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Examining Control and Autonomy in the Franchisor–Franchisee Relationship

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This article examines the franchisor–franchisee relationship from two theoretical perspectives – agency theory and exchange theory. Taking the case of the fast-food industry in Israel, the research focuses on control and autonomy in a domestic hamburger chain – Burger Ranch – and two international chains – McDonald's and Burger King. The findings led to the design of a model that illustrates several aspects, such as the concept of franchising, the size and age of the chain, and the range of the contract, that relate to control and autonomy. The combination of agency theory and exchange theory enables us to focus on control and autonomy as multidimensional concepts, and to present various possibilities for judiciously balancing them. The case indicates that in some respects (e.g. master franchisee), the two global chains are more similar to each other than to the domestic chain. However, in other respects (e.g. size, growth rate), the domestic and one of the two global chains show more similarities than differences. The findings indicate different forms of integration of control and autonomy in the three chains.

KEYWORDS: agency theory; autonomy; control; exchange theory; fast-food; franchising

Introduction

Though franchising has emerged in recent years as a highly significant strategy for business growth, job creation and economic development (Preble and Hoffman, 1995), the franchisee perspective has received little attention in the academic franchising literature (Grunhagen and Mittelstaedt, 2000). Moreover, theories and concepts of international franchising studies are usually taken from domestic franchising (Dant and Nasr, 1998). Stanworth and Curran (1999) suggested that a broader theoretical model is needed, and that sociological approaches have much to offer. The most frequently used theoretical perspective in the franchising literature is agency theory; Eisenhardt (1989) and Sharma (1997) recommend using agency theory in combination with complementary theories, though they note that very few empirical studies have done so.

In the present article we examine the franchisor–franchisee relationship from two theoretical perspectives: agency theory and exchange theory. Using this combination to examine the system of relations between the franchisor and the franchisee will enable us to investigate formal and dynamic aspects of franchising. Though both theories are based on economic and rationality considerations, agency theory focuses on the contractual and formal aspects of a relationship, whereas exchange theory relates to the dynamic aspects of the same relationship.

The purpose of this article is threefold:

(1) To describe the apparent autonomy and control paradox in franchisor–franchisee relationships in terms of agency and exchange theories.
(2) To analyse autonomy and control, as illustrated in exploratory research of three fast-food/hamburger chain franchises in Israel: Burger Ranch, a domestic chain, and McDonald's and Burger King, two international chains.
(3) To propose a model of control and autonomy in the franchisor–franchisee relationship.

We begin with a review of trends in international franchising. In the theoretical section we survey two perspectives in franchising research, while focusing on the factors of control and autonomy in franchising relations. We then present the exploratory research and discuss its aspects in light of agency and exchange theories. Following that, we suggest a model of control and autonomy from which hypotheses for future research can be derived. To conclude, we suggest some directions for future research.

The Expansion of Franchising throughout the World

Of the accepted strategies for entering the international market, direct export and marketing ownership, licensing arrangements, joint ventures and franchising,[1] franchising is taking the lead (Hoy and Echegaray, 1994).[2] In the last 30 years franchising has earned recognition as an easy and practical vehicle for establishing businesses in foreign countries (Gamet-Pol, 1997: 6). Franchising is currently considered a fast way to business growth (Castrogiovanni and Justis, 1998; Dant and Nasr, 1998; Preble and Hoffman, 1995). The trend is particularly notable in the USA in the retail sector. In the opinion of Preble and Hoffman (1995: 83, 1998: 64), the simultaneous development of the retail and service sectors and franchising structures explains the direction franchising is taking.

According to the International Franchise Association Educational Foundation, Washington, DC, 'US franchising is growing at a very rapid pace – much faster than the economy as a whole' (cited in Stanworth et al., 1997: 76).[3] The trend to global expansion is not restricted to the USA (Gamet-Pol, 1997). Canada, France, Italy and Japan all have several hundred international franchising chains (Preble and Hoffman, 1995: 81). Australian franchising operates along American lines but is targeted at geographical regions closer to home, such as New Zealand (McCosker and Walker, 1992).

What, then, motivates a franchisor to enter the international market? The saturation of the domestic economy on the one hand and intense competition on the other are accelerating the globalization of franchising. Hopkins (1996) gives proactive reasons such as the desire for high profits and the opportunity that franchising presents to market goods, services and unique technologies. Dant and Nasr (1998) suggest that use of international labels as signs of reliability and quality, and rising consumer demand for high level goods and services, may explain the current trends.

The penetration of franchise chains into the international market indicates a staged process (Welch, 1989). In the first stage, penetration is into neighbouring countries with a similar culture (Castrogiovanni and Justis, 1998; Hopkins, 1996), such as from the USA to Canada and to Mexico, or from Japan to nearby Asian countries. The same can be said of European countries (Gamet-Pol, 1997) and of Australia (McCosker and Walker, 1992). In the second stage, penetration is into countries with different cultures and political regimes (Hopkins, 1996; Welch, 1989). Preble and Hoffman's study (1995) shows that cultural similarities (language, customs and tastes) contribute to success in franchising. The probability of reciprocity enhances the attractiveness of franchising for the participating chains.

Though success in the domestic market promotes growth of the chain, it is not necessarily a guarantee of international success (Hoy and Echegaray, 1994). Among the reasons for this are political and economic uncertainty and high costs (Kedia et al., 1995; Tuncalp, 1991). Communication problems due to geographic, language and cultural divides necessitate more substantial, varied and expensive monitoring systems than those needed for the domestic market (Shane, 1996b). In line with Shane (1996b), Fladmoe-Lindquist and Jacque (1995) indicate that the propensity to franchise internationally was found to be related to the monitoring costs associated with geographical and cultural distance between franchisor–franchisee. The greater the geographical and cultural distance to monitor the behaviour of a foreign service agent, the more likely a franchise arrangement will be used.[4] Relatedly, Fladmoe-Lindquist (1996) suggests that the capabilities needed by a franchisor to expand internationally are administrative efficiency and risk management in an international context, which are often lacking.

Fast Food

Transnational franchising has been led by US franchisors, and has grown from 34% of franchisings firms to 44% (Paswan et al., 2001). Fast food and business services account for more than 50% of the international franchising operations of US firms (Hoffman and Preble, 1993). McDonald's is the leader in expansion overseas and is considered a barometer of international franchise expansion (Kahn and Kahn, 2001). Therefore, these trends were termed by Ritzer (1996) as 'McDonaldization' because of the nature of the product and the service in terms of efficiency, calculability, predictability and control. Thus, widespread penetration by McDonald's has become a metaphor for the phenomenon of international franchising.

The expansion of international franchising is particularly salient in the fast-food industry (Preble, 1992; Lafontaine, 1992). Franchising has penetrated not only into Canada and the West European market, but also into Eastern Europe, China, Japan, the Pacific Rim countries, and Israel. The high level of success in the USA and well-established effective operating procedures are among the several explanations for the globalization of fast food. The rapid growth of franchising may also be attributed to the demographic increase in the number of young people in the population, changes in the division of roles in the family, and the increase in the number of working women (Javas, 1988 cited in Stanworth et al., 1996).

The case of the fast-food hamburger in Israel, which we present in this article, reflects its attractiveness to the customers and the franchisees alike. The franchisor–franchisee relationship will now be presented from the two theoretical viewpoints: agency theory and exchange theory.

