ1: Closeness RQ2: Commitment RQ3: Trust RQ4: Communication RQ5: Relationship Satisfaction RQ6: Use of Marketing Contribution*
4.	What are the important franchisees' <b>attitude and skills</b> that have influence on their business performance in Nigeria?	AS1: Motivation & Hard work AS2: Management & Marketing Skills AS3: Innovative Skills AS4: Proactive Attitude AS5: Competitive Aggressive Attitude

*Legend: \* Newly found factors.*

Source: Developed for this research

The interview and subsequent data analysis were done as described in sections 3.7 and 3.8 (chapter three) respectively. The main study confirmed the relevance of the four research issues derived for this study.

As summarized in table 4.16 above, analysis of data in the main study resulted in the identification of two new factors – *renewal fees* under contract design and *use of marketing contribution* under relationship quality. This brings the total number of factors found to be influencing franchisees business performance in Nigeria to twenty-one (21).

Thus, based on each research issue, the analysis of data in the main study confirmed all the four (4) business format factors (research issue one) identified in the revised preliminary theoretical framework (figure 4.3). Also, the main study confirmed six (6) contract design factors (research issue two) including one newly found term and all the five (5) terms identified in the revised preliminary theoretical framework. In the same vein, one new relationship quality factor was found and confirmed in addition to all the five (5) factors (research issue three) identified in the revised preliminary theoretical framework. Lastly, the main study confirmed all the five (5) attitude and skills factors (research issue four) identified in the revised preliminary theoretical framework.

#### **4.4 Summary of the Chapter**

This chapter aimed to analyze and report the results of the investigation on factors influencing franchisees business performance in Nigeria. The study was conducted in two phases – preliminary and main studies. The chapter has presented the findings of each phase of the study conducted through in-depth interview and analyzed using NVivo. The analyses were done in line with the four research issues derived for the study. As shown in table 4.16 above, the

research issues were designed to address franchisees business performance from four perspectives, namely: business format, contract design, relationship quality and franchisees attitude and skills. Each phase of the analysis starts with a brief profile of the respondents while the results generated are subsequently presented. From these results, the research issues were answered in both stages of the study.

Analysis of the preliminary study which involved six (6) franchisees resulted in the identification of nineteen (19) factors that have influence on franchisees business performance in Nigeria. Five (5) of these factors are newly found while the other fourteen (14) are as identified in the preliminary theoretical framework. Recall that the preliminary theoretical framework (figure 2.12, chapter two) identified a total of fifteen (15) factors for further exploration. One of these factors was not confirmed. Plausible explanation for non-confirmation of this factor was given in the summary section of the preliminary study. These findings necessitated the revision of the preliminary theoretical framework preparatory to the main study.

The main study involved twenty-six (26) franchisees purposively selected from six franchise systems operating in the major cities across Nigeria. Analysis of data from the main study revealed a total of twenty-one (21) factors being found to influence franchisees business performance in Nigeria. Two (2) of these factors are newly found in the main study while nineteen (19) are as identified in the revised preliminary theoretical framework.

Thus, given the results, each of the two stages of the study answered the research issues derived for this study. The results also confirmed the preliminary theoretical framework. From the two results, as summarized in table 4.17 below, four (4) business format factors were confirmed

including one (1) newly found factor – *quality of supervision*; six contract terms were confirmed including two (2) newly found terms – *contract duration and renewal fees*; six (6) relationship quality factors were confirmed including one (1) newly found factor – *use of marketing contribution* and five (5) franchisees attitude and skill factors were confirmed including three (3) newly found factors – *innovative skills, proactive skills and competitive aggressive attitude*. However, one attitude and skill factor – prior experience, was not confirmed. Across the two studies, six new factors were identified and these are part of the contributions of this study.

Table 4.17

*Summary of answers to the research issues in relation to the preliminary theoretical framework (figure 2.12, chapter two). Preliminary and Main Studies.*

	<b>Research Issues</b>	<b>Factors Influencing Franchisees Business Performance in Nigeria</b>
1.	What are the important <b>business format</b> factors that influence franchisees business performance in Nigeria?	BF1: Brand Name BF2: Supports BF3: Control (Autonomy) BF4: Supervision*
2.	What are the key terms in the franchise <b>contracts</b> that have influence on franchisees' business performance in Nigeria?	CD1: Initial Payment CD2: Ongoing Payment CD3: Exclusive Territory CD4: Tying CD5: Contract Duration* CD6: Renewal Fees*
3.	What are the major <b>relationship quality</b> factors that influence franchisees' business performance in Nigeria	RQ1: Closeness RQ2: Commitment RQ3: Trust RQ4: Communication RQ5: Relationship Satisfaction RQ6: Use of Marketing Contribution*
4.	What are the important franchisees' <b>attitude and skills</b> that have influence on their business performance in Nigeria?	AS1: Motivation & Hard work AS2: Management & Marketing Skills <del>AS3: Prior Experience</del> AS4: Innovative Skills* AS5: Proactive Attitude* AS6: Competitive Aggressive Attitude*

*Legend: \* Newly found factors.*

Source: Developed for this research



## CHAPTER FIVE

### SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

#### 5.1 Introduction

This chapter reviews the entire study and outlines the major conclusions drawn from the analysis of data. As shown in figure 5.1 below, the chapter is organized into six (6) main sections.

