

## Franchisors' Support Services and Their Consequences: Resource-Based View and Expectation-Confirmation Perspectives

Adams Adeiza\*, Bo-Young Moon\*\*, Marin Abdul Malek\*\*\*,  
Noor Azizi Ismail\*\*\*\*, Mohd Amy Azhar Mohd Harif\*\*\*\*\*

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### Abstract

**Purpose** - This study explores the influence of franchisors' supports on franchisees financial performance, overall satisfaction and intention to remain.

**Research design, data, and methodology** – Given the exploratory design of the investigation, purposive sampling technique was used to select twenty-six (26) franchisees as key informants for this study. In-depth face-to-face interviews were conducted leading to generation of rich qualitative data on the phenomenon of support services in the Nigeria franchise system.

**Results** - Results indicate that at both the initial and growing stages, training and management service supports have marked influence on franchisees business outcomes. However, findings revealed that at the initial stage, the impact of training is greatest but this impact subsequently declines as franchisees master the nuances of the business. Management services on the other hand maintains a constant relevance through all stages of franchisees business.

**Conclusions** - Three key conclusions were drawn from the findings of this study. First, the quality of initial and ongoing supports have consequences for the long-term health of franchisees and franchisors' businesses. Second, poor management of franchisees' expectations and perception of supports could damage franchise partnerships. Third, franchisees form their expectation of supports largely from the nature of initial supports provided by the franchisors.

**Keywords:** Franchisors' Support Services, Outlet Performance, Overall Satisfaction, Intention to Remain.

**JEL Classifications:** D30, L80.

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### 1. Introduction

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 is growing rapidly across the

globe (Su, 2012). It has become a valuable organizational form for retailing and distribution of goods and services in many parts of the world (Nasri, 2014; Tsang & Finnegan, 2013). Although the term franchise conjures up the images of such iconic international brands as McDonalds, KFC, Hilton Hotels, Holidays Inn, The Marriot and Total Oil, franchising is not merely a restaurant or hotel phenomenon, nor is it an exclusive reserve of multinational American companies. It includes products, services, manufacturing, distribution and servicing. 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, 90% of all franchised firms in Australia are local businesses (Alharbi, 2014). Similarly, in Nigeria, roughly 95% of all those engaged in franchise business are local companies (Ndumanya & Quadri, 2014; Olotu & Awoseila, 2011). Obviously, franchising is not only a business expansion strategy (Lindblom &

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\* First Author, PhD Fellow, Othman Yeop Abdullah Graduate School of Business, Universiti Utara Malaysia, Malaysia.  
E-mail: successfuladams@yahoo.com

\*\* Corresponding Author, Assistant Professor, Department of Sports and Outdoors, Eulji University, Korea. Tel: +82-31-740-7256,  
E-mail: bymoon@eulji.ac.kr

\*\*\* Senior Lecturer, Othman Yeop Abdullah Graduate School of Business, Universiti Utara Malaysia, Malaysia.

\*\*\*\* Professor, Othman Yeop Abdullah Graduate School of Business, Universiti Utara Malaysia, Malaysia.

\*\*\*\*\* Associate Professor, College of Business, Universiti Utara Malaysia, Malaysia.

Tikkanen, 2010), but it is increasingly being used as an option for developing entrepreneurship and small and medium-sized enterprises (SMEs) (Mohd Harif et al., 2011).

Among the factors that hold franchise business model together and distinguish it from other entrepreneurial alliances, support services from the franchisors stand out as the most critical. It is believed that in a business format franchise arrangement, the franchisors' promise of support facilities is the main motivation for franchisees to join the franchise system in the first place (Lim & Frazer, 2004; Spinelli & Birley, 1998). Supports are essentially the provision of a collection of business facilities and infrastructures that enable a particular franchise business units to form, grow and achieve reasonable and sustainable level of performance. Depending on the terms of the contract, franchisors' support services may include assistance in site selection, assistance with employee recruitment, provision of initial and ongoing training, financing supports, management services, operations management services, marketing and promotional supports, and research and development supports (Abdullah, Rashidee Alwi, Lee, & Boo Ho, 2008; Frazer & Winzar, 2005; Hing, 1999; Lim & Frazer, 2004; Roh & Yoon, 2009; Tuunanen & Hyrisky, 2001).

Quality support structure is presumed to have the potential to help franchisees to succeed, reduce relationship conflicts (Doherty, 2009; Frazer, Weaven, Giddings, & Grace, 2012; Frazer & Winzar, 2005; Spinelli & Birley, 1998; Weaven, Frazer, & Giddings, 2010), and improve their overall satisfaction (Altinay, Brookes, Yeung, & Aktas, 2014; Chiou, Hsieh, & Yang, 2004).

