

CONTENT ANALYSIS AND ASSESSMENT OF DEONTOLOGICAL CODES OF FRANCHISING ASSOCIATIONS

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ABSTRACT

The objective of this work is to run the content analysis and assessment of deontological codes of national and international franchising associations. To do this, we compared the content of 46 deontological codes of franchising associations from five continents to the standards established in the so-called C-40 or model of franchising deontological codes. Results show that, in general, ethical content included in deontological codes of franchising associations are not very large, requiring progress in improving its structure and content. In any case, according to the contents of their deontological codes, there are two groups of franchising associations worldwide. On the one hand, those taking the archetype of the European Franchise Federation code (30 associations), which show a greater number of ethical issues and have a better structured code than the other group that do not follow the European Code (16 associations).

KEYWORDS: franchising, deontological codes, franchising associations.

1. INTRODUCTION

Relevance of franchising and its evolution in the field of commercial distribution in recent years is evident. In the U.S., the country with a largest franchise development, at the end of the 80's franchising represented around 34% (Díez and Galán, 1989) and, at the end of 00's, it is estimated over 40% (Swartz, 2001, Welsh and Alon, 2004; Welsh, Alon and Falbe, 2006) or 50% (Falbe, Dandridge and Kumar, 1999) of retailing. For this reason Shane and Spell (1997) claim that franchise system is the dominant mode of retail entrepreneurship in the United States.

One of the distinctive characteristics of franchising versus other business formats is the existence of franchise associations who care about self-regulation and social responsibility of its members. In countries where franchising has a major presence, franchisors have been organized into groups within the country and internationally. According to Díez, Navarro and Rondan (2005), these associations were born with a set of common principles: a) to promote and develop franchising in its country or geographical area, b) to contribute to a better image of franchising; c) to search balanced relationships between the parties, and d) to promote ethical behavior with franchisees and other stakeholders. To meet these requirements, codes should be serious, comprehensive and compulsory for associate members, allowing the association to achieve a high reputation to provide security and confidence to franchisees. Thus, the code which should be bound by all members is revealed as the main instrument for the exercise of responsibility to franchisees and, in general, to the whole stakeholders.

In this context, deontological codes adopted by national and international franchise associations are a manifestation of their interest in the following areas: 1) warranties of members, which are determined by the requirements for franchisors to join the association, which are based on the concept of franchising (Storholm and Sheuing, 1994). Therefore, franchisors should comply with certain guarantees, such as the commitment to maintain the integrity and reputation of franchise (Preble and Hoffman, 1999) and not to admit members (franchisors) whose business concept has not been defined and successfully tested. 2) Franchise relationship in its four components: "franchisee recruitment, franchise agreement, implementation of the relationship and renewal/termination of contract, proposed by Preble and Hoffman (1999). 3) Commitment to stakeholders, defined as a sustained desire to maintain a valued relationship (Moorman, Zaltman and Deshpande, 1992). This implies an implicit or explicit promise of continuity of the relationship between the parties (Dwyer, Schurr and Oh, 1987), which became one of the cornerstones of the franchise system. 4) Compliance with the code, for which franchise associations provide a code that, should be mandatory for all members, in order to respect all norms and rules they enact and thus achieve their objectives (Frederick, 1991).

However, although currently the majority of franchisees and franchisors associations' have or are in the process of developing a deontological code, there is little knowledge about "how a good code should be", "what is the content it must include to perform properly" and if "existing codes of franchise associations are appropriated". The answer to these questions, given the existing gap in the literature, is the focus of this work. To do this, first a revision of different studies to collect some guidance about content of deontological codes within the scope of franchising is completed. Secondly, an analysis and assessment of deontological and ethical content included in codes and statutes of national and international franchise associations from the five continents was conducted, using as standard the so-called C-40 model (Gómez-González et al, 2010).