Agency Theory and its Application to Franchising

Agency theory is relevant to a broad spectrum of issues pertaining to the contractual relationship between an agent and a principal (Eisenhardt, 1989; Elango and Fried, 1997; Sharma, 1997). A franchising contract defines the obligations and rights of the franchisor and the franchisee (Brickley et al., 1991) and protects the financial interests of both sides (Castrogiovanni and Justis, 1998). It also sets criteria for operating the franchise and for nullifying the relationship (Brickley et al., 1991; Hadfield, 1990; Rubin, 1978).

Agency theory has been the most frequently applied theory in the franchising literature (e.g. Falbe and Welsh, 1998; Kaufmann, 1996). Shane (1996a) believes that agency theory provides a useful theoretical context for examining the effect of hybrid organizational arrangements on the growth and survival of firms.[5] Offering ownership allocation as compensation to the franchisee rather than fixed compensation to a salaried manager solves the two agency problems (Eisenhardt, 1989; Shane, 1996a): adverse selection (the principal cannot completely verify the abilities and skills of the agent because the agent may misrepresent his abilities), and moral hazard (the principal cannot know if the agent is truly making an optimal investment of effort or is misdirecting his efforts to advance personal goals).

For the franchisor, allocation ownership also eliminates the cost of hiring, selecting, training and monitoring new employees as it helps to overcome managerial limits to firm growth (Lafontaine, 1992; Stanworth et al., 1996).

The focus of the agency theory literature is on formal control (Fama and Jensen, 1983; Monye, 1997; Shane, 1996a; Stanworth et al., 1996), the search for the optimal control structure for the principal-agent relationship (Eisenhardt, 1989), examination of the cost of control (Brickley and Dark, 1987; Castrogiovanni and Justis, 1998), and monitoring of efficiency (Shane, 1996b,c). According to the literature, the last factor is the most significant for the choice of franchising as a growth strategy.

Though franchising solves certain agency problems (as mentioned, adverse selection and moral hazard), it is by no means cost free. Indeed, a whole set of other agency concerns may follow in its wake, such as risk aversion and shirking responsibility for quality of performance on the part of the franchisee, and costs associated with opportunistic/free-rider behaviour (acting in total disregard of the franchisor and other franchisees, the franchisee may market low-quality goods, damage the franchisor's reputation and generally cause negative spillover effects) (Shane, 1996b). The free-rider mentality is particularly common in businesses with few or no repeat customers (Brickley et al., 1991). Other agency problems arise from the franchisee's desire for autonomy (Castrogiovanni and Justis, 1998: 173). Some writers have referred to the emergence of conflicts of goals between the franchisor and the franchisee, franchisee monitoring and agency problems (Carney and Gedajlovic, 1991; Dant and Nasr, 1998; Kaufmann and Dant, 1996).

Franchising relationships are set up and agreed upon in a binding, formal franchising contract (Sibley and Michie, 1982). The residual claim to intangible business assets such as reputation enables the franchisor to overcome the problems inherent in principal-agent arrangements, while it enables the franchisee to duplicate the franchisor's business success. Monitoring by the franchisor is aimed at preventing opportunistic behaviour on the part of the franchisee, and at ensuring that the franchisee adheres to the terms of the contract and meets the stipulated criteria. However, the contractual notion of a strict franchisor–franchisee dyad (Lafontaine, 1992) is, in our opinion, an oversimplification that is inconsistent with observed practice (Kaufmann and Kim, 1996). As Kaufmann (1996) notes: 'single-unit franchises are the exception not the rule' (p. 6). The single unit franchise is sometimes used in domestic franchise systems. In addition, franchises can take one of two forms of multi-unit agreements: Franchisees who begin as single-unit operators gradually obtain the right to multi-units or become a master franchisee.[6]

However, the extent of franchisee multi-unit ownership probably varies by industry sector and country – it may be widespread in the USA, but it is not the norm in the UK. 'In a nutshell, business format franchises are typically SMEs. However, given that the franchisor levies a royalty-based charge on the franchisee's level of turnover rather than profit, pressures to achieve market penetration and growth are institutionalised rather than optional. This can be achieved by expansion within a given franchise outlet or by expansion of the overall population of outlets – often involving multiple outlet ownership by more successful franchisees. For instance, this is particularly common in the field of fast food franchising where, in the USA, it is not uncommon for 50 per cent of a franchise company's outlets to be owned by less than 20% (and sometimes less than 10%) of its franchisees. A single large franchisee may own several hundred outlets. Multiple ownership in other sectors appears less common and, in the UK, it is estimated that 82% of franchisees operate just a single unit' (Stanworth and Purdy, 2000; Bradach, 1995).

Critics claim that agency theory ignores relational complexity within the franchise. The basic relationship can be set down in a long-term contract, but actual relations between franchisor–franchisee are likely to undergo short-term changes (Elango and Fried, 1997). Importantly, the contract is not necessarily complete (Hadfield, 1990). A franchise's contract tends to emphasis franchisor rights more than their obligations. Critics of agency theory have claimed that by ignoring the viewpoint of the franchisee, agency theory fails to reflect the dynamics of the franchisor–franchisee relationship (Birkeland, 1995). Moreover one cannot ignore the perspective of the franchisor–franchisee concerning consensus, cooperation and other issues (Baucus et al., 1996; Larson, 1992), and neither can one ignore the social aspects and complexity of relationship in multi-unit franchises.

Another claim is that the context within which the relationship unfolds also has its influences (Elango and Fried, 1997). Critics claim that agency theory is narrow, tautological, and cannot be applied empirically (Perrow, 1986 cited in Eisenhardt, 1989; Putterman, 1984; Mintzberg, 1990; Caves and Murphy, cited in Tosi et al., 1997).

As already noted, Eisenhardt (1989) and Sharma (1997: 794) recommend linking agency and other theories with the aim of overcoming limitations such as oversimplification, for example, problems associated with the control of multi-unit franchising (Kaufmann and Dant, 1996). To illustrate, Falbe and Welsh (1998) compare the perception of franchising success and failure in three countries (the USA, Mexico and Canada) in light of agency theory coupled with resource scarcity (Pfeffer and Salancik, 1978).

In international franchising research we find combinations of economic theories, such as Falbe and Welsh (1998) study or static economical theories, agency theory and transaction cost theory (Fladmoe-Lidquist and Jacque, 1995). We propose to examine static and dynamic aspects in franchising relations, with a combination of economic and sociological perspectives. Within the context of agency theory and exchange theory, we focus on the dilemma of control versus autonomy.

Control versus Autonomy in Franchising

The debate regarding whether the dominant tendency is for control of the franchisor over the franchisee or franchisee/entrepreneur is receiving much attention in franchising literature. According to the agency theory, control reflects the assumption, based on the economic model, that people will try to gain maximum personal benefit. The franchisor exercises control in order to minimize risk of opportunism and to ensure adherence to the franchise contract. The control in franchising is meant to protect the brand name, which is an intangible yet essential asset, and to ensure its stability in the eyes of the customers.

Autonomy is defined as the capacity or the will for independent thought and action (Dant and Gundlach, 1999: 37). Franchising is 'going into business for yourself but not by yourself' (Kroc, founder of modern McDonald's cited in Stanworth, 1999: 76). The franchisor provides a proven business concept. The franchisee depends on the franchisor for the support system and technical advice related to implementing this concept. However, rapid international expansion enhances the tension between the franchisor's need for control and the franchisee's desire for autonomy. On the one hand, the growth of an international chain is conditioned by replicating identical franchising outlets, and especially by the ability to control standardization in the chain. On the other hand, there is a need of the franchisee for autonomy to enable local adaptation to domestic needs, in order to cope with geographical and cultural gaps.