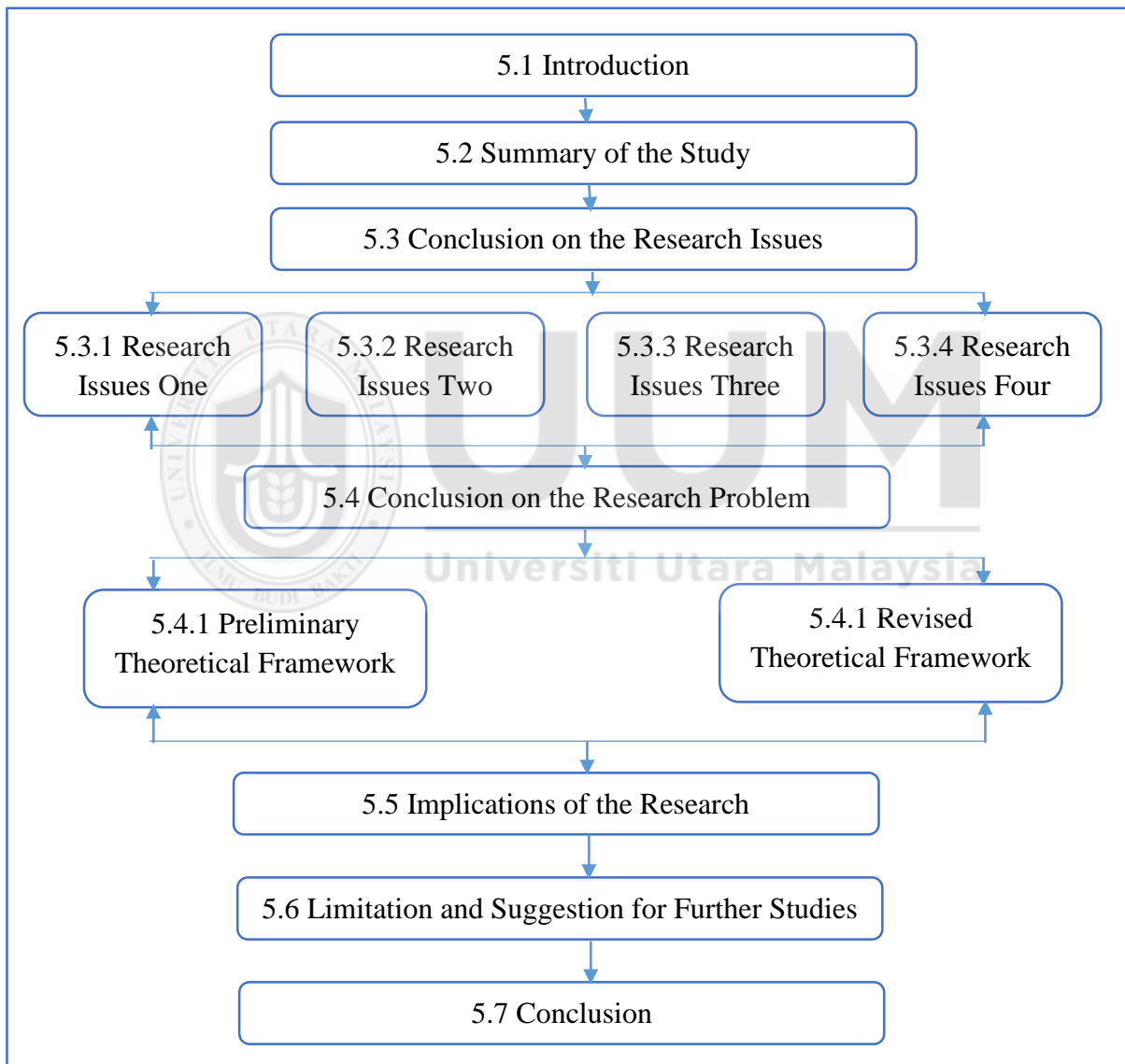


Figure 5.1

*Highlight and flow of chapter five.*

Source: Developed for this research

The first main section (5.2) gives the summary of all the chapters. The next two sections (5.3 and 5.4) outline the findings and the conclusions that have been reached on both the research issues and the research problems respectively. Section 5.5 highlights the key implications of the findings while section 5.6 critically evaluates the entire study and raises some possible limitations of the approach adopted. Based on the identified limitations, suggestions for further studies are also offered in the section. The last section (5.7) concludes the chapter.

## **5.2 Summary of the Study**

This study was designed to find answers to the research problem: *What are the factors that influence franchisees' business performance in Nigeria?* The report of the investigation is organized into five chapters. The five (5) chapters collectively answered the questions of “why”, “what”, “how”, “who”, and “so what” of this study. The chapters are named as: Introduction; Literature Review; Methodology; Data Presentation and Analysis; and Summary, Conclusion and Implication respectively. This section gives the summary of the chapters.

Chapter one introduced the study and presented arguments justifying the need for the investigation. The first main section of the chapter provided the background of the study. The next section is problem statement which explained the motivation and justification for the study. Flowing from the justification of the study, the two subsequent sections outlined the research issues and the objectives of the study respectively. The last four sections are the significance, scope, organization of the thesis and summary of the chapter respectively.

Chapter two presented the current state of knowledge on the issues being explored in this study. The first main section of the chapter gave the definition, types, benefits and practice of franchising in some selected countries of the world. The key highlight of this section was the

presentation of a review of the franchise industry of eight (8) countries. Next after the review of franchising practice was the section on the adapted conceptual framework. This section presented empirical findings on factors related to the research issues of the study. The last three sections in this chapter were the theoretical underpinning, development of the preliminary theoretical framework and the research issues.

Chapter three explained how the research was conducted. The first two main sections of the chapter discussed and justified the philosophies, paradigms and data collection approach of the study. The subsequent sections explained the setting and population of the study, the sampling techniques, justifications for use of in-depth interview, procedures for data collection and techniques of data analysis. The chapter also highlighted measures that were taken to guarantee the validity and reliability of the study.

Chapter four described the results of data analysis. The chapter is broadly divided into two; the preliminary findings and the main findings. In general, the chapter provided detail empirical evidences and analyses that addressed the key issues underlining the conduct of the study.

The last part of the thesis is chapter five. In this chapter, a review of the entire study is presented. Following the presentation of the review, the chapter highlighted the key conclusions arrived at on each of the research issues and the main problem that the study attempted to address. Based on the conclusions, the chapter explained what the implications are for practice. The section after implications presented a critical review of the investigation and suggested areas for further studies.

Thus, this section has given the overall summary of the entire work including the contents of each chapter. The next section summarizes and compares the key findings of the study with extant literature and the underpinning theory. The comparison informs conclusion on each of the findings.

### **5.3 Conclusions on the Four Research Issues**

Having summarized the contents of all the chapters in the previous section, this section now gives the highlight of the key findings and the conclusions of the study. Meanwhile, in order to comprehend the conclusions and put them in proper context, a recap of the background of the study is necessary.

This study investigated factors influencing franchisees' business performance in Nigeria. The research effort was motivated by three key problems: (i) dwindling fortunes of franchise systems across the world and particularly in Nigerian (ii) unclear understanding of factors that influence franchisees success and (iii) general paucity of studies on franchise business model.

To facilitate a focus exploration, the above problems were translated into one research problem as: *What are the factors that influence franchisees' business performance in Nigeria?*. First, it was necessary to explore current state of knowledge about this research problem. To this end, a conceptual model of factors in franchise system performance was adapted and redrawn to suit the focus of the study. Based on the factors identified in the model, extensive literature review was conducted. The review and literature synthesis resulted into derivation of four research issues for the study. These research issues relate to four groups of factors that have the potential to influence franchisees business performance in Nigeria. They include business format, contract design, relationship quality and franchisees attitude and skills.

Table 5.1

*Summary of Findings and Conclusions on Each of the Four Research Issues*

Research Issues	Findings on the Research Issues		Conclusions on the Research Issues (Conclusion A & B)
	From the Literature: confirmed in this study (Finding A)	Newly found in this study (Finding B)	
1. Important <b>business format</b> factors that influence franchisees' business performance in Nigeria	i. Brand Name ii. Supports iii. Autonomy	i. Supervision	All four (4) factors do influence franchisees' business performance in Nigeria
2. Key terms in the franchise <b>contracts</b> that have influence on franchisees' business performance in Nigeria	i. Initial Payment ii. Ongoing Payment iii. Exclusive Territory iv. Tying	i. Contract Duration ii. Renewal Fees	All six (6) terms do influence franchisees' business performance in Nigeria
3. Major <b>relationship quality</b> factors that influence franchisees' business performance in Nigeria	i. Closeness ii. Commitment iii. Trust iv. Communication v. Relationship Satisfaction	i. Use of Marketing Contribution	All six (6) factors do influence franchisees' business performance in Nigeria
4. Important <b>attitude and skills</b> factors that have influence on franchisees' business performance in Nigeria.	i. Motivation & Hard work ii. Management & Marketing Skills	i. Innovative Skills ii. Proactive Attitude iii. Competitive Aggressive Attitude	All five (5) factors do influence franchisees' business performance in Nigeria
<b>Remarks</b>	Fourteen (14) Factors Confirmed	Seven (7) New Factors Found	Twenty-One (21) Influencing Factors Found

Source: Developed for this research

Meanwhile, given the need for an emic and contextual understanding of franchise business practice in other settings as advocated by many scholars (e.g. Altinay & Brookes, 2012; Doherty, Chen, & Alexander, 2014; Nijmeijer, Fabbriotti, & Huijsman, 2014) the study adopted a qualitative exploratory approach using face-to-face in-depth interviews with a total of 32 purposively selected franchisees. Data collection was done in two stages – preliminary phase (with 6 respondents) and main study (with 26 respondents). NVivo was used to analysis the results of the two phases of the study.

