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Role of Trust and Commitment in Building Successful Franchise Business Relationships

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ABSTRACT Literature suggests that trust and commitment are important determinants of business-to-business relationship to achieve competitive advantage and growth. However, literature has not adequately explained what actions of the business partners could help manifest trust and commitment. The work reported in this paper is based on a survey of 124 franchisors. The results, overall, show that franchisees have to 'perform' in accordance with franchisors' systems and, attributes such as sincerity and an expectation that franchisees would work towards mutually agreed goals, participate in product and service development and demonstrate their managerial talent are all important in earning franchisor trust, commitment, confidence, credibility, integrity and benevolence. The findings also show that irrespective of size, age, or business type, relationships are important determinants of success.

Key words: Business relationships, Franchising, Trust, Commitment

Introduction

In business, relationships built on trust and mutual commitment are important. These relationships require nurturing and fostering. It has been argued that the development and nurturing of trust would allow businesses to achieve success and competitive advantage (See Barney, 1991; Contractor and Lorange, 1988; Frigo, 2003; Ulaga and Eggert, 2006). The length of relationships, dynamism, frequency of exchange between partners, its nature, conflicting priorities, nature of contract and power balance between partners suggest that it is a complex and hybrid relationship (Powell, 1987, 1990; Shane, 1996; Swenson et al., 1990). For that reason, in order to study business-to-business relationships, the franchising relationship is well suited. Franchising is important to the economy. In the United Kingdom, for instance, some 33,000 people are employed in the franchise sector and the contribution to GNP is in excess of £10b (BFA/NATWEST survey, 2005). However, Shane and Spell (2002) draw attention to the fact that more than 33 per cent of franchises cease to exist within the first four years and more than 75 per cent stop operations before their twelfth anniversary. Clearly there is a need to study franchising relationships in order to establish the attributes of good practice especially in the vulnerable maturity stages such as 6-8 and 9-11 years old firms to understand the strategies and processes most suited for these times. This forms the purpose of this paper in which the background literature is revisited, questions formulated and answered based on a survey of franchisees carried in the United Kingdom.

Background

Ring and van de Ven (1994) outline a framework for the study and development of inter-organisational relationships. This framework is based on the assumptions that partners have the will and are committed to creating and maintaining long-term relationships. Ring and van de Ven argue that relationships are maintained and evolved through repeated negotiation, commitment and in the execution of business. Formal or legal contracts are the basis on which franchise commitment is displayed and the fulfilment of these contracts form the basis of performance assessment. To enhance performance, interactions between partners are important as shown by (Cunningham and Homse, 1986) and imply, according to Holm et al., (1999), a loss of individual unit identity. Hadjikhani and Thilenius (2005) study showed that the organisational relationships affect both vertical, from supplier to customer, and horizontal dyadic relationship. In order to develop these relationships, mutually agreed strategies are required as argued by (Huxham and McDonald, 1992; Barney 1996; Perry et al., 2002). For these to be successful (Child and Faulkner, 1998; Miyamoto and Rexha, 2004) indicate that cooperative strategies are required in which the creation of mutual trust and commitment will be an outcome. Trust and commitment lead to consensus (Baucus et al., 1996; Bourgeois 1980; Dess and Davis, 1984); associated competitive advantage with consensus. According to Coote et al., (2003), this trust will mediate the effects of communication and inter-party interaction on commitment.

Scholars assert that cooperation creates mutual dependence and requires trust to succeed, and increase in trust between partners promises economic benefits for both parties as well as leads to consensus (Koeszegi, 2004; Sapountzaki and Louis, 2008). The trust results in reduction in 'negative effects of bounded rationality' [inability of partners to predict future], certain specific investments and opportunism; hence reduction in transaction costs (Child and Faulkner, 1998; Chris and Alison, 2013) and strengthening of relationships and firm performance.

In literature, different trust scenarios have been used in the study of relationships between individuals and or organizations. These identified trust scenarios can tentatively be classified into four broad categories. According to Sitkin and Roth (1993), Muirnighan (1994), Dierks (2006), Yava and Celik (2010). A mutual trust scenario signifies that A trusts B and B trusts A. On the opposite side, a distrust scenario denoting that A does not trust B and B does not trust A. An upstream trust scenario that shows that A trusts B, but B does not trust A. Finally, a downstream trust scenario that signifies that B trusts A, but A does not trust B. These trust scenarios are influential determinants of the trust in a dyadic business relationship, and partner's confidence that the other can be trusted is the focal driving force behind relationship growth. It is similar to the game theory, where several partners endeavour to maximize their benefits by choosing a certain possibility, and the final payoff of each party depends on the course of action adopted (Muirnighan, 1994; Rahatullah and Raeside, 2008; Lai, et al., 2011). This develops an interactive situation that is specified by the set of participants, the possible courses of action, and the set of all possible payoffs. However, the individual payoffs depend on the individual's actions in the game as in competitive markets each player tries to maximize their gains regardless of the behaviour of others (Parkhe, 1993; Ndubisi, 2011; Khan, 2013). Costa (2003) and Zolfaghar and Aghaie (2011) argue that trust plays vital role in relationship development, sustenance and growth, and it is also vital ingredient for the overall business development for any business relationship arrangement. Trust is also labelled as one party's confidence in another. In other words, one partner will not act in a way that is not beneficial to the other, but strife to build quality relationships (Ndubisi and Wah, 2005; Rahatullah, 2009). Therefore, trust is a willingness to rely on another exchange partner in whom one has confidence (Moorman et al. 1993).

