



## Selecting franchise partners: Tourism franchisee approaches, processes and criteria

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### H I G H L I G H T S

- ▶ This paper responds to calls for research on tourism franchisee partner selection.
- ▶ A qualitative study of a sample of Turkish franchisees identifies two distinct approaches used to select partners.
- ▶ It identifies processes and criteria used by franchisees to select their franchisor partners.
- ▶ It reveals how the processes and the selection criteria employed differ in each approach.
- ▶ A framework of franchisee partner selection is developed and the implications of the study for franchisees identified.

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### A B S T R A C T

This paper identifies and evaluates the partner selection approaches, processes and criteria use by tourism franchisees to select their franchisor partners. A qualitative study of a sample of Turkish franchisees identifies the partner selection criteria and two distinct approaches used to select franchisor partners. The study contributes to our understanding of franchisee partner selection by demonstrating how the selection criteria, approaches and processes impact on franchisee satisfaction post contract signature. In addition, a framework that depicts the relationship between the criteria, approaches and processes is developed from the study. The study yields a number of implications particularly for prospective franchisees interested in joining a franchise network.

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## 1. Introduction

The high cost and risk of starting up new businesses and penetrating new markets is a major force that drives firms to work in partnership (Guilloux, Gauzente, Kalika, & Dubost, 2004; Tuunanen & Hyrsky, 2001). One type of partnership that has been growing in popularity in the tourism industry is business format franchising (Brookes & Roper, 2012; Cho, 2004; Mason & Duquette, 2008; Rodriguez, 2002). This popularity can be explained through the contribution of franchising to national economies in developed and emergent markets (Dant, Grunhagen, & Windspurger, 2011; European Franchise Federation (EFF), 2011; Wright & McAuley, 2011); through the transfer of knowledge and innovation from one tourism destination to another (Hjalager, 2007); through the contribution to local tourism development and the regeneration of

local communities by stimulating entrepreneurship and innovation (Mason & Duquette, 2008); and by enabling tourists to travel to different tourism destinations without having to change their consumption behaviours (Scarpato & Daniele, 2003).

In business format franchising, there are also complementary benefits that accrue to both franchisees and franchisors. Franchisees gain access to a proven brand concept and business system, and franchisors gain access to the franchisees' local market knowledge (Brookes & Altınay, 2011). However, these benefits can also be the cause of tension between franchisors who want to maintain brand uniformity and franchisees who want the autonomy to respond to local market demands (Weavin & Frazer, 2007). These tensions are compounded and exacerbated in geographically dispersed and differentiated markets (Cox & Mason, 2007). One of the most efficient and effective ways of reducing these tensions between franchisors and franchisees is to select the right partner (Brookes & Altınay, 2011; Doherty, 2009; Huang, 2006). More specifically, selecting the right partners can help to insure against the risk of franchisees' opportunistic behaviour and the potential damage this can cause to brand uniformity and image (Fladmoe-

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Lindquist, 2000). For franchisees, partner selection is also important to mitigate investment risks and ensure franchisors deliver the support promised (Clarkin & Rosa, 2005).

Despite the importance of partner selection, it remains a relatively unexplored area, particularly within international franchise contexts (Doherty, 2009). Previous empirical studies have identified different approaches to partner selection and the relevance of the processes and criteria used (Altinay, 2006; Doherty, 2009; Guilloux et al., 2004). However, they have tended to examine partner selection from the franchisor's viewpoint. Given that franchisees also incur risks when entering into franchise partnerships (Dada, Watson, & Kirby, 2010; Guilloux et al., 2004), the value of partner selection research from the perspective of the franchisee has been recognised (Cho, 2004; Doherty, 2009). This paper therefore aims to identify the approaches, processes and criteria employed by tourism franchisees when entering into a franchise partnership. Answering calls for franchise research outside of a North American context (Dant, 2008), it evaluates the inter-relationship of these three elements of partner selection in a sample of franchisees in Turkey, a country which has witnessed substantial growth in franchising (EFF, 2011).

This paper begins by examining the extant franchise literature in order to identify the factors that influence franchise partner selection. The qualitative design of the research is then explained before the findings are presented. The study identifies the partner selection criteria employed and two different approaches to partner selection and the decision-making processes. As such, it makes two contributions to the literature. Firstly, the paper remedies an important research gap by providing empirical evidence on how the selection criteria and the approach used impacts on tourism franchisee satisfaction in the post-partnership stage. Secondly, the paper develops a framework of franchisee partner selection that depicts the relationship between the approach, the process, and the criteria used by tourism franchisees. The paper concludes by highlighting these key contributions and discussing the implications of the study for tourism franchisees, franchisors and franchise associations, and for future research.