Having described the background, methodology and how the findings of the study were analyzed and organized, the following discussions will summarize the major findings and conclusions that were drawn. Table 5.1 above highlights the summary and conclusion drawn from the findings of the two phases of the study. As shown in column one (from the left), four research issues were explored.

Research issue 1 relates to business format factors that influence franchisees performance. On this research issue, four (4) factors were found, among which is one newly discovered factor. The other three factors were confirmed as identified in the extant literature. Research issue 2 is about key terms in franchise contract that influence franchisees business performance. Six (6) terms were found in this regards and two of which came about as a result of this exploration. The other four were identified by previous study and confirmed in this study. Research issue 3 is about relationship quality factors that influence franchisees business performance. Six (6) factors were similarly found on this issue. One of these factors is newly discovered in this study while the other five (5) have different levels of literature supports. The last research issue relates to franchisees attitude and skill. A total of five factors were found in this regard with three (3) of the factors completely new and two (2) identified in the extant literature.

Moreover, before outlining the specific conclusions being reached on each of the factors, it is important to highlight the **literature contributions** of this study in the light of the above findings. Thus, given the findings summarized in table 5.1 above, this study has made contributions to franchising literature in three important ways. The contributions are illustrated in figure 5.2 below.

First, the confirmation of literature-identified factors reaffirms current understanding of issues in franchisees business performance. This contribution is important as it helps to strengthen and give empirical support to existing knowledge-base. One of the ways to build theory and affirm the integrity of current understanding of franchising practice is through widespread confirmation of what is already known in the field (Dant, 2008a; Dant *et al.*, 2008).

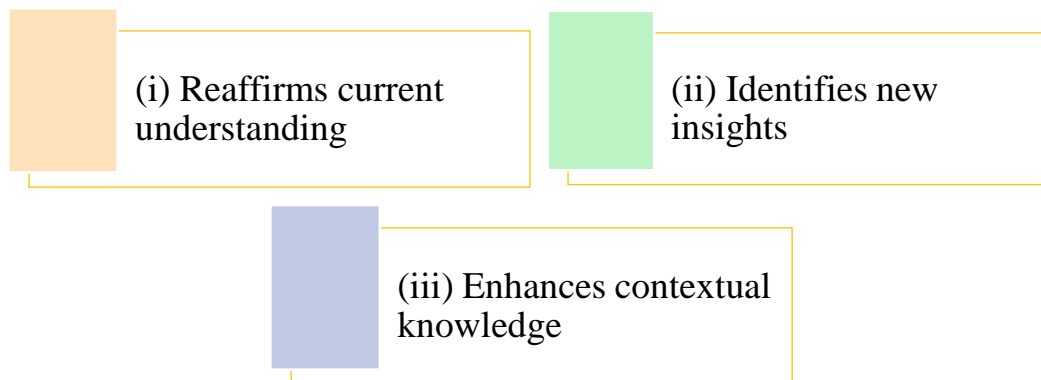


Figure 5.2  
*Contributions of the study to the Literature*  
Source: Developed for this research

This is especially relevant on issues where considerable disagreement exist among scholars. This study has generated findings that affirm factors influencing franchisees business performance. Therefore, it is concluded that the present study has made important contribution to the literature.

Second, the identification of new factors in franchisees business performance in this study is an important contribution to franchising literature. One of the major criticisms of extant franchising literature is that it is incomplete and partial as full compliments and dimensions of important issues in the successful practice of the business model are not known (Altinay & Brookes, 2012; Altinay *et al.*, 2014b). By identifying new dimensions of relevant issues in franchisees business performance in Nigeria, this study has contributed to address the aforementioned criticism and hence made important contributions to literature.

The third important way in which this study has made contribution is in the aspect of widening the understanding and applicability of franchise business model. It has been observed that much of what is currently known about franchising relates to how it is practiced in the West (Choo, Mazzarol, & Soutar, 2007; Dant *et al.*, 2011). The knowledge-base of the business model is particularly limited in the context of Africa as revealed in the review conducted by Nijmeijer *et al* (2014). Thus, by investigating issues in franchisees business performance in Nigeria, this study has contributed to franchising literature in terms of enhancing the contextual understanding of how franchise business model is practiced in cultures outside the West.

Thus, the above discussion has summarized the key findings and highlighted the major literature contributions that this study has made. The next section presents the specific conclusions that has been drawn from the key findings.

### **5.3.1 Conclusions on Research Issue 1: Important Business Format Factors Influencing Franchisees' Business Performance in Nigeria.**

Research issue 1 relates to business format factors that influence franchisees performance in Nigeria. As shown in table 5.1 above, two key conclusions could be drawn from the findings on Research Issue 1, namely: confirmatory conclusion (conclusion A) and exploratory conclusion (conclusion B). Confirmatory conclusions relate to literature-identified business format factors that have been confirmed while exploratory conclusions are about the new factors that were found in this study.

***Conclusion 1A (i): Brand Name does influence franchisees business performance in Nigeria.***

The first conclusion under business format factors is that *brand name* can influence franchisees business performance in Nigeria. A number of previous studies (e.g. Chien, 2014; Doherty *et al.*, 2014; Michael & Combs, 2008; Roh & Yoon, 2009; Watson & Johnson, 2010) have drawn



a similar conclusion. Reputable brands not only influences franchisees current business performance, it is an excellent indicator of future return on investment (Doherty *et al.*, 2014).

From this study, all the respondents in both stages of the investigation confirmed that brand name influences franchisees business performance. This finding is consistent with previous studies. Therefore, brand name is included in the theoretical framework of this study.

**Conclusion 1A (ii):** *Supports do influence franchisees business performance in Nigeria.* The second conclusion is that *supports* can influence franchisees business performance in Nigeria. Many previous studies have concluded in this same way (e.g. Abdullah *et al.*, 2008; Altinay & Brookes, 2012; Chien, 2014; Chiou *et al.*, 2004; Doherty *et al.*, 2014; Frazer *et al.*, 2012 Roh & Yoon, 2009; Watson & Johnson, 2010). Adequate and quality supports enable franchisees to achieve better performance, quickly recoup initial investment and facilitate speedy response to market conditions (Lucia-Palacio *et al.*, 2014; Minguela-Rata *et al.*, 2010).