2. WHAT SHOULD BE THE CONTENT OF DEONTOLOGICAL CODES OF FRANCHISING ASSOCIATIONS?

In general, deontological codes provide guidelines or behavior rules for members who choose to assume them. These codes must be "ideal" to avoid judicial problems among the related parties and they may be used as a substitute for legal gap that exists in some sectors (Frankel, 1989). In franchising, these codes play an essential role in the reputation of the franchise against the stakeholders, helping to prevent opportunistic behavior (e.g. unbalanced contracts) of franchisors, derived from its dominant position (e.g. information asymmetry) compared to the franchisees. In this regard concerns the president of IFA (International Franchise Association) -Shay (2006)- to note that ethical codes reinforce the implementation of good practices in the sector, improving relations between the stakeholders of the franchise. It is therefore essential that the codes of ethics of the franchise associations include general and specific provisions to avoid any possible confusion in its application and regulate the maximum number of vicissitudes between franchisor and franchisee (Molander, 1987).

Preble and Hoffman (1999), after a revision of franchise associations' codes, identify eight key issues contained in the analyzed codes: (1) to act in good faith, (2) complete information, (3) maintaining the integrity of franchise (4) avoid deception, (5) impartiality, (6) open communication, (7) non-discrimination (8) safeguard the general interest. In addition, Justis and Judd (1989) added three key elements of franchising associations' codes that should be disclosed, such as (1) the written contract, (2) franchisors' obligations, and (3) conditions for renewal/termination of contracts. From this perspective, it is advisable that deontological codes of franchise associations contain provisions about the wording of the franchise agreement (i.e., contracts should be written in the language of the country where the franchised unit is located). Furthermore, these contracts should be clear complete and accurate. This will help to avoid any ambiguities that generate a greater tendency to violate the code (Weller, 1988).

In this context, promulgation of associations' codes is needed to deter unethical behavior and to educate franchisors about the demands that legitimately they may impose on their franchisees. Therefore, franchising associations' codes should also contain provisions about the obligation to disclose the contents of the code to franchisees and other stakeholders. It is even recommended that franchisees participate actively in the development and dissemination of codes to ensure their applicability. In addition, codes should (1) define priorities in case of conflict; (2) specify penalties for noncompliance and (3) identify the mode and mechanisms for complying with sanctions (Preble and Hoffman, 1999). The existences of these "rules of application" help to activate the so called self-regulatory process of codes. Moreover, these rules contribute to ensure ethical behavior and good practice in franchising (Frances et al., 2003).

Moreover, according to Kaptein and Dalen (2000) it would be advisable that franchise associations' codes meet seven basic requirements: (1) *clarity*, franchisors should clarify what is expected from themselves in their relationship with franchisees; (2) *consistency*, in the sense of considering as many possible scenarios in the relationship between franchisors and franchisees; (3) *sanctionability* in relation to the establishment of punishments as a consequence of irresponsible behaviors; (4) *achievability*, reflecting the level of achievement that will be recognized when responsibilities were properly exercised; (5) *supportability*, establishing mechanisms for collaboration among associations, franchisors, franchisees and other stakeholders; (6) *visibility*, associated with the need to achieve a high diffusion of codes between the different stakeholders; and (7) *discussability*, trying to get synergies from the various stakeholders in configuring the code.

Definitively, if the aim is that franchise associations' codes were classified as suitable they should have certain common characteristics such as clearness, compulsory, written in positive language, widely communicated and disseminated and reviewed periodically (Langlois and Schlegelmich, 1990). They should also present the greatest "completeness" as possible, in order to cover all situations or problems that may arise during the franchise agreement. However, some studies have suggested that franchising associations' codes are incomplete (Preble and Hoffman, 1999; Díez, Navarro and Rondan, 2006) because they tend to have shortcomings in terms of ethical and deontological content relating to "commitment to integrity and reputation of franchise", "other additional guarantees", "the relationship between franchisor and franchisee" and the "commitment to consumers and other stakeholders". As well as, they contain significant gaps regarding "the mechanisms for implementation of codes". But, are franchise associations' codes actually incomplete?

