

Membership in the Franchising System: A Worldwide Analysis

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ABSTRACT

The franchising system is one of the sectors on which many management researchers are increasingly focusing their attention. The internationalisation and globalisation of franchising is an unstoppable fact. However, there is not enough research to show exactly how the membership of franchising associations is developing worldwide. One of the main goals of franchising associations is the defence of ethical rules or deontology, fixing the theoretical bases that should guide the application of balanced relationships between franchisors and franchisees. This paper centres on the world analysis of the following aspects: the current situation and evolution of franchising, the level of association or membership of Franchisor Associations and its evolution, and, finally, the explanation of the reasons for franchising membership.

1. Introduction

Are franchisors joined with franchising associations more successful than separate ones? Is membership a distinction for excellent franchisors? How is the evolution and situation of franchising membership at a worldwide level? These important questions are analysed and answered in this paper.

The franchising system presents a series of distinct characteristics. First of all, we should call attention to the growing importance of franchising in the commercial distribution and services environment. Secondly, there are a growing number of franchisees and franchisors in a wide spectrum of countries, from those that are currently developing to those countries that are the most commercially advanced. For example, in the United States at the end of the 1980s, it was reported that the franchising system represented 34% of all retailing business (Díez and Galán, 1989) and, nowadays, it is estimated to represent more than 40% (Welsh and Alon, 2004; Welsh et al., 2006) or 50 % (Falbe et al., 1999) of it.

The franchising system is continually developing and it is an important contributor to retailing modernization. Managers consider franchising as another form of growth, obviously franchising networks are spreading. Also, more and more experts and consultancies specialized in franchising are appearing. However, the risk of acquiring a franchise or creating one is increasing. In this sense, the main problems that face franchising are the following (AEF

magazine, 1996): intrusion, abuses produced by some franchisors, lack of a business culture and maturity related to the concept of franchising, incomplete legal environment, etc.

One of the ways to solve the problems of the franchising mentioned above is through the franchising associations. With regard to the first problem (intrusion), one of the main goals of associations is the defence of ethical rules or deontology, fixing the theoretical bases that should guide the application of balanced relationships between franchisors and franchisees. Therefore, the associations should convert themselves into a filter that obstructs the possible entrance of this intrusion.

In reference to the second and third problems (image and lack of culture regarding what franchising should be), they arise from the confrontations developed by organizations that use the franchising system incorrectly. It is important to take actions that contribute to improving the image of the franchising in the form of promoting the culture and teaching in all environments of society. In this way, the associations should actively participate in all types of board meetings, conferences, seminars, etc., about franchising with an informative and communicative point of view.

Last but not least, referring to the legal environment, franchising associations become organisms that can influence and/or collaborate in the elaboration of the franchising legal background in a country. As it has been said earlier, many conflicting views exist. Those in favour believe that regulations concerning franchising should exist. On the other hand, those opposed to the idea think more freedom is better. Perhaps, a minimum legal environment is necessary so that the franchising contracts, which contain clauses acting against the free market, could be outside the margin of the law. But from this point on, it would be the associations who are in charge of looking out for the goodness of the image, promotion, and development of franchising (Díez et al. 2005).

The main contributions of this study are the following:

- 1) This paper studies a field of research scarcely treated in the previous literature of franchising.
- 2) One of the main contributions consists in the laborious compilation and verification of data relating to the franchising system on a worldwide level.
- 3) Three variables that explain the reasons of membership in franchising have been found: the number of associated franchisors, the number of franchisors in the country, and the possession of a website.

The next part of the manuscript is dedicated to expose the theoretical background of the paper, then, the empirical study is explained. In section 4, the analysis and evolution of franchising in the world has been developed. Section 5 is dedicated to the analysis of the degree of membership in franchising. The reasons of membership in franchising is

a 2nd study exposed in subheading 6. The results and discussion of the study are included in section 7. Finally, the limitations and future research lines are described in section 8.

2. Theoretical Background

In recent years, the idea of the company having to have a socially responsible behaviour is receiving more and more attention. Amongst the authors with pioneering works in the field of Corporate Social Responsibility Cortina (1998) and Carroll (1999) can be mentioned.

Franchisors of all countries where franchising plays an important role have been forming associations in their countries as well as internationally throughout the years. The growth of franchising associations in the past few decades has been very important. According to Alon (2004), in 1993 there were at least 24 nations with an association specialized in franchising (Preble and Hoffman, 1995). This number reached 55 between national and regional associations in 2004 (International Franchise Association, 2004).

The associations, which in most cases are formed exclusively by franchisors, are born with a series of common rules (table 1): INSERT TABLE 1

An association, based in these principles, should have as an objective to gain a good reputation. So that, the pertinence to an association provides a guarantee and trust for the franchisee. And it is founded in a serious and complete deontological code.