Notwithstanding the observed importance of support facilities, it has been noted that at empirical level, there is a 'poorly understood relationship on how franchisors' inputs, resources and decisions lead to firm performance' (Gillis, 2007). Empirical research exploring the nature and impact of franchisors' support facilities on franchisees' long-term performance is scarce (Doherty, 2009). With the increasing rate of dysfunctional conflicts arising from franchisees' perception of inadequate supports (Davis, 2012; Frazer et al., 2012; Spinelli & Birley, 1998), more studies need to be done in different contexts in order to develop a reliable model linking franchisors' supports and franchise conflict management (Frazer et al., 2012; Vaux, 2014).

This study is part of the conversation geared towards understanding the place of franchisors supports in the sustainability of franchise business model. The key objective is to assess how well franchisees are supported and to what extent support facilities influence franchisees business performance. However, unlike other research efforts on the subject of franchisors support, this study apply two rarely used theories in franchising research – resource-based view and expectation confirmation – to explain the relevance of support services in the long-term health of franchise systems.

Meanwhile, given the need to "determine whether it is truly problematic that the current empirical studies {in

franchising} 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" (Nijmeijer, Fabbriotti, & Huijsman, 2014), this study was conducted to understand franchising practices in the continent of Africa using Nigeria as a case study. Empirical studies in African franchising is scarce and almost non-existent. 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. Moreover, as a result of 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, Ogban, & Oluleye, 2016; FASA, 2017). Therefore, 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.

Nigeria in particular is a country where franchising has been noted to be a potential market of over US\$100 billion (Export. gov, 2016). The country is a huge domestic market of over 170 million people. Young demographic and growing middle class with increasing purchasing power (Aderibigbe et al., 2016) are key features of this population. All these are features that could support franchising especially in food-service sector. Hence, the choice of the country as the context of this study.

The paper is organized into four sections. Section one is this introduction. Section two is literature review and theoretical framework. Section three discusses the methodology adopted for the conduct of the study. Section four presents the findings and the last two sections are discussion and conclusion.

## 2. Literature Review

### 2.1. Review of the Nigerian Franchise Industry

The Nigerian franchise industry started well and grew rapidly attracting the attention of both local and international investors (Aderibigbe et al., 2016; Agu, 2013). The country's franchise market was valued by the US Commercial Service to be around USD 25 billion (Export.gov, 2016). The country appears to have huge potential for becoming the next franchise hub on the continent of Africa (Ndumanya & Quadri, 2014). At present, the Nigerian franchise industry is estimated to have the capacity to generate an annual revenue of more than USD 100 billion (Export.gov, 2016). Because of the proven potential of the industry, the International Finance Corporation (a member of the World Bank) invested a whopping USD 28.5 million in Tantalizers and Food Concept PLC, two of the most prominent franchise brands in Nigeria, within the period of 2010 and

2011 (Agu, 2013). Given this early potentials, stakeholders' expectations were high that the business model could be instrumental in promoting and developing the SMEs-base of the country.

However, more than fifteen years since the introduction of the business format franchise model in Nigeria, progress towards realizing the industry's potential has been slow. Market condition has also undergone dramatic changes negatively in recent years as the performance of notable firms in the industry has leaves much to be desired. For instance, the financial records of Mr Bigg's – the largest and most notable franchise chain in Nigeria – show that the company has consistently under performed since the first quarter of 2013. By the last quarter of 2014, its sales decreased by 20% and there was a staggering 63% drop in profits (UAC, 2015). The company's strategic intervention through the divestment of 49% of its ownership to the South African-based Famous Brands in 2013 has not yielded any meaningful result. If anything, the situation seems to have worsened as its operating revenues has continued to drop, recording a further decrease (year-on-year) by 19% while profit also nosedived by 88% (from USD 189,500 to USD 21,500) in the first quarter of 2015 (UAC, 2015). What is more worrisome for the company and perhaps the cause of its poor performance is the rate at which its franchisees close their outlets. Records show that Mr. Bigg's outlets have shrunk significantly from nearly 300 at the beginning of 2012 to less than 150 currently (UAC, 2016). This equals to over 50% rate of outlets closure within only 4 years, thus describing extremely pessimistic future of the company.

Furthermore, the situation of Tantalizers – the second leading franchise firm in the country – seems to be more precarious. The once-highly valued chain which attracted IFC and many individual investors until 2011 has recorded losses in its financial outcomes for the last four consecutive years. Its past four years' losses were: NGN 303.3 million in 2012, NGN 564.8 million in 2013, NGN 784.2 million in 2014 and NGN 707 million in 2015, totaling NGN 2.36 billion (USD 118,032,786) (Nairametrics, 2015, 2016).

Meanwhile, it suffices to say that the problem of poor performance of franchise business outlets, and in particular, the rate of outlet's closure is not restricted to Nigeria alone. For example, a survey by Korean Small Business Institute in 2011 indicates that the average period that franchisees in Korea maintain their business relationship with their franchisors is a mere 3.9 years (Lee, Nor, Choi, Kim, Han, & Lee, 2016). What is instructive about this finding is that it clearly shows that franchisors in Korea are having a hard time getting their first-time franchisees to renew their licenses after expiration. This also implies that the resources that otherwise would have been committed to achieving the strategic objectives of the franchise chains now go into recruiting and training new franchisees (Lee et al., 2016), a condition that has the potential to severely affect the long-term sustainability of the business model.