It is known from the work of scholars such as Costa (2003) and Artz and Gil (2007) that good, efficient and equitable cooperation leads to increased likelihood of improved business results. Trust is a basis for this cooperation (Altuahne-Gima, 1996; Zhanga et. al., 2011) as trust in a cooperative network environment helps to reduce uncertainty, enhance flexibility as well as increases capacity through access to resources and information exchange (Arthur, 1996). Dant and Nasr (1998) and Gundlach et al., (1995) state that cooperation helps in the maximisation of collective benefit across the network and this will help the management of information across the relationships, minimise the divergence of goals, uncertainty and the behavioural actions of partners which can damage the relationship and so conflicts amongst partners are reduced. This is developed further by Huxham (1992) and Lawler and Yoon (1996) who suggest that if trust and commitment are present the firms can achieve the competitive advantage and grow business. They further argue that such a strategy will help manage pitfalls like repetition, omission, divergence, counter production, uncertainties, and behavioural actions of the partners that can dent the relationships and develop conflicts among partners.

Ndubisi and Wah (2005) suggest that as trust is one person's confidence in another that he will not be harmed', or that partner will not act in a way that is not beneficial to the other. Moorman et al. (1993) state that 'trust is the willingness to rely on another exchange partner in whom one has confidence.' According to (Costa, 2003), trust plays a 'vital role in relationship development, sustenance, and growth, and is a vital ingredient for the overall business development.' The development of this leads to quality and adds value in the relationship. The importance of trust in business relationships have been studied by a number of researchers such as Anderson and Narus (1990), Inkpen and Birkenshaw (1994) and Hakansson and Snehota (1995). Their work illustrate the importance of trust to business network and in creating and maintaining interactions in that network.

Confidence is considered to be the foundation of trust building and to the strength of the relationship by researchers such as Geyskens et al., (1999) and Sarkar et al., (1997). Ganesan (1994) and Nicholson et al., (2001) consider that confidence in business relationships is developed when one party has the emotions of integrity, benevolence and credibility towards the other. When partners aspire to maintain their relationship with each other in a dyadic relationship commitment is considered to be present (de Ruyter et al., 2001). Commitment is also related to trust and (Ganesan,1994; Tellefsen 2002) illustrate the importance to commitment in the build up and persistence of the relationship and its role in securing consensus of the partners towards joint goals.

Other facets influencing trust are credibility, integrity and benevolence. Credibility according to (Ganesan, 1994) is the ability and expertise of the partner to undertake the purpose of the relationship. Mayer et al., (1995) indicate that credibility not only demonstrates the expectation that a partner can perform to a certain standard, but also possess ample competency and characteristics to perform. Integrity is evident when partners comply with ethical standards and keep promises, (see Nicholson et al., 2001). According to Ganesan (1994), the benevolence component of trust refers to the fact that a benevolent partner will act, adopt and adapt to new conditions as demanded and that a partner has willingness to perform more than expected. If a situation of conflicting goals arises between partners, benevolence implies that one partner would place their partners' interests above their own (Sako 2000). Coletti et al., (2005) shows that as benevolence increases, the partners develop moral obligations and responsibilities to place concern for the interests of others above their own.

Trust and its associated facets are therefore important to business relationships— they are important in business and particularly in franchise relationships where there is symbiotic reliance on partners. Despite the importance of rust in business relationship, however, little information is available that might help to identify actions that partners [in franchise relationship] should strategically take in order to earn and manifest their trust and commitment to each other. There is a need to understand what actions will develop the franchisors' confidence, credibility, integrity, and benevolence and how these qualities of trust can be communicated throughout the franchise network.

In the light of the fore-going discussion we ask the following questions:

1. What should the franchisee do in order to gain the trust of franchisor?
2. What are the factors that will develop franchisor confidence, credibility, integrity, and benevolence?
3. What do franchisees need to do, in order to achieve franchisor commitment?

In order to ascertain how domains of the relationships of trust, confidence, credibility, integrity and benevolence and commitment might be related to the performance of the franchise a questionnaire based survey of franchisors in Great Britain was conducted in 2006. From this survey results a model of the relationship of these domains to success is developed. How these domains vary with franchise size and age are also investigated.