In order to fix the theoretical background of this paper citing Combs and Castrogiovanni (1994) is useful. They pointed that research about franchising has been based mainly on three theories. Scarce Resources Theory suggests that franchisors use franchising in order to obtain the necessary resources needed for the growing of the chain (Hunt, 1973; Anderson, 1984; Caves and Murphy, 1976; Martin, 1988; Oxenfeldt and Nelly, 1968-69; Lafontaine and Kaufmann, 1994; Norton, 1995; Bradach, 1998; Combs and Ketchen, 1999; Combs et al., 2004). Agency Theory (and transaction costs theory) proposes that franchisors are interested in franchising to minimize monitoring costs. Agency Theory has received the most empirical support on franchising research (Brickley and Dark, 1987; Norton, 1988a; Norton, 1988b; Klein, Crawford and Alchian, 1978; Carney and Gedajlovic; 1991; Hunt, 1973; Rubin, 1978; Mathewson and Winter, 1985; Martin, 1988 and 1993; Brickley, Dark and Weisbach, 1991; Krueger, 1991; Lafontaine, 1992; Lafontaine and Shaw, 1996; Shane, 1996; Calderón, 1998; Moro, 2002; López and Ventura,

2002). Finally, Extension Risk Theory suggests that franchisors own the establishments located in the most profitable markets, however, they franchise on the riskiest markets.

Nevertheless, other scientific theories have been used (less frequently) or might be used on franchising research: structure-behaviour-results theory and politic economy, resources and capabilities theory, knowledge theory, etc.

This study is based on Social Corporate Responsibility (SCR) principles. Recently, the idea of firms that should have a social and ethical behaviour is getting more and more importance. Many franchising associations set up deontological codes that direct the ethical behaviour of their members. SCR implies that firms should take into account not only the maximization of profits but the impact of their decisions and strategies on other stakeholders (Carroll, 1999; Cortina, 1998). SCR shows a certain practical and theoretical complexity, usually, it is divided in various dimensions when it is analyzed. Stoffele (2002) affirmed that one of the biggest problems of SCR is to define its contents, because of the existence of many different definitions. In this context, Business for Social Responsibility (BSR) define SCR as the achievement of commercial success respecting the ethical values, people, society and the natural environment. Also, it is important to highlight that one of the key points of SCR is the relationship between the firm and their stakeholders and society in general. (Alén et al., 2006). Carroll (1991) proposed a pyramid of SCR dimensions including economic responsibility, legal responsibility, ethical responsibility and philanthropic responsibility. According to the previous idea some authors include the ethical dimension (Carroll, 1999; Ferrell et al., 2000; Samuel and Saarir, 2004) in their studies about SCR. Ferrell et al. (2000) claimed that the ethical dimension obliges firms to accept and develop a good behaviour towards the stakeholders. According to Carroll (1999), ethical responsibility represents the conduct and ethical rules that society hopes from firms. For that reason, every behaviour conducted by firms requires an ethical meditation in order not to damage to the stakeholders. However SCR has a greater challenge managing not individual firms but also companies acting collectively, such a franchisor association (Valpentesta, 2006).

Nonetheless, reality indicates a moderate degree of franchisor membership, associations with few members and/or little prestige, associations that admit members not fully confident into franchising and that have incomplete ethical codes. We think that franchising associations should gain prestige because of the success and good practice of their members, rigorous ethical codes, adequate admission rules for associates, etc. They definitely should indicate a line of separation between the members of the association and that business who are not members, so that the said membership constitutes a guarantee for potential franchisees and consumers. This would oblige non-associated

franchisors to apply for admission, for which they would have to complete the requirements of the association. For this reason these franchisors will improve, the number of members will be increased, and the association should be more powerful.

Some franchisor associations stipulate in their statutes the possibility of accepting franchisees as partners. However, in these associations, classified as mixed (franchisors and franchisees), the presence of franchisees is very limited.

Franchising associations are located inside a determined geographic environment: regional, national, and international. The more consolidated associations are the national ones (formed by the franchisors of the same country). Rarely, a regional association of franchisors, which usually coexist with a national association, will be able to have a wide number of components that give it a certain importance and the ability to achieve the goals of these associations.

In the past few years, the global advance of franchising has also been connected to research. The main journals focused on management and marketing have published multiple articles relating to the franchising system. Equally important is the production of papers in national and international congresses about the theme.

A contribution of great importance in the franchising research field is owed to Elango and Fried (1997). These authors carried out a large revision of the research about franchising, which it is considered to be of great relevance to the scientific community and a good starting point for the consolidation of franchising as a research line. In this context, we have proposed a franchise research classification system with four major guidelines: social reasons for franchising, research about the franchisors, research about the franchisees, and the relationships between franchisors and franchisees (Díez, Rondán and Navarro, 2004; Díez and Rondán, 2004). Our study is centered on the first research guideline (social reasons for franchising), and inside of this area on franchising ethics. This is due to the fact that franchising associations are in charge of improving the image of the franchising and elaborating the ethical codes, among the other things abovementioned.

The importance and relevance of this research is consequence of the proper development of the franchising system, and the high growth of membership and cooperation in the business scope and particularly in franchising in the past few years.