## 2.2. The Theoretical Framework

The two frequently used theories in franchise research are agency and resource scarcity theories (Alon, Madanoglu, & Shoham, 2017). Moreover, in answering scholars (e.g., Combs, Ketchen, & Short 2011; Ketchen, Short, & Combs, 2011)'s calls to deepen the theoretical base of franchising research, this study attempts to use the Resource-Based View (RBV), otherwise called Resource-Based Theory (RBT), and the Expectation-Confirmation Theory to explain the influence of franchisors' support services on franchisees' business outcomes. RBV is a theoretical perspective that emphasizes the relevance of different types of resources in a firm's attempt to achieve a sustainable competitive advantage (Barney, 1991). It provides an explanatory framework for advantages accruable to a firm that has access to or controls a unique collection of locational, human, material and organizational resources (Rindova & Fombrun, 1999).

According to Barney (1991) (cited in Priem & Butler, 2001), there are two elemental assumptions that are central to the theoretical proposition of RBV. First, 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, there are two implicit prescriptions of RBV that are relevant to the present study. Inspired by Rugman and Verbeke (2002)'s argument, these prescriptions are as below:

- i. The main goal of a franchisee is to run outlet(s) that achieve an enduring – better than rival – performance (ROI).
- ii. The essential precondition for franchisee's outlet performance is the possession of a collection of resources and capabilities.

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, support services are important resources to franchisees (Doherty, Chen, & Alexander, 2014; Hnuczek, Ismail, & Haron, 2013; Roh & Yoon, 2009) and as predicted by RBV, a slack or inefficiency in the provision of supports will affect franchisees business performance.

On the other hand, the Expectation-Confirmation Theory is often used to explain clients'satisfaction, purchase behaviors and post purchase actions. The main idea of the theory is that consumers usually have a prior expectation before making a purchase and that they do a cognitive evaluation of how well the performance of the product or service meet their expectation (Jiang & Klein, 2009; Oliver, 1977).

Consumers are satisfied if the performance of the product meets or exceeds their expectation, but if on the other hand the performance falls short of expectation, they are likely to be dissatisfied (Allameh, Pool, Jaber, Salehzadeh, & Asadi, 2015; Rust & Oliver, 1994). In essences, "expectations are said to be negatively disconfirmed when the product performs worse than expected, confirm if the product performs as anticipated and positively disconfirmed if performance is better than expected" (Taylor & Durand, 1979). The Expectation confirmation theory seems appropriate in explaining the interaction between franchisees' cognitive evaluation of actual and expected support facilities provided by franchisors.

Taken together, these two theories can help to understand influence of supports on franchisees business performance as well as how franchisees assess and respond to level of franchisors supports. The importance of efforts to understand these two issues is under scored by the belief that franchisees satisfaction and intention to remain are important determinants of the long-term health of a franchise system (Lucia-Palacio, Bordonabe-Juste, Madanoglu, & Alon, 2014).

### 2.3. Franchise Business Performance

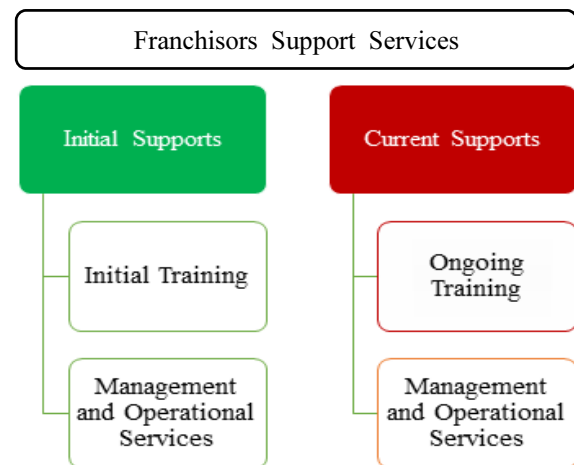
Franchise business performance is commonly defined in terms of financial performance, survival, growth, managerial effectiveness, satisfaction and intention to remain (Altinay, Brookes, Madanoglu, & Aktas, 2014; Chiou et al., 2004; Nijmeijer et al., 2014). There is currently no firm agreement among scholars on the level of performance of franchise firms generally. While a number of scholars maintain that franchise businesses perform better (Aliouche & Schlenrich, 2009; Frazer, Weaven, & Grace, 2014; Hua & Dalbor, 2013) and survive longer than their independent-owned counterparts (Frazer et al., 2014), others conclude that there is no significant difference between the performance and survival rate of franchised businesses and independently-owned ventures (Bates, 1995, 1998). Some other scholars content 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 & Schlenrich, 2009). 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 behaviours by franchisees, loss of control over company's brand management as well as inability of franchisors to enforce standards (El Akremi, Mignonac, & Perrigot, 2011; Kidwell, Nygaard, & Silkoset, 2007).

In addition to 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).