In the next section, the data collection process is outlined and the responses summarised. Then in third section, factor analysis is used to construct derived variables to represent each of the facets associated with trust. These variables are then related to self-reported measures of success using regression methods and a path model of the whole system is presented. In the final section, conclusions are made and a discussion is given.

Methodology

According to Yin (1984), the selection of a research strategy in social sciences depends on three conditions—i.e. the nature of the research question, the extent of control an investigator has over actual behavioural events and the degree of focus on contemporary as opposed to historical events. In this research, the investigator has little control over behaviours and the focus is on contemporary phenomena with real life context. The findings from the exploratory work informed the author's adoption of the following methodology. Survey including the exploratory and validation interviews and questionnaires are deemed appropriate and will comprise the following detailed programme:

- two sets of questionnaires—one each for franchisor and franchisee,
- eight exploratory franchisor and ten franchisee interviews,
- five validation interviews of the franchisors in the UK,
- two validation interviews each from industry experts and franchisees,
- eleven interviews from leading academics in the fields of relationships and strategy during validation of the findings.

As a mix of quantitative and qualitative methodologies is adopted, therefore, the following discussion will help to understand the benefits and draw backs of implementing needed strategy. As Hussey and Hussey (1997) note, the use of different research approaches, methods, and techniques in the same study is referred to as triangulation. Such triangulation can overcome the potential bias and sterility of single method approaches. Therefore, methodological triangulation, was adopted where both quantitative and qualitative techniques are utilised. Multiple sources are used to address the same fact and converge or corroborate it. Findings would be more convincing if based on several different sources of information. In this study, the franchisors and franchisees initially provided the information during exploratory interviews, which was presented to their wider population. The findings were validated through expert interviews with scholars in the fields of franchise relationships and strategy; a number of franchisors and franchisees as well as industry professionals were also interviewed as part of the validation.

Why particular quantitative methods

The are a number of reasons for adopting the quantitative research. The key one is that the process of qualitative research is formal, objective and systematic. By utilising numeric data, information was obtained to identify persistent patterns in the data and through statistical applications converted into implementable strategies that draws on inferences, trends and models. This approach was designed to ensure objectivity, aid generalisability and reliability (see Creswell, 1994; Cormack, 1991). As Lupton (1971) argued, the strength of this approach is that it helped [in this study] to produce quantifiable and reliable data, which is generalisable and applicable to other hybrid relationships. Denzin and Lincoln (1994) argue that a major weakness of the approach lies in the fact that it de-contextualises human behaviour in a way that removes the event from its real world setting. They further assert that it ignores the effects of variables that have not been included in the resultant model. Therefore, they suggest that the qualitative approach in shape of in-depth interviews was also used to avoid or minimise this problem. Qualitative research methodologies are designed to provide a researcher with the perspective of target audience members through captivation in a culture or situation and direct interaction with the people under study (Glesne and Peshkin, 1992). Qualitative methods include observations, case studies, in-depth interviews and focus groups. These methods help researchers to comprehend what others perceive of a certain phenomenon; as postulated by Creswell (1994). Guba and Lincoln (1994) assert that as the hypotheses generated or questions posed during data collection and analysis, and measurement tend to be subjective. Therefore, the investigator becomes the instrument of data collection and results may vary greatly depending upon who conducts the research. A major advantage of using qualitative methods in this research, therefore, was that they generated rich, detailed data as pointed out by Creswell (1994).

Interviews

There were two sessions of interviews—one took place during the first quantitative survey where exploratory interviews were conducted. Some answers to interview questions were available in literature, most were not, which assisted in expanding the answer grid on the questionnaires by adding more question options for the respondents to choose from. The second session of the interviews was the validation process of the quantitative survey findings, and to facilitate these interviews a brief of the research was prepared and sent out to the potential respondents to facilitate the understanding of the respondents about the scope of study and intended discussion before the actual interview. This session was facilitated and the interviews were conducted swiftly and, in the conclusions, numerous direct quotes of the respondents were drawn in order to finalise the study. Clark (1996) argues that the speakers [in interview sessions] conform to a set of conventions regarding what to say, how to say it, and what not to say. These conventions make conversation efficient by allowing interviewees to convey unspoken ideas underlying their utterances—and interviewers would presume that speakers conform to these norms when interpreting utterances. The respondents bring these conventions to bear when they interpret questions and formulate their answers to the questions (Schwarz et al., 1996). Additionally, the respondents were also provided with interview briefs that made it easier for them to provide an educated response as they had sufficient time to contemplate and understand the research.

Why Mix methods

In order to capture the full benefits of both the quantitative and qualitative methods, a mix approach was adopted that aims to ensure validation as well as offers triangulation advantages (see Easterby-Smith et al., 1991). Easterby-Smith et al point out that the developments in research design in recent decades provide evidence that suggests a gradual move among researchers to develop methods and approaches that provides a middle ground between positivism and phenomenology—perhaps a bridge between the two extreme viewpoints.