The research topic dealt with in this paper hasn't received much attention from other researchers. Supporting literature on this theme on an international level is scarce. In Spain the studies most related to our research are found in the works of Nogales and Sancho (1997, 1998) and Real and Sanz (1997, 1998). On an international level, the

articles of Preble (1995) and Preble and Hoffman (1999) have studied it. Preble (1995) published an article whose research is based on a survey taken about the already existent franchisor associations all around the world. Afterwards, Preble and Hoffman (1999) published a work whose contents deal with the ethical codes of some franchising associations.

Based on this context, in this work we attempt to achieve the following objectives:

1. Studying the situation and evolution of franchising in the last decade across the world.
2. Analyzing the degree of membership and its global evolution in the franchising system.
3. Researching the reasons that explain the higher or lower degree of membership worldwide.

3. Empirical Study

3.1. Data Collection

The database created is twofold. The data from 1995 has been taken from Worldwide Franchising Statistics (1995). In reference to the data from 2005, they constituted an important and difficult task for this study (in annex 1 are listed the sources used for construct the database of 2005). A trustworthy and complete worldwide database has been compiled that contains a group of data really hard to collect. The database has been made filtering information obtained from many sources. The most outstanding are the following:

- a) Websites of national franchise associations around the world. The collected information from these pages constitutes the main part of our database.
- b) Direct survey, via e-mail, asking for concrete information from the different national franchise associations, because it was not included or the web page was unavailable at the time. The response index from these surveys was highly unsatisfactory.
- c) Other information comes from the common franchise web pages and other sources of information about franchising that are present in the Internet.
- d) Annual reports and diverse franchise magazines.

The elaborated database contains information that refers to more that 65 countries, five continents, and includes the following variables (table 2): INSERT TABLE 2

The only variable that has been compared in both databases is the average of the degree of membership for the same countries. Although

The associations of the database are commonly constituted by franchisors, and, generally, although not in all cases (like in Venezuela), the association is voluntary. The Franchisor Associations are usually private; nonetheless, they are run by the government in some countries (Morocco). In other countries franchising associations either do not exist or they form part of commercial organizations (Norway and Iceland).

3.2. Research Methodology

In order to reach the proposed objectives, it has been proceeded in the following form:

1. *Analysis of the situation and evolution of the franchising in the world.* The methodology used includes a descriptive analysis of the compiled data. Firstly, the current situation through the number of operating franchisors, the number of establishments, and the average chain size of every country has been studied. Secondly, with the same variables, a longitudinal study to analyze the evolution during the last decade has been realized.

2. *Study of the present degree and evolution of membership of the franchising system around the world.* A descriptive analysis has also been employed to analyze the current situation and the evolution of the membership of franchising chains to the national associations in the past decade. The variables used have been the number of working franchisors, associated franchisors, and the degree of membership of franchisors (associated franchisor/franchisors) in every country from 1995 to 2005.

3. *Knowledge of the reasons that bring franchising businesses to form part of a national association of franchising.* A regression analysis was used as methodology in order to show the relationship between the collected variables and the degree of membership. Also, the T-Student Test was used to look for significant differences in the average of the degree of membership between 1995 and 2005.

4. Analysis and Evolution of Franchising in The World

The analysis and study of the evolution of franchising in the world is of great importance for the business world. Also, it is very useful to study, research, and understand the membership in franchising.

This type of analysis is rare in franchising literature and, when it exists, it uses a very limited sample of countries. The reason for this fact lies on the difficulty to find reliable data about the number of franchising systems (franchisors and franchisees) that operate in the country.

In order to complete the analysis of the franchising in the world, a sample of 62 countries has been analyzed that are from the five continents. They are distributed in the following form: Europe (34), America (12), Asia (11), Africa

(3), and Oceania (2). These analyzed countries occupy the top positions in the franchising systems in each continent and correspond to those systems that are most developed and also have modernized commercial structures on a global level. In table 3, the main conclusions relating to the analysis of franchising on a global level are shown.

For every country an estimated number of franchisees and franchisors that operate in that country are indicated.

Also, the average size of the chains of the country is included and obtained through the following ratio:

$$\text{Ratio} = \frac{\text{Number of establishments}}{\text{Number of franchisors}}$$

Logically this ratio should be higher in countries that present the following characteristics:

a) Countries that have a greater tradition of development of franchising. In these countries the seniority of the chains permits them a greater coverage of the market and spreading of units.

b) Countries with a greater population versus countries with a smaller population.

Generally, a high ratio expresses the success and seniority of the chains of this country. It is evident that a chain doesn't get a high number of establishments until it is firmly established in the market. Therefore, the older and more successful chains will raise the value of the abovementioned ratio. However, the dynamism of franchising in a country comes from the growth of the number of franchisors. In the beginning, new franchisors only have a small number of establishments per chain, which decreases considerably the ratio. Therefore, on the one hand, it is good that the number of establishments per chain grows, but on the other hand, it is advisable that new chains will be incorporated, which reduces this number. To avoid errors, the value of this ratio, which generally should be high, should obviously be analyzed taking into account these other factors.