## 2. Partner selection in franchise agreements

Although limited in number and scope, previous franchise studies have identified the importance and use of wide-ranging criteria in franchise partner selection. Early studies tended to examine selection from the perspective of the franchisor. For example, in their US multi-sector study, Jambulingan and Nevin (1999) found that using appropriate selection criteria can improve the efficiency of the contractual relationship. Although the researchers identified that financial capability, experience, management skills, demographic characteristics and attitudes towards business were the criteria used by franchisors, they concluded that franchisee attitudes are more important than other more traditional criteria. In a subsequent study, Doherty and Alexander (2004) identified that UK retail franchisors assessed a number of criteria including international franchisees' financial stability as well as their attitudes and personal characteristics. The authors concluded that the 'right chemistry' (p. 1224) between partners was important, irrespective of the other criteria used. A similar conclusion was drawn by Clarkin and Swavelly (2006) in their multi-sector North American study. Using secondary data drawn from the World Franchising website, these researchers identified that while franchisors used financial criteria, attitude and personality were more important criteria in the franchisee selection process.

In contrast, other researchers identified a greater reliance of what Jambulingan and Nevin (1999) considered traditional criteria. Choo, Mazzarol, and Soutar (2007) study of US fast food franchises

in Singapore revealed franchisors used three key criteria: financial strength to launch and grow the brand, access to prime real estate and local knowledge to adapt the brand to suit the market. Similarly, Hsu and Chen (2008) concluded that financial and business ability were the most important selection criteria used by international retail franchisors in Taiwan.

While not explicitly identified as such by franchise researchers, these studies reveal the use of both task (or traditional) and partner-related criteria, a typology developed by Geringer (1991) to make sense of the wide range of criteria identified in strategic alliance and joint venture partner selection research. This typology was subsequently used by franchise researchers in order to understand selection criteria (Altinay, 2006; Brookes & Altinay, 2011; Doherty, 2009). Task-related criteria encompass the operational skills and resources a strategic alliance requires to be competitive (Tatoglu, 2000). In contrast, partner-related criteria comprise the variables which are specific to the character, culture and history of the partners (Glaister & Buckley, 1997) and as such, are concerned with the effectiveness of cooperation between them (Al-Khalifa & Peterson, 1999). Table 1 displays the differences between task and partner-related criteria.

Among the few franchise researchers who utilised Geringer's typology, Altinay (2006) observed the use of both task and partner-related criteria by hotel franchisors, identifying the use of partner-related criteria early in the selection process to determine whether potential franchisees had the background and ability to meet the required task-related criteria. Altinay (2006) also identified that local context, the selection process and criteria were all important when selecting franchisee partners.

Doherty (2009) also identified the relevance of the selection process and criteria in her study of UK retail franchisors. She contributed further to our understanding of partner selection through the identification of two distinct approaches to partner selection; strategic and opportunistic. In strategic approaches, the franchisor initiates the partner selection process which then follows a defined procedure whereby potential geographic markets are first identified, specific markets selected after a screening process, and finally franchisees are selected on the basis of defined criteria. Selection criteria used in this approach include financial stability, business know-how, local market knowledge, a shared understanding of the brand and strategic direction of the business, and chemistry between the franchisor and franchisee. In other words, a mix of task and partner-related criteria is used. In contrast, it is the franchisee who initiates the partner selection process in opportunistic approaches and as a result, partner decisions precede market decisions. Decisions are usually taken on an 'ad hoc' basis and the criteria used to evaluate partners relate predominantly to financial or task-related criteria.

**Table 1**  
Task and partner-related criteria.

Task related-criteria	Partner-related criteria
<ul style="list-style-type: none"> <li>• Financial resources/access to capital</li> <li>• Materials/natural resources</li> <li>• Technological resources</li> <li>• Knowledge of local market/culture</li> <li>• Distribution channels/links with major buyers</li> <li>• Product</li> <li>• Knowledge of production processes</li> <li>• Access to regulatory permits</li> <li>• Access to labour</li> </ul>	<ul style="list-style-type: none"> <li>• Past association</li> <li>• Partner status</li> <li>• Partner reputation</li> <li>• Trust between top management teams</li> <li>• Complementarity of:               <ul style="list-style-type: none"> <li>■ organisational or national culture</li> <li>■ resources</li> <li>■ marketing and distribution systems</li> <li>■ size and structure</li> </ul> </li> </ul>

Compiled from Al-Khalifa and Peterson (1999); Glaister and Buckley (1997); Tatoglu (2000).

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