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Governance capabilities and relationship performance in international franchising

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ABSTRACT

This paper investigates governance capabilities driving relationship performance of international franchisors. We collected data from internationalized French franchisors with a mixed-methods design. Interviews from Study 1 (N = 28) complemented previous literature and led to the proposed integrative model of governance capabilities. Questionnaire data from Study 2 (N = 94) was used to test the model with PLS-SEM. We find that two international communication capabilities, intercultural communication and communication adaptation, enhance performance directly, and indirectly through their impact on knowhow transfer, monitoring, and contract adaptation capabilities. The number of countries where the franchisor is present is negatively related to contract and communication adaptation.

1. Introduction

International franchising is a widespread phenomenon that has grown rapidly due to the lowering of national barriers, saturation of domestic markets and growing awareness of global brands (Elango, 2007; Thompson and Merrilees, 2001). A stream of research has focused over the last twenty years on the international franchise relationship, including research on foreign partner selection and recruitment (e.g. Altinay and Miles, 2006; Doherty, 2009), the nature of the relationship in terms of autonomy and control (e.g. Paik and Choi, 2007; Pizanti and Lerner, 2003), or specific mechanisms and competences to manage the relationship such as support to (e.g. Quinn, 1999) and monitoring of foreign franchisees (e.g. Choo, 2005), knowhow transfer (e.g. Szulanski and Jensen, 2006), and contract design and adaptation (e.g. Lafontaine and Oxley, 2004). However, there is a lack of research on how franchisors' governance of their international franchise relationships affects their performance.

In this research, we examine the governance-performance link by focusing on a specific form of international performance, namely relationship performance. The latter refers, at the broadest level, to the establishment of successful relationships with the channel partners (Beugelsdijk et al., 2009; Emden et al., 2005), here the foreign franchisees. Relationship Marketing literature offers various interpretations of relationship performance (Beugelsdijk et al., 2009). Performance can be interpreted for instance as the assessment, by either or both parties a) of the relationship itself, through concepts including relationship quality or relationship satisfaction, or b) of the relationships' outcomes, through concepts including partner loyalty or financial returns (Palmatier et al., 2006). In this research, we focus on relationship performance from the point of view of the franchisor and approach it through the construct of relationship satisfaction. Previous research shows that relationship satisfaction is directly driven by relationship investments and governance capabilities on the seller side (Palmatier et al., 2006), here the franchisor. Furthermore, relationship satisfaction was found to have a significant positive impact on economic performance both in national (Palmatier et al., 2006) and international channels.

We consider the governance-performance link from the perspective of the dynamic capabilities theory, which views the company's ability to "integrate, build, and reconfigure internal and external competencies to address rapidly changing environments" (Teece et al., 1997, p.516) as vital to achieving and sustaining performance. Within the framework of marketing channels, governance capabilities refer to a firm's ability to organize, coordinate and manage its relationship with a channel partner (Gilliland and Bello, 2001; Heide, 1994). Such competencies are essential dynamic capabilities that allow the company to optimize the use of its other knowledge resources (Teece, 2007) by orchestrating relationships, both inside and outside the organization (Dosi et al., 2008; Pitelis and Teece, 2010), for competitive advantage. Conversely, the lack of governance capabilities can lead the company to inappropriately deploy its resources (Kor and Mahoney, 2005) and prevent it from taking full advantage of its other resources and capabilities

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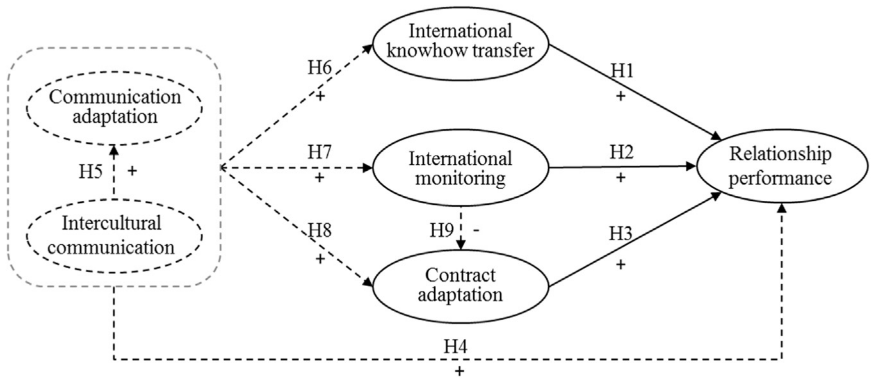


Fig. 1. The Conceptual Model, * The constructs and links portrayed in red result from Study 1.

(Barney et al., 2001).

We build on data from French franchisors to investigate a) the dynamic capabilities developed and deployed by franchisors to govern their international franchise relationships, and b) how those dynamic capabilities affect franchisor relationship performance. We collected data in a mixed-methods, sequential exploratory design (Creswell et al., 2003), consisting of two distinct phases. Study 1 uses qualitative data from interviews with senior managers from 28 French franchisors with international operations. The interviews corroborate the role of three governance capabilities, derived from previous literature, that are related to knowhow transfer, monitoring, and contract adaptation. They also reveal two additional capabilities related to franchisors' international communication, as well as a web of interrelationships among the different capabilities leading us to formulate the research model in Fig. 1. The model is based on our literature review and Study 1. Study 2 tests the research model by analyzing quantitative data from a survey of 94 international French franchisors with PLS structural equation modeling (PLS-SEM).

Our main contribution is to propose and test an integrative model of governance of international franchise relationships derived from both previous literature and franchisor practices. The model explains a substantial part of the variance in relationship performance ($R^2 = 0.51$) that is larger than what previous studies could predict by focusing on a single or a limited subset of capabilities. By including the interrelationships among the capabilities, the model gives a more accurate idea about the effect of each of the capabilities on relationship performance, by accounting for both their direct and indirect impact. For instance, Study 2 reveals an indirect effect of intercultural communication capability on performance through the mediation of the other governance capabilities, which is even stronger than its direct effect. While there have been recent attempts to investigate the interrelationships among governance capabilities in other forms of channels (e.g. Wang et al., 2014), this is the first attempt, to our knowledge, to do so within international franchising relationships.

Our findings also have managerial implications. They indicate that international franchisors should develop their communication capabilities beyond the exchange of information that occurs through knowhow transfer and monitoring. Specifically, franchisors should focus in addition on their ability to communicate effectively with partners from different national environments by developing intercultural communication and communication adaptation capabilities. Moreover, international franchisors can also learn how they can use the two international communication capabilities not only to enhance performance but also to reconfigure and enhance their ability to transfer knowhow, monitor foreign franchisees and draft contracts.

The rest of the paper is organized as follows. After providing the conceptual background, we develop a first set of hypotheses from the literature review on governance capabilities in international franchising, and then refine and complete the final set of hypotheses based on our qualitative study. Next, we discuss our research method and present the findings of the quantitative study. The paper concludes with a discussion of the main contributions, implications and future research avenues.