The debate on the issues of control and autonomy in the franchising literature suggests three basic approaches. One approach indicates an inclination towards high levels of control, standardization and McDonaldization in the franchising relationship (Castrogiovanni and Justis, 1998; Hopkins, 1996; Lafontaine, 1992; Mathewson and Winter, 1985; Ritzer, 1996, 1998; Shane, 1996a).[7] Felstead (1991) argues that though the franchisee is defined by law and registered as self-employed, it is actually obliged to conform with procedures dictated by the franchisor. The control of A over B that characterizes the employer–employee relationship is usually based on the employee's agreement to submit to a hierarchical system of social and economic relations. In contrast, a franchising agreement deals with economic relations between two legally independent entities (Shane, 1996a). In effect, contractual clauses place a ceiling on the level of independence enjoyed by the franchisee (Felstead, 1993: 50); the franchisor exercises control over the behaviour of the franchisee in both the short and the long term. Thus, legal 'equality' is a partial fiction with respect to ongoing relations.

Birkeland (1995) claims that franchisors usually operate structural control mechanisms in four areas: (1) The *brand name* limits the franchisee's freedom of action and strengthens the dependence on franchisor decisions; (2) *Royalty fees* underscore the fact that the franchisee is not a self-employed entrepreneur; (3) The pattern of entry into the franchising arrangement introduces asymmetry into franchising, thereby enabling the franchisor to control the franchisee; and (4) The nature of the franchising operation constrains cooperation with other franchisees.[8]

Control is not anchored in the formal contract alone (Birkeland, 1995); several types of control operate. Financial backing or discounts on products are among the more moderate and indirect ways of obliging the franchisee to purchase raw materials from the franchisor. The threat of legal action, invalidation of the contract, and imposition of sanctions are among the direct methods of ensuring obedience to the franchisor dictates.

The question arises then, whether the high level of McDonaldization in fast-food/hamburger restaurants indicates an increase in the trend towards strong control over the franchisee and assumed constraint of autonomy. The agency theory literature emphasizes franchisor control over the franchisee in order to minimize risk (opportunistic free-riding franchisees). In fact, control enables transfer of risk to the franchisee, whether by means of a behaviour-based or an outcome-based contract (Eisenhardt, 1989). The emphasis is on a uniform and homogeneous product and service, at a reasonable price and with quick service anywhere in the world, and high level control (Ritzer, 1996). Franchisor control over daily operations varies with the level of standardization required by the franchisor. The broader the scope of the operations manual, the more detailed the product specifications, and the higher the level of conformity demanded, the stronger the control over daily operations (Felstead, 1991).

A contradictory approach points to a high level of autonomy, expressed as entrepreneurial franchising (Dandridge and Falbe, 1994; English and Hoy, 1995; Kaufmann and Dant, 1996; Kedia et al., 1995; Knight, 1984, 1986; Krueger, 1991; Preble and Hoffman, 1995; Spinelli and Birley, 1996; Stanworth, 1993; Stanworth et al., 1996; Williams, 1999; Withane, 1991). Stanworth et al. (1996) claim that franchisees, while not independent in the sense of small business owners, certainly do not see themselves as conventional employees; they have certain expectations of participation in the processes of which they are an integral part.

Based on his study of franchising in Iowa, Bills (1998: 351) argues that: 'Despite the outward appearance of severely restricted autonomy and substantial franchisor control, franchisees report that they see themselves as self-employed, self-directed, and independent.' He contends that 'the independent self-employment that characterizes the relationship between franchisors and franchisees represents a compromise that meets the needs of franchisors for compliance and commitment on the one hand, and the needs of franchisees for self-determination and autonomy on the other'.

The alternative perspective, presented in this article, emphasizes the need for a balance between control and autonomy, claiming that excessive levels of control or of autonomy can be counter-productive and negative (Dant and Gundlach, 1999; Dant and Nasr, 1998; Ghoshal and Moran, 1996; Kaufmann and Eroglu, 1999: 83). In specific situations, franchisees may be willing to accept strong control (Agrawal and Lal, 1995; Anand, 1987; Dant and Nasr, 1998), although innovators tend to be less opportunistic (Jambulingham and Nevin, 1997). On the operational level, the franchisor's control does have limitations. The franchisee enjoys de facto autonomy either resulting from human limitations to monitoring capacities or to activities that demand decentralization (Dant and Gundlach, 1999: 36). Seniority in franchising and environmental conditions differentially influence the intensity of franchisee monitoring.

Rather than conceiving of a dichotomy of control or autonomy, we suggest examining these concepts dialectically, as a pendulum swinging according to the circumstances of changing relations and the nature of the parties to the franchising arrangement. We maintain that in a single franchising chain the level and type of control and autonomy exercised may differ from one franchisee to the next. We also claim that differentiations in the franchise relationship are based on the dynamics of balancing control and promoting autonomy within the franchisor–franchisee relationship, which are discussed here from the perspective of exchange theory.

We believe that a combination of the two theories, agency theory and exchange theory, enables presentation of two different yet complementary points of view regarding the phenomenon of franchising.

Exchange Theory and its Application to Franchising

Exchange theory emphasizes human interaction, based on the material and non-material interests of the participants and the transfer of compensations between them. Derived from the economic concept of exchange, the social exchange model is broader, because it also includes non-economic benefits. Exchange relations are created and maintained as long as each party views the transaction as attractive. Exchange theory is applied to individuals, groups, organizations and business corporations. Exchange theory literature refers to legal aspects of franchising contracts according to Macneil (1978). With respect to our case, we suggest that it can also be associated with other aspects of franchising. Franchisor–franchisee relations that derive from exchange transactions are flexible and dynamic: the capacity of each partner to arrange the deal to his/her own benefit is influenced by the balance of resources between the parties. This activates the pendulum effect, while in agency theory, asymmetry in agent-principal relations is static, anchored in the contract.

Determination of the value of a resource is an ongoing process, not a one-time event. The price of 'reputation', for example, is determined by the value ascribed to it. That value is influenced or fluctuates by factors such as the scarcity of the resource, the demand for it, and the potential for its substitution or exchange. We argue that preserving the tension between reputation and the number of potential franchisees influences franchisor–franchisee dynamics. It constitutes a source of franchisor power and the asymmetry attendant in the exchange process. In order to protect the reputation asset (e.g. the brand name) the franchisor will raise barriers to entry into and exit from the exchange transactions.

A circumscribed opening of the franchise chain to new franchisees increases the number of potential franchisees and the value of the asset in their eyes, signalling veteran franchisees that they are replaceable. Restrictions on ownership transfer by franchisees are designed to protect the brand name and to control entry into the franchise chain. A continuous growth in the number of new franchisees enables the franchisor to accumulate resources (financial capital, human capital and information) or to replace financial resources with power and thus preserve the tension between the reputation and the supply of potential, replaceable franchisees.

This unequal balance of power induces asymmetrical relations and strengthens the franchisor's exercise of control. The system of 'brakes' employed by the franchisor influences prospects for the exchange's profitability for the franchisee. In this article 'brakes' refers to impediments placed by both franchisor and franchisee, with an emphasis on the dynamic relations between the two parties. From the exchange theory perspective, the franchisor imposes brakes on profit opportunities for the franchisee at entry, during ongoing exchange transactions and on exit. Thus, the franchisor limits the franchisee's autonomy to enter into deals with additional franchisors, but maintains his/her own right to make deals with an unlimited number of franchisees. In that case the franchisor's profits may rise while the potential profits of the franchisee may decline. For the franchisee, territory saturation leads to a fall in sales and a rise in expenditures as well as investments in order to compete with other franchisees (Vincent, 1998). While the franchisor's support of veteran franchisees lessens, the burden of cost coverage and return on investment are risks pertaining mainly to the franchisee. The franchisor, however, maintains his unilateral right to cancel the exchange transaction with the franchisee but restricts the franchisee's autonomy to transfer ownership to someone else (Brickley and Dark, 1987; Ryans et al., 1997).