Findings and discussions

This analysis was conducted controlling for age, size and the sector of the franchise. The age and size groups developed are shown in Table 1, and are developed keeping in view work of (Shane and Spell, 2002).

Age	Size
Nascent 1-5 years	Micro 1-15 franchisees
Young 6-8 years	Small 16-50 franchisees
Older 9-11 years	Medium 51-100 franchisees
Mature 12+ years	Large 100+ franchisees

Table 1: Age and the size groups

The main method of data collection used was a detailed structured questionnaire. Questions were asked to elucidate the different relationship domains as identified in the literature. This was developed from the literature, exploratory interviews of eight franchisors and piloting in another 14 franchises. The questionnaire was sent to the list of franchisors held by the British Franchise Association and from other web sources[1]. Companies were telephoned in advance of being sent the questionnaire in an attempt to ensure their inclusion in the survey and after a number of reminders 124 companies completed the questionnaire. The nature of the respondents are summarised in Table 2.

Business Sector	Age				Size				Total
	Nascent	Young	Older	Mature	Micro	Small	Medium	Large	
Specialised Services	8	5	4	14	7	13	6	5	39
Fast Food and Restaurants	1	2	2	3	2	2	2	2	8
Automobile Services	1	1	3	3	1	4	1	2	7
Property	8	2	7	33	8	19	13	10	49
Specialised Retail	2	1	3	7	1	4	2	6	9
Education & Training	1	2	2	9	3	6	2	3	12
Total	21	13	21	69	22	48	26	28	124

Table 2: The nature of the responding franchisors

1. *www.whichfranchise.com and www.ifa.org.*

Questions asked were designed to enquire about the demographic details of the franchise, then items relating to the success of the franchise in relation to which desired goals were achieved was sought. There were direct questions to gather information about the various attributes of the different facets of trust and commitment. These were asked on an 11-point scale and were of the form "the degree to which X attribute was important. The variables obtained from subsets of these questions were then combined to expose latent variables associated with each dimension of the facets of trust and commitment—as demonstrated in the next section.

To measure success franchisors were asked to report their success, in relation to ten motivations for franchising and the degree of importance of that motivation. These motivations were: to grow business and increase market share; enter new markets, increase manufacturing capability; increase distribution capability; growth and stability of target market; government incentive schemes; capability to operate; to decrease costs; to overcome resource constraints; and to recover otherwise unrecoverable costs. A 'success' score was computed using the following calculation:

$$\sum_{i=1}^{n=8} S_i I_i$$

Where i= 1 to 8 reason; S_i = success of reason I and I_i = importance of reason i. This score was found to be normally distributed with mean 51.3 and standard deviation 13.9.

Derivation of the facets of trust and commitment

Exploratory interviews were conducted with eight franchisors in the UK. These companies were from Fast Food and Restaurants, Cleaning and Hygiene, Retail, Specialized Services and Education sectors. Interviews were targeted to identify franchisor perception regarding factors and actions that the franchisee may take to secure franchisor trust and commitment. There were six main questions, one for each construct. These interviews helped in the measurement of the phenomenon and pointed out the actions franchisors desire their partners to take to earn franchisor trust, confidence, credibility, integrity, benevolence, and commitment.

The questions pertaining to each domain were combined using factor analysis with Varimax rotation. These are displayed in Table 3 along with their factor loading and Cronbach's reliability coefficient which should be at least greater than 0.5. In regard to trust five factors explained almost 85 per cent of the original variance of questions considered to be associated with trust and Cronbach's Alpha showed an acceptable reliability coefficient of 0.687. These factors have been labelled franchisee compliance, responsibility, performance and consensus. Three factors were derived from the questions listed in Table 3 which were considered to represent issues related to confidence, these factors have been labelled as strategic acceptance, expertise and acknowledgement, (Cronbach's alpha of this set of factors was 0.603). Four factors emerged to represent credibility; these have been labelled operations, sincerity, honesty, and acquiescence. Integrity is represented by three factors that have been labelled as managerial, financial and respect. Two factors were derived to represent benevolence that was labelled as recognition and participation. Finally, three factors were derived to represent commitment and these are labelled as adherence, proactively and mutuality.

Relationships and success

The factors derived in the previous section are now related to self reported measures of franchise success and are displayed in Table 3 (appendix 2, page 106). The factors which correlated with success are Performance in the Trust domain, Sincerity in the Credibility domain, Mutuality in the Commitment domain, Managerial in the Integrity domain and Participation in the Benevolence domain. Elements from the confidence domain were not found to correlate with success. From Table 4 (appendix 3, page 107), it is evident that factors of different domains of the relationships are on occasion highly correlated.

The dimensions of each domain were regressed on perceived success, separately for each domain, on the success score using a stepwise selection procedure and the models obtained is presented in Table 4. For each domain, with the exception of confidence, only one factor appeared important. For confidence, no factors were found to be significant.