2. Conceptual background

Dynamic capabilities are a theoretical evolution of the resource-based view (RBV) of the firm. RBV contends that firms can achieve lasting competitive advantage and sustain performance by leveraging resources that are valuable, rare, imperfectly imitable and non-substitutable (Barney, 1991). The dynamic capabilities approach goes beyond this static vision and contends that the mere possession of such resources is not enough to create and sustain competitive advantage. To do so, companies should also develop a set of capabilities and processes that operate on these resources and leverage them in the most competitive way through means of enhancement, reconfiguration, combination and protection (Eisenhardt and Martin, 2000; Teece, 2007).

Governance capabilities refer to a firm's competencies to initiate, maintain, and terminate its relationship with another firm (Heide, 1994). Such capabilities are particularly important in networks (Teece, 2007) like franchising. Franchising creates a long-term agency relationship between the franchisor and the franchisee. This relationship can be characterized by a blend of dependency and autonomy, and can go through cooperation and conflict (Cochet et al., 2008; Combs et al., 2004), which increases the need for sound governance. Moreover, franchise success stems not only from differentiated and valuable brands and operating routines, but also from franchisors' ability to optimize the use of the brands and routines by orchestrating franchise relationships to facilitate, leverage and protect knowledge flows between the franchisor and the franchisees for their mutual benefit (El Akremi et al., 2015; Gillis et al., 2014).

Internationalization adds to the complexity of governing franchise relationships. By adding geographic, legal and cultural distance, internationalization complicates the communication between the franchisor and the franchisee, and increases franchisor uncertainty regarding foreign market conditions, information asymmetry between the two parties, the risk of franchisee opportunism and hence the risk of conflict (Choo, 2005; Fladmoe-Lindquist, 1996; Shane, 1996). Governance capabilities are hence essential internationalization dynamic capabilities to "control divergent partner behaviors, manage spatially distant internal relationships, and ensure ongoing and appropriate levels of knowledge transmission" (Fletcher et al., 2013, p.50) to achieve international performance.

3. Governance capabilities in international franchising

International franchising literature highlights three major forms of franchise governance capabilities.[1]

[1] Other international governance capabilities, related to the initiation stage of the

3.1. International knowhow transfer capabilities

Business format franchising relies largely on the knowhow developed by the franchisor and transferred to the franchisee (Barthélemy, 2008; El Akremi et al., 2015). However, international knowledge transfer can be more complex and challenging than domestic transfer. Time and geographic distance can act as barriers to the transfer (Pérez-Nordtvedt et al., 2008), especially of tacit knowhow (Simonin, 1999). Cultural distance also renders the transfer more challenging, especially when a knowhow is culturally embedded within local norms (Simonin, 1999), or when language differences require important efforts on the franchisor side and increase resistance on the franchisee side (Pérez-Nordtvedt et al., 2008).

The ability to transfer knowhow efficiently to foreign franchisees seems central to developing strong relationships. A major motivation for franchisees to enter franchising agreements is to access franchisor knowhow (El Akremi et al., 2015; Knott, 2003). Knowhow transfer is hence a key expectation of franchisees and one of the main missions of a franchisor (Altinay et al., 2014; Chiou et al., 2004). Furthermore, effective knowhow transfer and assimilation are key to the replication of the business model by franchisees in their local setting, and in turn to their economic performance (El Akremi et al., 2015; Knott, 2003; Michael and Combs, 2008). Franchisor knowledge transfer capabilities can also enhance the relationship by reducing potential conflict and franchisee opportunism. Specifically, the different transfer mechanisms, such as the trainings provided to franchisees, seminars and workshops, on-site visits and distant communication, can act as non-coercive power conduits to influence and align franchisees (Quinn, 1999). Doherty (2007) also reports that these mechanisms are an important part of the support system of franchisors to their foreign franchisees. As such, they should foster a healthy climate for the franchise relationship (Doherty et al., 2014; Quinn, 1999) and increase franchisee willingness to cooperate with the franchisor (Quinn, 1999; Sibley and Michie, 1982; Yavas, 1998). On the other hand, the lack of adequate support is a main source of foreign franchisee dissatisfaction, leading to higher levels of conflict (Quinn, 1999). Hence, we propose the following hypothesis:

H1. the greater the franchisor international knowhow transfer capabilities, the higher the level of relationship performance

3.2. International monitoring capabilities

The need for monitoring capabilities in franchising stems from its nature as an agency relationship. While franchising aligns the interests of the principal/franchisor and agent/franchisee by making the latter a residual claimant on profit, franchisees can still exhibit opportunism in different forms, for instance by under-reporting earnings, under-investing in their business unit(s), shirking on quality or leaking proprietary information (Combs et al., 2004; Choo, 2005; Shane, 1996). Franchisors can use the franchise contract as a coercive power mechanism to align franchisees, for instance with the threat of premature contract termination or financial penalties (Doherty, 2007; Quinn, 1999; Sibley and Michie, 1982). However, contracts cannot fully prevent franchisee opportunism because they are incomplete, since neither party can anticipate all types of situations and include all types of clauses to protect itself (Solis-Rodriguez and Gonzalez-Diaz, 2012). Franchisors can complement the contracts by developing monitoring capabilities for "carefully observing franchisee behavior" (Shane, 1996, p.77). Unlike the contract, monitoring capabilities are non-coercive power mechanisms that are more informal, relational and persuasive. They can hence lead the franchisee to yield more willingly (Doherty, 2007) and enhance the relationship by reducing opportunism and conflict.

Doherty (2007) and Quinn (1999) shed a different light on how monitoring capabilities can enhance relationship performance by highlighting their role as support mechanisms and not just "as a means of policing the franchisees" (Quinn, 1999, p.356). Through regular monitoring of franchisee financial data and sales figures for example or auditing foreign franchisee units, franchisors leverage their monitoring skills to uncover the problems that the foreign franchisee might be facing, anticipate possible future difficulties, and subsequently offer the adequate in-depth assistance to the foreign franchisee (Doherty, 2007).