3. METHODOLOGY AND RESULTS OF THE ASSESSMENT OF FRANCHISE ASSOCIATIONS' DEONTOLOGICAL CODES

C-40 model was used for the assessment of franchise associations' deontological codes (Gamez-Gonzalez et al, 2010) –see Annex 1 - . An indicator called -approach to C-40- was calculated. This indicator relates the ethical and deontological content of the association code and its annexes with the C-40 model.

$$\text{Approach to C - 40} = \frac{\text{Number of deontological and ethical items of association code}}{\text{Number of items of C - 40}}$$

In total, 46 codes¹ and 17 statutes from 46 franchise associations were assessed (see annex 2). For each analyzed association we collect the scores² in each part comprising the code and the overall score

¹ Franchise associations' codes have been obtained from the websites of national and international franchise associations, and also, via e-mail.

considering only the code or with the addition of its annexes. Results are shown in table 1, codes have been ordered according to the level of approximation to C-40 from highest to lowest. In this sense, codes of franchise associations representative of Belgium and Spain contain the largest number of ethical issues (24), followed by France with 23. On the opposite, the code representative of the Mexican association is the lowest rating with the minimum number of ethical issues (5). In this context, two groups can be differentiated:

- First group. It consists of franchise associations with a score in their deontological codes equal to or greater than 18 (ratio 0.45). All these associations follow the European Franchise Federation code except the association representing Brazil.
- Second Group. With a score less than or equal to 16 (0.40). This group is formed by associations that do not follow the Franchise European Code. In this group are inserted countries from Asia, Oceania and Africa, and only three European countries (Israel, Romania and Ireland).

It is also noted that the codes from associations of the three South American countries that are located in the first group, two of them (Ecuador and Venezuela) follow almost entirely the European Code, while the third (Brazil) does not follow it. This one is focused on parts III and IV of it ("Commitment to Stakeholders" and "Code Enforcement"). It is remarkable the fact that most of the ethical and deontological content of the Brazilian code has been found in its annex thereto, as is the case with the codes of the associations of Australia and New Zealand.

Regarding the partial results obtained in each of the four thematic areas of C-40 model, the following considerations can be highlighted:

Part I. Guarantees of members. South Korea, Ireland and Mexico do not include any topic in their deontological codes regarding the 4 items included in this part. The codes that have obtained the highest score (3) in this part are the associations of Belgium, Spain, France, Brazil, Israel, Japan and the Philippines. The predominant ethical content in the first group of countries are related to items #1 (admission prerequisites for franchisors) and #2 (not to admit members without proven concept). Only Belgium, Spain, France and Brazil contain ethical issues related to item #3 (The franchisor is committed to maintaining the integrity and reputation of franchise). However, the prevailing ethical content in the second group of countries are related to item #3.

Part II. Franchise relationship. With regard to the 23 items included in this part, it is found that Mexico does not cover any topic in its code of ethics about these items. Moreover, no codes dealt with any ethical content related to items No 16 (Contracts should be countersigned by the institution that determines the association) and No. 23 (Principle of renewal of contract). Very little attention was found about ethical content related to items No. 22 (Principle of stability of relations) and No 24 (Contract should regulate the "pre-warning" and conditions in the case of intention to not renewing it by the parties). By country, the codes that have obtained the highest score (between 14 and 17 points) in this part II are the associations of the first group of countries except Brazil (10 points). The predominant ethical content in this first group of countries is related to items # 5, 7, 8, 10, 11, 12, 13, 14, 15, 17, 19, 20, 25, 26 and 27. However, no ethical content was found on items # 6 (There will be no discrimination in the selection of franchisees) and # 21 (To promote associations of franchisees). For the countries included in the second group, the predominant ethical content are related to items # 5, 6, 8, 10, 17 and 20. However, there were no ethical issues related to items No. 7 (The franchisee should be informed of the existence of a pre-contract), No. 12 (Contracts