### 2.4. Support Services and Franchisees' Business Performance: Empirical Literature

Support 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 et al., 2013; Roh & Yoon, 2009). Provision of quality business support 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).



<Figure 1> Types and Level of Support Services

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). As shown in <Figure 1> above, each of these support services may be provided at the initial period and continuously throughout the duration of the contract. 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; Hnuczek 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).

In terms of training, 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. They also 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 has a significant positive effect on the job satisfaction and commitment of staff at the outlet (Choo & Bowley, 2007; Latif, 2012).

Further, 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).

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 behaviours, disconnection from franchisors and subsequent exit from the system is the perceived inadequacy of management services provided by franchisors (Doherty et al., 2014; Frazer, Merrilees, & Wright, 2007; Frazer et al., 2012; Hnuczek et al., 2013; Lucia-Palacio et al., 2014). When it comes to provision of support

services generally, franchisees are said to have a redline, what Spinelli and Birley (1998) term 'zone of tolerance' below which they experience disappointment and frustration in the franchise relation. They may also engage in opportunistic behaviours 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).

The 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). 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 and ultimately intention to remain and recommend others to the system (Abdullah et al., 2008; Harif, Hoe, & Chin, 2013; Heong, 2014; Hnuczek et al., 2013; Roh & Yoon, 2009).

### 3. Methodology

The main purpose of this research is to explore and provide a broad description of the focal issues – franchisors' support services and the ways they influence franchisees' business performance. Consistent with this objective, the qualitative design of personal interview was used to collect relevant data for the study. Scholars believe that this is the most appropriate approach for an emerging field of research such as franchising (Dant, Grunhagen, & Windsperger, 2011; Ketchen et al., 2011) where much is yet to be understood especially with regards to the contextual way by which the business model is applied (Dant et al., 2011).

#### 3.1. Measures

This study addressed franchisees business performance in terms of subjective financial performance, overall satisfaction and intention to remain. Most franchisees 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). As shown <Table 1> below, other commonly used metrics for assessing franchisees performance are overall satisfaction (Altinay et

al., 2014a) and intention to remain (Chiou et al., 2004; Nijmeijer et al., 2014). These two measures have been recognized to be equally critical determinants of franchisees business outcome and long-term commitment respectively (Lucia-Palacio et al., 2014).

**<Table 1>** Measures of Franchisees Business Performance

Measures of Franchisees Performance	Indicators	Used in this Study
Subjective Financial Performance	i. Self-reported level of sales and profits (Lee, Kim, & Seo, 2015)	✓
Overall Satisfaction	i. Happiness about decision to choose the franchise system ii. Believe in having done the right thing in the decision iii. Satisfied overall with the franchise relationship' (Chiou et al., 2004)	✓
Intention to Remain	i. Willingness to introduce other prospective franchisees to their system ii. Willingness to collaborate with franchisor in the future (for example open new stores under this franchise system). iii. Current rating of their franchise system relative to others (Chiou et al., 2004; McDonnel, Beatson, & Huang, 2011)	✓

Source: Compiled for this study

**3.1.1. Franchisees' Subjective Financial Performance**

This is measured by franchisees' subjective assessment of their sales and profits growth. It is in line with the measures of franchisees' performance adopted by such previous study as Lee, Kim, and Seo (2015). The interview protocol contains such relevant questions as "in percentage terms, how much has your outlet's sales grown over the last one year", "how do you rate your profit growth? Are your sales and profits better or worse than last year's?" "Are your sales and profits better or worse than your competitors?" Each of these questions was probed further by appropriate number of 'why' questions.

**3.1.2. Overall satisfaction**

This was measured based on the scale developed by Chiu et al. (2004). Relevant items in the scale were used as basis to design the appropriate part of the interview schedule. This includes such questions as: "Given your overall experience in the franchise business so far, how happy are you about your decision to choose this particular franchise system?" "Please rate your level of happiness on a scale of 1-10?" "Are you satisfied with your level of profit?" "Are you satisfied with your relationship with key business partners?" "Are you satisfied overall?".

**3.1.3. Intention to Remain**

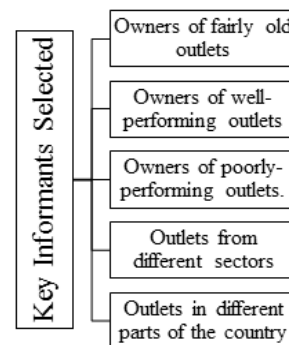
The marketing literature helps us to understand that when customers are satisfied, their loyalty and long-term commitment to the particular brand increases (Lee, Wu, & Fan, 2017; Rahman, Ismail, Albaity, & Isa, 2017). Since franchisees are often seen as customers to franchisors, it is pertinent to understand the influence of support on franchisees intention to remain. Thus, questions for measuring intention to remain were designed based on the items adapted from Chiou et al. (2004). The questions include: "based on your overall experience in this business so far, will you renew your contract when the current one expires? why?", "given needed resources, will you open new stores under this franchise chain elsewhere? why?", "have you ever recommended your franchisors to friends for them to join? Why?", and "Will you continue to do that?".