Hence, we propose the following hypothesis:

H2. the greater the franchisor international monitoring capabilities, the higher the level of relationship performance

3.3. Contract adaptation capabilities

Internationalization can complicate the transferring of governance mechanisms developed for the franchisor's domestic market to foreign markets, due to the heterogeneity of their environments (Choo, 2005; Fladmoe-Lindquist, 1996). The risk of opportunism can also vary across foreign markets, as greater distance to the home country and greater environmental uncertainty can increase information asymmetry as well as the difficulty to monitor foreign franchisees closely. International franchising research suggests that franchisors need to adapt the terms and clauses of the franchise contract across countries to account for such variations and better align franchisee interests. Franchisors can induce certain franchisee behaviors by adapting the financial terms of the contract, specifically the royalties rate and structure (Jeon and Park, 2001). By increasing the ratio of fixed fees to royalties for instance, franchisors offer higher-powered incentives to franchisees, who are residual claimants on the profit (Choo, 2005; Lafontaine and Oxley, 2004; Shane, 1996). A high ratio of fixed fees to royalties also creates a strong ex-ante bond between the franchisor and the franchisee (Shane, 1996), reinforcing the role of the contract as a coercive power mechanism (Choo, 2005; Doherty, 2007; Quinn, 1999). Contract adaptation would hence enhance relationship performance by reducing the risk of opportunism and conflict. Adaptation can also enhance relationship performance by reducing conflict (LaBahn and Harich, 1997), enhancing and signaling the commitment to the relationship (Leonidou et al., 2011; Styles et al., 2008) and increasing the level of relationship specific investments (Palmatier et al., 2007). Hence, we propose the following hypothesis:

H3. the greater the franchisor contract adaptation capabilities, the higher the level of relationship performance

4. Study 1

4.1. Objectives

The overarching aim of this first study was to explore governance capabilities in international franchising more in-depth and refine our research hypotheses. Specifically, we aimed to explore a) what governance capabilities do franchisors find particularly important in building and maintaining strong relationships with their foreign franchisees, b) what interrelationships exist among these governance capabilities, and c) what governance mechanisms, other than the contract, do franchisors adapt internationally. Regarding the third objective, research on international channels other than franchising highlights adaptations of various governance mechanisms, including communication and information exchange (Griffith et al., 2014; Shoham et al., 2008), inter-firm practices (Jun et al., 2014; Leonidou et al., 2011), or

(*footnote continued*)
relationship and including the selection of foreign franchisees (e.g. Doherty, 2009) or to the structuration of the network through choice of entry modes (e.g. Jell-Ojobor and Windsperger, 2014; Picot-Coupey et al., 2014), are beyond the scope of this paper, as we focus on governance as an ongoing process of managing the franchise relationship with existing partners.

support and coordination (Shoham et al., 2008). Such adaptations have been found to strengthen relationship performance by increasing the cooperation between international channel members, either through enhanced communication (LaBahn and Harich, 1997; Shoham et al., 2008) or through a collaboration process between the channel members (Dou et al., 2010). However, as highlighted previously in our literature review (Section 3), international franchising literature has focused mainly on contract adaptation, hence this additional objective of our first study to explore if franchisors also adapt other governance mechanisms to manage their relationship with foreign franchisees.

4.2. Data collection

We conducted 28 in-depth interviews in 2013 with senior managers of internationalized French franchise networks that we approached through the French Franchising Federation (FFF). We continued the interviewing process until we reached theoretical saturation (Miles and Huberman, 1994). The selected franchisors operate in different industries and vary in terms of network size, age, and level of international experience (Appendix A). All the informants were actively involved in initiating and managing the relationship with foreign franchisees. Depending on the network, interviewees mainly held the positions of international manager, area manager, or general manager. The interviews were conducted in French, either in face-to-face at the offices of the franchisor (16) or via Skype (12). The average interview lasted one hour. All interviews were audio-recorded and then transcribed.

4.3. Data analysis

We applied thematic analysis to the data, first to each interview and then across interviews (Miles and Huberman, 1994). Since our objective was to complement the existing literature and not build completely new theory, we used a blend of inductive and deductive approach (Graebner et al., 2012), moving throughout the procedure back and forth between the data and the relevant literature on governance capabilities and international franchising. The data coding and mapping was done manually in three steps inspired from the grounded theory method (Corbin and Strauss, 1990; Urquhart, 2012). First, we determined the first-order codes in franchisor discourse in a selective coding approach, as we focused on discourse chunks revealing capabilities that enable franchisors to manage their relationship with foreign franchisees. Second, we used axial coding in a bottom-up approach to group the first-order codes into theoretical categories that correspond to homogeneous franchisor governance capabilities. For instance, first-order codes related to the ability to transmit knowhow to foreign franchisees, codification of the network's knowhow, design of detailed franchise manuals, and training of foreign franchisees, were all grouped in the overarching capability of “International Knowhow Transfer”. Third, we used theoretical coding to relate the uncovered capabilities to relationship performance as well as to each other when franchisor discourse revealed such interrelationships. Following Miles and Huberman (1994), we concluded this third step by mapping the relationships between the different capabilities in the research model presented in Fig. 1.

4.4. Findings

The interviews corroborate the role of international knowhow transfer, international monitoring, and contract adaptation capabilities in driving relationship performance as depicted in previous literature, and offer two novels sets of insights. One, they reveal the importance of two additional forms of governance capabilities, both related to franchisors’ ability to communicate effectively with their foreign franchisees, and focusing respectively on communication adaptation and intercultural communication capabilities. Two, the interviews highlight the web of relationships among the different governance capabilities. Consistent with our objective to complete and refine the hypotheses derived from the literature, in this section we only present the additional insights from Study 1.

4.4.1. Communication capabilities – Intercultural adaptation and Communication adaptation

Franchisors interviews revealed that a major challenge for the success of franchise relationships resides in their ability to maintain efficient communication with their foreign franchisees. The importance of communication in nurturing relationship performance is well documented in international channel literature. In a recent meta-analysis on the antecedents of exporter-importer relationship quality, Leonidou et al. (2014) found communication to be the strongest predictor of cooperation, trust and commitment, which all lead to reinforcing the relationship quality. While there is a dearth of quantitative empirical work on the role of communication in international franchise relationships, Chiou et al. (2004) found, in a single-country study, that communication significantly enhanced franchisee trust and overall satisfaction with the relationship.

The interviews particularly highlight two interrelated aspects of franchisor communication capabilities that are necessary for building and maintaining strong relationships with foreign franchisees. The first aspect refers to franchisors’ intercultural communication skills. Interviewees clearly recognize the role of cultural differences in leading to gaps, misunderstandings, conflict and failure in the relationship (Johnson et al., 2006; Kuada, 2002). Conversely, they point out that an important capability to maintain healthy relationships with foreign franchisees lies in their ability to interact and communicate with partners from different cultures. Language skills, whether in English as international business’ lingua franca or in other major languages, were the most cited in the interviews.

Consistent with previous literature (Bush et al., 2001; Redmond, 2000), the interviews reveal however that intercultural communication goes beyond language skills and includes cultural sensitivity, which is an important driver of relationship performance in international channels through its facilitating role of communication between the channel members (LaBahn and Harich, 1997). As one franchisor noted: *“it is not really mastering culture but rather to have a mindset that allows you to integrate differences that are still significant* […] *there really is a state of mind, a team that I would say is multi, very performing and very flexible, with an open mind to internationalization, I think it's very very important, and I think one should have a certain bond, a certain humility with the partner”*. Specifically, cultural sensitivity translates in our interviews mainly in franchisor ability to negotiate effectively with foreign partners and adapt to them in the interaction process. This is consistent with the view that intercultural communication capability is the behavioral dimension of a larger set of capabilities, namely cross-cultural competence (Johnson et al., 2006), that leads companies to ‘function effectively in another culture’ (Gertsen, 1990, p.346).