² We have recorded the ethical issues found and reported from the review of 46 deontological codes of franchise associations from different countries at a worldwide level. These issues were written at least once in the text of each one the assessed codes, whether they were properly defined, unambiguous and in full extension. It must be said that each ethical topic has been posted only once, regardless of the number of its occurrences in the same code.

should be fair, complete and accurate), No. 13 (Contracts should follow domestic and international laws, and the deontological code of the association) and No. 19 (Flexibility in relationships). Also, ethical content relating to item No. 22 (Principle of stability of relations) and No. 25 (Setting conditions for renewal) were absent. In addition, little attention has been found on the ethical content related to items No. 11, 14, 18, 19, 24, 25, 26 and 27.

Part III. Commitment to Stakeholders. Australia, USA and the Philippines do not include in their codes any of the 9 ethical issues in this part. Moreover, in general, any ethical content related to the item No. 32 (Safeguarding the public interest, government, media, etc.) was found. Furthermore, only the code of the association of Brazil includes ethical content related to items No. 29 (Responsibility of franchisor for errors of franchisees) and No. 36 (To participate in public decisions affecting the franchise particularly in the legal issue). This fact has also occurred for item No. 35 (Providing services to franchisors) in the South African code. By country, the codes that have obtained the highest score (4 to 5 points), in this third part, are the associations of South Africa (5), Belgium, Spain, France and Brazil (4). The predominant ethical and deontological content in this part relates to item No. 34 (Safeguarding the interests of franchisors. Not reveal secrets or disclose essential information about the franchisor by the franchisee). The rest of ethical and deontological content of this part practically does not appear in the association codes.

TABLE 1. ASSESSMENT OF DEONTOLOGICAL CODES OF FRANCHISING ASSOCIATIONS

Number of items C-40 MODEL 40 Items	Partial score (max.4) Part I. Guarantees of members		Partial score (max.23) Part II. Franchise relationship		Partial score (max.9) Part III. Commitment to Stakeholders		Partial score (max.4) Part IV. Code compliance		TOTAL SCORE ABOUT DEONTOLOGICAL CONTENT OF CODES (max.40)		APPROACH TO C40
	CODE	CODE +ANNEX	CODE	CODE +ANNEX	CODE	CODE +ANNEX	CODE	CODE +ANNEX	CODE	CODE +ANNEX	
BELGIUM	2	3	15	16	1	4	0	1	18	24	0,6
SPAIN	2	3	15	16	1	4	1	1	19	24	0,6
FRANCE	2	3	15	16	1	4	0	0	18	23	0,575
GREECE	2	2	15	16	1	2	1	1	19	21	0,525
ITALY	2	2	15	16	1	1	1	2	19	21	0,525
BRAZIL	1	3	5	10	1	4	1	4	8	21	0,525
GERMANY	2	2	15	16	1	1	1	1	19	20	0,5
UNITED KINGDOM	2	2	15	15	1	1	1	2	19	20	0,5
ESTONIA	2	2	15	17	1	1	0	0	18	20	0,5
AUSTRIA	2	2	15	15	1	1	1	1	19	19	0,475
CZECH REPUBLIC	2	2	15	15	1	1	1	1	19	19	0,475
DENMARK	2	2	15	15	1	1	1	1	19	19	0,475
FINLAND	2	2	15	15	1	1	1	1	19	19	0,475
SWEDEN	2	2	15	15	1	1	1	1	19	19	0,475
NORWAY	2	2	15	15	1	1	1	1	19	19	0,475
POLAND	2	2	15	15	1	1	1	1	19	19	0,475
ECUADOR	2	2	15	15	1	1	1	1	19	19	0,475
CROATIA	2	2	15	15	1	1	0	0	18	18	0,45
SLOVENIA	2	2	15	15	1	1	0	0	18	18	0,45
NETHERLANDS	2	2	15	15	1	1	0	0	18	18	0,45
HUNGARY	2	2	15	15	1	1	0	0	18	18	0,45
PORTUGAL	2	2	15	15	1	1	0	0	18	18	0,45
SWITZERLAND	2	2	15	15	1	1	0	0	18	18	0,45
BULGARIA	2	2	15	15	1	1	0	0	18	18	0,45
SLOVAKIA	2	2	15	15	1	1	0	0	18	18	0,45
LATVIA	2	2	15	15	1	1	0	0	18	18	0,45
LITHUANIA	2	2	15	15	1	1	0	0	18	18	0,45