Domain	**Factor**	**Slope**	**Standard Error**	**R^2 %**
Trust	Performance	4.527	1.192	10.6
Credibility	Sincerity	3.032	1.230	4.7
Commitment	Mutuality	4.220	1.201	9.2
Benevolence	Participation	3.160	1.227	5.2
Integrity	Managerial	3.043	1.280	4.8

Table 5: regression models of relationship dimensions on success

For the majority of domains a link appears that explains the perceived success of the franchise relationship. However, the relationship domains are strongly correlated, especially the factors which are identified as important. Thus conventional regression is not an appropriate means to construct a multivariate model of the relationship to success. Path models (Foster et al., 2006) were investigated using AMOS 7.0. Many models were fitted and were compared on the basis of their fit criteria and on conceptual appeal. From this the model which emerged as optimal is displayed in Figure 1 (see appendix 1, page 106).

The slopes of the connecting paths are listed in Table 6 and the contributions to explaining success of the franchise relationship of the various paths are detailed in Table 6. In this formulisation credibility, benevolence and integrity are taken as given; these are correlated as indicated by the double headed arrows. These in turn act upon confidence, commitment and trust in the franchise relationship. In this formulation the effects on success was found to be mainly via trust. Thus, the direct effect is verified. Integrity and benevolence relationships act to increase trust and indirectly bolster success as shown in table 7. However, commitment seems to have a negative direct effect on trust and this translates to an overall negative effect on success. Trust is indirectly positively effected by confidence via the direct effect of confidence on benevolence. Commitment is enhanced by increasing integrity, confidence and benevolence but adversely influenced by credibility.

Effect on Success	Integrity	Credibility	Confidence	Trust	Commitment	Benevolence
Direct	0.000	0.000	0.000	0.414	0.000	0.000
Indirect	0.153	0.049	-0.024	0.000	-0.163	0.054

Table 7: The effects of relationships on self reported success

The model appears to be a reasonable fit as indicated by the comparative fit index (Bentler,1990) of 0.842 (one desires this to be close to one) and the Akaiki Information Criteria of 123.3 which compares well with the null model of 463.2. However, the minimum discrepancy function is 6 well above the desirable level of 2 which indicates lack of fit and room for improvement in the model. The factors of each domain of relationship were analysed in relation to franchise age and franchise size using the categories as detailed in Table 1. As the franchises became older no clear trend in the factors emerge but for large franchises all the key factors associated with success were stronger as can be observed from Figure 2.

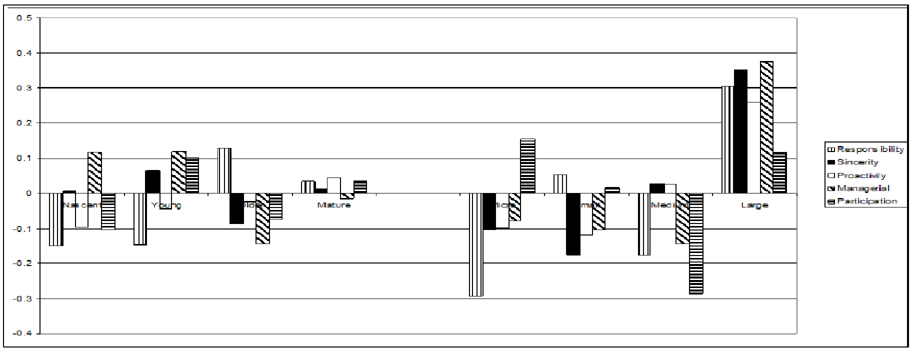

Figure 2: Relationship Strength by Age and Size

However, using two way analysis of variance no significant difference in self reported success was found across franchise size or age. The mean factor scores by different business sectors are displayed in Figure 3. This shows that in food and education and training sectors that the relationships tend to be stronger than in the automotive sector where integrity and benevolence factors score low, though the factor from commitment scores high. In the general and specialist retail sectors all the relationships appear weak. However, once again this variation between sectors was not found to affect self-reported success which was found not to vary significantly between the business sectors.

