A systematic review of international franchising

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Abstract

Purpose – This paper aims to provide a bibliometric meta-analysis of the already substantial and growing literature on international franchising. Franchising is a model for businesses to achieve scale with limited resources. International franchising is a mode of entry that allows firms to develop new markets with relatively little risk but also little control.

Design/methodology/approach – Using a systematic approach, the paper identifies all articles in the ISI Web of Science from 1970 to 2018 that includes the term international franchising (in the title, the abstract or keywords) and finds 131 articles. This paper used HistCite software to analyze the bibliometric data.

Findings – Four major research clusters in the international franchising literature are identified. In addition, this study shows a change in research patterns regarding topics, theories and methodologies from the 1970s through 2018. The paper presents the most influential articles, authors and journals.

Originality/value – From the analyzes, this study develops a conceptual framework of international franchising and suggest avenues for future research.

Keywords Alliances, Contractual relations, International franchising, Meta-analytical review, Non-equity modes

Paper type Literature review

1. Introduction

Franchising is a business model where the franchisor extends business know-how, intellectual rights and the right to operate in the name of a brand for consideration (usually in the form of fees and royalties) to the franchisee. The globalization of franchising took off in the 1990s as a result of push factors (domestic market saturation and a highly competitive domestic market) and pull factors (opportunities to scale up in foreign markets because of
pent-up demand and the opening of foreign markets, especially in developing countries). The diffusion of franchising worldwide occurred through imitation and through the internationalization of US franchisors (Alon and McKee, 1999; Hoffman and Preble, 2004).

From the 1960s through the 1980s, large firms such as Hilton and McDonalds dominated international franchising (Noyelle and Dutka, 1988). However, since the 1990s, the structure of the industry has changed, with many SMEs using franchising domestically and internationally. International franchising was used as a mode of entry, at arm’s length, with a high level of externalization of both financial risk and operational control (Alon et al., 2012; Grewal et al., 2011). Researchers in international business, entrepreneurship, marketing and management have investigated international franchising using various disciplinary foci (Combs et al., 2004). Studies have explored franchising as a contractual mode of entry, which represents a hybrid between markets and hierarchies (Hennart, 2010). The franchisor shares ownership of the brand’s reputation and know-how with the franchisee in exchange for royalties established ex-ante through contractual arrangements (Brouthers and Hennart, 2007).

In contrast to equity joint ventures (EJV), wholly-owned subsidiaries (WOS) and greenfield investments, the IB literature has largely ignored franchising as a contractual entry mode. International franchising can help with issues of declining employee motivation that lead to shirking and higher transaction costs in hierarchical entry modes (Hennart, 1991). Franchising can also resolve equity costs and balance agency incentives because franchisees will work for their own profits, while simultaneously contributing to the profits of the parent company.

The largest international franchise brands are leading MNEs with a significant global presence. Examples include the hotel, restaurant and retail industries (e.g. Marriot, Hilton, McDonald’s, KFC and Seven-Eleven) and general service industries (car rentals, cleaning and gasoline distribution). Franchising is especially suitable as an entry mode for these industries because the know-how is codifiable (Brouthers and Hennart, 2007; Kogut and Zander, 1993), and the behavioral rules that determine outputs can be specified by contracts to guarantee uniform quality across outlets (Fladmoe-Lindquist and Jacque, 1995; Hennart, 2010). In these industries, the trademark and know-how are easier to transact between business partners. Furthermore, the cost of controlling free-riding from franchisees is less than the cost of monitoring employees (Brouthers and Hennart, 2007; Hennart, 2010). Franchising allows for the standardization and replication of proven concepts in service businesses (Wang and Altinay, 2008), providing the benefits of economies of scale through globalization.

International franchising involves the flow of goods, trademarks, intellectual property and finances cross-nationally and is generally used in service-based industries (Combs et al., 2004). In 2018, global trade in services had a value of US$5.8tn (Unctad, 2019). According to the World Trade Organization (2019), since 2005 trading in services has increased faster than trading in goods. Among the international service franchise firms in 2017, personal services had the fastest growth, followed by health care and medical services, business and cleaning services and retail (Franchisetimes top 200+, 2018). Additionally, between 2005 and 2017, developing economies had US$3.4tn in world service exports resulting from economic transformations and diversification in these markets.

Franchising has had a significant effect on the development of service business worldwide (Alon, 2004), but particularly in the USA where it had its commercial beginning. The US Government reported that the 780,000 American franchise businesses created 9 million jobs and contributed approximately $541bn or three percent, to the US gross domestic product (GDP) (International Trade Administration, 2016). In addition, franchising impacts other business entities and helps provide 13.3 million jobs. Franchising has also diffused to other parts of the world. In Australia, franchise businesses use 472,000 people and the total sales
revenue of all franchises is estimated at $146bn (Franchise Council of Australia, T, 2017). Welsh et al. (2006) report that, since the 1980s, franchising has developed rapidly in emerging markets in response to pent up demand for Western goods and a rising middle class.