The second aspect refers to franchisors’ ability to adapt the communication tools, modes and content, originally established for the domestic market, across foreign markets. Many franchisors face the difficulty in maintaining face-to-face communication (Doherty, 2007), described as “very expensive”, “time-consuming” and “difficult to organize”. Instead, they choose from among a wide variety of technology-based communication modes such as emails, phone calls, messaging applications and video-calls, based on the availability and usage of these different media by their foreign franchisees. Franchisors also adapt their language choice for written communication with franchisees, mainly in essential documents like the contract and the franchise manual. Franchisors are less flexible in adapting their communication's content, especially the franchise manual. The latter is a core element of the franchise relationship and its adaptation is more delicate and limited in scope (Kaufmann and Eroglu, 1999). As per the interviews, the manual's limited customization does not alter the *nature* of the information that it communicates to the franchisees, but it could change the *amount* of this information (Shoham et al., 2008). Several franchisors describe international manuals as “more detailed”, “more thorough” and “more illustrated” than the domestic manual. This additional information aims not only to clarify the franchising principles but also to compensate for the lesser frequency of direct communication with the foreign franchisees.

In addition to facilitating the communication between the franchisor and the foreign franchisees, such adaptations appear to strengthen the relationships as well by signaling franchisors' commitment through the efforts that they are ready to make to accommodate the other party (Hallen et al., 1991). One franchisor from Study 1 observed the following: *“Franchisees perceive adaptation differently than end consumers. They don't take it for granted. These are serious businessmen who are aware of the cost and the trouble we go through to adapt to their needs and to their context. So when we make adaptations, they understand that we are serious, and that we are not here to open one shop, collect entry fees and get some free advertising, but to build something with them, in the long-run.”*

Hence, we propose the following hypothesis:

H4. the greater the franchisor a) intercultural communication capabilities and b) communication adaptation capabilities, the higher the level of relationship performance

4.4.2. Interrelationships among the governance capabilities

The interviews highlight several relationships among the different governance capabilities. Specifically, the two international communication capabilities seem to act as a prerequisite, or at least as a facilitator, to the other governance capabilities. Both monitoring and knowhow transfer rely on a close interaction and communication with partners from different cultures. Furthermore, franchisor ability to exercise both tasks, and more specifically knowhow transfer, can be complicated and hindered by cultural differences (Pérez-Nordtvedt et al., 2008; Simonin, 1999). Franchisor cross-cultural competence and ability to adapt during the interaction can hence facilitate and enhance monitoring and knowhow transfer capabilities. As one franchisor stated, *“in franchising, as you probably already know, we call the manual the ‘bible’. How many people would you expect to read and follow the real Bible if it were only written in Hebrew or old Greek? It is the same here. Our manual cannot become the bible of our franchisees in China or Russia if it is only written in French.”*

Moreover, it appears from the interviews that contract adaptation is not entirely a unilateral process on the franchisor side. Instead, it often results from interaction and communication between the franchisor and the foreign franchisees to define the right balance in the contract terms. This is consistent with previous work on channel relationships that reports that communication capabilities enhance the drafting of formal contracts (Wang et al., 2014). Similarly, the adaptation of the communication tools and content seems to be in itself the result of a collaborative process between the two parties. This is obvious for instance in the following statement regarding the adaptation of the franchise manual: *“We usually do it with the foreign franchisee. We share our basic manual and they send us a first draft of comments and questions, and then we see together how we can clarify things, adjust them, to get a better result […] we always do it together, sometimes over several working sessions”*. In sum, beyond the link between communication on the one hand, and monitoring, knowhow transfer and contract adaptation on the other hand, there appears to be a direct relationship as well between the two forms of communication capabilities: intercultural communication seems to facilitate communication adaptation.

Hence, we propose the following hypotheses:

H5. the greater the franchisor intercultural communication capabilities, the greater the communication adaptation capabilities

H6. the greater the franchisor a) intercultural communication capabilities and b) communication adaptation capabilities, the greater the international knowhow transfer

H7. the greater the franchisor a) intercultural communication capabilities and b) communication adaptation capabilities, the greater the international monitoring

H8. the greater the franchisor a) intercultural communication capabilities and b) communication adaptation capabilities, the higher the level of contract adaptation

Finally, in the interviews, franchisors implied a negative relationship between monitoring capabilities and the extent of contract adaptation. As noted earlier, both monitoring and contract adaptation pursue the common goal of reducing foreign franchisee opportunism. In this regard, interviewees portray contract adaptation as a palliative mechanism to monitoring when the franchisor deems monitoring too difficult to implement effectively. As one interviewee noted: *“In some cases, it [adapting the contract] is easier than maintaining a close follow-up with some partners, like those who are very far for example, a close follow-up would be great if possible, but we have to be realistic and have alternative ways of doing”*. This palliative logic between monitoring and contract adaptation mirrors the fact that, while they are both control mechanisms for the franchisor, the first is non-coercive whereas the second is coercive. Since non-coercive mechanisms are difficult to sustain internationally (Quinn, 1999; Doherty, 2007), coercive power exercised through the franchise contract serves as an alternative, a palliative control mechanism (Lafontaine and Oxley, 2004; Shane, 1996). Hence, we posit the following:

H9. the more limited the franchisor international monitoring capabilities, the higher the level of contract adaptation

5. Study 2

5.1. Data collection

The population of firms for the study was made of the 468 French networks with foreign operations.[2] We first established a list of target franchisors from the FFF's and other French franchising directories. Website screening confirmed that selected franchisors were French and had international presence. The FFF's directory and Franchise Expo Paris' participants helped build a database of senior managers in charge of international expansion in 267 internationalized French franchised networks. These senior managers are International/Export Director (29%), International Area Manager (21%), Chief Expansion Officer (24%), Chief Marketing Officer (14%) or Chief Executive Officer (12%).

Eleven managers who participated previously in Study 1 and the thirteen members of the scientific committee of FFF pretested the questionnaire. The 267 managers in the database received the final questionnaire, accompanied by a letter from the FFF managing director explaining the importance of the study and encouraging participation. Respondents could complete the survey either online or through a paper questionnaire with a return envelope. Data collection was completed in 2014. It yielded 102 questionnaires, out of which 94 are complete and usable for this study (response rate of 35.2%). This sample represents 20.1% of the entire population of internationalized French franchisors at the time of the study. Mean comparisons between the data collected online and offline, and early and late respondents, revealed no significant differences for any of the items in the questionnaire. Appendix B offers a description of the sample and a comparison with FFF data.

[2] As estimated by the French Franchising Federation (FFF) at the time of the study. Includes non-FFF members.

5.2. Measures

Previous literature offers numerous conceptualizations of relationship performance. Consistent with previous work on inter-organizational relationships (e.g. Beugelsdijk et al., 2009; Şengün and Wasti, 2009) and international business (e.g. Styles et al., 2008), we approach relationship performance through the construct of relationship satisfaction. We measured the latter with five items derived from De Vita et al. (2010). Following the recommendations of these authors, we adapted their measure to make it context dependent, hence to reflect franchise relationships. Following Emden et al. (2005), we asked respondents to evaluate their overall satisfaction with the relationships that they have with their different foreign franchisees instead of focusing on a single franchise relationship.