In this research, all the respondents in both preliminary and main studies confirmed that supports influence franchisees business performance. This finding is in line with the findings of previous research efforts. As such, support is included in the theoretical framework of this study.

**Conclusion 1A (iii):** *Control (franchisees autonomy) does influence franchisees business performance in Nigeria.* The third conclusion under business format factor is that *autonomy* can influence franchisees business performance in Nigeria. Many previous studies have reached similar conclusion (e.g. Cochet *et al.*, 2008; Dant & Gundlach; 1999; Davies *et al.*,

2011; Frazer *et al.*, 2007). A major cause of conflict and franchisees' dissatisfaction is lack of autonomy (Davies *et al.*, 2011).

The finding of this study has corroborated conclusion of earlier studies that franchisees need reasonable amount of autonomy in order to achieve improved business performance. Hence, autonomy is included in the theoretical framework of this study.

The three (3) conclusions above have been about business format factors identified in the literature and confirmed in this study to have influence on franchisees business performance in Nigeria. The next paragraph discusses conclusion on one newly found business format factor that influence franchisees business performance in Nigeria.

**Conclusion 1B (i):** *Supervision does influence franchisees business performance in Nigeria.*

The conclusion on the newly found business format factor is that quality of supervision by franchisors can influence franchisees business performance in Nigeria. This factor is neither identified in the adapted conceptual framework (figure 2.10, chapter two) nor explored by any previous study that the researcher is aware of. In the present study, effective supervision of franchisees has been confirmed to have influence on the performance of franchisees in general in Nigeria. Hence, this newly found business format factor is included in the theoretical framework of this study.

By and large, it must be noted that all the above conclusions are also consistent with the major predictions of RBV, the underpinning theory of this study. It is clear that all the confirmed business format factors – brand name, supports, autonomy and quality of supervision, are forms of resources to franchisees. RBV postulates that firms with valuable resources will perform

better and that deficiency in any resource will have negative influence on firm's performance (Barney, 2001). The next section discusses conclusion on research issue 2.

### **5.3.2 Conclusions on Research Issue 2: Key Terms in Franchise Contract that Influence Franchisees' Business Performance in Nigeria.**

Research issue 2 is about key contract terms that have influence on franchisees business performance in Nigeria. As illustrated in table 5.1, two main conclusions are drawn from the relevant findings, namely: confirmatory conclusion (conclusion 2A) and exploratory conclusion (conclusion 2B). Confirmatory conclusions relate to literature-identified contract terms that have been confirmed while exploratory conclusions are about the new contract terms that were found in this study.

**Conclusion 2A (i):** *Initial Payment does influence franchisees business performance in Nigeria.* The first conclusion on research issue 2 is that *initial payment can influence franchisees business performance in Nigeria.* To be specific, findings of this study inform the conclusion that high initial payment has a negative influence on franchisees business performance. A number of previous studies (e.g. Frazer & Winzar, 2005; Jambulingam & Nevin, 1999; Michael & Combs, 2008) have drawn a similar conclusion. When large amount of money is required to buy a franchise license, large volume of sales would be needed to become profitable and franchisees' efforts to be profitable could drive them into taking irrational risks which could ultimately lead to disastrous result for their business (Michael & Combs, 2008).

In this research, findings revealed that high initial payments do influence franchisees business performance. This finding is consistent with previous studies. Therefore, initial payment is included in the theoretical framework of this study.

**Conclusion 2A (ii): Ongoing Payment does influence franchisees business performance in Nigeria.** The second conclusion under key terms in franchise contract is that *ongoing payments* can influence franchisees business performance in Nigeria. A similar conclusion on this term was drawn in many previous research (e.g. Abdullah *et al.*, 2008; Akremi *et al.*, 2015; Benjamin, Chinloy, Jud, & Winkler, 2006; Benjamin *et al.*, 2007; Frazer, Merrilees, & Wright, 2007; Michael & Combs, 2008). Ongoing payments are first line charge on franchisees' gross revenues and thus when the rate is high, franchisees' profit margins automatically reduce thereby increasing the possibility of failures among them (Michael & Combs, 2008).

The findings of this study shows that high rate of ongoing payments do influence franchisees business performance. This finding affirm the conclusions of previous studies and hence, ongoing payment is included in the theoretical framework of the study.

**Conclusion 2A (iii): Exclusive territory does influence franchisees business performance in Nigeria.** The third conclusion under research issue 2 is that *exclusive territory* can influence franchisees business performance in Nigeria. Only a few previous studies have investigated this term and they have mostly drawn a conclusion similar to the above (Azoulay & Shane, 2001; Kalnins, 2004; Michael & Combs, 2008). More franchisees succeed and survive longer when their contracts offer reasonable amount of territory for their outlets (Michael & Combs, 2008).

In this study, findings revealed that exclusive territory do influence franchisees business performance. This finding corroborates the conclusion of previous studies. Thus, exclusive territory is included in the theoretical framework of the study.

**Conclusion 2A (iv):** *Tying does influence franchisees business performance in Nigeria.* The fourth conclusion under research issue 2 is that *tying clauses* can influence franchisees business performance in Nigeria. This term has only been sparsely explored in the literature. Only one study has reported that the contract term has influence on franchisees business performance. Franchisees are most dissatisfied with the prices of the items as well as the requirement to have their employees recruited by franchisors (Roh & Yoon, 2009). The present study found evidence that support this finding.

Therefore, tying is included in the theoretical framework of the study. Meanwhile, it must be noted that given the limited literature on this term, this study has made a significant contribution by finding empirical evidence that confirm its relevance.

The four (4) conclusions above relate to key terms in franchise contract identified in the literature. This study has confirmed that they all have influence on franchisees business performance in Nigeria. The next two paragraphs discuss conclusions on the two newly found contract terms that influence franchisees business performance in Nigeria.

**Conclusion 2B (i):** *Contract duration does influence franchisees business performance in Nigeria.* The first conclusion on the newly found contract terms is that *contract duration* can influence franchisees business performance in Nigeria. This term was not identified in the adapted conceptual framework (figure 2.10, chapter two) nor has any previous study explored

it. In this study, the length of franchise contract has been confirmed to have influence on the performance of franchisees in Nigeria. Hence, this newly found contract term is included in the theoretical framework of this study.

***Conclusion 2B (ii): Renewal fees do influence franchisees business performance in Nigeria.***

The second conclusion on the newly found contract term is that *renewal fees* can influence franchisees business performance in Nigeria. Similarly, renewal fee was not identified in the adapted conceptual framework (figure 2.10, chapter two) and no previous study that the researcher is aware of has done so. Findings of this research has confirmed that renewal fees have influence on the performance of franchisees in Nigeria. Hence, this newly found contract term is included in the theoretical framework of this study.

In general, it should be noted that the above conclusions on key terms in franchise contract are in line with the predictions of RBV. For example, unfavorable contract terms such as increase in rate of payments (initial, ongoing and renewal), non-provision of exclusive territory, short contract duration and inconsiderate tying arrangements will reduce cash flows to franchisees. As predicted by RBV (Barney, 1996), any of these situations ultimately leaves franchisees with little resources to implement strategies that can improve their outlet's performance.