For the study of the franchising evolution, a sample of 26 countries that pertain to four continents has been used. They are distributed in the following form: Europe (14), America (6), Asia (4), and Oceania (2). The countries included in this analysis are those for which reliable data were collected in 1995, in order to compare them to data collected for the year 2005. INSERT TABLE 3

5. Analysis of The Degree of Membership in Franchising

In this section, we are going to analyze the current situation and the evolution of membership in franchising. The study will always be referred to national franchising associations (never to regional or smaller than the whole

country) and in the case that there did exist more than one of a different business environment, the most representative was used.

In this case, starting with the data related to the membership of franchising in 1995 and 2005 the following variables have been taken into account: a) the number of associated franchisors that are joined to the main franchising association of each country; b) estimation of the number of existent franchisors in the country; c) percentage of associated franchisors with respect to the total number of franchisors estimated that operate in the country.

5.1. Current Situation of Membership

The average percentage of membership in the countries used in our study is 35%. So, only one of every three franchising systems operating in the world are joined to a franchising association. The largest degree of membership is scored by Oceania (63 %). Another continent that is greatly over the average is America (50%) and especially two countries: The United States (62%) the most important country for franchising, and in Brazil (83%), with the greatest number of franchising systems operating in South America. However, it is surprising that Europe (24%) is far below the average, above all when this 24% is created by country members of the EU, and the EFF (European Federation of Franchising) and they are commercially among the most developed of the world.

5.2. Evolution of Membership

From the previous data it is evident that in the past decade, the level of franchising membership has not grown in the same way that the development of franchising, on the contrary, it stayed stable (34% in 1995 and 35% in 2005). For the 28 analyzed countries including data for both years 1995 and 2005, it is shown that in 1995 the degree of membership was 34% and in 2005 it had only grown 3%. A paradox exists when the degree of membership was increased in America, growing from 33% to 50% and, on the opposite side, was decreased in Europe lowering its percentage from 34% to 24%. That means that the level of membership in Europe is lower than it is in other continents less developed in franchising.

The descriptive analysis of the evolution of membership in the past decade leads us to formulate the following proposition:

P₁: The degree of franchising membership worldwide has stayed stable in the past decade.

To confirm this proposition, the T Student Test was performed (the statistic software used was the SPSS 12.0). The sample used contained 28 countries. The objective was to study if the degree of the franchising membership worldwide has evolved significantly over the past ten years (1995-2005). First of all, through the test of

Kolgomorov-Smirnov, the normality of the two utilized variables: degree of membership in 1995 and in 2005 was confirmed. Secondly, the Student T Test was run with the same sample of countries at two distinct moments in time (table 4). The results indicate that there are not significant differences in the degrees of membership of franchising in 1995 and 2005, so, proposition H₁ is accepted. INSERT TABLE 4

6. Reasons of Membership in Franchising

In this part of the text, the reasons that franchising chains may assess to form a part of a national franchising association are studied.

The proposed model is shown in Figure 1. The dependent variable is the degree of franchising membership measured by the ratio of the number of associated franchisors and the number of estimated franchisors in the country. INSERT FIGURE 1

The authors have not found any relevant study about this topic of research; for this reason this work is pioneer in its field and it opens new areas of research. However, the lack of previous literature about this theme presents a disadvantage because we are unable to cite former articles neither of the model nor of the formulated hypotheses.

Prestige and image are variables that need a long time for their consolidation and linkage to a firm. At the beginning, when an association is being born, the degree of membership should stay lower until the association has reached a certain degree of seriousness and prestige that can only be acquired with experience. A prestigious franchising association is indispensable to the advancement of the franchising system in a developed country or in a developing country, because it constitutes a system of guarantees for the stakeholders. In these conditions, a big difference is created between the franchising businesses that pertain to the association and those who are not associated. True franchising chains will have as an objective to be admitted into the franchising association by fulfilling all joining requirements and, because of this, the degree of membership will rise. Nonetheless, certain associations do not achieve these objectives in the long run. This fact provokes that for those associations the degree of membership not only does not increase but also decreases slightly in a form that could lead, as has occurred in many countries, to its disappearance. With the passing of time and the further development of the franchising system in the country, a new association will be born that will tend to get an adequate image for its consolidation. Based on these considerations, the following proposition is proposed:

P₂: The age of the association has a positive effect on the degree of franchising membership of the country.

A larger number of associates reinforces the possibilities of growth of an association, which results in wider and best services and a more attractive association that creates a greater desire from the franchisors to pertain to the association. For this, the following proposition is outlined:

P₃: The number of associated members affects positively the degree of franchising membership of the country.

With a larger number of franchisors in a country, it seems reasonable that it will be more difficult for the degree of membership to be high, because there will be more businesses that do not want to join the associations and others that will not fulfill the requirements of the association and will not be admitted. For this reason, the following proposition is formulated:

P₄: The number of franchisors in a country influences negatively the degree of franchising membership.