We adapted four items to measure international monitoring and four to measure international knowhow transfer from El-Akremi et al. (2009). Given the lack of previous measure of governance adaptation in franchising, we derived from Study 1 four items to reflect contract adaptation and four other items to reflect communication adaptation. We adapted four items from Redmond (2000) to measure intercultural communication capability, focusing on the aspects of this capability that were most salient in the interviews in Study 1. Consistent with previous literature from which the measures were extracted or adapted, all the scales in the model were specified as reflective measures.

Franchisor representatives rated each of the 25 items (Table 1) using a five-point Likert scale.

5.2.1. Control variables

Given the dynamic nature of the capabilities in our model, we controlled for the extent of franchisor international experience, which can affect the level of adaptation of international marketing (Cavusgil and Zou, 1994), the choices of relationship governance mechanisms (Griffith et al., 2014; Lafontaine and Oxley, 2004) and the ability to leverage them internationally (Doherty, 2007). Two items in the questionnaire were about international experience: the number of years of international presence (range = 1 to 63 years; mean = 14.4; S.D. = 15.2) and the number of countries where the network is present (range = 1 to 132 countries; mean = 15.9; S.D. = 30.2). Finally, we controlled for the age of the franchisor at the beginning of the internationalization (age at entry: range = 0 to 35 years; mean = 9.9; S.D. = 9.0), as previous literature suggests that internationalization in the early years after inception could affect the internationalization pattern, growth and mobilized resources of companies (e.g. Autio et al., 2000; Oviatt and McDougall, 1994).

5.3. Data analysis and findings

In order to highlight the additional insight from Study 1 in building the research model, we tested and compared two models. Model 1 comprises only the three governance capabilities from previous literature, namely knowhow transfer, monitoring and contract adaptation. Model 2 is the full research model presented in Fig. 1. It comprises, in addition to the previous variables in Model 1, intercultural communication and communication adaptation, as well as the inter-relationships uncovered in Study 1.

Data analysis comprised two stages, with the first test of the full measurement model followed by a second test of the research hypotheses with PLS-SEM, using XLSTAT (version 2014.1.01). PLS-SEM is more suitable here than covariance-based SEM because it allows testing complex models with limited sample sizes and does not require normally distributed data (Hair et al., 2013; Henseler et al., 2009). In the following paragraphs, we present the detailed findings only for Model

Table 1
The measures in study 2.

	Loading	AVE	CR
Relationship satisfaction. To what extent do you agree with the following statements regarding your relationships with your franchisees and master-franchisees abroad?		**0.672**	**0.912**
• Overall, we are satisfied with the relationships we have established with our franchisees and master-franchisees abroad	0.855		
• Our relationships with our franchisees and master-franchisees abroad are as satisfactory as those we have with our franchisees in France	0.825		
• In comparison with the French market, we do not have more conflict situations with our franchisees and master-franchisees abroad	0.729		
• We are satisfied with the communication that we were able to establish with our franchisees and master-franchisees abroad	0.875		
• We are satisfied with the respect of franchise contracts by our franchisees and master-franchisees abroad	0.807		
Intercultural communication. To what extent would you say that the members of your team that is currently in charge of your network's international development have the following skills?		**0.823**	**0.949**
• The ability to adapt culturally to partners of different origins	0.877		
• The ability to negotiate with partners from different cultures	0.937		
• Proficiency in business English	0.965		
• Proficiency in other languages that are useful for a international expansion	0.845		
International knowhow transfer. To what extent do you think that your network masters currently the following skills in its relationship with its foreign franchisees and master-franchisees?		**0.811**	**0.945**
• Codification of the network's know-how	0.948		
• Faithful transmission of the know-how to the franchisees and master-franchisees abroad	0.940		
• Formalizing the concepts and methods in franchise "bibles" and/or manuals	0.890		
• Continuous training of the franchisees and master-franchisees abroad	0.817		
International monitoring. To what extent do you think that your network masters currently the following skills in its relationship with its foreign franchisees and master-franchisees?		**0.834**	**0.953**
• Verifying the faithful application of the know-how by the franchises and master-franchisees abroad	0.931		
• Control of the faithful application of the know-how in all the outlets abroad	0.919		
• Auditing of the outlets abroad	0.879		
• Follow-up and monitoring of the franchisees and master-franchisees abroad by the network managers	0.924		
Contract adaptation. To what extent do you modify your offering in foreign markets in terms of:		**0.779**	**0.933**
• The duration of the franchise contract	0.988		
• The amount of entry fees	0.802		
• The percentage of royalties	0.880		
• The amount of average investment	0.850		
Communication adaptation. To what extent do you modify your offering in foreign markets in terms of:		**0.797**	**0.940**
• The mode of communication with the franchisees	0.880		
• The language of the franchise guide / manual	0.886		
• The language of the franchise contract	0.874		
• The content of the franchise guide / manual	0.929		

Table 2
Means, standard deviations, and correlation values.

	Mean	S.D.	1	2	3	4	5	6	7	8	9
1. Intercultural Communication	3.65	0.99	1								
2. Monitoring	3.37	1.04	0.56**	1							
3. Knowhow Transfer	3.59	0.88	0.38**	0.64**	1						
4. Contract Adaptation	2.31	0.93	0.45**	−0.11	0.15	1					
5. Communication Adaptation	2.72	1.13	0.54**	0.24*	0.19*	0.51**	1				
6. Relationship Satisfaction	3.68	0.71	0.65**	0.46**	0.51**	0.39**	0.45**	1			
7. Number of Years	13.73	14.39	0.20*	0.15	0.04	0.06	−0.06	−0.02	1		
8. Number of Countries	15.88	30.22	0.26*	0.23*	0.17	−0.04	−0.07	0.01	0.64**	1	
9. Age at Entry	9.93	9.02	0.44**	0.23*	0.16	0.34**	0.22*	0.32**	0.06	0.04	1

** Correlation is significant at the 0.01 level (2-tailed).
* Correlation is significant at the 0.05 level (2-tailed).

2, given that it is the full research model. We provide a comparison of the paths weights and R^2 values between the two models later in Table 3.

5.3.1. Assessment of the measurement model

The measurement model's estimates are consistent with the conventional criteria for PLS-SEM (Hair et al., 2013). All item loadings are significant ($p < 0.001$), exceed the cutoff value of 0.7 with communalities larger than 0.5, indicating good indicator reliability. Only the first eigenvalue for every factor is higher than one, supporting the unidimensionality of the latent variables. Constructs' composite reliability values are all larger than 0.87 and Cronbach's alpha values larger than 0.88, above the threshold of 0.7. Average variance extracted (AVE) values exceed the conventional cutoff of 0.5 (minimum: 0.67), supporting convergent validity. The loading of every indicator on its factor is systematically higher than all its cross-loadings on all the other factors, indicating discriminant validity at the item level. AVE is systematically larger than the squared correlations between each latent variable and the other variables (Table 2), supporting constructs' discriminant validity (Fornell and Larcker, 1981).