The next section discusses conclusion on research issue 3.

### **5.3.3 Conclusions on Research Issue 3: Major Relationship Quality Factors that Influence Franchisees' Business Performance in Nigeria**

Research issue 3 relates to major relationship quality factors that have influence on franchisees business performance in Nigeria. As presented in table 5.1 above, two major conclusions were

drawn from the relevant findings: confirmatory conclusion (conclusion 3A) and exploratory conclusion (conclusion 3B).

**Conclusion 3A (i):** *Closeness does influence franchisees business performance in Nigeria.* The first conclusion under major relationship quality factors is that *closeness* of relationship between the two parties can influence franchisees business performance in Nigeria. A number of previous studies (e.g. Altinay *et al.*, 2014b; Diaz-Bernardo, 2013; Doherty *et al.*, 2014; Huang & Phau, 2008; Kidwell *et al.*, 2007; Watson & Johnson, 2010) have drawn a similar conclusion.

From the present investigation, findings indicated that closeness of the relationship does influence franchisees business performance. This finding is consistent with the conclusion of previous studies. Therefore, closeness is included in the theoretical framework of the study.

**Conclusion 3A (ii):** *Commitment does influence franchisees business performance in Nigeria.* The second conclusion on research issue 3 is that franchisors *commitment* can influence franchisees business performance in Nigeria. A similar conclusion has been drawn from the findings of many previous studies (e.g. Caceres & Paparoidamis, 2007; Wright & Grace, 2011; Frazer *et al.*, 2007, 2012; Frazer & Winzar, 2005).

In comparison, findings of this study revealed that franchisors commitment does influence franchisees business performance. This finding corroborates the conclusion of the above listed previous studies. Hence, commitment is included in the theoretical framework of the study.

**Conclusion 3A (iii):** *Trust does influence franchisees business performance in Nigeria.* The third conclusion on research issue 3 is that *trust* in franchisors can influence franchisees business performance in Nigeria. A large number of previous studies on this factor have arrived at similar conclusion (e.g. Altinay *et al.*, 2014a; Chiou *et al.*, 2004; Davies *et al.*, 2011; Dickey *et al.*, 2008; Eser, 2012; Kidwell *et al.*, 2007; Nijmeijer *et al.*, 2014).

Based on the findings of this study, trust in franchisors does influence franchisees business performance. This finding supports the conclusion of many previous studies. Hence, trust is included in the theoretical framework of the study.

**Conclusion 3A (iv):** *Communication does influence franchisees business performance in Nigeria.* The fourth conclusion on research issue 3 is that *communication* effectiveness can influence franchisees business performance in Nigeria. Many previous research on different conceptualization of communication in franchise partnership reached similar conclusion (e.g. Abdullah *et al.*, 2008; Bordonabe-Juste & Polo-Redondo, 2008; Chiou *et al.*, 2004; Falbe & Welsh, 1998; Frazer *et al.*, 2012; Rodriguez *et al.*, 2006).

In this study, findings indicated that effective communication does influence franchisees business performance. This finding is consistent with the conclusions of many previous research. Therefore, communication is included in the theoretical framework of the study.

**Conclusion 3A (v):** *Relationship satisfaction does influence franchisees business performance in Nigeria.* The fifth conclusion on research issue 3 is that *relationship satisfaction* can influence franchisees business performance in Nigeria. A number of previous studies drew similar conclusion from their findings (e.g. Chiou *et al.*, 2004; Davies *et al.*, 2011; Frazer *et*



*al.*, 2007, 2012; Frazer & Winzar, 2005; Kidwell *et al.*, 2007; Rodriguez *et al.*, 2006; Watson & Johnson, 2010; Wright & Grace, 2011).

The findings of this study revealed that relationship satisfaction does influence franchisees business performance. In turn, this finding corroborates the conclusions of many earlier studies. Thus, relationship satisfaction is included in the theoretical framework of the study.

The five (5) conclusions above recount the relationship quality factors established in the literature. This study has confirmed that all five factors have influence on franchisees business performance in Nigeria. The next paragraph discusses conclusion on the newly found relationship quality factor that influences franchisees business performance in Nigeria.

**Conclusion 3B (i):** *Use of marketing contribution does influence franchisees business performance in Nigeria.* The conclusion on the newly found relationship quality factor is that *use of marketing contribution* can influence franchisees business performance in Nigeria. To the best of the researcher's knowledge, no previous study has identified this factor, nor was it recognized in the adapted conceptual framework. Findings of this study has confirmed that the way in which marketing contribution is spent by the franchisors has influence on the performance of franchisees in Nigeria. Therefore, this newly found relationship quality factor is included in the theoretical framework of this study.

To finalize discussions about conclusion on research issue 3, it must be noted that the outlined conclusion on each relationship quality factor is consistent with the prediction of RBV. Each of the relationship quality factors is a social resource. As predicted by RBV (Barney, 2001), deficiency in any of the resources can result in poor performance for franchisees while more

of the resource will help them to achieve reasonable business performance. The next section describes conclusions on the fourth research issue.

#### **5.3.4 Conclusions on Research Issue 4: Attitude and Skill Factors that Influence Franchisees' Business Performance in Nigeria**

Research issue 4 is about important attitude and skill factors that have influence on franchisees business performance in Nigeria. As displayed in table 5.1, two major conclusions can be drawn from the findings on franchisees attitude and skills: confirmatory conclusion (conclusion 4A) and exploratory conclusion (conclusion 4B).

*Conclusion 4A (i): Motivation & hard work do influence franchisees business performance in Nigeria.* The first conclusion on research issue 4 is that *motivation and hard work* can influence franchisees business performance in Nigeria. Some previous research have arrived at similar conclusion. (e.g. Frazer *et al.*, 2007; Frazer & Winzar, 2005; Merrilees & Frazer, 2006; Parsa *et al.*, 2005; Watson, 2008).

In this study, franchisees motivation and hard are among the attitude that franchisees generally emphasized to be important for outlet performance. This finding affirms the conclusion of previous studies. Thus, the theoretical framework of the study will include motivation and hard work.

*Conclusion 4A (ii): Management & marketing skills do influence franchisees business performance in Nigeria.* The second conclusion on research issue 4 is that *management and marketing skills* can influence franchisees business performance in Nigeria. A similar

conclusion was drawn from the findings of a number of previous studies (e.g. Chien, 2014; Clarkin, 2008; Jiang *et al.*, 2014; Merrilees & Frazer, 2006).

In agreement with previous studies, the findings of this study indicated that management and marketing skills do influence franchisees business performance. Thus, this particular attitude and skill factor will be included in the theoretical framework of the study.

The above two (2) conclusions relate to franchises attitude and skill factors identified in the literature. This study has confirmed that both factors have influence on franchisees business performance in Nigeria. The next three paragraphs discuss conclusion on the three newly found attitude and skill factors that influence franchisees business performance in Nigeria.