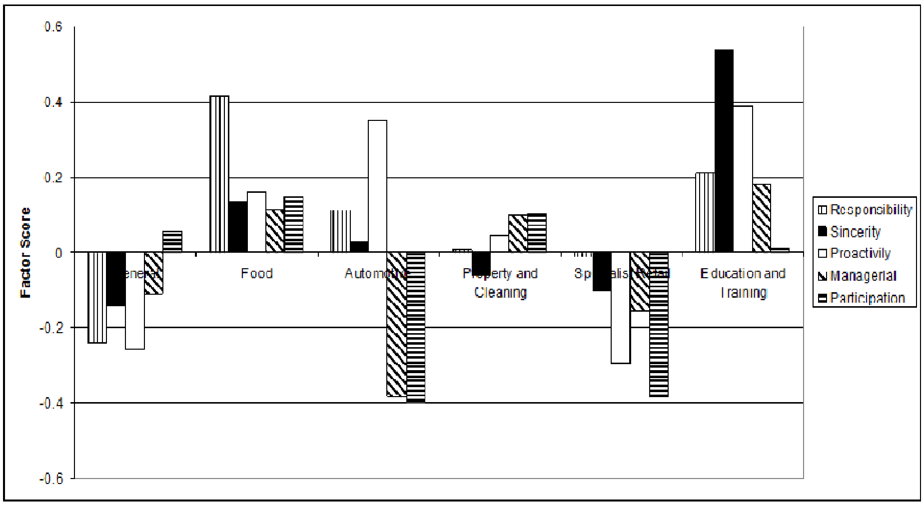

Figure 3: Relationship Strength by Business Sector

Conclusions

From this study, much of the speculation in the literature such as that of Morgan and Hunt (1994) has been verified. Constructs of different facets of relationships in franchising have been formed. Some of these have been found to contribute directly to the success of the franchise. The stronger these relationships as represented by higher factor scores of their dimensions then the greater is the likelihood of a successful franchise. Although the direct relation of the relationship to success is weak and not significant for the case of the confidence domain, these relationships reinforce one another and act in the manner of a virtuous circle which enhances the prospect of success. However, many other elements influence the success such as franchisee selection criteria, brand image and its recall, and the competitiveness of the local market. In general these dimensions were found to be stronger in older franchises than newer and smaller franchises but not significantly so.

The business relationships clearly play an important, if somewhat un-revealed part in ensuring the success and ultimately the continuance of the franchise and as such they should be fostered and nurtured. Because each relationship reinforces the others all the domains should be nurtured equally. Based on the literature review, a situation whereby the partners could achieve competitive advantage and it pointed out how the conceptualised model could be operationalised. The findings from this study have suggested that the effective operationalization would depend on actions and behaviour of both the partners. These findings are in agreement with the literature that the trust and commitment are focal to the relationship-based business; however, this study has taken the literature a step further and showed that what manifests trust and commitment and has revealed the effects of trust on franchise business.

The study has shown from the elements of the factors of different domains that the franchisees in order to secure their franchisor trust and commitment, have to show to their franchisors that they can manage their unit effectively and profitably. They have to understand the importance of and adhere to agreements, franchisors' advice, and quality standards. They need to arrive at the consensus with their franchisors when congruence is required on objectives, sources, or resources. The franchisees must also be adaptable to changes brought in by the franchisor. They require participating in the overall growth of system and providing their expert input for product or service development. The study has also shown by answering questions, that in order to earn credibility from franchisors franchisees have to demonstrate to the franchisors that they are sincere to the business by meeting the promises they make and respect the systems and procedures installed by the franchisors. Similarly, franchisees have to report on time, show consistency, and responsibility in their work and bring in innovative ideas for brainstorming and further development when required to earn integrity. On the other hand, franchisees have to participate in system development and show a problem solving approach to earn benevolent feelings from the franchisors.

The responsibility to implement the policy will lie with the franchiser because, as Bond and Bond (1991) show that the franchisor plays the role of source or umbrella for the franchisees, it becomes their responsibility to promote policies and procedures to agree with their partners regarding appropriate means of competition and desired ends for achieving growth. Keeping this in view franchisers may have to identify whether they would like to implement the model throughout their organisation or identify which members, with whom they had been facing problems. In such a case they will need to identify strategy to execute the plan, which may include persuasion, negotiation, politics or tactics as discussed as discussed by (Tenbrunsel and Messick, 1999; Dant and Schul, 1992; Stevens, 2000; and Fladmoe-Lindquist and Jacque, 1995). This study will provide a guideline to franchisees—be they existing or potential—about what is expected of them once they join a franchise business not only to be able to function effectively but also to grow with the franchise system.