Though the use of restrictive control may cause conflicts (Dant and Nasr, 1998), conflicts do not necessarily culminate in termination of the exchange; they may end with the creation of a new balance between the parties (McGinty, 1998). Trust (Blau, 1964; Ghoshal and Moran, 1996; Kedia et al., 1995) can influence the dynamics of the franchisor–franchisee relationship; yet, the attractiveness of reputation weakens when the franchisee stops trusting the franchisor, and no longer expects to develop within the chain or even to survive. Moreover, when nothing remains to be lost, the value of reputation to the franchisee declines and might even be turned into a weapon to injure the franchisor (the boomerang effect). The franchisee, then, may activate the primary brake by turning to the courts: lawsuits are liable to harm the franchisor's image and turn away potential franchisees. Thus, exchange theory reveals flexibility, adaptation and change in a complex franchising relationship.

Following the application of the two theoretical perspectives of the agency and of the exchange to the franchising domain, we present exploratory research.

Case: Fast-Food/Hamburger Franchises in Israel

The following section will examine how the three fast food chains in Israel apply control and autonomy, and whether events in the field reflect trends toward integration of control and autonomy.

Although the Israeli market is relatively small, it currently generates interest among franchising chains. Some explanations for Israel's attraction to global franchisors can be drawn from the arguments made by Gamet-Pol (1997); Kedia et al. (1995) and others.

Franchising, according to Gamet-Pol (1997: 178) is a vehicle for privatization and for economic development; therefore, Israel appeals to franchising chains. The level of computerization, technology and communications is considered high, as is the support given to industrial plants by the government through a system of economic incentives. Government has lowered the political and economic barriers critical to entry, with economic policy being pro-trade agreements and financial liberalization. Fladmoe-Lindquist (1996) examines tendencies toward franchising in countries displaying cultural complexity. Israel's culture, with its heterogeneous population consisting of immigrants from many countries, as well as ethnic minorities, transcends geographical boundaries. Although geographically located in the Middle East, Israel is identified culturally with the West (by the UN as well). Thus, culturally, demographically and economically, the country is receptive to franchising. The rapid growth of the mall phenomenon, the preferred location for franchising chains, reflects these trends.

In addition, since 1993–4, the fast-food phenomenon in Israel has been influenced by macro level trends in Israeli society, such as a rise in the standard of living, an increase in the number of working women, and the opening of the market to competition. The signing of the Oslo accords too, symbolizing the budding prospects of peace in the Middle East, contributed to these trends, during the few years before they broke down. Development accelerated with the entrance of McDonald's into Israel. A survey showed a clear preference for hamburgers compared with other fast foods: by 1997, between 55% and 65% of the population frequently indulged in fast food (Business Data Information [BDI], 1997). Furthermore, the slowdown in the restaurant business (due to economic and political uncertainty) has a minimal impact on the target market.

Methodology: Sources of Data

Franchising in Israel has been the focus mainly of business and social interest, but not of academic attention. Since the phenomenon of franchising in Israel is still emerging, difficulties continue with respect to the collection of data: in Israel there is no public or privately organized and up-to-date data base; and there are no lists detailing the number of franchisees and outlets in various sectors in Israel, or the dates of entry and exit from franchising. There are no scientific publications (except for a limited number of financial surveys) that focus on franchising organizations in Israel. There are no active franchising associations, or professional journalism or conferences focusing on franchising. The difficulty in investigating franchising in Israel explains why the current research is exploratory.

The exploratory research refers to three franchising chains: Burger Ranch, a domestic fast-food/hamburger chain, McDonald's and Burger King, two international chains. The unit of analysis is the franchise chain. We examined background data of the three chains' history in Israel; the entry of foreign chains into Israel; and processes such as selection of franchisees, negotiation of the franchise agreement, structure, location and performance (mainly the number of outlets and revenues).

The analysis is based on data gathered from several sources: the description of the franchises in Israel is based mostly on information gathered in in-depth face-to-face interviews with a large array of stakeholders in franchising, such as local franchisors, franchisees, chief executives, region managers, supervisors and representatives of the Israel American Chamber of Commerce and Industry (IACCI). The face-to-face interviews were conducted by the first author in a semi-structured format during 1999–2000.

Other sources of data were economic surveys carried out by Dun and Bradstreet (D & B), BDI, and articles and reports published in the Israeli press and international journals.

Fast-Food/Hamburger Chains in Israel: Description

At the time of writing, three hamburger chains operate in Israel. The leader is Burger Ranch, a domestic chain with 82 outlets. It is followed by two international chains – McDonald's Israel with 80 outlets, and Burger King Israel with 52 outlets. The fourth chain – McDavid Israel ceased activity during the progress of the present research.

The domestic chain has been in the restaurant business since 1972, but started operating as a franchise in 1983 (IACCI, 1997). Most of its branches are jointly owned by the franchisors/partners and the franchisees; some (20) are wholly owned by the company, and several (20) operate under the sole ownership of the franchisee. Franchisees of Burger Ranch operate under 10-year contracts.

McDonald's, the largest hamburger chain in the USA, entered Israel in 1993. It operates with a single national master franchisee/area developer under a 20-year contract, with no sub-franchisees: branch managers are employees and premises are rented.

Burger King, the second largest hamburger chain in the USA, entered Israel in 1994. Similarly to McDonald's, the chain operates with an exclusive national master franchisee/area developer (MF/AD) and no sub-franchisees. However, the master franchisee is actually a company with several partners, some of whom have changed since the chain started operations in Israel. In contrast to McDonald's, the duration of the contract with the master franchisee in Burger King is five years, with an extension option.

Outlet location shows a uniform trend. Burger Ranch has the largest number of outlets in each of the six regions in Israel, except for the northern region, in which McDonald's is the leader. Burger Ranch has achieved a gradual growth in strategic locations such as entertainment centres and shopping malls, and penetration into new, unique and attractive market segments. These include military installations (by means of a mobile unit operating since July 1999), gas stations at major highway intersections (18 branches), Ranch Drives, and home delivery. However, the outlets opened in Romania and Hungary, and the merger with Dunkin' Doughnuts, failed.

Burger Ranch benefits from its familiarity with the local market, and the social and political environment, as well as from the fact that no geographical–cultural distance exists between franchisor and franchisee and the customers. Franchising relations are defined by a uniform contract, but are based on direct communication between franchisor and franchisee. The chain tends to recruit franchisees from within the pool of its employees and managers.

World McDonald's chose their Israeli master franchisee very carefully. McDonald's Israel has the highest annual rate of new outlets opening among the three chains. Holding a master franchise of a highly reputed chain opens broad opportunities. The master franchisee can open outlets in strategic locations: shopping malls, major intersections, universities and home delivery. The Israeli master franchisee adopts the franchisor's strategy in outlets' operational management. Its exercise of control follows McDonald's policy according to Ritzer's (1996, 1998) McDonaldization terminology.