**Conclusion 4B (i):** *Innovative skill does influence franchisees business performance in Nigeria.* The first conclusion on the newly found attitude and skill factors is that *innovative skill* can influence franchisees business performance in Nigeria. Although a few studies (e.g. Dada *et al*, 2015) have found that franchisors prefer to work with franchisees that are generally entrepreneurial, no study has explored the influence of innovativeness on franchisees' business performance. This study has confirmed that innovative skill can have a significant influence on franchisees business performance. Thus, this newly found attitude and skill factor is included in the theoretical framework of this study.

**Conclusion 4B (ii):** *Proactive attitude does influence franchisees business performance in Nigeria.* The second conclusion on the newly found attitude and skill factors is that *proactive attitude* can influence franchisees business performance in Nigeria. Similar to innovative skill discussed in conclusion 4b (ii) above, although Dada *et al* (2015) conclude that franchisors

appreciate franchisees that possess general entrepreneurial skills, no previous research has confirmed the influence of proactive attitude on franchisees business performance. This investigation has established that proactive attitude can have an influence on franchisees business performance. Hence, this newly found attitude and skill factor is included in the theoretical framework of this study.

**Conclusion 4B (iii):** *Competitive aggressiveness does influence franchisees business performance in Nigeria.* The third conclusion on the newly found attitude and skill factors is that *competitive aggressiveness* can influence franchisees business performance in Nigeria. No previous studies have established the influence of competitive aggressiveness on franchisees business performance. This study has confirmed that competitive attitude can have an influence on franchisees business performance. Therefore, this newly found attitude and skill factor is included in the theoretical framework of this study.

To complete discussions relating to key conclusions drawn on research issue 4, it is apparent that all the conclusions on the influence of franchisees attitude and skills corroborate the proposition of RBV. Franchisees *attitude and skills* are example of intangible resources. When franchisees possess these resources in appropriate quality, RBV predicts that they will achieve a superior business performance (Barney, 2001).

Finally, the above discussions have been about conclusions drawn on the four (4) research issues. A total of twenty-one (21) conclusions on the factors that influence franchisees business performance in Nigeria were discussed and each conclusion was compared with the position of the literature. The ultimate results of the conclusions is the development of the final

theoretical framework for this study. All the four (4) research issues and the twenty-one (21) specific factors will be included in the theoretical framework of this study.

#### **5.4 Conclusions on the Research Problem**

The conclusions drawn on the four research issues have been discussed in the previous section, paving the way for addressing the core research problem in this study. The research problem is restated thus: *What are the factors that influence franchisees' business performance in Nigeria?*

Based on the review and synthesis of previous studies on the key issues in this study, a preliminary theoretical framework was developed in chapter two (figure 2.12). In this framework, a total of fifteen (15) factors were identified to have the potential to influence franchisees business performance in Nigeria. These fifteen (15) factors were grouped according to the four (4) key issues in this research, specifically: business format, contract design, relationship quality and attitude & skills. Meanwhile, the present study has confirmed another set of factors from across these four (4) issues. The factors are twenty-one (21) in total and these are showed in table 5.2 below alongside the literature identified factors.

As table 5.2 below shows, the adapted conceptual framework (figure 2.10, chapter two) and subsequent literature review led to the identification of three (3) business format factors that could influence franchisees business performance in Nigeria. All three factors were confirmed in this study and they include brand name, supports and control.

Table 5.2  
*Preliminary Theoretical Framework and Findings of this Study*

Issues	Preliminary Theoretical Framework	Findings of this Study
<b>Business Format Factors</b>	• Brand Name	• Brand Name
	• Supports	• Supports
	• Control	• Control (Autonomy) • <i>Supervision</i>
<b>Contract Design</b>	• Initial Payment	• Initial Payment
	• Ongoing Payment	• Ongoing Payment
	• Exclusive Territory	• Exclusive Territory
	• Tying	• Tying • <i>Contract Duration</i> • <i>Renewal Fees</i>
<b>Relationship Quality</b>	• Closeness	• Closeness
	• Commitment	• Commitment
	• Trust	• Trust
	• Communication	• Communication
	• Relationship Satisfaction	• Relationship Satisfaction • <i>Use of Marketing Contribution</i>
	• Motivation & Hard work	• Motivation & Hard work
<b>Attitude &amp; Skill</b>	• Management & Marketing Skills	• Management & Marketing Skills
	• Prior Experience	• <del>Prior Experience</del> • <i>Innovative Skill</i> • <i>Proactive Attitude</i> • <i>Competitive Aggressive Attitude</i>
<b>Total</b>	<b>15 Factors</b>	<b>21 Factors</b>

Source: Developed for this research

Moreover, one (1) new business format factor, quality of *supervision* was found in this study. Supervision refers to measures taken by franchisors to ensure that all franchisees comply with system standards and practices.

From the aspect of contract terms that influence franchisees business performance in Nigeria, four (4) terms were identified in the adapted conceptual framework and all the four (4) factors

were confirmed in this study. As shown in the second column of table 5.2 above, these factors include initial payment, ongoing payment, exclusive territory and tying. Meanwhile, this study found two (2) new contract terms, namely; contract duration and renewal fees, which also influence franchisees business performance in Nigeria. Contract duration is the number of years within which a franchise contract remains valid while renewal fee is the amount of money that franchisees are required to pay to renew their contracts.

In terms of relationship quality factors that influence franchisees business performance in Nigeria, five (5) factors were identified in the adapted conceptual framework. This study confirmed all the five (5) factors to be influential in the performance of franchisees in Nigeria. The factors include closeness, commitment, trust, communication and relationship satisfaction. Similarly, one (1) new relationship quality factor, *use of marketing contribution*, was found in this study. This factor relates to franchisor's efficiency and transparency in the application of monies contributed for marketing and promotion.

The last category of factors that influence franchisees business performance in Nigeria is attitude and skill. On this, three (3) factors were identified in the adapted conceptual framework and they include motivation & hard work, management & marketing skills, and prior experience. The first two (2) of these factors were confirmed in this study. Respondents did not emphasize the importance of previous experience in their responses to both the initial open-ended question and probing questions regarding important attitude and skill that influence franchisees business performance.

In summary, out of the fifteen (15) factors that were identified in the literature to have the potential to influence franchisees business performance in Nigeria, fourteen (14) were confirmed in this study and only was not confirmed. Meanwhile, seven (7) new factors were

found in this study resulting in the confirmation of twenty-one (21) factors in total which influence franchisees business performance in Nigeria.

Thus, the above discussions on the confirmed and newly found factors have prepared the ground for the second revision of the preliminary theoretical framework. The first revision was done after the preliminary study as shown in figure 4.3 (chapter four). The next section explains more on the final revision.