RUSSIA	2	2	15	15	1	1	0	0	18	18	0,45
TURKEY	2	2	15	15	1	1	0	0	18	18	0,45
VENEZUELA	2	2	14	14	1	1	1	1	18	18	0,45
ISRAEL	3	3	11	12	1	1	0	0	15	16	0,4
SOUTH AFRICA	1	1	7	8	5	5	2	2	15	16	0,4
CANADA	1	2	6	7	2	2	1	2	10	13	0,325
ROMANIA	1	1	6	6	2	2	2	2	11	11	0,275
ARGENTINA	1	1	6	6	1	1	3	3	11	11	0,275
AUSTRALIA	0	2	4	6	0	0	1	2	5	10	0,25
NEW ZEALAND	1	1	2	6	1	1	1	2	5	10	0,25
HONG KONG	1	1	7	7	1	1	0	0	9	9	0,225
JAPAN	3	3	3	3	2	2	1	1	9	9	0,225
MALAYSIA	1	1	5	5	3	3	0	0	9	9	0,225
SOUTH KOREA	0	0	7	7	2	2	0	0	9	9	0,225
EGYPT	1	1	5	5	2	2	1	1	9	9	0,225
IRELAND	0	0	6	6	2	2	0	0	8	8	0,2
U.S.	1	1	4	4	0	0	2	2	7	7	0,175
PHILIPPINES	3	3	4	4	0	0	0	0	7	7	0,175
MEXICO	0	0	0	0	1	1	4	4	5	5	0,125

Part IV. Code compliance. Finally, with regard to the 4 items included in this part, a large group of countries (France, Estonia, Croatia, Slovenia, Holland, Hungary, Portugal, Switzerland, Bulgaria, Slovakia, Latvia, Lithuania, Russia, Turkey, Israel, Hong Kong, Malaysia, South Korea, Ireland, and the Philippines) do not include in their codes anything about these topics. In addition, we have only found ethical content related to item No. 38 (Specification of the lack of code compliance) in the associations of Brazil, South Africa, Argentina, Australia and Mexico. Similarly, only the codes of Brazil and Mexico provide deontological issues in relation to item No. 40 (Specification of penalties for breaches). The codes that have obtained the highest score (4 points) in this part are the associations from Brazil and Mexico, followed by Argentina (3). The deontological content prevailing in this part relates to item No. 37 (The code should clearly explain the requirement of compliance of associate members). It was also noted that most associations following the European code do not or scarcely report any ethical or deontological content on this part.

4. DISCUSSION

There is a void of ethical and deontological content on important aspects in the codes of franchising associations representing countries around the world. Such as those included in items No. 16 (Contracts should be countersigned by the institution that the association determine, i.e. ethics committee, committee of experts, etc.), No. 23 (Principle of renewal of contract) and No. 32 (Safeguarding the public interest, government, media, etc.). In addition, there are few references to essential topics such as: (1) those related to guarantees for quality certification, risk of failure, etc., (Item No. 4); (2) the principles of stable relationships based on long-term contracts (item # 22); (3) as well as the regulation of pre-announcements and conditions in the case of not renovation of contracts by the parties (item # 23). Furthermore, there are very limited references associated with the liability of franchisors by franchisees' errors (item No. 29), safeguarding the interests of franchisees' employees (item No. 30), to provide services for franchisors (item No. 35) and participation in public decisions affecting the franchise particularly in the legal issue (item, No. 36).