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Appendix 1

Path model of the relationship features

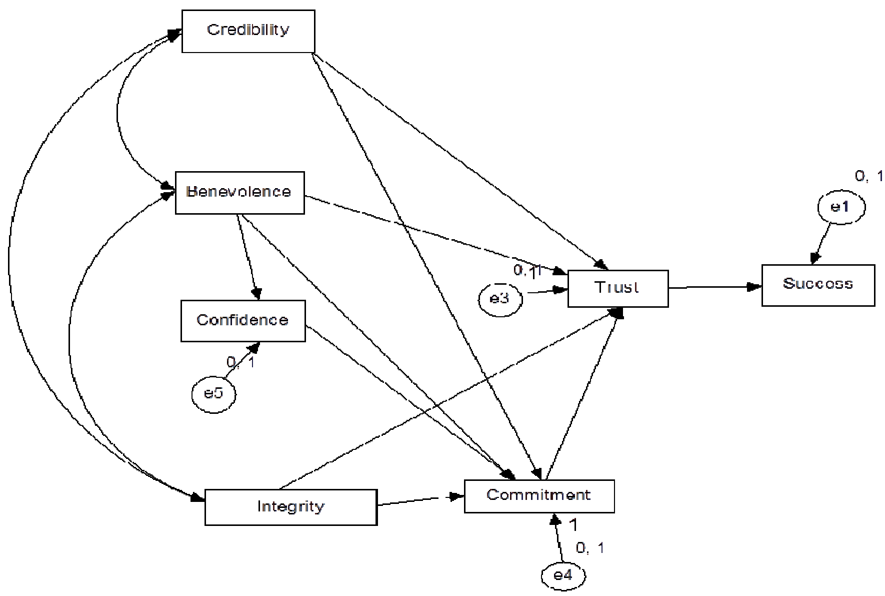

Figure 1 Path model of the relationship features

Appendix 2

Factor analysis of relationship domains

Variables	Factors and Loadings				
	Franchisee compliance	Responsibility	Performance	Consensus	Participating and Compromising
TRUST					
Franchisee ensuring adherence to agreement	0.773	-0.014	0.143	0.213	0.243
If franchisee do not misrepresent financial data	0.665	0.08	0.229	0.456	0.033
Adherence to quality and operational manual	0.732	0.085	0.123	0.335	0.078
Franchisee implementing changes necessary to keep competitive	0.775	0.011	0.111	0.012	0.116
Ontime roylty payments	0.789	-0.039	0.143	0.034	0.217
If there is no risk of damaging brand and reputation	0.617	-0.068	0.087	0.012	0.401
Franchisee should report on time	-0.106	0.003	0.459	0.645	0.216
When franchisee actively participates in service and or product development	0.257	0.059	0.123	0.525	0.525
If franchisee does not avoid responsibility	0.123	0.828	0.176	0.047	0.201
If franchisee has problem solving approach	0.33	0.833	0.177	0.148	0.155
When franchisee manages his business and cooperates for business development	0.323	0.385	0.683	0.441	0.032
If franchisee meets his obligations	-0.169	0.35	0.786	0.124	0.112
if franchisee shows increased sales every time	0.306	0.172	0.618	0.414	0.240
Honouring of commitments	-0.143	0.045	0.024	0.451	0.221
Consensus on common issues and objectives	0.079	0.078	0.219	0.848	0.848
Cooperation to achieve the agreed targets	0.172	0.149	0.248	0.771	0.122
Variance	**27.36**	**21.11**	**16.64**	**11.77**	**8.61**

CONFIDENCE

	Strategic acceptance	Expertise	Acknowledgement
Show of managerial and business expertise	0.0530	0.8210	0.0610
Show of technical skills	-0.0620	0.8370	-0.0310
Acceptance of franchisor efforts and assistance	-0.0510	0.0330	0.8270
Recognition that ranchisor is the boss	-0.0760	0.0600	0.5000
Consistency	0.5960	0.0640	-0.2040
Clear communications	0.6750	0.0190	0.3660
Self sufficiency in unit management	0.3830	0.1190	0.0030
Understanding and accepting franchisor strategy	0.6680	0.3630	0.3640
Cooperation to achieve and implement the agreed targets and strategy	0.5720	0.1720	-0.0500
Respect for principles on which system is based	0.2930	0.1220	-0.0180
Respect for franchisors' achievement and guidance	0.1110	-0.1010	0.4670
Variance	**31.89**	**24.76**	**13.61**

CREDIBILITY

	Operations	Sincerity	Honesty	Acquiescence
Communications	-0.208	0.658	0.144	0.012
Show unit level management & business growth	0.414	0.664	-0.125	0.115
Implement quality standards and operational procedures	0.028	0.795	0.11	0.049
Implementation of changes swiftly as & when needed in operations	0.089	0.801	-0.068	-0.038
Submission of financial statements on time	0.23	0.416	-0.08	0.71
Meet promises	0.323	0.025	0.753	0.014
Demonstrate honesty	-0.189	0.101	0.822	-0.108
Honouring obligations	0.508	-0.143	0.628	0.142
Show of respect for principles on which system is based	0.837	0.079	0.01	-0.103
Respect for franchisor's achievements and guidance	0.36	0.172	-0.009	-0.811
Variance	**27.71**	**19.69**	**13.07**	**11.06**

INTEGRITY

	Managerial	Financial	Respect
True and correct presentation of financial figures	-0.126	0.902	0.061
Payement of royalties on time	0.208	0.876	-0.044
Ontime reporting	0.714	-0.014	-0.07
Consistency	0.45	0.08	0.274
Show of responsibility	0.732	0.085	0.065
Innovative ideas and input for development	0.397	0.011	0.273
Meeting commitments	0.701	-0.039	0.169
Respect for system principles	0.149	-0.068	0.786
Respect for franchisor achievements and guidance	0.048	0.087	0.78
	27.86	**20.27**	**16.56**