#### **5.4.1 Revised Theoretical Framework**

The preceding section has compared the preliminary theoretical framework (figure 2.12, chapter two) and the findings of this study. This section now explains the final revision of the preliminary theoretical framework. The final revision will become the theoretical framework of factors influencing franchisees business performance in Nigeria. The main discussions that results in the development of this final framework are contained in section 5.3 subsections 5.3.1 to 5.3.4 (conclusions on the research issues). Recall that in these section, indications of inclusion in the final framework was made for each of the factors that were confirmed. As presented in figure 5.3 below, the final theoretical framework as well as the key conclusions outlined below serve as the answers to the core research problem: *How and why the influencing factors of franchisees business performance in the Nigerian franchise system could be established.*

From the below final theoretical framework, eight conclusions are drawn. These are as follows:

1. Franchisees business performance in Nigeria can be influenced by business format factors.
2. Franchisees business performance in Nigeria can be influenced by contract terms.



3. Franchisees business performance in Nigeria can be influenced by relationship quality factors.
4. Franchisees business performance in Nigeria can be influenced by attitude and skill factors
5. There are four (4) business format factors that influence franchisees business performance in Nigeria.
6. There are six (6) contract terms that influence franchisees business performance in Nigeria.
7. There are six (6) relationship quality factors that influence franchisees business performance in Nigeria.
8. There are five (5) attitude and skill factors that influence franchisees business performance in Nigeria.



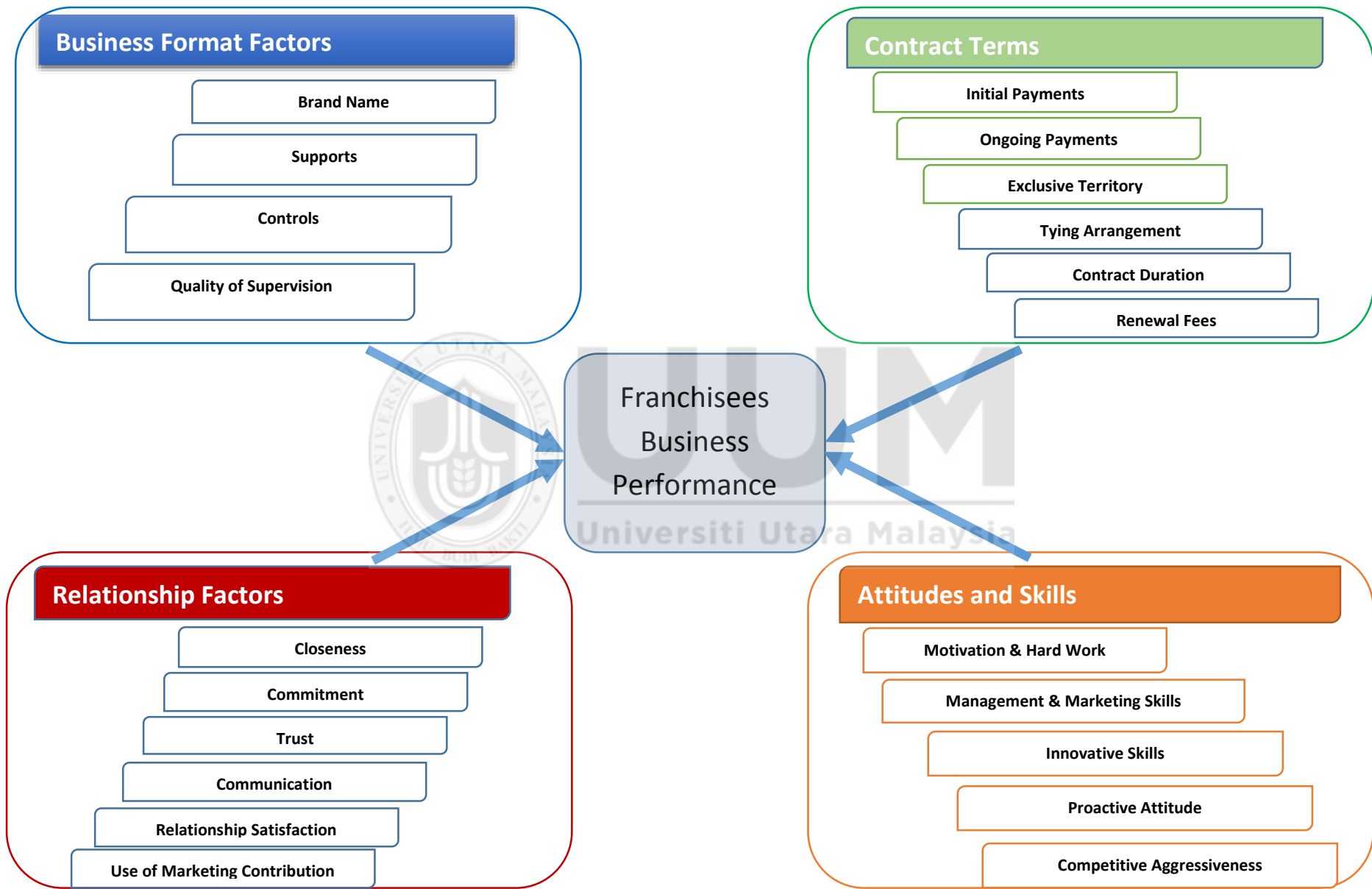


Figure 5.3  
*Theoretical Framework of Franchisees Business Performance in Nigeria*

In conclusion, this study has explored empirical evidences and developed a framework for franchisees business performance in Nigeria. The framework has been systematically designed and it is a useful tool for both franchisees and franchisors in their decisions and actions. The framework is also quite useful to parties in other forms of business alliance such as licensing, contracting and joint venture in structuring their contracts, establishing support system and guiding interactions and behaviors.

### **5.5 Managerial Implications and Recommendations**

Given the key findings of the study and the conclusions that have been drawn, this section highlights the implications and offers four (4) specific recommendations that could help both parties to achieve a sustainable business performance.

1. Facilities and supports are important factors in the consciousness and performance of franchisees. Existing franchisees need to have an explicit understanding of the franchisors services and support structures and operate based on the understanding. The challenge is for franchisors to manage franchisees expectations with regards to services, supports and amount of independence that franchisees desire. Franchisors need to be honest and upfront with regards to these issues. Temptation to oversell must be avoided. Franchisors need to make regular and honest evaluation of brand value and service provision a part of the system's culture.
2. The design of franchise contract can affect franchisees business performance. Aspiring franchisees need to put serious thoughts into evaluating every part of franchise contract before signing on. Detail analysis of fees structure and other contract terms need to be done and rational decision must be made based on capacity to honor contract terms and make decent return. This must be done not only before joining the system but

continuously. Franchisors on the other hand need to explore appropriate approach for structuring initial fees, renewal fees and ongoing payments such that they are within a range that assure the profitability and sustainability of franchisees business.

3. Poor relationship hurts business performance. Both franchisors and their franchisees need to invest in relationship building. Business processes and systems must be designed in ways that ensure close interaction, build commitment, establish and maintain trust, enhance communication and reduce relationship conflicts. More so, franchisors need to show greater transparency and accountability in the use of marketing contribution. One way to do this is to set up a separate marketing account that is jointly managed by representatives of both parties.
4. Positive attitude and excellent skills matter for franchisees success. At the entry point, franchisors' selection process must be designed to verify motivation, work ethics, basic management skills, innovativeness and attitude of responsibility. Regular training program could also be designed to help franchisees develop and master these desired attitudes or skills.