The results obtained show that the associations that follow the European Code have uniformity in the ethical and deontological content of their codes. These associations, 29 in total, are located within the top 30 which have obtained the highest score. The association of Brazil, with a structure different from the European code, has scored 18 points and is located within the highest-rated group.

The revision of deontological codes leads us to be critical in relation to franchise associations. The reason is that the average overall score is around 12 ethical issues reported (degree of approximation to the code "C-40" is 0.30), with the best scores of 24 (degree of approximation to "C-40" is 0.6) and the lowest is 5 (degrees of approximation to "c-40" is 0.125).

Moreover, analysis of results show that in Part I guaranties of members, none of the associations, except Brazil, Australia and the Philippines, addressed in their codes content about "Other complementary guaranties" of members. It would be beneficial for the image and reputation of the franchise system that associations include in their codes these contents and also the reference to "the franchisor's commitment to integrity and reputation of the franchise system."

In part II, franchise relationship, only seven associations state in their deontological codes content on a "minimum contractual information" or "disclosure document" to be provided by franchisors to prospective franchisees. Franchise associations should be aware of the importance of including this content in their codes. Furthermore, with regard to "Form of agreement or franchise contract", associations that follow European code declare an ethical content which is close to the model C-40 in this second part. Conversely, associations do not follow the European Code have an ethical vacuum in this part. None of the analyzed associations provide any statement in their codes about the "Principle of renewal of contract". In our opinion, unless there are justifiable reasons, contracts should be automatically renewed according to franchising philosophy. In the same way, very few countries with content related to the "principle of stability of relationships" and "Regulation of notice and conditions for non-renewal of contracts by the parties" have been found.

In the analysis of part III, commitment to stakeholders, it is remarkable the fact that associations declare limited deontological content with regard to "Commitment to consumers and other stakeholders", the opposite is true in relation to "Commitment to the other franchisors". In this sense, if everybody wants that relationship between the parties will be well founded, as well as the reputation of the franchise system preserved, associations should strengthen the ethical and deontological content of this section. The objective will be to balance the bigger negotiation power of franchisors with regard to the other stakeholders.

Finally, very few content of part IV, code compliance, has been found in the association codes. This is may be because some associations include these ideas in their statutes. In this regard, we believe that all ethical and deontological content should be declared in the code of the association, although they may be dealt with in greater detail in the statutes.

5. CONCLUSIONS

Deontological codes of franchise associations are the main instrument for implementing corporate social responsibility and ethics in the franchise system. The codes should spell responsible practices of franchisors in reference to compliance with law, their response to franchisees and, in general, to all the stakeholders.

It is desirable that national and international franchise associations broaden the deontological content included in their codes. Thus, while the relationship between the subjects of franchising is contained in practically all the analyzed codes, however, in general, length and content of deontological codes about the "establishment of franchising agreement" does not seem appropriate. But, the treatment is very dissimilar between codes of different countries. Unfortunately, it is also noteworthy that the "renewal or termination of contracts" is not even mentioned in the codes of many countries, in spite of the fact of being an essential topic of franchising. Another issue rarely reflected in deontological codes deals with the "Commitment to consumers". In this way, in order to increase credibility and reflect the maturity that is reaching franchise, this aspect should be included in most codes. Similarly, it is essential a proper

treatment in the codes in relation to "code compliance by partners" to ensure the ethical behavior of members, a fact which is now virtually nonexistent.

Another important issue is that deontological codes of franchising associations should make clear the responsibilities of franchisors because they provide to franchisees and society a double guarantee: (1) the prestige of the franchise system and, (2) the guaranties that represents the association and its code. In this context, the association must assume responsibility for the ethical conduct of its members, with independence of the fact that this question were picked up in the code or not.

Progress is needed on improving the European code of the EFF (European Franchise Federation) because it is a reference for franchising deontological codes in Europe and at a worldwide level. However, it is still far from the C-40 model, being necessary a further develop of its content. Moreover, to include annexes specifying certain contents of the code is advisable. The international trend towards the use of the European code gives greater responsibility to the EFF, but also the associations that adopt it can expand the ethical and deontological content of his associates in the form of annexes.