BENEVOLENCE

	Recognition	Participation
Recognition of franchisor's efforts	0.847	0.259
Recognition that franchisor is boss	0.668	0.129
Participation in innovation	0.228	0.795
Problem solving approach	0.197	0.719
Respect for franchisor's achievements and guidance	0.68	0.048
Variance	**33.61**	**26.07**

COMMITMENT

	Adherence	Proactivity	Mutuality
Adherence and implementation of control systems	0.809	0.011	0.003
Show of trust	0.802	-0.080	-0.265
Inputs when required for product / service development	0.019	0.118	0.838
Show of responsibility	-0.043	0.775	0.201
Problem solving approach	0.074	0.808	0.067
Consistent performance	0.084	0.745	-0.032
Mutual consensus on common issues and objectives	-0.008	0.121	0.730
Mutual cooperation to achieve the agreed targets	-0.211	0.224	0.418
Adherence to quality standards	0.790	0.026	0.206
Implementation of changes advised	0.803	-0.008	-0.008
Clear communications	0.145	0.767	0.216
Variance	**29.83**	**21.77**	**14.96**

Table 3: Factor analysis of relationship domains

Appendix 3

Correlations between success and factors representing relationships

			Trust				Credibility				Commitment	
	Franchisee Compliance	Responsibility	Performance	consensus	Participating and Compromising	Operations	Sincerity	Honesty	Acquiescence	Adherence	Proactively	Mutuality
Success	-0.001	-0.018	0.325***	0.109	-0.013	-0.042	0.218**	0.121	0.068	0.041	0.065	0.303***
Franchisee Compliance		0.000	0.000	0.000	0.000	0.842***	0.065	0.071	-0.239***	-0.007	0.941***	0.045
Responsibility			0.000	0.000	0.000	-0.019	0.268***	0.279***	-0.146	0.815***	-0.057	0.133
Performance				0.000	0.000	0.012	0.678***	0.076	0.212**	0.092	-0.041	0.770***
consensus					0.000	0.037	0.288***	0.345***	0.047	-0.015	0.010	0.428***
P&C						0.064	-0.003	0.199**	0.161	0.200**	0.099	-0.132
Operations							0.000	0.000	0.000	0.045	0.858***	0.066
Sincerity								0.000	0.000	0.175*	0.042	0.715***
Honesty									0.000	0.306***	0.032	0.107
Acquiescence										-0.034	-0.199**	0.098
Adherence											0.000	0.000
Proactively												0.000
Mutuality												
Managerial												
Financial												
Respect												
Strategic Acceptance												
Expertise												
Acknowledgement												
Recognition												

		Integrity			Confidence		Benevolence	
	Managerial	Financial	Respect	Strategic Acceptance	Expertise	Acknowledgement	Recognition	Participation
Success	0.219**	0.096	-0.027	0.147	-0.084	0.092	0.026	0.227**
Franchisee Compliance	0.058	-0.089	0.781***	-0.007	0.547***	0.084	0.071	-0.102
Responsibility	0.533***	0.225**	0.151*	0.170*	0.162*	-0.078	-0.029	0.553***
Performance	0.718***	0.013	-0.101	0.285***	-0.073	0.287***	0.241***	0.548***
consensus	0.119	0.527***	-0.094	0.450***	-0.006	0.164*	0.205**	0.133
P&C	-0.069	0.250***	-0.029	-0.037	-0.026	-0.072	0.010	0.226**
Operations	0.060	0.008	0.703***	0.006	0.543***	0.189**	0.202**	0.010
Sincerity	0.792***	-0.010	-0.157*	0.228**	-0.065	0.212**	0.201**	0.404***
Honesty	0.041	0.698***	0.256***	0.331***	0.203**	0.049	-0.035	0.462***
Acquiescence	0.071	0.086	0.247***	0.038	0.402***	0.437***	0.439***	0.345***
Adherence	0.448***	0.479***	0.134	0.370***	0.108	0.210**	-0.055	0.597***
Proactively	-0.009	-0.038	0.661***	-0.031	0.485***	0.031	0.043	-0.125
Mutuality	0.749***	0.044	-0.095	0.278***	-0.020	0.389***	0.313***	0.504***
Managerial		0.000	0.000	0.304***	0.017	0.180**	0.201**	0.642***
Financial			0.000	0.584***	0.051	0.150*	-0.123	0.451***
Respect				-0.024	0.726***	0.048	0.025	0.000
Strategic Acceptance					0.000	0.000	-0.060	0.388***
Expertise						0.000	-0.065	-0.040
Acknowledgement							0.770***	0.102
Recognition								0.000

* significant at the 10%level
** significant at the 5% level
*** significant at the 1% level

Table 4: Correlations between success and factors representing relationships