**3.1.4. Franchisors' Support Services**

Questions that measured support services include: "tell me about the type of supports that you got from your franchisors before opening your outlet" "in particular, please discuss the influence of initial training on your financial performance, satisfaction and intention to remain", "in what way did the initial management services influence your performance", "what is your view about the current level of supports that you get from your franchisor?"; "tell me more about the influence of ongoing training and management services on your performance", "given the level of supports that you currently receive from your franchisor, do you plan to renew your license?"

**3.2. Data Collection, Sample and Sampling Techniques**

There are about 430 business format franchise outlets with nearly 320 franchisees in Nigeria (Orji, 2013). Using purposive technique, twenty-six (26) franchisees were selected to participate in the face-to-face interview. It is believe that a sample of between 20 to 30 respondents is adequate to attain data saturation in a qualitative study (Boddy, 2016; Corbin & Strauss, 2008; Creswell, 2007).



**<Figure 2>** Bases for selecting respondents

As shown in <Figure 2> above, the sample of this study include diverse category of franchisee: fairly experienced franchisees (more than 7 years in the business), new franchisees (first-timers, less than 5 years in the business), owners of well-performing outlets (based on their own personal assessment), owners of poorly performing franchise outlet, outlet owners from different parts of the country and outlets from different sectors.

In order to assure the consistency of this approach and guarantee the overall reliability of findings, we used the interview study protocol as a guide (Yin, 2014). The protocol outlines the procedures and steps to be taken by the researchers before, during and after every interview. We designed the interview questions to elicit participants' responses to the focal issues outlined earlier. Respondents signed the informed consent before the beginning of each interview. The interviews took place in the respondents' business premises and were carefully tape-recorded. The interviews lasted for about one to one-and-half hours and important insights in the comments were noted. Following the suggestion of Corbin and Strauss (2008), we wrote memos immediately after each interview. This helped to further reflect on the respondents' ideas. However, it is important to acknowledge that these memos did not form part of the data. They were merely used to interpret respondents' spoken and unspoken words.

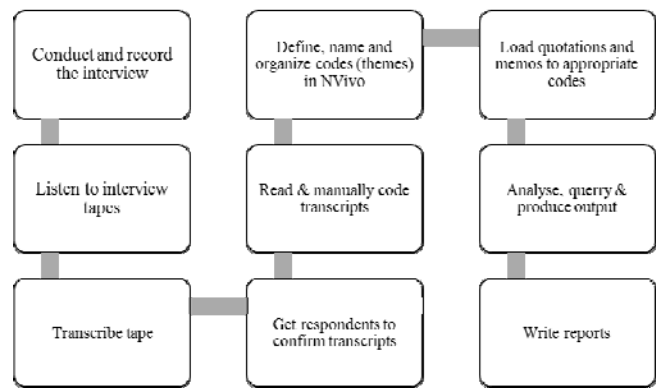
### 3.3. Techniques of Data Analysis

As shown in <Figure 3> below, data analysis process starts with conducting and recording the interviews.

Having gathered the relevant data and documented a chain of empirical evidences, the interviews were manually transcribed using Atlas.ti multi-window feature whereby the recorded tapeplays in one window while the other window is

used to transcribe the content. Once the transcription was completed, two other researchers took turns to go through each transcript while listening to the corresponding interview. The transcripts were thereafter sent to the respective respondent for confirmation. All the 26 transcripts were returned affirmed with minor corrections.

Further, based on the existing literature, the analytical codes were developed in advance (Doherty et al., 2014). Each transcript was printed and manually coded and categorized using the step-wise advice of Corbins and Straus (2008). From this manual coding, themes and subthemes emerged and these were loaded into the latest version of NVivo (version 11). NVivo, a computer-aided qualitative data analysis software, was used to manage the coded data, organize and link memos and annotations, uncover connections and analyze opinions of different strata of respondents. The software was also used to search for common themes, visualize data, justify findings and assist in writing the final report.



<Figure 3> Procedures for data analysis

## 4. Results and Findings

<Table 2> Profile of the Respondents

S/N	Respondents	Designation	Organization	Unit Size	Sector	Location	Years in Business
1	Informant 1	Franchisee	System 1	Small	QSR	S/West	7years
2	Informant 2	Franchisee	System 2	Medium	QSR	N/Central	4years
3	Informant 3	Franchisee	System 2	Small	QSR	N/Central	3years
4	Informant 4	Franchisee	System 1	Medium	QSR	S/South	5years
5	Informant 5	Franchisee	System 1	Medium	QSR	S/East	3years
6	Informant 6	Franchisee	System 1	Medium	QSR	N/West	7years
7	Informant 7	Franchisee	System 1	Large	QSR	S/West	6years
8	Informant 8	Franchisee	System 1	Medium	QSR	S/West	6years
9	Informant 9	Franchisee	System 3	Large	Retail	S/West	5years
10	Informant 10	Franchisee	System 2	Medium	QSR	S/South	4years
11	Informant 11	Franchisee	System 1	Large	QSR	N/Central	8years
12	Informant 12	Franchisee	System 2	Medium	QSR	N/Central	7years
13	Informant 13	Franchisee	System 1	Medium	QSR	S/West	6years
14	Informant 14	Franchisee	System 2	Small	QSR	S/West	6years
15	Informant 15	Franchisee	System 1	Small	QSR	S/West	7years

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

Source: In-depth Interview, 2016.