5.3.2. Assessment of the structural model

A preliminary analysis of variance inflation factors (VIF) indicated no multicollinearity problems (strongest VIF = 3.13, below the cutoff value of 5, Hair et al., 2012). We also implemented the measured latent marker variable (MLMV) approach proposed by Chin et al. (2013) to assess common method bias in PLS-SEM. We used four additional unrelated items that we had included in the questionnaire to apply a construct-level correction. The comparison of the path coefficients between the research model and the model with the MLMV shows no difference in the significance of the paths. The path loadings are also very similar in both models (largest difference for the same path = |0.008|), suggesting that common method was not a problem (Wang et al., 2016).

The model shows good predictive accuracy, with R^2 values of 0.51 for relationship satisfaction, 0.47 for contract adaptation, 0.32 for communication adaptation, 0.27 for international monitoring, and 0.13 for international knowhow transfer. We further assessed the robustness of our results by using the *blindfolding* procedure. Blindfolding is an iterative technique that consists of systematically omitting every point of data and estimating it by using the model's relationships. Then, the procedure compares the estimated values to the real data points to evaluate to what extent the model's relationships allow it to predict the data correctly. A statistic based on the cross-validated redundancies, the Stone-Geisser's Q^2, is then computed for every dependent variable. Q^2 values larger than 0 indicate predictive relevance for this variable (Hair et al., 2012). In the present case, the Q^2 values resulting from blindfolding are larger than zero for all dependent variables except for international knowhow transfer (Table 3), indicating predictive relevance of the research model for all the other dependent variables (Hair et al., 2012). We also compared the explanatory power of our research model (Model 2) to that of the simpler model based on the literature alone (Model 1). The R^2 value for relationship satisfaction in Model 1 is 0.42, against 0.51 in our research model (Model 2). By taking into account the two additional governance capabilities related to international communication, the research model enhances the R^2 value by $\Delta_R{}^2 = 0.09$, corresponding to a moderate effect size of $f^2 = 0.18$, since the effect size exceeds 0.15 (Hair et al., 2013).

5.3.3. Hypotheses testing

The estimated paths of the model are presented in detail in Table 3 and summarized in Fig. 2. The significance of the path coefficients in Table 3 is based on the standard deviations resulting from a bootstrap procedure ($N = 5000$ resamples). Bootstrapping is a resampling technique that derives the standard errors and path significance from the empirical distribution resulting from the resampling, instead of using the theoretical normal distribution as a baseline for significance.

In support of H1 to H4, we find that the five forms of governance capabilities in the model increase relationship performance of international franchisors. Intercultural communication capability has the strongest direct impact on relationship satisfaction ($\beta = 0.24$), while contract adaptation has the weakest direct impact ($\beta = 0.15$). Intercultural communication also has a strong direct impact on communication adaptation (β=0.55), knowhow transfer ($\beta = 0.21$), monitoring ($\beta = 0.30$), and contract adaptation ($\beta = 0.29$), supporting respectively H5, H6a, H7a and H8a. Through the mediation of these other capabilities, intercultural communication exerts a significant indirect impact on relationship satisfaction ($\beta = 0.27$), leading to a total effect of $\beta = 0.51$.

In support to H6b, H7b and H8b, we also find that the other international communication capability, namely communication adaptation, has a significant direct impact on knowhow transfer ($\beta = 0.10$), monitoring ($\beta = 0.13$), and more specifically contract adaptation ($\beta = 0.43$). Consistent with H9, international monitoring has a significant direct negative impact ($\beta = -0.37$) on contract adaptation.

The control variables' impact is mixed. The number of foreign countries is directly related to monitoring capability ($\beta = 0.13$) and negatively to communication adaptation ($\beta = -0.16$). The number of foreign countries has also an indirect negative impact on contract adaptation ($\beta = -0.11$) through its direct impact on monitoring and communication adaptation. The number of years of international experience has no significant direct impact on any of the dependent variables. However, the network's age at the beginning of internationalization predicts contract adaptation ($\beta = 0.22$), and to a lesser extent monitoring capability ($\beta = 0.13$) and relationship satisfaction ($\beta = 0.12$).

6. Discussion and implications

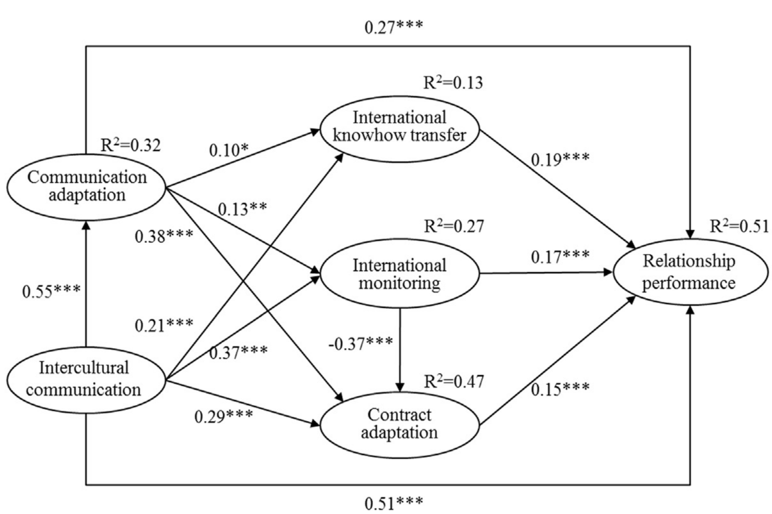
In this research, we set to investigate franchisor dynamic

Table 3
Results of the Structural Model with PLS-SEM.