Like McDonald's, Burger King provides the Israeli master franchisee with a strong international trademark, research and development resources, and a strong operational base. It allows the franchisee to adapt to the local market (menu and advertising) and to employ a strategy of segregation; although kashrut requirements are maintained,[9] only 26% of the outlets remain closed on the Sabbath, in comparison with McDonald's which closes only 6% of the outlets on the Sabbath. Burger King focuses on the young adults niche (15–29 years old), in common with the global chain. The master franchisee's flexibility derives from the fact that the global franchisor permits affiliations with other franchisors. Burger King growth has been accompanied by geographic spread to strategic locations, such as shopping centres and malls, drive-in cafeterias and home delivery.

During the period of the research, McDonald's Israel ranked first in revenues, with sales volume of approximately US$48m in 1998. Burger Ranch followed with $43m, while Burger King, was third with $30m. All three chains try to save on wage expenditures by employing adolescents in part-time, generally 'low wages' jobs, as is common in franchise chains in other countries (Michael, 1996: 64, 66; Felstead, 1993: 61). McDonald's achieved the greatest savings in this area, when measuring the number of outlets against the number of employees. McDonald's employs an average of 40 people per outlet; Burger Ranch approximately 50 people in each outlet; and Burger King about 60 (BDI, 1997).

The distribution of market shares according to number of outlets (in September 2000) is as follows: Burger Ranch – 39% of market volume; McDonald's Israel – 38%; Burger King Israel – 23%. The declared objective of Burger Ranch was to maintain the lead and to reach 90 outlets by 2000 and that of McDonald's Israel was to reach 75 outlets. Burger King Israel has grown from 29 outlets operating in 1997 to 52 outlets in 2000. The declared objective of Burger King is to reach 80 outlets by 2003.

Franchising relationships in McDonald's and Burger King in Israel are based on the accepted relations between global franchisor and master franchisee (MF/AD) and reflect the managing of a mini chain (Bradach, 1995). Growth in terms of number of outlets serves as a mechanism for control over the franchisee, and emphasizes that the master franchisee adheres to the terms of the contract, and meets the stipulated criteria (Figure 1).

Control and Autonomy in the Fast-Food Case

The domestic chain, Burger Ranch, has integrated control and autonomy by centralizing control at the macro level yet permitting autonomy at the local outlet level. The chain's managerial and distribution system is centralized. Central management provides services and training, imposes control and standardization, sets uniform quality and service standards and decides on managerial strategies. However, every outlet partner/franchisee is allowed to initiate activities at the outlet level concerning adaptation to local customers' tastes and outlet design (e.g. Olsy Perry, an Israeli basketball player, decided to design his outlet in the style of a basketball court, a decision later approved by the head office). A

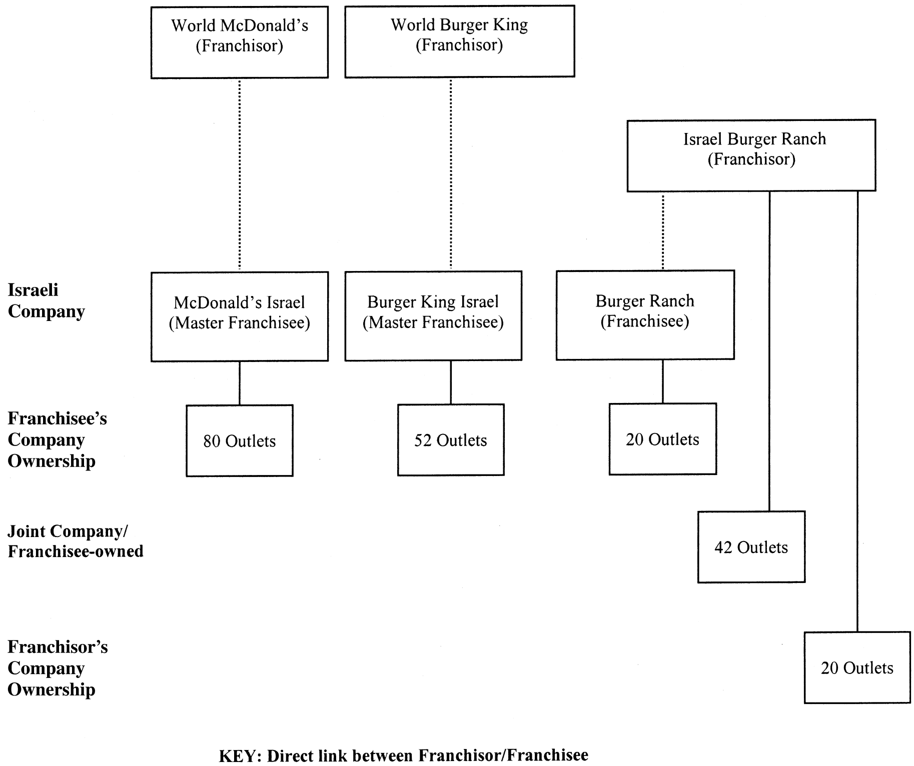

Figure 1. Structure and Size of The Three Franchising Chains in Israel

relatively long-term (10-year) contract balances central control and stabilizes it. Centralized control was designed to monitor the numerous outlets so as to protect the chain's reputation. The flexibility and operational autonomy granted to the franchisees strengthened their motivation to run their outlets thus contributing to collaboration between franchisor and franchisees. However, exposure to the global competition and changes in the franchisor's ownership structure (particularly the withdrawal of the senior franchisor and the entry of new partners) have apparently impacted on the present mix of control and autonomy. An influx of financial resources by a new partner enabled acceleration of chain growth as a response to global competition. But when a chain is large it is difficult to preserve informal relations and communications. As a means of preventing opportunistic behaviour on the part of the franchisee, control is strengthened and autonomy is constrained. The change includes the implementation of McDonaldization in the selection of new franchisees and controlling them, limiting of operational autonomy to peripheral elements. This creates a dilemma: does formal control decrease the chain's ability to find innovative responses to global competitors that innovate? (Dant and Gundlach, 1999; Dant and Nasr, 1998). The current problem facing Burger Ranch is how to balance between the need to compete with the large international chains, and the desire to maintain informal relationships within the chain.

One senior partner at Burger Ranch made the following comment after his departure from the chain: 'If they don't practice McDonaldization, McDonald's will take over Burger Ranch.' Alternatively, the other senior partner, who has been the chain's CEO since it was established, remarked in an interview that: 'Burger Ranch is a learning organization, that responds to changes in the environment' (interview 1 September 2000). Yet at the same time it invests in training and development of organizational culture, in order to maintain the personal relationships within the chain (interview, September 2000).

Contrary to Burger Ranch, the integration between autonomy and control in the two 'international chains' is achieved differently. In McDonald's Israel, such integration is achieved by granting autonomy to the master franchisee at the level of local adaptation, and applying McDonaldization in outlets' operational management. The franchising concept is simple in terms of product and daily operations: control is tight. Nevertheless, when planning outlet location and market strategy, the master franchisee is an active partner. Product and technology innovation have proceeded according to McDonald's' accepted rules, not because the franchisee circumvented the franchisor (Stanworth et al., 1996). The three-year experimental period given to the Israeli master franchisee included trials of new products (e.g. the new McRoyal, a unique Israeli version of the classic hamburger), as well as acquisition of new technologies and equipment, and employees training in changed production methods. Following its controlled introduction (by the global chain) the successful experiment, the McRoyal, became part of the Israeli standard menu. Opening of both kosher and non-kosher outlets and the introduction of a new product represent franchisee entrepreneurial efforts to gain the approval of the Israeli customer.