Franchising contributes $2.3tn per year to the global economy (US Department of Commerce, International Trade Administration, 2016), with 19 million jobs in 2 million franchised firms worldwide (Franchise New Zealand, 2019). According to the 2018 Franchise Direct report, among the top 100 strongest franchise brands are those originating in the UK, France, Spain, South Korea, Canada, Sweden and Germany (Bailey, 2018).

The growth in the popularity of international franchising (IF) has attracted research interest, evident in the exponential increase in the literature. From 2009 to 2019, there was a more than tenfold increase in articles on the subject (Table 1 and Figure 1). The number of citations of the IF literature has also increased rapidly. From the 131 articles about IF published between 1976 and 2016, there are 5,022 citations in total.

Our review makes three contributions. First, it connects international franchising to international business (IB) literature. There have been previous efforts to conduct

| Year       | Web of Science | Google Scholar | Scopus |
|------------|----------------|----------------|--------|
| 2019-2018  | 63             | 374            | 5      |
| 2018-2017  | 61             | 422            | 9      |
| 2017-2016  | 51             | 467            | 11     |
| 2016-2015  | 66             | 478            | 5      |
| 2015-2014  | 60             | 449            | 4      |
| 2014-2013  | 34             | 439            | 15     |
| 2013-2012  | 33             | 391            | 4      |
| 2012-2011  | 29             | 348            | 5      |
| 2011-2010  | 24             | 335            | 11     |
| 2010-2009  | 22             | 317            | 6      |

Notes: *The keywords: “international franchising” or “international franchise”*
systematic literature reviews of IF, but, they did not connect franchising to the already robust field of IB. IF has increased in other related fields, such as entrepreneurship and marketing. Second, our study is systematic and shows how the field has evolved over time, providing a more dynamic view of the discipline. We review the IF literature over a period of 42 years (1976-2016), and ask:

Q1. What research clusters or patterns exist in the bibliometrics of the international franchising literature?

Q2. How have these research clusters developed?

Q3. Who and what are the main channels for international franchising knowledge?

Q4. What are the promising future research avenues?

Finally, through content analysis, we provide a conceptual model of IF and future recommendations for research.

The rest of the paper is organized as follows. We explain the bibliometric research tool and methodology in Section 2. In bibliometrics, the article is the unit of analysis. Section 3 discusses our findings and identifies the research clusters and the most influential articles, authors and journals. Section 4 provides the conceptual framework from the content analysis. Section 5 provides future research directions.

2. Research methods

We systematically examined all articles from 1970 to 2018 in the ISI Web of Science (WoS) that use international franchising (in the title, abstract or author keywords) and identified 131 articles, which formed the analytical database. For search boundaries, we chose only articles written in English. We selected articles in:

- business;
- economics;
- management;
- hospitality, leisure, sports and tourism;
- business finance; and
- operational research management science.

As franchising is an interdisciplinary subject. For the search terms, we used “international franchise” and all its variations (global, inter* and franc*). At least two authors read each abstract to ensure relevance and the full article when the abstract was unclear. Only articles with international franchising as a focus were included in a total of 131 articles. We searched for articles from 1945, but the oldest IF article was published in 1973 (Walker and Etzel, 1973). Articles unrelated to business franchises were excluded.

We created a cluster map of the articles using a bibliometric method that demonstrates interconnections between the articles. Using the map, we can identify the research topics by examining the frequency of citations or co-citations. The use of the latter assumes that an article published in a scholarly journal is built on similar articles that have already been published (Van Raan, 2012). Therefore, co-citation analysis can reveal similarity on a specific research topic, allowing the identification of key research streams and links among articles.
We used a bibliometric analysis tool, HistCite, a robust quantitative software program (Zupic and Cater, 2015) that creates a visualization of the literature in a graphic format. It helps researchers understand collections of information in a diagram called historiography, based on the networks or the citation relationships among frequently cited articles. The analyzes identify the key articles, the chronology of publication events and their influence on one another. HistCite also provides information about important authors, articles, institutions (universities), regions and journal publishers in a research field, allowing the creation of a richer and more reliable map of IF research than manual and qualitative reviews.