A total of twenty six (26) franchisees participated in the study. In this analysis, the respondents are referred to as informants. 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. These are the sectors where franchise business model is mostly practiced in Nigeria (Aderibigbe et al., 2016; Odunsi, 2015) hence the basis for selecting informants from the sectors. <Table 2> above 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, 2014; 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).

Thus, having explained the profiles of the respondents and their distribution across the six industrial sectors and location in the country, the next subsections present the main findings of the study.

#### 4.1. Influence of Initial Supports

The first objective of this study is to assess the influence of initial supports on franchisees business performance, overall satisfaction and intention to remain. All the informants recounted the elements of supports they were provided with at the initial stage and these include: assistance with sites

selection, assistance with equipment purchase, training of franchisee, staff recruitment and training, advertising and marketing, management services, payment of rent or assistance with lease negotiation and so on.

As <Table 3> below shows, each informant gave an assessment of the influence of each of the two forms of initial supports on franchisees financial performance, satisfaction and intention to stay. Data analysis revealed that 92% of the informants believe that initial training can enhance franchisees financial performance while 77% and 73% similarly agreed that this type of support has a positive influence on franchisees satisfaction and intention to remain respectively.

The following statements by informants 21, 3 and 18 are representative of the respondents' views on the influence of initial training on the three measures of franchisees performance respectively.

Sure the initial training enabled us to understand the best way to manage our expenses and increase revenues. I particularly cherished the one they called supply management system. It introduced us to the ideas of using suppliers' credits to successfully run our businesses. The impact was obvious on our profits (informant 21).

Apart from the objective of making money, I know other franchisees who like myself, are in this business because they are adventurous. They love learning new things and appreciate the opportunity provided by franchising to do just that. So, when people like us join and your initial training doesn't meet our desires to learn new things, we'll be unhappy (informant 3).

I left my formal chain because I was in limbo. Right from the beginning, the CEO made the mistake of entrusting the responsibility of training to the operations manager. Turned out the guy didn't know much about the business. I managed to hang on for three years and had to leave when I didn't see any improvement (Informant 18).



**<Table 3>** Summary of Data Analysis on Influence of Initial Supports

S/N	Respondents	Influence of Initial Supports on Financial Performance, Overall Satisfaction and Intention to Remain					
		Initial Training			Initial Management and Operational Supports		
		Financial Performance	Satisfaction	Intention	Financial Performance	Satisfaction	Intention
1	Informant 1	✓	✓	✓	✓	✓	✓
2	Informant 2	✓	✓		✓	✓	✓
3	Informant 3	✓	✓	✓	✓	✓	✓
4	Informant 4	✓	✓	✓	✓	✓	✓
5	Informant 5	✓	✓	✓	✓	✓	✓
6	Informant 6	✓	✓	✓	✓	✓	✓
7	Informant 7	✓	✓		✓	✓	✓
8	Informant 8	✓			✓		✓
9	Informant 9	✓	✓	✓	✓	✓	✓
10	Informant 10	✓	✓	✓	✓	✓	✓
11	Informant 11	✓	✓	✓	✓	✓	✓
12	Informant 12	✓	✓	✓	✓	✓	✓
13	Informant 13	✓	✓	✓	✓	✓	✓
14	Informant 14	✓			✓		✓
15	Informant 15		✓	✓	✓	✓	✓
16	Informant 16	✓			✓	✓	✓
17	Informant 17	✓	✓	✓	✓	✓	✓
18	Informant 18	✓	✓	✓	✓	✓	✓
19	Informant 19				✓	✓	✓
20	Informant 20	✓	✓	✓	✓	✓	✓
21	Informant 21	✓		✓	✓	✓	✓
22	Informant 22	✓	✓	✓	✓	✓	✓
23	Informant 23		✓	✓	✓	✓	✓
24	Informant 24	✓		✓	✓	✓	✓
25	Informant 25		✓		✓	✓	✓
26	Informant 26	✓	✓	✓	✓	✓	✓
Total Confirmation (%)		24 (92%)	20 (77%)	19 (73%)	26 (100%)	24 (92%)	26 (100%)
Sub-average (%)		21 (81%)			25 (97%)		

Source: Interview for this study

From <Table 3> above, it is clear that except the from the transportation sector, franchisees in all sectors and from different parts of the country believe that initial training matters. Overall, an average of 21 (81%) of the 26 franchisees that participated in this study agreed that initial training has an impact on the performance of franchisees. The only plausible reason why a few informants do not emphasize initial training as a determinant of franchisees performance is prior experience. Analysis shows that franchisees who had previously managed an outlet or been in related business tend to underrate the importance of training on their performance.