What is the impact of the contract on control and autonomy in franchising? Master franchisee agreements, especially international ones, are written and negotiated very differently than domestic unit agreements, which typically allow far less flexibility. The control is anchored in the contract (Lafontaine and Raynaud, 2002). An exclusive McDonald's-style control system enables effective monitoring at low cost. The control rationale is anchored in the principle of economies of scale. Standardization, which minimizes costs, permits a large chain with a strong trademark to exercise control more easily (Kaufmann and Eroglu, 1999; Shane, 1996c; Stanworth et al., 1996). In McDonald's Israel the flexibility is based on a relationship of trust. In the interview the Israeli master franchisee emphasized that the relationship is based on 'the highest level of trust and not on the formal contract'. Therefore, control can be eased and strategic flexibility and autonomy may then be granted to the franchisee even at the level of product and technology innovation. It would appear that standardization blocks innovation. Actually, McDonald's Israel, a chain that strongly implements McDonaldization, grants more autonomy in comparison to the two other chains. In effect, the addition of a new item to the menu throughout the chain actually occurred because of standardization even though these actions of the master franchisee are perceived as manifestations of local adaptation (Hopkins, 1996). In contrast, according to the accepted definitions of McDonaldization (Ritzer, 1996; Stanworth et al., 1996), these actions are treated as entrepreneurial innovations.

Burger King Israel, the second international chain, like McDonald's Israel, grants a wide range of autonomy to the master franchisee in the area of products and advertising. In contrast to McDonald's, the chain's complex franchise concept and the non-exclusivity regarding collaboration with other chains, as well as the number of partners included in the master franchisee entity, all obstruct centralized control. The franchisee possesses de facto autonomy due to limited human capacity to monitor and exercise control on the operational level and because franchisor management recognizes that certain activities demand decentralization (Dant and Gundlach, 1999). From this perspective, the Burger King short-term five years contract is in fact a franchisee control measure, acting as a brake against transgressive franchisee behaviour, whereas at McDonald's, a long-term contract balances out strong control.

We suggest perceiving control and autonomy as dialectically coexisting rather than conceiving them as dichotomous concepts in the franchisor–franchisee relationship. Examination of the case of the three chains of fast food in Israel illustrates this argument. The types of outlets in the Burger Ranch chain reflect the complexity of the ownership structure. As already noted, outlets can be owned by the franchisor, by the franchisee or jointly by both. An outlet manager can also be a partner to others in ownership. The growth in the number of the various types of outlets and changes in the outlet ownership structure are dynamic to the extent that depicting the current situation does not reflect the Burger Ranch reality. The changes in the chain ownership structure are influenced by the need to recruit resources needed for maintaining the market segment and enlarging it, and they affect the dynamics of control and autonomy relationships between franchisor and franchisee. They also influence changes in the outlet ownership structure.

Control of the Burger King ownership structure is influenced not only by environmental context (competitors), but by the franchisee entity structure and this impacts the dynamics of control and autonomy in franchising relationships. As Stanworth (1993) notes 'the relationship between franchisor and franchisee will continue to evolve and adapt to changing circumstances' (p. 23).

Discussion

Within the confines of this research, we examined how the three chains apply control and autonomy. We originally were interested in focusing on the similarities and differences between domestic and global chains. However, an examination of the two global chains that penetrated the Israeli market almost at the same time suggests that the differentiation exhibited by the three chains is not necessarily along domestic–global lines. The case indicates that in some respects, the two global chains are more similar to each other (e.g. as master franchisees) than to the domestic chain. However, in other respects (e.g. size), the domestic and one of the two global chains show more similarities than differences. We tried to identify several aspects of franchising, such as the franchising concept, chain size, chain age and contract's range, which were more clearly related to the distribution of control and autonomy. Legislation/regulation and franchisee associations, important and relevant aspects as they are, were not included in this article, because they do not exist in Israel.[10]

Examination of the 'nature of the franchising concept' shows that none of the three chains holds to a simple franchising concept. Thus, for Burger Ranch, although the concept appears to be simple in that this is a domestic chain, it is complex regarding the variety of product/service. In McDonald's, the concept is complex in that it is an international chain with a local master franchisee; however, it is simple in matters of standardization of the product/service. The 'control system' is stronger in those areas that are simple in concept, as in matters of standardization of the product/service (based on activation of formal control in the outlet's daily operations). In the second international chain, Burger King, all three aspects of the concept are complex (variety of product/services; master franchisee; international franchising).

Focusing on the aspect of the 'chain's size', the findings indicate that in large chains, the franchisors grant autonomy to their franchisees, though in each chain it is exercised differently. Where the concept is complex, as in Burger King, the de facto autonomy of the master franchisee is broad in scope; however, in McDonald's, in which autonomy pertains to the strategic level (e.g. decisions about local adaptation of product and location of outlets), the de facto autonomy of the master franchisee is greater. In Burger Ranch, the domestic chain, the franchisee exercises autonomy in the outlet's adaptation to local taste. However, in other areas, even if the concept is simple, such as the strategic growth area (e.g. opening of a new outlet), the scope of autonomy is rather limited.

Comparison of the three chains shows that the parameters of size (large/small) and age (veteran/new) are not congruent. The domestic chain is the largest one; Burger King is the smallest one. The two international franchises are veteran franchisors, yet they have been operating in Israel only since 1993/4. The current data indicates trends of strengthening control of daily operations in the three chains.

Is there a link between the time range of the franchising contract and the balance between control and autonomy? Expectations associated with a long-term contract (such as the 20-year contract for each of the outlets at McDonald's) may contribute to the creation of a balance between high level of control and the strengthening of the autonomy accorded to a master franchisee at the strategic level. On the other hand, expectations of short-term contracts (such as the 5-year contract at Burger King) impose stronger franchisor's control than might be anticipated from looser ongoing control and wide autonomy. When compared with McDonald's master franchisee, the 10-year contract customary at the domestic chain, Burger Ranch, provides a balance between centralized control and autonomy at the outlet level. However, running such a large number of branches pushes the local chain to strengthen control and reduce franchisee autonomy regarding peripheral elements (Kaufmann and Eroglu, 1999). These assumptions, as well as the question of whether this type of reaction to the threat of competition by foreign chains is relevant to other types of chains, warrant further examination.

The model presented here is a product of the theoretical analysis and the exploratory research. We suggest a conceptual model, focusing mainly on aspects of control and autonomy in the franchisor–franchisee relationship. The model can be conceptualized dynamically, as an evolving set of parameters relating to control and autonomy. These parameters include the nature of the franchising concept, chain size, chain age, and contract range. The environmental context, whether international or domestic, impacts on the nature of these relationships (Figure 2).

The model suggests the following four aspects of franchising relationships that relate to control and autonomy:

(1) The franchising concept which may be simple or complex in particular aspects: domestic or international franchising; one or multi units; number of franchising outlets the franchisor grants to the franchisee; number and variety of products and services sold delivered in the franchising outlet.
(2) Chain size: the total number of franchising outlets whether owned by a franchisor or franchisee.
(3) Chain age: the number of years that a firm exists as a franchise; for example, in local units, the age of the chain is determined by the date it was established; global units, age is determined by the date the chain entered Israel as a host country.