Bibliometric analysis has some limitations. Some topics or research streams may appear to be more significant than others because they are more frequently cited. Despite the assumption that frequently cited papers are more impactful, citation patterns differ greatly among disciplines. Different fields of research were published at different rates. Sometimes, important articles may be discovered later. Citations can involve bias, as researchers may cite their own work or their colleagues' work or articles from journals in which they publish. Our exclusion of non-English language articles might have biased our results. Finally, we used the ISI Web of Knowledge database, whose articles are considered among the most prestigious. Despite these weaknesses, our article makes a singular contribution to organizing and understanding the research landscape of the IF literature.

3. Findings
3.1 Changes in the patterns of international franchising research
As Table 2 indicates, we divided the articles by publication date to identify changes in the:
- research questions or topics;
- theories; and
- methodologies.

The theories most often used in IF research in the 1970s, 1980s, 1990s and 2000s are agency theory, transactional cost theory, resource scarcity theory, resource-based view theory, OLI paradigm theory, signaling theory and institutional theory. Between 1970 and 1990, IF researchers largely used quantitative methods, using the survey approach (Fladmoe-Lindquist, 1996; Preble, 1995). In the 2000s, qualitative methods started taking over (Doherty, 2007, 2009; Doherty and Alexander, 2004). Many researchers use interviews, ethnographies and observations to study IF. Some studies also use mixed methods (quantitative and qualitative) (Petersen and Welch, 2000). At the end of the 1990s and the early 2000s, some literature reviews of IF were published (Doherty, 2007; Elango and Fried, 1997; Welsh et al, 2006; Young et al, 2000).

3.2 Research clusters in international franchising
Using HistCite's visualization of the literature, four research clusters emerged that are consistent with the dominant theories and research streams in the IB literature:
- internationalization;
- selection of international markets and partners;
- power, control and autonomy; and
- mutual learning.

Figure 2 illustrates our determination of the research clusters based on the proximity of the topic in each circle and the links between the articles. The numbers in parentheses in the discussions about these clusters refer to the circles in Figure 2.
Table 2. Historic evolution of the international franchising research from 1970 to 2018

| 1970s-1980s | 1990s | 2000-2010 | 2011-2018 |
|-------------|-------|-----------|-----------|
| Franchising as a strategy to enter world markets Vaughn (1974) | Differences among franchisors in the internationalization process McIntyre and Huszagh (1995) | Franchisee selection and recruitment Altinay and Miles (2006), Altinay and Wang (2006) and Doherty (2009) | Internal and external factors in IF decisions: organizational factors and characteristics of target markets that affect internationalization decisions Aliouche and Schlentrich (2011) and Alon et al. (2012) |
| The motivation of IF franchisors for doing international franchise Hackett, 1976 | Entry mode and IF and ownership strategy in target markets Contractor and Kundu (1998a, 1998b) and Fladmoe-Lindquist and Jacque (1995) | Market selection: environmental or institutional factors of target markets that affect IF decisions, the cultural distance between franchisors and franchisees Alexander et al. (2007) and Doherty, (2009) | Governance mechanisms and capabilities in the franchise relationship, entrepreneurial alliances, trust and reciprocity, Calderon-Monge and Pastor-Sanz (2017), Madanoglu (2018) and Ghantous et al. (2018) |
| Socioeconomic consequences of franchise distribution systems Hunt (1972) | Determinants of IF based on different franchisors | Learning organization: how firms maintain their competitive advantage by creating, developing, perfecting, disseminating and improving knowledge; what type of knowledge contributes to the success of franchise systems and IP exploratory and exploitative learning (Altinay, 2004; Dev et al. (2007), Dunning et al. (2007) and Wang and Altinay (2008)) | Franchise performance: how environmental orientation in the franchise relationship influences performance Kim and Stepenkova (2018) and the relationship between internationalization and financial performance Lee et al. (2014) and Lee et al. (2014) |
| Expansion of multinational franchising Grub (1972) | Capabilities of franchisors needed to succeed Fladmoe-Lindquist (1996) | Relationship between franchisors and franchisees: control and support between franchisors and their franchise network Quinn and Doherty (2000) | Multinational franchise decision to expand into new markets (Fakos and Merino, 2017; Baena (2018) and Madanoglu et al. (2017) |
| Problems and procedures in IF involving establishing international franchise operations Walker and Etzel (1973) | Control, support and monitoring capabilities in international franchise networks Fladmoe-Lindquist and Jacque (1995) and Quinn (1999) | Contracting mode differences based on the characteristics of target markets, strategy, franchisors and franchisees Pak, (2002) and Chen and Dimou (2005) | Franchise brand perceptions and awareness Dant et al. (2016) and Jeon et al. (2016) |
3.2.1 Cluster 1: internationalization. This cluster explores the factors that prompt a firm to internationalize via franchising. Hackett (1976) (1), one of the early international franchise researchers, argues that experience influences that decision. McIntyre and Huszagh (1995) (3) extend the resource scarcity and agency theory arguments to the international arena, including franchising operations and scale. Fladmoe-Lindquist and Jacque (1995) (5) examine the likelihood of choosing international franchising based on four factors, namely, monitoring costs, international experience, brand name and the host country’s environmental uncertainty. Contractor and Kundu (1998a) (12) examine two factors, namely, internal factors related to a firm’s strategy and characteristics and external factors related to the environment in the host country that affects franchising strategies. Contractor and Kundu (1998b) (9) suggest that a firm’s international experience, the conditions in the host country and the firm’s perceptual strategy affect its choice of a non-equity entry mode. Sashi and Prasad Karuppur (2002) (27) show that firms choose franchising as an entry mode when they want to learn about a new market. Altinay (2004) (30) emphasizes the role of entrepreneurs as organizational members in the operationalization of IF. Chen and Dimou (2005) (35) examine the selection of entry mode using two different theoretical frameworks – transaction cost theory and agency theory. Their study shows that the expansion strategy should be analyzed by examining the relevance of variables related to the firm and the host country. Doherty (2007) (43) argues that the combination of organizational and environmental factors, including a firm’s experience, financial resources, managers and local markets, affects the motivation of retail firms to enter foreign markets. Dunning et al. (2007) (45) maintain that international franchisors select ownership based on their strategic intentions. Hotels use franchising strategies to expand its brand globally to reduce their risk. Alon et al. (2012) (77) use agency-based theory to investigate how organizational and market factors influence hotel firms to use franchising strategies when entering foreign markets. Cluster 1 provides a number of organizational and environmental variables influencing international franchising.
In Cluster 1, the agency theory, transaction cost theory, resource scarcity theory, resource-based view and OLI paradigm are the main theories. Agency and transaction cost theories are among the most broadly used theories to explain the selection of franchising when franchisors enter foreign markets because it entails few agency problems and transaction costs (Chen and Dimou, 2005; Contractor and Kundu, 1998a, 1998b; Fladmoe-Lindquist and Jacque, 1995; Sashi and Prasad Karuppur, 2002). Resource scarcity theory and the resource-based view are used to explain why IFisan attractive platform for franchisors to exploit scarce and important resources abroad (Alon, 2004; Altinay, 2004). Studies use the OLI paradigm to explain the influence of three factors (ownership, location and internalization advantages) on the expansion of franchises outside their national boundaries (Dunning et al., 2007).