The development of franchising drives to an increasing number of franchisors that operate in the country and also, to the growth of the number of franchisees. A larger number of franchisees units may provoke a growing number of conflicts between franchisors and franchisees and the creation of associations for the protection of franchisees. Usually, franchisors try to avoid the conflicts that are produced in franchising, fortunately not too often. One of the ways to do so is become an associate for a better defense of their interests. Furthermore, the existence of serious and demanding franchisor associations are a good guarantee for franchisees, in the case that affiliated franchisors guarantee balanced relationships between the subjects of franchising and that fulfill the ethical codes and statutes of the association,. Because of all these reasons, the following proposition is outlined:

P₅: The number of franchisees influences positively the degree of franchising membership of franchisors in the country.

The adoption of franchising by local businessmen is something that always happens during the first stages of development of the franchising system in a country. The proliferation of local franchisors generates a desire to differentiate from the pseudo franchising. One of the most common ways to do so is joining to a prestigious franchising association. For this, the following proposition is formulated:

P₆: The number of franchisors of national origin influences positively the degree of franchising membership in a country.

The foreign franchisors appreciate local sensibility toward franchising in general (number of franchising chains, existence of franchising laws, etc.) as positive factors for their introduction in a new country. One of the most valuable factors in this area is the existence of a franchising association having a good reputation and seniority that it

can be able to protect the interests of foreign franchisors in another country. This fact constitutes a factor of stability and guarantee for the introduction of a foreign franchisor in a new market. This reasoning leads us to consider the following proposition:

P₇: The number of foreign franchisors influences positively the degree of franchising membership in the country.

One of the current phenomenons that guide the modern commercial distribution is the utilization of new technologies. The franchising system as a format of modern retailing heavily relies upon the Internet. Franchising associations that use the internet, have the ability to improve their image through communication, provide more services in less time to their members, etc. So, the availability of a website for the association permits us to propose the following proposition:

P₈: The availability of the national association's website influences positively the degree of franchising membership.

The ethical code is one of the most important reasons that justifies the existence of franchising associations. It is one of the main arguments enforcing the seriousness and kindness of the associated franchisors. It allows the creation of a separating line between the good franchising chains, those that are joined to the association, against those chains that are not. It is obvious that due to these conditions, franchisors will try to become part of the association. Therefore, the following proposition is formulated:

P₉: The availability of an ethical code by the national franchising association influences positively the degree of franchising membership.

7. Results and Discussion

To study the relationship between the dependent variable and the independent variables, a regression analysis (table 5) has been completed. The sample used was composed of 67 countries that have franchising associations from all parts of the world and with the following composition per continent: America (13), Africa(3), Asia (11), Europe (38), and Oceania (2). INSERT TABLE 5

Table 5 expresses that model 3 is the one that has the highest correlation coefficient: $R^2 = 0.582$, although it is not a very elevated value, it is, however, the highest and best of all the possible models. This model is formed by the following explanatory variables: number of associated franchisors, number of franchisors in the country, and availability of a website.

It is showed that the model that best explains the degree of membership is:

$\text{Degree of membership} = 3.6 + 0.182 \times (\# \text{ of associated franchisors}) - 0.78 \times (\# \text{ of franchisors in the country}) + 35.543 \times (\text{availability of website})$

Therefore, the following hypotheses are confirmed: H₃. (The number of associated members affects positively the degree of franchising membership in the country), H₄. (The number of franchisors of a country influences negatively the degree of franchising membership) and H₈ (The availability of the national association's website influences positively the degree of franchising membership). For the remaining hypotheses, there is not statistical evidence in order to accept them.

Before extracting conclusions from the present research, the main contributions are the following:

This paper opens a new field of research in the franchising topic that can be situated, inside the lines of the social reasoning of franchising, amongst the ethics of franchising.

One of the main contributions consists in the laborious compilation and verification of data relating to the franchising system on a worldwide level.

Establishing a regression model and a series of proven theoretical hypotheses that are new to franchising literature.

With regard to the situation of franchising at a worldwide level, some aspects can be commented.

The franchising system evolves in an unstoppable form in the world, presenting a constant growth over time.

The continent that has the largest number of franchisors per country is Europe, followed by Asia and America.

On the level of franchisees units, first place is occupied by the American continent, followed by Asia.

Special care should be taken when talking about the conclusions for the American continent, because the United States monopolizes 80% of all establishments.

The average size of the franchising chains at worldwide level is of 88 units. Emphasizing that the American continent, influenced again by the United States, is highly above average. Asia is aligned with the average and the rest of the continents are below the mean value.

The United States has the largest number of franchisors (1,500), largest number of franchisees (767,483) and the largest average size of franchising chains (512 units per franchising system). In addition, it is the country with the most internationalized brands, some of them present in the whole world.

After the United States, the greatest development of franchising is found in the countries pertaining to the European Union; among them are those that have the most modern commercial structures like France, United Kingdom, Spain, etc.

The Asian continent will constitute the continent of greatest expansion of franchising in the next years. Although the current figures already are very important, there is no doubt that the expansion possibilities are enormous for the future.

Oceania has a good development of franchising, emphasizing two countries, Australia and New Zealand.

In Africa, the franchising situation, with the exception of South Africa, is bad, although countries like Egypt and Morocco are emerging recently.