## **5.6 Limitations and Suggestions for Further Studies**

This section highlight the key limitations of the approach adopted in this study and suggest further studies that could remedy the limitations. First, this study adopted a qualitative approach to data collection and this approach has its weaknesses, principal among which is that it limits generalization of findings. Further research efforts that combine both qualitative and quantitative methods of data collection may be needed to affirm and statistically verify the findings of this study.

Second, the present study is cross-sectional, a snapshot of happenings during the period of data collection. Although efforts were made in the study to get as much comprehensive insights into participants' experiences as possible, the period of data collection is nevertheless too short to truly understand how the focal issues have evolved. This is a piece of insight that could help to build a more robust picture of realities of franchising practice in Nigeria. Therefore, a longitudinal study may be needed to track developments in the performance of franchisees in Nigeria and the factors that contribute in determining franchisees' performance.

Third, looking at the frequency with which respondents made reference to the importance of having a business partner that is suitable, caring and take a long-term view of the relationship, it appears that generating insights and making actionable recommendation for improvement on the parties' thought processes that lead to the selection of partner could be an interesting area for future research.

Lastly, while this study may be credited for ensuring a good representation of the different sectors – services, retailing, mobile telecommunication, transportation, ice-cream, quick service restaurants and so on that make up the Nigerian franchise industry, it will be of great relevance if future studies can zero in on specific sector. This kind of efforts will generate insights that will enable players in the particular sector and the franchise research community to understand the peculiarities and nuances of such sector thereby providing the knowledge base for improving franchise practices that are of particular relevance.

One such sector that could benefit immensely from such studies is the quick service restaurant (QSR). Apart from the fact it is the sector that mostly applies franchise business model, QSRs contribute immensely to the GDP of the country and stand out as one of the common and

profitable routes to entrepreneurship in Nigeria. Therefore, specific research effort to improve its performance is not only going to be of great theoretical relevance, it will have immediate practical application in the management of restaurant businesses in the country.

## **5.7 Conclusion**

This chapter has presented a review of the whole study. The key highlight of the chapter include drawing conclusions on the core research problem and issues that were addressed in the study. The chapter also raises relevant managerial implications and offers suggestions for improving practice.

In general, this study has been able to identify important factors that have impact on the business performance of franchisees in Nigeria. The factors have been outlined in a framework for ease of understanding and application. Essentially, the study has unraveled some of the issues that account for the observed downturn in the performance of franchise firms in Nigeria. It is expected that the recommendations offered in this study will help to improve the performance of franchise outlets in the country. By reasonable extension, this study has contributed towards building a theory of factors that drive franchising success in the world. It is also worthy of note that this research has generated insights that will enhance understanding of franchising practice in cultures outside the West thereby helping to improve the knowledge base of the business model.

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## APPENDIX I

### INTERVIEW PROTOCOLS

#### A. Overview of the Study

##### a. *Project Objective*

The aim of this research project is to explore the key factors that influence franchisees' business performance in Nigeria. It is expected that findings from the investigation will help in evolving policies and strategies for improving the performance of the entrepreneur-franchisees in the country. Findings will be useful for franchisors, the regulatory agencies (NIFA and NOTAP), the policy-makers on SME development and the research community.

##### b. *The Research Problem and General Proposition*

The core problem for this investigation is: *why and how of factors influencing franchisees business performance in Nigerian.* In order to address this core problem, the following general research propositions have been designed to guide the conduct of the study.

- Franchisees whose outlets are well facilitated and supported are likely to achieve better business performance.
- Franchisees who perceive their franchise contract to be fair and considerate are likely experience higher business performance.
- Franchisees who perceive their relationship with franchisor to be of high quality are likely to achieve better business performance.
- Franchisees with positive attitude and excellent skills are likely to achieve better business performance.

## **B. Data Collection Procedures**

### *a. Name of Organization*

In keeping faith with the promise of confidentiality, the names of the respondents' organizations will not be displayed. All 32 respondents (6 in preliminary study and 26 in main study) are referred to as informants.

### *b. Preparation Before the Actual Site Visit*

- Following the initial contacts and subsequent agreement to participate, the researcher sends two reminders (two weeks and five days before the appointed date) to the respondents.
- Prior to the appointed date of visit, the researcher tries to gain as much understanding about the particular outlet and the key informant as possible using their websites and other available sources. This will be necessary to create good rapport and relationship during the interview.
- The researcher studies all logistics and traffic flow in the respondents' city before the interview day.
- The researcher makes use of a checklist of all items necessary for a successful data collection before visiting each respondent. This checklist includes list of questions, informed consent form, tape recorder, backup batteries, body mic (in some cases), writing materials etc.

### *c. Data Collection Plan*

- The interview will be conducted between January and May, 2016.
- The research will dress properly and formally
- The researcher will great and formally introduce himself.
- The researcher will engage in small talks and warm-up discussion

- The researcher will use ‘5 whys’ method to dig deep and obtain deep insights into each issue.
- Each interview must be digitally-recorded and notes taken as well.
- The researcher will be considerate of the respondent and show sensitivity to their way of life before, during and after interview.
- The researcher will thank the interviewee and tell them that within 3 days from the day of interview, they will be given their responses verbatim for them to reflect on before final usage in the study.
- The research will observe and take notes of other evidences (documents and observation) during the visit. This must be properly documented.
- The researcher will write memos immediately after each interview detailing his impressions of the respondent’s responses. This was however not part of the data.

### C. Case Study Questions/Interview Schedules

The case study questions are contained in the interview schedule below

**APPENDIX II**  
**THE INTERVIEW SCHEDULE**

Name of the Organization:

Name and Position of the Respondent:

Size of the Outlet:

State/Location:

Years in Business:

**1. General Warm-up Questions**

- a. *Tell me about this business, how did you start?*
- b. *What is your assessment of the way things are currently'?*

**2. Main Questions**

- a. *Kindly explain the nature of facilities, structures and policies put in place by your franchisors to ensure your success.*
  - i. *How well are these provided?*
  - ii. *What impact can/does this (named factor) have on your business performance?*
- b. *Could you explain the quality of relationship between you and your franchisor?*
  - i. *In your opinion, what are the main factors that improve a franchise relationship?*
  - ii. *What impact can/does this (named factor) have on your business performance?*
- c. *How can you describe the terms of your franchise contract.*
  - i. *In your opinion, what are the key contract terms that have the biggest impact on your business performance*
  - ii. *What impact can/does this (named term) have on your business performance?*



- d. *What kind of attitude do you believe are necessary for franchisees success*
  - i. *How do you rate yourself on this (named) attitude?*
  - ii. *What impact can/does this (named attitude) have on your business performance?*
  
- e. *How about the essential skills that this partnership and business require to be successful.*
  - i. *How do you rate yourself on this (named) attitude?*
  - ii. *What impact can/does this (named skill) have on your business performance?*

### **3. Concluding Questions**

- a. *Apart from the issues we have been discussing so far, what other factors do you think have a direct influence on the performance of your outlet?*
- b. *Do you have any question for me?*
- c. *How has the interview been so far?*