In our opinion some franchise associations should create their own codes. Maybe, to adopt the European code is not considered appropriate for certain associations, mainly those belonging to developing countries. This is especially important, when economic and social characteristics of the country are very different from the countries that created the European code.

Another essential topic is to adapt codes to the evolution of franchising. Deontological codes are not permanent. Franchise evolves rapidly, however, codes not do it at the same rate, and this represents a handicap for the development of the franchise. It is necessary that codes change with a timing similar to the franchise system. Improving the contents of codes and adapt them to reality must be an overriding aim.

The revision of codes made us to be pessimistic with regard to the deontological codes of franchising associations. However, the capacity for improvement is large and seriousness shown by many associations will make inevitable further advance in developing these codes. Members of franchising associations should be aware of the importance of ethical and deontological behavior in the franchise relationship and they have to respect them. Therefore, the admission of new members in franchising association must become increasingly rigorous as is the case of the selection of franchisees by franchisors.

As future research, to analyze the relationships between the ethical and deontological contents of codes and some variables related to the associations' characteristics such as age, number of franchisors associated, etc., would be very interesting.

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ANEXO 1. Franchising ethical code (C-40)

PART I: THE ASSOCIATES' GUARANTEES	
Items	1. Obligatory Requirements of the associates (Franchisors)
1	1.1. Previous Admission Requirements for the Franchisors: <ul style="list-style-type: none"> ✓ The Franchisors shall be the owners of its network's trade name, trademarks or other distinguishing identification, that they yield to the Franchisee ✓ The Franchisors shall have know-how ✓ The Franchisors shall provide the Individual Franchisee with technical assistance, support and services
2	1.2. No associate admittance without proven concept: the franchisor shall have a minimal number of establishments and shall have operated in the franchise system successfully, for a reasonable time
3	1.3. The Franchisors are committed to safeguarding the integrity and reputation of their franchise system
4	1.4. Other guarantees: The association will be able to demand from the candidates and the associates, complementary guarantees, such as the system quality certification 'The seal guarantee' provided by the competent organism, or a maximum failure risk (measured by the number of unsuccessful/closed units)
PART II: FRANCHISE RELATIONSHIP (FRANCHISOR-FRANCHISEE)	
Items	2. Initial phase: Franchisee Recruitment
5	2.1. Advertising for the recruitment of Individual Franchisees shall be free- of ambiguity and misleading statements
6	2.2. Discrimination will not exist in the Franchisees selection process
7	2.3. Franchisee will have to be informed on the existence or non-existence of a franchise pre-contract
8	2.4. The Franchisor must provide the Individual Franchisee with a full and accurate written 'disclosure' of all information in relation to the franchise
9	2.5. The code should have to specify a structure or minimal content of the pre-contract information: 'Disclosure Document'
Items	3. Franchise Agreements/contract Formalization
10	3.1. It is obligatory for the contracts to be written agreements.
11	3.2. The contract must be written into the official language of the country where the Individual Franchisee is established
12	3.3. The contracts must be equitable, full and accurate
13	3.4. The franchise agreement will have to comply with the national law, international law (as appropriate) and the ethical code of the association
14	3.5. The code will have to specify a structure or minimal content of the contract
15	3.6. The Franchisor will give a copy of the Ethical Code of the Franchisee association
16	3.7. Contracts should be revised by the organism that the association determines (ethical committee, experts' committee, etc.)
Items	4. Relationship Implantation
17	4.1. Good faith and fair conduct in all the relationships
18	4.2. The associates must follow the 'relationship marketing principles'
19	4.3. Flexibility in the relationships (acceptance of new products/services for the Franchisee).
20	4.4. Mediation and arbitration before lawsuits in the resolution of conflicts
21	4.5. It is necessary to encourage and not to obstruct the association between Franchisees
Items	5. The Renovation-Termination of Franchise contract
22	5.1. The Relationships Stability Principle. The contracts must be in the long term or indefinite.
23	5.2. The Contract Renovation Principle. If justified reasons do not exist, the contracts will be renewed automatically.
24	5.3. The contract must regulate the 'notice' and term in case of a non-renovation intention by those concerned
25	5.4. The fixing of renovation terms. The contracts will fix the renovation terms specially, regarding the payment or not of a new admittance canon.
26	5.5. The agreement termination. The contract will fix the reasons and motives that can finish by the rescission of the contract between those concerned
27	5.6. The code must establish the terms upon the sale or transference of the franchise to third parties
PART III: THE COMMITMENT WITH STAKEHOLDERS	
Items	6. The commitment with consumers and other stakeholders
28	6.1. The Franchisor Responsibility. The Franchisor is responsible for products/services offered through individual Franchisees.
29	6.2. Subsidiary responsibility of the Franchisor for mistakes of the Franchisees. Obligation to subscribe insurance responsibility with respect to the clients both on the part of the Franchisee and of the Franchisor
30	6.3. To safeguard the interests of the franchisees' employees
31	6.4. To safeguard the interests of the franchise system suppliers
32	6.5. To safeguard the interest of the public, government, mass media, etc.
33	6.6. To safeguard the interests of other franchisors, Masters Franchisees, Franchisees associations, Franchisee Advisory Council (F.A.C.), etc.
Items	7. Commitment with Franchisors
34	7.1. To safeguard the franchisors' interests. The Individual Franchisee shall not disclose to a third party the know-how provided by the Franchisor
35	7.2. To provide services to Franchisors
36	7.3. To take part in political decisions that affect franchise, especially when the legal matter is considered incomplete.
PART IV: THE CODES COMPLIANCE	
Items	8. The guarantee of codes compliance
37	8.1. The codes must clearly state the compliance obligation of the association's members
38	8.2. Specification of the break of code non-compliance
39	8.3. Codes enforcement mechanisms or structures. How to present claims for non-compliance? Where? To which organism? Who solves the claims?
40	8.4. Sanctions Specification for non-compliance. The code must state: what the violations are and what the sanctions (reprimand, temporary suspension or expulsion from the association) are.