In the last decade, the growth of the franchising system has been amazing. Even though the sample is composed by the most developed countries of the world in franchising, where the levels reached by franchising are very high and the growth is more difficult than in countries with less development of the franchising system. The number of franchisees has increased to 125%, the number of franchisors to 36% and the average size of chains to 67%.

In the United States, in the last decade, the number of franchisors has diminished 50%, but the number of franchisees has tripled. This fact can be identified toward modern tendencies in the commercial distribution such as business concentrations and mergers.

In Europe, the number of franchisors has grown 67% (higher than the global average), but the growth of the franchisees and average size of the chains, respectively, 87% and 12%, are inferior to the global average, which indicates a certain level of saturation of the franchising systems in Europe and a necessary international expansion.

The growth of the countries of the Asian and oceanic continents is much higher than the global average. The growth of franchisors in Asia is 160% and in the Australian Continent is 110%. The number of franchisees has increased 131% in Asia and 200% in the Australian Continent.

With regard to the degree and reasons of franchising membership some points can be highlighted.

Currently, there exists a low level of membership globally. In the studied countries, those with a greater level of evolution of franchising, is situated at 35%.

The degree of membership has not varied significantly in the last decade; in 1995 it was 34% and at the moment it is 35%.

The level of membership has remained stable at worldwide level. However, there are significant differences between each continent. It highlights that in Europe it descends from 34 to 24% and in America the level rises from 33 to 50%.

It seems that there exists no relationship between the development of a country and its degree of membership in the franchising system. This is corroborated by the fact that the countries of greater implantation of franchising in Europe (Germany, Spain, France, Italy, United Kingdom) are not among those with the highest percentage of membership.

The degree of membership was measured in the countries in which franchising and commercial distribution is more developed. Therefore, these bring us to consider the relative general failure of the associations in the world.

The low level of membership is not due to one reason but to a set of them, such as:

In general, franchising chains have little interest to belong to a national association. Some franchisors think that franchising associations do not serve for anything or even that belong to them can be detrimental. The associated franchisors must comply the requests of the ethic codes of the association; if they fail to yield, they can be sanctioned and be expelled with the negative repercussion for the image of the chain (Laborda et al., 1997).

The franchising networks do not belong to franchising associations because they visualize negative effects. That is to say, the advantages they receive for joining are surpassed by the disadvantages or costs of membership to the association.

The franchising associations do not respond to one of the aims for which they were created: to guarantee an ethical behavior of its members for the franchisee candidates. The franchisor members try to obtain a recognition, prestige or image in front of the franchisee candidates who are looking for adhesion to a serious and rigorous chain, when joining to the association.

The conditions of admission in the association cannot be surpassed by a large number of franchisors. This indicates the youth of the franchising system of a country but also it shows the existence of multitude of denominated “bad franchisors”.

The aims of the association are different to the franchisor candidates’ ones.

The proposition of the degree of membership stability over time is verified. The studied countries maintain the same degree of membership in 1995 and 2005.

Three variables that explain the reasons of membership in franchising have been found: the number of associated franchisors, the number of franchisors in the country, and the possession of a website.

8. Limitations and Future Research

Data come from countries in which franchising has had a high level of development in the last decade, which also are the only countries that have associations, as well as significant and trustworthy data. Because of the generalization of conclusions, in the future data of emergent countries should be included in studies.

The study of the current situation of franchising and its evolution has been carried out with a scarce number of variables: number of franchisors and number of franchisees, this is a limitation since it would be advisable to extend the study to other variables.

The model used to study the causes of the low level of membership has achieved a low level of signification and explanation. Only three significant variables have been found. In the future, other possible variables or reasons should be included in the analysis.

Finally, because of the lack of previous studies about this topic, relevant literature to support the formulated hypotheses has not been found, and, therefore, they do not have antecedents. In any case, this limitation also becomes an opportunity as far as defining a general, theoretical frame for future studies.

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TABLES

TABLE 1
Principles for the basis of Franchisor Associations

Source: Díez, Navarro and Rondán (2005)

TABLE 2
Variables Included in the Database

Variable	Variable
1. Name of the association	5. Estimated number of franchisees in the country
2. Year of establishment of association	6. % of franchisors with national origin
3. Number of associated franchisors	7. % of franchisors with international origin
4. Estimated number of franchisors in the country	8. Availability of web page and e-mail