On the aspect of initial management and operational supports, analysis similarly indicated that this type of supports have a significant impact on franchisees financial performance, overall satisfaction and intention to remain. As illustrated in table 4.2 above, all the 26 franchisees that were interviewed in this study believe that initial management services have influence on franchisees financial performance.

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.

The same sentiment was expressed by most franchisees in terms of the influence of management services on franchisees satisfaction and intention to remain. As shown in table, 92% of the respondents believe that excellent management services can lead to franchisees satisfaction. Informant 19 from the transportation sector is one of these respondents.

This in particular made me happy because although I have run a transport business before, I have never had to handle purchase of new buses myself. And this kind of thing, experience and relations with the bus manufacturer or dealer matter. And the deal was quite good for me. I

was satisfied. (Informant 19).

In a similar vein, all 26 respondents agreed the quality of management service is a key determinant of franchisees intention to remain. The following quotations highlight and represent the position of the respondents on this aspect.

Obviously, the initial support helped. It facilitated our smooth start and operations. But they later started slacking and it became too bad that I had to start complaining. That was the beginning of our present problem (Informant 14).

Before we came in, there were many restaurants already operating here and the adverts especially helped to make many people aware of our coming and it really brought many customers to us. That experience made me to open another outlet after two years (Informant 14).

On the whole, as indicated in table 3above, approximately

97% of the respondents believe that initial management services are instrumental to franchisees business performance.

To summarize, data analysis revealed that research participants received a range of initial supports from their franchisors, and they generally think that those supports were reasonable and indeed helpful for the smooth take-off of their outlets. Apparently, the initial supports were satisfactory and influenced many of the franchisees to renew their contracts.

#### 4.2. Influence of Current Supports

The analysis of initial supports in the previous section has helped to understand the foundation of franchisors support for franchisees in Nigeria. In addition to the effort to understand the influence of initial support, it was also of interest in this study to examine the range and influence of current supports on franchisees performance.

**<Table 4>** Summary of Data Analysis on Influence of Current Supports

S/N	Respondents	Influence of Current Supports on Financial Performance, Overall Satisfaction and Intention to Remain					
		Current Training			Current Management and Operational Supports		
		Financial Performance	Satisfaction	Intention	Financial Performance	Satisfaction	Intention
1	Informant 1				✓	✓	✓
2	Informant 2	✓	✓	✓	✓	✓	✓
3	Informant 3	✓			✓	✓	✓
4	Informant 4	✓	✓	✓	✓	✓	✓
5	Informant 5				✓	✓	✓
6	Informant 6				✓	✓	✓
7	Informant 7	✓	✓	✓	✓	✓	✓
8	Informant 8	✓	✓	✓	✓	✓	✓
9	Informant 9				✓	✓	✓
10	Informant 10	✓	✓	✓	✓	✓	✓
11	Informant 11	✓	✓	✓	✓	✓	✓
12	Informant 12	✓	✓	✓	✓	✓	✓
13	Informant 13	✓	✓	✓	✓	✓	✓
14	Informant 14		✓		✓	✓	✓
15	Informant 15				✓	✓	✓
16	Informant 16	✓	✓	✓	✓	✓	✓
17	Informant 17				✓	✓	✓
18	Informant 18				✓	✓	✓
19	Informant 19		✓	✓	✓	✓	✓
20	Informant 20	✓	✓	✓	✓	✓	✓
21	Informant 21	✓	✓	✓	✓	✓	✓
22	Informant 22				✓	✓	✓
23	Informant 23	✓	✓	✓	✓	✓	✓
24	Informant 24	✓	✓	✓	✓	✓	✓
25	Informant 25	✓	✓	✓	✓	✓	✓
26	Informant 26				✓	✓	✓
Confirmation (%)		15 (58%)	16 (62%)	14 (54%)	26 (100%)	26 (100%)	26 (100%)
Sub-average (%)		15 (58%)			26 (100%)		

Source: Interview for this study

Thus, during the interviews, respondents itemized the types of ongoing supports they were supposed to be provided with. These include: regular training of franchisees and their staff; advice on staff recruitment, advertising and marketing/promotion, management services (in a few cases); and assistance with renegotiation of lease. Others are assistance with market analysis and insights, sales forecast, new product development, brand promotion, etc.

As illustrated in <Table 4> above, data analysis indicated that while only an average of 15 (58%) of the respondents believe that ongoing training has influence on franchisees performance outcomes, all the 26 respondents agreed that ongoing management and operational supports are necessary for improving franchisees financial performance and for guaranteeing their overall satisfaction and long-term commitment.

The following statements are representative of the respondents' opinions about the influence of current training and ongoing management and operational supports.

On current training:

At this point in time, their training doesn't make much impact. I train my staff mainly these days. Most of the things we figure out and shared among our team. They organize one program once in a while but definitely can't say that those have influence on my profit or on my satisfaction (Informant 1).