	Model 1	Model 2	
	Direct impact (absolute *t*-values)	Direct impact (absolute *t*-values)	Indirect impact (absolute *t*-values)
Antecedents of Relationship Satisfaction	***R^2 = 0.42, Q^2 = 0.24***	***R^2 = 0.51; Q^2 = 0.31***	
H1: knowhow transfer = > relationship satisfaction	**0.30*** (6.23)**	**0.19*** (6.28)**	–
H2: monitoring = > relationship satisfaction	**0.27*** (8.06)**	**0.17*** (6.09)**	–
H3: contract adaptation = > relationship satisfaction	**0.23*** (4.94)**	**0.15*** (4.76)**	–
H4a: intercultural communication = > relationship satisfaction		**0.24*** (10.04)**	**0.27*** (5.95)**
H4b: communication adaptation = > relationship satisfaction		**0.17*** (5.52)**	**0.10*** (4.18)**
Number of countries = > relationship satisfaction	0.01 (0.12)	0.01 (0.14)	−0.02 (1.02)
Number of years = > relationship satisfaction	−0.01 (0.25)	−0.01 (0.26)	−0.01 (0.54)
Age at entry = > relationship satisfaction	**0.18*** (3.26)**	**0.12*** (3.61)**	**0.08** (2.58)**
Antecedents of Communication Adaptation		***R^2 = 0.32; Q^2 = 0.20***	
H5: intercultural communication = > communication adaptation		**0.55*** (6.57)**	–
Number of countries = > communication adaptation		**−0.16* (2.21)**	–
Number of years = > communication adaptation		−0.14 (1.72)	–
Age at entry = > communication adaptation		0.06 (0.55)	–
Antecedents of Knowhow Transfer		***R^2 = 0.13; Q^2 = −0.01***	
H6a: intercultural communication = > knowhow transfer		**0.21*** (4.40)**	0.06 (1.81)
H6b: communication adaptation = > knowhow transfer		**0.10* (1.96)**	–
Number of countries = > knowhow transfer		0.09 (1.81)	−0.02 (1.61)
Number of years = > knowhow transfer		0.02 (0.40)	−0.01 (1.36)
Age at entry = > knowhow transfer		0.09 (1.51)	0.01 (0.49)
Antecedents of Monitoring		***R^2 = 0.27; Q^2 = 0.22***	
H7a: intercultural communication = > monitoring		**0.30*** (5.92)**	**0.07** (2.38)**
H7b: communication adaptation = > monitoring		**0.13** (2.76)**	–
Number of countries = > monitoring		**0.13*** (3.25)**	−0.02 (1.84)
Number of years = > monitoring		0.08 (1.58)	−0.02 (1.58)
Age at entry = > monitoring		**0.13** (2.72)**	0.01 (0.55)
Antecedents of Contract Adaptation		***R^2 = 0.47; Q^2 = 0.30***	
H8a: intercultural communication = > contract adaptation		**0.29*** (4.03)**	0.10 (1.40)
H8b: communication adaptation = > contract adaptation		**0.43*** (5.56)**	**−0.05* (2.19)**
H9: monitoring = > contract adaptation		**−0.37*** (3.62)**	–
Number of countries = > contract adaptation		−0.11 (1.59)	**−0.11** (2.78)**
Number of years = > contract adaptation		0.05 (0.77)	−0.08 (1.07)
Age at entry = > contract adaptation		**0.22** (2.74)**	−0.02 (0.53)

* $p < 0.05$.
** $p < 0.01$.
*** $p < 0.001$.

governance capabilities and their role in driving relationship performance. The findings from Study 1 provide answers to the three questions (given in Section 4.1) we sought to address. First, they reveal five forms of governance capabilities that seem crucial for managing international franchise relationships to maximize franchisor satisfaction. Specifically, in addition to knowhow transfer, monitoring and contract adaptation that appear in previous international franchising research, Study 1 revealed the role of intercultural communication and communication adaptation as key governance capabilities. Second, Study 1 findings highlight the interrelationships between the five forms of



Standardized weights on the arrows represent the total effect, i.e. the sum of the direct and indirect significant effects
p < 0.05; **p < 0.01; ***p < 0.001

Fig. 2. The structural relationships between the model's variables.

governance capabilities. This led us to propose the conceptual model in Fig. 1, which highlights the greater role of intercultural communication and communication adaptation as antecedents of the other three governance capabilities. Third, Study 1 shows that franchisor governance adaptation is more complex than what is portrayed in international franchising literature. Specifically, the contract is not the only adapted governance mechanism, as franchisors also adapt their communication internationally.

In Study 2, we tested the conceptual model empirically with quantitative data from French franchisors and found support for the nine hypotheses based on the literature review and Study 1. Study 2 findings also highlighted the role of intercultural communication as a key antecedent for both franchisor relationship performance and other governance capabilities. Specifically, when considering the total effect of the different variables of the model, we find that intercultural communication has by far the largest effect on relationship performance ($\beta = 0.51$), on communication adaptation ($\beta = 0.55$), on international monitoring ($\beta = 0.37$), and on international knowhow transfer ($\beta = 0.21$). However, despite intercultural communication's large total effect ($\beta = 0.29$) on contract adaptation, the latter seems driven mainly by two other governance capabilities: communication adaptation ($\beta = 0.38$) and international monitoring ($\beta = -0.37$). We now turn to discuss the implications of our work and its limitations.

6.1. Theoretical implications

The main contribution of this paper is to address the issue of performance in international franchising. Recent summaries of international franchising literature categorize the bulk of research on the topic as pertaining to the factors that drive franchisors to internationalize, the characteristics of host countries, the franchisor-franchisee relationship, the propensity to franchise abroad, and the choice of presence modes in foreign markets (Doherty, 2009; Elango, 2007; Jell-Ojobor and Windsperger, 2014). However, there is a dearth of research on performance of international franchisors, despite the importance of this question (Combs et al., 2004; El Akremi et al., 2015). By adopting the lens of dynamic capabilities, our mixed-methods research addresses this gap and tests a model of how different governance capabilities contribute together to a specific form of franchisors' international performance, namely relationship performance.

Through the model and its test, this research offers four contributions to research on international franchise relationships. First, it presents a more comprehensive view of the governance capabilities that drive relationship performance in international franchising than previous work that has focused on either a single or a very limited set of capabilities at a time. Second, whereas most previous work on governance capabilities is either qualitative (e.g. Doherty, 2007; Quinn, 1999) or descriptive when quantitative (e.g. Lafontaine and Oxley, 2004), this research offers a quantitative assessment of the extent to which each of the governance capabilities affects relationship performance. Third, the model reveals two important governance capabilities, both related to franchisor international communication skills, which are not investigated, to our knowledge, in previous research on international franchising. The comparison of the research model resulting from Study 1, to the simpler model that results from previous literature, shows that the inclusion of the two communication capabilities enhances the predictive accuracy of the model from $R^2 = 0.42$ to $R^2 = 0.51$, which corresponds to a medium effect size of $f^2 = 0.18$. Fourth, the model highlights the interrelationships between the different capabilities, answering recent calls for greater research on how governance capabilities affect each other (Wang et al., 2014). These unveiled interrelationships have two main implications. On the one hand, consistent with the dynamic capabilities perspective (Eisenhardt and Martin, 2000; Teece, 2007), these interrelationships indicate how franchisors can build on some of their capabilities, mainly those related to international communication, to enhance and reconfigure their other capabilities, such as monitoring, knowhow transfer and contract adaptation. On the other hand, by including the different interrelationships in the model, we reveal the indirect effects of some of the capabilities on relationship performance. This is particularly the case for intercultural communication which, through its dynamic impact on the other four capabilities, has a significant indirect effect on relationship performance ($\beta = 0.27$) that is even greater than its direct effect ($\beta = 0.24$).

This paper also contributes to the research on international franchisor adaptation. By revealing the role and importance of communication adaptation, we go beyond previous work that has mainly focused on adapting the franchise contract (Choo, 2005; Lafontaine and Oxley, 2004) and extend the limited knowledge on adaptation in international franchising (Lafontaine and Oxley, 2004; Thompson and Merrilees, 2001). By adopting an inside-out perspective, we find that the company's capabilities in monitoring and intercultural communication are important drivers of adaptation of the contract and the communication, and that communication adaptation is even a very strong driver of contract adaptation. As such, our work complements previous research that has adopted an outside-in view about the antecedents of governance adaptation by looking at the impact of the host markets' environment (Fladmoe-Lindquist, 1996; Lafontaine and Oxley, 2004) and of the relationship between the channel members (Hallen et al., 1991).