TABLE 3
Conclusions of the Global Franchising Analysis

Global Franchising Analysis (2005 data). Sample: 62 countries (Europe -34-, America -12-, Asia -11-, Africa -3- and Oceania -2-).	
General	<ul style="list-style-type: none"> • <i>Number of franchising systems per country.</i> With regard to the number of franchising systems that operate in the different countries, Europe is the continent that has had the greatest advancement of franchising, with 9.13, followed by Asia with 7.64, and America with 5.08 • <i>Number of Establishments.</i> The situation changes and in first place it is the American continent with 962.13 establishments. Next, it comes the enormous Asian continent with 713.00, and at a great distance, the European continent. • <i>Average Chain Size.</i> The American chains are far above the global average with 189 (more than double). Asia has an average a little above the global average size and the remaining continents have values ranging from 31 to 46 units.
America	<ul style="list-style-type: none"> • The countries that have the greatest commercial development of the franchising system are the United States and Canada (North America), Mexico (Central America), and Brazil (South America). • The United States occupies first place in the global rankings with regard to number of franchisors (1500), number of franchisees (767483), and average size of chains (512 units per franchise system). What's more, it is the country with the greatest internationalization, some of them are present in every country of the world. • The United States represents 80% of the establishments in the entire continent and 30% of all operators.
Europe	<ul style="list-style-type: none"> • The advance of franchising has been very well-known. Some of the European countries are among the top spots in the global rankings. • Of a sample of 34 countries, there are two groups. First group: 18 countries that are joined to the E.F.F. (European Federation Franchise) and are among the most commercially advanced of the E.U. (European Union) highlighting France, Germany, United Kingdom, Spain (although it has recently abandoned the E.F.F.) and Italia. Second group: the rest of the countries that are not joined to the E.F.F. and where franchising is less advanced.
Asia	<ul style="list-style-type: none"> • Japan that historically has always taken a first place in the franchising statistics, and other countries such as China and South Korea on the same level • The Asian continent presents huge perspectives of growth for franchising.
Oceania and Africa	<ul style="list-style-type: none"> • <i>Oceania:</i> the franchising system has been implemented favorably in Oceania for a long time. This is shown in the degree of advancement of Australia and the last few years in New Zealand. • <i>Africa:</i> with the exception of South Africa, the majority of the countries don't present significant numbers of implantation of the franchising system. Nonetheless, in recent years, some countries like Morocco and Egypt have decided to adopt franchising systems.
Franchising evolution on the global level (1995 and 2005 data)	

Sample: 26 countries (Europe -14-, America -6-, Asia -4- and Oceania -2-).	
Growth	<ul style="list-style-type: none"> The growth of the franchising system has been very high in the last decade (the number of establishments jumps from 745,931 to 1,683,883 –growth of 125 %-, the number of franchisors goes from 11,198 to 15,238 –increase of 36 %- and the average number of establishments per system from 67 to 111 -Increase of 67%-).
Europe	<ul style="list-style-type: none"> Possible existence of certain level of saturation in the franchising system. The growth of the number of franchisors (67%) is greater than the average of the global sample (36%). On the contrary, the growth in the number of establishments (87%) and the average chain size (12%) is far below the world average, respectively, 125% and 65%. Need for international expansion toward the emerging markets in and outside of Europe. More latent in countries with smaller dimensions like Holland or Belgium.
America	<ul style="list-style-type: none"> The United States maintained and maintains a determinant weight in the evolution of the franchising on the American continent. In the past decade, the number of franchisors in the United States has descended 50% (concentration of the sector), even though the number of franchised establishments has tripled and the average chain size has grown sextupled. The rest of the countries on the American continent present a moderate franchise growth, always below the world average. The growth in the number of franchising systems is 15% (from 2,455 to 2,824), the number of establishments increased 28 % (from 147,524 to 188,742), and the growth in chain size is 12 % (from 60 to 67 units).
Asia	<ul style="list-style-type: none"> Amazing evolution of the franchising system in countries like Japan, Singapore, or the Philippines The number of operating systems presents an increase of 160 % (from 980 to 2,551) and the number of units 131 % (from 142,239 to 329,000).
Oceania	<ul style="list-style-type: none"> Important franchising evolution. The number of franchisors has increased 110 % and the number of establishments 200 %.

Source: The authors

TABLE 4

T STUDENT TEST

	Related Diff.				t	g	Sig.
	Mean	Tip. Deviat.	95% Confidence level				
			Low	Upper			
1995-2005	2,0	23,3	-	10,8	,49	2	,62

TABLE 5

World Summary

Model	R	R ²	Adjusted R ²	Tip. Error of estimation	Change statistics					Durban-Watson
					Change in R ²	Change in F	df1	df2	p-value	
1	,412(a)	,170	,149	23,26	,170	8,192	1	40	,007	1,762
2	,612(b)	,375	,343	20,44	,205	12,798	1	39	,001	
3	,763(c)	,582	,549	16,95	,207	18,756	1	38	,000	

a Predictive Variables: (Constant), Number of associated franchisors

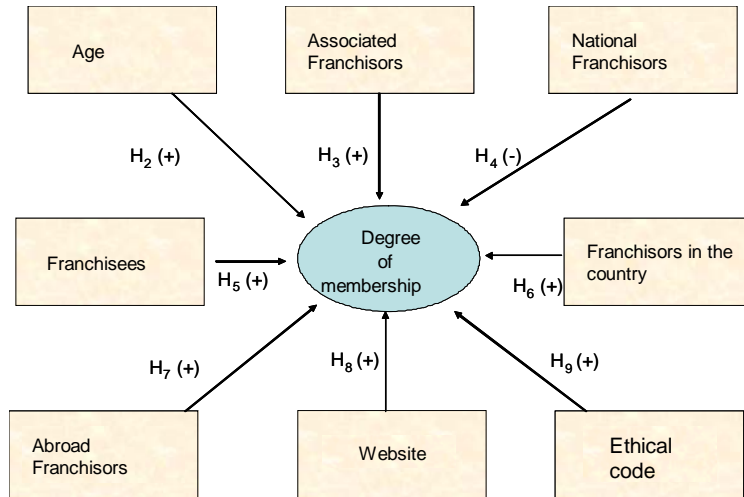
b Predictive Variables: (Constant), Number of associated franchisors, estimated number of franchisors in the country

c Predictive Variables: (Constant), Number of associated franchisors, Estimated number of franchisors in the country, website