You know, with the way things are changing, the franchisors themselves have to be trained continuously so if you are a smart franchisees, you will follow suit to learn and adapt on your own before they are ready to transfer the new things they have learnt. So, well their training still helps but not as critical as when we just started. Certainly not a factor that made me to renew three years ago (Informant 22).

On ongoing management services:

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).

the level of support is not good and if we are to make decision solely on the support they give us now, I would say I will not renew the contract. I will not continue the business with them. (Informant 24).

Thus, as can be seen from the above analysis, although franchisees continue to appreciate training, it seems that as they master the business, they perceive franchisors ongoing training to be of little impact in their performance. On the contrary, management services increases in relevance as franchisees go through the different stages of their business life cycle.

## 5. Discussion

This investigation set out to explore the consequence of franchisors support services on franchisees' business performance. Face-to-face in-depth interviews was used to collect data from twenty-six (26) franchisees across different industrial sectors in Nigeria. Data was analyzed using NVivo version 11. Findings show that research participants perceive provision of support services to be critical to franchisees financial performance, overall satisfaction and intention to remain in the franchise system. This finding is generally consistent with the findings of a number of previous studies (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). The present study re-echoes, in particular, Chiou et al. (2004)'s conclusion that the provision of excellent initial operational and management assistance is key in securing franchisees' overall satisfaction and intention to remain in the franchise system. Theoretically, the present finding supports the position of resource base view that resources of all types contribute to the effectiveness and competitiveness of business firms (Barney, 2001) which in turn enhance owners' satisfaction and long-term commitment to business relationship (Oliver, 1977).

Furthermore, findings on ongoing supports revealed a scenario where franchisees feel that more of their resources are being expended in the form of payment of fees without commensurate supports to justify them. This state of affairs has not only resulted in poor business performance for franchisees who participated in this study, it has caused dissatisfaction and made many to express unwillingness to commit to their brand for the long haul. This finding affirms the conclusion of Frazer et al.(2012) who discovered that, in Australia, the main cause of franchisees' disconnection from

franchisors and subsequent exit from the franchise system is the perception that services commensurate to franchise fees and other investment by the franchisees have not been provided by the franchisors. In addition, this finding can be explained using both resource base view and expectation confirmation theory. As predicted by the resource base view (Barney, 1991), resources are the lifeblood of business firms. The more they are available and relevant for the pursuance of business objectives and strategies, the better the outcomes for the business (Barney, 2001; Grant, 2016) and by reasonable extrapolation, the happier the owners of the business. These business owners –the franchisees, usually join the franchise system with a promise of supports and facilities by the franchisors (Frazer et al., 2012). However, as theorized by expectation-confirmation theory (Oliver, 1977), when the actual supports or resources delivered by franchisors fall short of expectation of franchisees, dissatisfaction sets in and this in turn affects franchisees' willingness to continue business relation with the particular system.

## 6. Conclusion and Recommendation

Apparently, the provision of initial resources can help franchisees to form and lay a good foundation for their business. Such practice of franchisors helps and would need to be sustained. However, there are dangers going forward. Franchisors need to note that this initial gesture plays a key role in forming franchisees' expectation of future supports. While high quality initial supports help franchisors to immediately shore up the trustworthiness of their systems (Chiou et al., 2004), care must be taken to provide only those initial resources that they have capacity to sustain. Disappointments would set in when franchisees start to notice a marked drop in the standards of resources provided at the different stages of their business life cycle. This could have serious negative consequences for the long-term health

of the entire chain.

Furthermore, in order to keep franchisees engaged and secure their trust (Grace, Frazer, Weaven, & Dant, 2016), franchisors need to know that the provision of a consistent top quality support remains an important factor. As proven in this study, franchisees always keep track of support level in relation to the investments they make in the franchise relation. Strategies will be needed to shape both sides of the equation. Franchisees expectation has to be properly managed just as they have to be given reasons to positively evaluate franchisors service provision. It is thus recommended that franchisors evolve policies and strategies that will shape franchisees' expectation and evaluation of ongoing supports. Expectation can be managed by being explicit in the range of supports that the system provides. Temptations to over welcome franchisees and later go flat on support need to be avoided. To effectively manage a franchise system for sustainable performance, franchisors must be careful not to oversell their offerings lest it becomes difficult for them to deliver (Heong, 2014). On the other hands, efforts must be made to deliver on whatever range and amount of supports that has been stipulated in the contract. It will also be helpful for franchisors to regularly and honestly evaluation their performances in terms of service provision and make adjustments as appropriate (Abdullahi et al., 2008).

Although the approach of qualitative inquiry used in this study has helped to generate deep insights into pertinent issues surrounding franchisors' support services in Nigeria, generalization of the findings may be limited to the setting in which the study was conducted. This limitation notwithstanding, it is worth noting that given the rigorous measures and several levels of checks adopted throughout the conduct of the study, we have high confidence in the validity and reliability of the findings. However, future studies can address the noted limitation by adopting a combination of survey and in-depth interview.

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