ANEXO 2: Ethical codes of franchise associations included in the database

Codes	Countries
EUROPE	
EFF (European Franchise Association)*	Germany, Austria*, Belgium, Czech Republic, Denmark, Slovenia*, Finland, France, Greece, Holland, Hungary, Italy*, Portugal*, The United Kingdom, Sweden and Switzerland
BFA (Baltic Franchising Association).	Estonia, Latvia and Lithuania
The content of their code is based on E.F.F.	Bulgaria, Croatia*, Slovakia, Spain*, Norway, Poland, Russia* and Turkey
Irish Franchise Association	Ireland
Israel Franchise Association	Israel
Romanian Association of Franchising	Romania
AMERICA	
IFA (International Franchise Association)	The United States
AFA (Asociación Argentina de Franquicia)	Argentina
ABF (Associação Brasileira de Franchising)	Brazil*
CFA (Canadian Franchise Association)	Canada*
AMF (Asociación Mexicana de Franquicias)	Mexico*
PROFRANQUICIAS (Cámara Venezolana de Franquicias)	Venezuela
AEF (Asociación Ecuatoriana de Franquiciadores)	Ecuador*
ASIA	
HFKA (Hong Kong Franchise Association)	Hong Kong
JFA (Japan Franchise Association)	Japan
Malaysian Franchise Association	Malaysia*
KFA (Korean Franchise Association)	South Korea*
Philippine Franchise Association	The Philippines*
AUSTRALIA	
Franchise Council of Australia	Australia*
New Zealand Franchise Association	New Zealand*
AFRICA	
The Franchise Association of Southern Africa	South Africa
Egyptian Franchise Development Association	Egypt

(*). These are the 17 countries whose associations' statutes have been analyzed.