FIGURES

FIGURE 1

Explicative Model of the Degree of Membership



ANNEX 1. SOURCES FOR 2005 DATABASE

Francsiza Hrvatska (2006). <http://www.fransizahrivatska.com/en/statistics.php>
ICEX (2005). http://www.icex.es/icex/cda/controller/page/0,2956,35582_1510953_23615_0,00.html
Cámara de Comercio de Madrid (2006). <http://www.camaramadrid.es/Franquicias/Prinecon.asp>
The Franchise Association of Southern Africa: www.worldfranshiseouncil.org/
Egyptian Franchise Development Association: www.efda.org.eg
Federation Marocaine de la Franchise : www.mcinet.gov.ma
International Franchise Association : <http://www.franchise.org>
Asociación Argentina de Franquicia: <http://www.aafanchising.com.ar>
Asociação Brasileira de Franchising (ABF): <http://www.abf.com.br>
Canadian Franchise Association: <http://www.cfa.ca>
Asociación Mexicana de Franquicias: <http://www.franquiciasdemexico.org>
Cámara Venezolana de Franquicias (PROFRANQUICIAS): www.profranquicias.com
Asociación Colombiana de Franquicia (ACOLFRAN): www.centercourt.com/acolfran/
Asociación Ecuatoriana de Franquicias: www.aefran.org
Cámara Peruana de Franquicias: www.cpfanchising.com
Asociación de Franchising del Uruguay (AFU): www.mtgroup-uy.com
Hong Kong Franchise Association (HFKA): www.franchise.org.hk
Japan Franchise Association : www.jfa.jfa-fc.or.jp
Kazakhstan Franchise Association : <http://www.franchising.kz>
Malaysian Franchise Association: www.mfa.org.my
Korea Franchise Association: www.ikfa.or.kr
China Chain Store and Franchise Association: www.cdfa.org.cn
Franchising Association of India: www.fai.co.in
Philippine Franchise Association: www.philippinefranchiseassociation.com
Franchising and Licensing Association (Singapore): www.flasingapore.org
Taiwan Chain Stores And Franchise Association: <http://www.tcfa.org.tw>
Thailand Franchise Association: www.thailandfranchise.com
Bangladesh Franchise Association: <http://www.franchise-bd.com>
Deutscher Franchise Verband E.V. (DFV): <http://www.dfv-franchise.de>
Osterreichischer Franchise Verband: <http://www.franchise.at>
Federation Belge de la Franchise : <http://www.fbf-bff.be>
Ceska Franchisingu Asociace : <http://www.czech-franchise.cz>
Danish Franchise Association: <http://www.dk-franchise.dk>
Slovenian Franchise Association: <http://www.franchise-slovenia.net/>
Asociación Española de Franquiciadores: <http://www.franquiciadores.com>
Suomen Franchising Yhdistys: <http://www.franchising.fi>
Federation Francaise de la Franchise : <http://www.franchise-fff.com>
Franchise Association of Greece: <http://www.franchising.gr>
Nederlandse Franchise Vereniging: <http://www.nfv.nl>
Hungarian Franchise Association: <http://www.franchise.hu>
Associazione Italiana del Franchising: <http://www.assofranchising.it>
Portuguese Franchise Association: www.apfranchise.org
British Franchise Association: <http://www.british-franchise.org.uk>
Svenska Franchise Foreningen : <http://www.franchiseforeningen.se>
Baltic Franchising Association: http://www.franchising.lv/new_site/en/bfa.shtml
Bulgarian Franchise Association: <http://bulfra.hit.bg/Content%20E/index%20Funding.htm>
Croatian Franchise Association : <http://www.fip.com.hr>
Irish Franchise Association: <http://www.irishfranchiseassociation.com/>
Russian Franchise Association: <http://rarf.ru/eng/>
Schweizer Franchise Verband: <http://www.franchiseverband.ch>
Polish Franchise Association: www.franczyza.org.pl/
Asociación Noruega de la Franquicia: <http://www.hsh-org.no/>
Georgian Franchise Union: www.franchisegeo.org.ge
Turkish National Franchising Association: <http://www.ufrad.org.tr>
Ukrainian Franchise Association: www.franchising.org.ua/eng
Asociația Retelor de Franchise din România: www.arfr.ro
The Icelandic Franchise Association: www.franchise.is
Israel Franchise Association: www.franchise.org.il
Franchise Council of Australia: www.franchise.org.au
Franchise Association of New Zealand (FANZ): www.franchise.org.nz