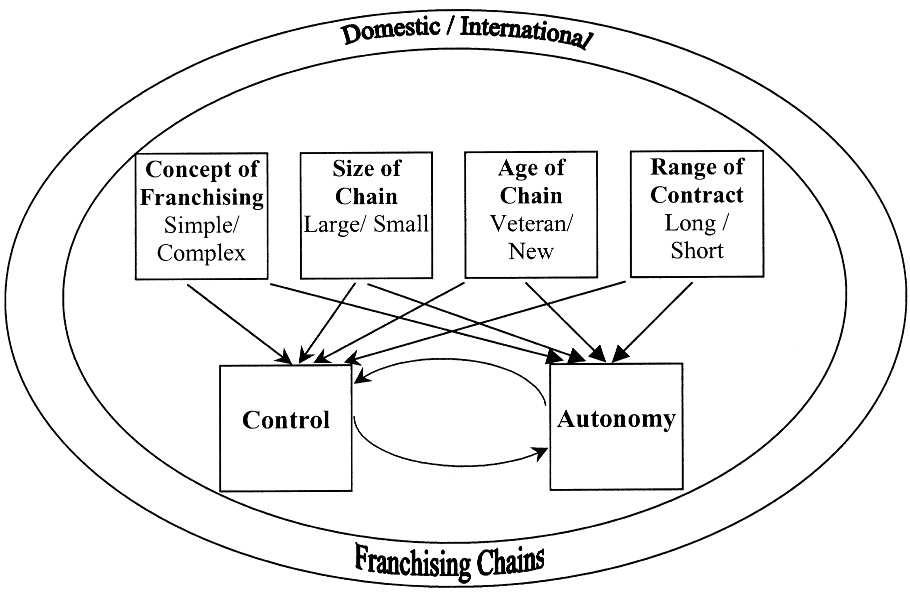

Figure 2. A Conceptual Model of Control and Autonomy in the Franchisor–Franchisee Relationship

(4) Contract range: the short- or long-run duration of the contract between the franchisor and the franchisee.

The model proposes to examine the linkages between these four variables and control and autonomy. The examination of control will relate to activation of formal control mechanisms, such as branch inspection (field visiting) and quality control. The examination of autonomy will relate to franchisee decision-making about local adaptation of the product/ service, design of the branch, advertising, and so forth.

As mentioned before, the control–autonomy model suggested in this article derives primarily from agency theory and the franchising literature. Agency theory and its implications for understanding franchising relations have been widely discussed in the literature. In contrast, applications of exchange theory have been limited mainly to the franchising contract (Dant, 1996), although its principles are applicable to other aspects of the franchise relationship. Exchange transactions characterized many events in the franchise relationship (for example the dynamic changes in degrees of dependence that may lead to conflict or mutual dependence stemming from a change in the relative resources of franchisee and franchisor). Exchange theory enables one to examine the complexity of relationships between franchisor and an area developer franchisee who operates a mini chain, or between the franchisor and the master franchisee who is, in fact, a sub-franchisor who recruits sub-franchisees. Viewing agency theory and exchange theory as complementary theories emphasizes the dynamic and formal aspects, while conceiving of franchise relations as operating like the pendulum swinging principle between control and autonomy. The impact of the fluctuations in the resource balance and the dual brakes system on franchisor–franchisee relations, as well as the impact of the contract range and so forth, all contribute to explaining the differential distribution of control and autonomy within each chain.

Theoretical Implications

Various authors recommend combining agency theory with additional theories (see for example Castrogiovanni and Justis, 2000; Dant and Nasr, 1998; Falbe and Welsh, 1998; Shane and Spell, 1997). Stanworth and Curran (1999) recommend combining the transaction cost and agency theories. Agency theory is frequently used in franchising research, whereas studies of the implications of transaction cost theory on franchising are limited (e.g. Fladmoe-Lindquist and Jacque, 1995; Zaheer and Venkataraman, 1995). The recommended combination of two static economic theories, agency theory and transaction cost theory, focuses on mode of entry and preoccupation with control over franchisee opportunism (Perrow, 1986; Bromiley and Cummings, 1995; Ghoshal and Moran, 1996).

The theoretical contribution of this article is the joining of agency theory with exchange theory as two complementary perspectives relating to economic and social aspects, that when combined enable us to present variations of control and autonomy in franchising relationships, by focusing on both formal and dynamic aspects. The examination of the case suggests that control and autonomy are multidimensional concepts. Contrary to authors who emphasize the paradox between control and autonomy in Felstead's terms (1991), the franchise as a 'controlled self employee' (see also Birkeland, 1995; Davidson, 1994), the present case implies that there is no inherent paradox in franchising trends. Rather, control and autonomy often complement each other. Conceptualizing control and autonomy as multidimensional concepts enables a focus on the integration of control and autonomy. The case of the three fast-food/hamburger chains in Israel demonstrates the range of possibilities for a judicious balance between control and autonomy.

Future Research

This article suggests a conceptual model of the franchisor–franchisee relationship that can generate propositions to be tested in future studies regarding control and autonomy in franchising relationships.

Although geographical and cultural distance has an effect on franchising relationships, comparative studies of variables discussed here as franchising concept, chain age and size, contract range are scarce. Thus, it is recommended to conduct horizontal cross-cultural research by comparing franchise relations in fast-food/hamburger sector in several countries.

Further research should demonstrate the relative intensity of the impacts of the variables that appear in our conceptual model on control and autonomy and/or whether any major differences emerge between domestic and international contexts. Further research is also needed to identify possible interactions among the variables included in the suggested model, their directions (positive or negative), as well as the presence of any intervening or other types of variables.

Though the current article has not examined the impact of control and autonomy on growth, further research is needed to examine whether they strengthen or diminish growth trends (that is, to examine the influence of control and/or autonomy on size of chain). Future research using alternative analyses (e.g. quantitative methods) may examine influences of control and autonomy on franchisee performance. In addition, we suggest examining whether different stages in the franchising life cycle are differently influenced by control and autonomy.

Another direction is to expand the research to additional franchise sectors, such as hotels, car rental, clothing, restaurants, and so forth.

Implications for Practitioners

The case offers information about the unique conditions (circumstances) in Israel, which might be important to potential franchisors that are considering entering franchising in Israel. It also illustrates possible ways of combining between control and autonomy in relationships between a global franchisor and a domestic franchisee.

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Notes

1. According to Castrogiovanni and Justis (1998: 170), the salient feature of franchising is the simultaneous existence of three characteristics: (a) geographic dispersion of the sales units; (b) product replication; and (c) joint ownership by the franchisor–franchisee.
2. We refer to Business Format Franchising (BFF) which 'comprises four basic concepts: 1. product/service deliverable 2. benefit communicator 3. system identifiers 4. format facilitator' (Kaufmann and Eroglu, 1999: 70).
3. By contrast, research shows that franchising in the USA is not increasing at the dizzying rate the commercial press would have us believe (Lafontaine and Show, 1998). Studies indicate that franchises exhibit a higher rate of firm discontinuance than independent business (Bates, 1995, 1998; Falbe and Welsh, 1998; Stanworth, 1996; Stanworth et al., 1997).
4. Shane (1996b) and Fladmoe-Lindquist (1996) anchored the propensity to franchise in agency theory; yet, Fladmoe-Lindquist and Jacque (1995: 1240) indicate that transaction cost analysis would suggest that when organizational uncertainty is high (due to lack of experience), the firm may find it easier to prefer corporate ownership to a franchise agreement.
5. The debate on the definition of franchise structure focuses on the question of whether franchising is an intermediate form between markets and hierarchies or a distinctive form. Is it a hybrid arrangement (Shane, 1996a), a quasi firm (Leblebici and Shalley, 1996), a federative arrangement (Bradach, 1995), or a network (Stanworth and Curran, 1999). Powell (1990: 296) argues that markets, hierarchies and networks are three modes of organization, three distinctive forms with their own logic and procedure, 'one is not a continuation of the other' (Ghoshal and Moran, 1996); 'a franchise system forms a network organization wherein system members are interlinked' (Hoffman and Preble, 1993: 39).
6. The three types of master franchise agreements are: (1) Area development agreements – the franchisor grants to the franchisee the right to set up multiple franchise businesses, yet the franchisee does not have the right to sub-license, and usually it receives a schedule providing dates by which the outlet must be set up (Gamet-Pol, 1997). A developer manages a mini-chain of stores that often resemble a small local company owned chain (Kaufmann and Kim, 1996). (2) Master franchise agreements – the franchisor grants to a trader known as the sub-franchisor or master franchisee the right to develop franchised business in a given area, and to grant to other parties, known as franchisees, the right to operate the franchised outlets as sub-franchisees. The franchisee acts as a franchisee in its relations with the franchisor, and as a franchisor in its relations with the other parties licensed to establish franchised outlets (Gamet-Pol, 1997). (3) Joint venture franchising – the franchisor enters into JV agreements with a foreign firm within the country where the franchisor wants to develop the network (Gamet-Pol, 1997: 8). The first type of multi-unit agreement is applied in the case of the two international chains in Israel.
7. McDonaldization – A sophisticated operationing system that allows McDonald's to control quality, cost and service at the outlet level. Centralization and standardization