6.2. Managerial implications

The findings of this research go beyond the role of franchising-specific capabilities such as monitoring and knowhow transfer to highlight that successful governance of international franchise relationships relies largely on franchisor communication capabilities. Particularly, the quantitative study corroborates the role of the intercultural communication and communication adaptation capabilities revealed by the qualitative study, both of which have the largest impact on relationship satisfaction among the five governance capabilities of the model. Previous research has identified communication as an important governance capability in building successful channel relationships (Ling-Yee, 2007; Mohr and Sengupta, 2002), including in franchising (Chiou et al., 2004; Watson and Johnson, 2010). However, it has mainly focused on communication as the process of exchanging information (Mohr and Sengupta, 2002), and more specifically of transferring knowledge from the franchisor to the foreign franchisee (Altinay et al., 2014) and receiving feedback through the different monitoring mechanisms (Doherty, 2007; Quinn, 1999). Our findings indicate that franchisors should consider communication capabilities in a broader way, focusing also on developing upstream competencies in how to communicate successfully with partners from different cultures and how to best align their communication modes and content with foreign environments.

By doing so, this research emphasizes franchisors' need to develop a strong cultural sensitivity in their dealings with foreign franchisees and an adaptability that goes beyond the customization of the franchise contract. Communication through the franchise manual is adapted well beyond translation. While the nature of information in the manual remains the same, its amount is greater than in the domestic manual. A carefully crafted manual serves as a unique means of communication in a situation of high complexity and infrequent direct communication with foreign franchisees. Franchisors also show high flexibility in the use of modern communication technologies to provide franchisees with ongoing support, compensating for the difficulty of organizing in-person meetings. Governance adaptation, in its different forms, facilitates the relationship and signals franchisor commitment to it, which enhances its quality. Franchisors demonstrate that they are not taking their franchisees for granted, that they are willing to work with them, and that their goals can be aligned for a profitable partnership. Regarding the antecedents of adaptation, a higher level of a capability does not have to lead to more adaptation. A franchisor with high international monitoring capability might choose to use a standard contract to avoid the added difficulty of adaptation. Monitoring is done not just to detect violations of the contract but also to provide support to diverse franchisees to meet the contract terms. This helps to increase relationship quality.

6.3. Limitations and directions for future research

This research is not without limitations. The data in this research are self-reported by a single respondent, which could lead to bias including common method variance. Since all informants in both studies are senior managers of the franchisor, actively involved in managing the relationship with foreign franchisees, they were qualified and knowledgeable to answer all interview and survey questions. The different data collection and analysis methods used in the two studies yield consistent results, and common method bias, based on statistical tests, was not significant. Furthermore, the data collection in both studies was carried out in a single country, France. By working closely with the French Franchising Federation, we included in Study 2 a representative sample (20.1%) of the entire population of French franchisors with foreign operations. While this reduces potential concerns regarding the external validity of our results in the French context, it does not give any indication on how our findings could translate into other business or cultural contexts. Previous comparative research on international franchising reveals both similarities and differences in the behavior of franchisors from different countries. For instance, Perrigot et al. (2013) found that U.S. franchisors are more internationalized that French franchisors and tend to rely less on company-owned outlets. However, these authors also report in the same study that internationalization drivers are not statistically different between the two countries. Hence, additional research in different cultural contexts is needed to investigate the replication of our findings.

This research uses two sets of cross-sectional data, collected sequentially – interviews with senior managers in Study 1, and survey responses of senior managers in Study 2. Data from Study 1 enabled us to refine our theoretical model, while data from Study 2 were used to test the overall model. Longitudinal data on the variables in our model would enable researchers to test the evolution of franchisor capabilities and make better causal inferences.

Finally, while our work contributes to research on franchise relationship management and performance, additional insights from other research streams in international franchising could shed an interesting light on the nature and role of governance capabilities in our model. Specifically, two streams of research highlighted by Jell-Ojobor and Windsperger (2014) in their literature review on international franchising could be of interest. The first one relates to governance modes or the choice of presence modes abroad, including for instance direct franchising, master franchising and joint ventures. These different governance modes can modify the nature of the franchise relationship, for instance in terms of hierarchy vs. equality, modifying in turn the relative importance of the different governance capabilities. The second stream relates to the characteristics of host countries. Our work has taken an inside-out approach by concentrating on international franchisor capabilities, while controlling for the number of countries. However, host country conditions and the psychic distance between the home and host country could also affect our model and moderate the relationships within it. The integration of these different research streams was beyond the scope and ambition of our work, but it offers an interesting avenue for future research in international franchising.

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Appendix A

See Appendix Table A1

Table A1
Study 1: Company Characteristics.

Informant	Sector	Network's Size (in units)	Network's Age (in years)	International Age (in years)	Number of countries
International area manager	Hairdressing & styling	322	51	45	42
International area manager	Food retailing	659	112	30	32
Export manager	Auto services	156	53	48	12
General manager	Construction works	89	25	18	4
General manager	Traditional restaurants	140	29	12	5
International marketing manager	Construction works	224	46	29	8
International manager	Cleaning services	1594	65	51	30
Business development manager	Food retailing	56	22	18	5
Export manager	Food retailing	231	105	50	14
Business development manager	Construction works	17	11	2	3
Export manager	Fast food restaurants	291	42	16	7
International development manager	Hotels	193	23	17	13
Export manager	Traditional restaurants	89	32	14	12
Counsel	Hairdressing & styling	1915	53	41	80
Export manager	Personal equipment	468	27	18	9
Franchising manager	Business services	71	16	9	6
General manager	Personal services	152	17	1	2
General manager	Hairdressing & styling	41	5	3	1
Export manager	Hairdressing & styling	288	19	8	6
Export manager	Furniture / appliances	54	26	13	4
Export manager	Retailing (other)	663	72	43	25
Export manager	Furniture / appliances	57	13	10	6
Export manager	Traditional restaurants	153	41	35	15
International manager	Auto services	1300	64	58	33
International manager	Fast food restaurants	235	33	12	7
International area manager	Hotels	76	18	4	5
International area manager	Retailing (other)	166	12	8	8
General manager	Business services	13	8	5	2

Appendix B

See Appendix Table B1

Table B1
Study 2: Franchisor characteristics.

Characteristic	Sample	French franchisors[a]
Network's Age		
Average (in years)	26.2	21
11 years or less	37%	40%
12 to 20 years	19%	24%
21 years of more	44%	36%
Network's Size (in units)	312	103
Average contract duration (in years)	6.8	6.15

[a] Average estimates extracted from the FFF annual surveys between 2013 and 2016, including internationalized and non-internationalized French franchisors.

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