are the cornerstone of this type of franchising: the franchisor exerts control over key operationalizing at the franchise site.

8. Dickey's (2002) survey on the effect of electronic communication (i.e. the formation of a virtual community among franchisees) on franchisee compliance suggests an opposite effect: the expectations are that lateral communications channels will increase information sharing among franchisees, and will allow the franchisor to monitor franchisee-to-franchisee communication. The survey results indicate that communication among franchisees increased and franchisee compliance decreased.
9. Kashrut – to be declared kosher (ritually pure according to Jewish dietary law) outlets have to ensure strict separation between milk and meat products, which means that a cheeseburger is non-kosher, even though the meat itself is kosher in all outlets in Israel. An additional requirement is closure of the outlets on the Sabbath (Saturday).
10. Devising an appropriate form of regulation to protect the franchisor–franchisee relationship in a manner that does not curtail the entrepreneurial nature of franchising or threaten its development is a difficult and important task. Most countries have not included specific franchise regulation and the most common form of regulation throughout the world is voluntary self-regulation under which franchise associations, both national and international (often motivated by a desire to avoid political interference), have adopted codes of ethics to regulate the conduct of their members (Terry, 2002). However, in China, franchising, being a new form of doing business, poses interesting legal issues that business must consider. The franchisor needs to ensure that its various intellectual property rights are properly protected under Chinese law. The franchisor also needs to comply with the requirements of Chinese labour law, land use regulation and tax law. These would apply regardless of the governing law of franchising agreement (Han, 2001).

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Examen du contrôle et de l'autonomie dans les rapports entre le franchiseur–et le franchisé – Inbar Pizanti

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Cet article examine les rapports entre le franchiseur – et le franchisé de deux perspectives théoriques – la théorie des agences et la théorie des échanges. Prenant le cas de l'industrie de la restauration rapide en Israël, les recherches portent surtout sur le contrôle et l'autonomie dans une chaîne de fast-foods nationale – Burger Ranch – et deux chaînes internationales – McDonald's et Burger King. Les résultats ont conduit à la conception d'un modèle qui illustre plusieurs aspects, tels que le concept du franchisage, la taille, l'âge de la chaîne, et la portée du contrat, qui se rapportent au contrôle et à l'autonomie. La combinaison de la théorie des agences et de la théorie des échanges permet de se concentrer sur le contrôle et l'autonomie en tant que concepts multidimensionnels, et de présenter diverses possibilités pour les équilibrer de façon judicieuse. Le cas indique que, à certains égards (par ex. le franchisé maître), les deux chaînes globales se ressemblent plus qu'elles ne ressemblent à la chaîne nationale. Toutefois, à d'autres égards (par ex. la taille, le taux de croissance), la chaîne nationale et l'une des deux chaînes globales présentent plus de similarités que de différences. Les résultats indiquent des formes différentes d'intégration du contrôle et de l'autonomie dans les trois chaînes.

Mots clés: théorie des agences; autonomie; contrôle; théorie des échanges; restauration rapide; franchisage

Examen del control y autonomía en las relaciones entre franquiciador y franquiciado – Inbar Pizanti

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Este artículo examina las relaciones entre franquiciador y franquiciado con dos perspectivas teóricas: teoría de agencia y teoría de intercambio. En el caso de la industria de alimentos preparados, la investigación se centra en el control y la autonomía en una cadena nacional de hamburgueserías, Burger Ranch, y en dos cadenas internacionales, McDonald's y Burger King. Basándose en los resultados del estudio se diseño un modelo que ilustra varios aspectos, como, por ejemplo, el concepto de concesión de franquicia, el tamaño y edad de la cadena, y el alcance del contrato, en relación con el control y la autonomía. La combinación de las teorías de agencia y de intercambio permite un enfoque del control y la autonomía como conceptos multidimensionales, y de ofrecer varias posibilidades para equilibrarlos. El caso indica que en algunos aspectos (por ejemplo, franquiciado principal) las dos cadenas mundiales tienen más elementos en común que con la cadena nacional. No obstante, en otros aspectos (por ejemplo, tamaño, tasa de crecimiento), la cadena nacional y una de las cadenas mundiales tenían más semejanzas que diferencias. Los resultados indican formas diferentes de integrar el control y la autonomía en las tres cadenas.

Palabras claves: Alimentos preparados, autonomía. concesión de franquicia, control, teoría de agencia, teoría de intercambio

Untersuchung von Kontrolle und Eigenständigkeit in der Franchisegeber-/Franchisenehmer-Beziehung – Inbar Pizanti

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Dieser Artikel untersucht die Franchisegeber-/Franchisenehmer-Beziehung aus zwei theoretischen Perspektiven – der Theorie der Vertretung und der Theorie des Austauschs. Wenn wir den Fall der Schnellimbiss-Industrie in Israel nehmen, konzentriert sich die Untersuchung auf Kontrolle und Eigenständigkeit in einer inländischen Hamburgerkette – Burger Ranch – und zwei internationalen Ketten – McDonald's und Burger King. Die Ergebnisse führten zur Erstellung eines Modells, das verschiedene Aspekte veranschaulicht, wie z. B. Franchisebegriff, Größe und Alter der Kette und den Vertragsumfang, die sich auf Kontrolle und Eigenständigkeit beziehen. Die Kombination aus der Theorie der Vertretung und der des Austauschs versetzt uns in die Lage, uns auf Kontrolle und Eigenständigkeit als mehrdimensionale Begriffe zu konzentrieren und verschiedene Möglichkeiten vorzustellen, um umsichtig ein Gleichgewicht zwischen ihnen herzustellen. Der vorliegende Fall, zeigt, dass sich die beiden weltweiten Ketten in mancher Hinsicht (z. B. im Hinblick auf den Haupt-Franchisenehmer) mehr ähneln als der Inlandskette. In anderer Hinsicht wieder (z. B. Größte, Wachstumsrate) zeigen die Inlandskette und eine der beiden weltweiten Ketten mehr Ähnlichkeiten als Unterschiede. Die Ergebnisse zeigen verschiedene Formen der Integration von Kontrolle und Eigenständigkeit in den drei Ketten.

Schlagwörter: Theorie der Vertretung, Eigenständigkeit, Kontrolle, Theorie des Austauschs, Schnellimbiss, Franchise