3.2.2 Cluster 2: the selection of international markets and partners. Cluster 2 consists of two sub-clusters: international market selection and international partner selection, both with their own external and internal factors.

3.2.2.1 Market selection. Aliouche and Schlentrich (2011) develop a global index of 143 potential target countries according to their market risks and opportunities. Their findings show that countries with large markets and strong political and legal systems are the best prospects as target franchise countries. Alon and Banai (2000) note that franchising in Russia offers opportunities for large, experienced franchisors despite political and economic risks because Russian consumers regard products or services provided by foreign franchises as better than local offerings. Welsh et al. (2006) present a systematic literature review by summarizing and analyzing the emergence of international franchising globally and in emerging markets in particular.

The OLI paradigm, Uppsala model, resource-based view, resource scarcity theory and institutional theory are the predominant theories in this cluster. Aliouche and Schlentrich (2011) use the OLI paradigm, Uppsala model and institutional theory to examine how cultural and geographic distance are major determinants of the expansion of international franchises. Meanwhile, the resource-based view and resource scarcity theory provides an analytical lens for examining how the motivation to acquire valuable and scarce resources determines the selection of foreign markets in IF (Welsh et al., 2006).

3.2.2.2 Partner selection. Altinay and Wang (2006) investigate the role of organizational factors – structure, culture and communication – in recruiting a franchise partner. Altinay and Miles (2006) analyze the influence of cultural distance on franchisee selection. Brookes and Altinay (2011) identify the criteria franchisors use to select their partners. Examples include chemistry, perceptions of value and risk, the similarity of organizational goals, ability to retain control, local knowledge, reputation and creditworthiness. Franchisees may also use these criteria to select their franchisors. Their findings indicate that both partners need to carefully evaluate the compatibility of their partnership criteria.

In this cluster, most of the articles use signaling theory, stakeholder theory and institutional theory to examine prospective partners. Signaling theory is used to study how franchisors attract potential franchisees in foreign markets (Shane et al., 2006). Institutional theory is used to analyze how franchisors select a particular partner to expand their business and how institutions, directly and indirectly, influence their decision (Altinay and Miles, 2006). Stakeholder theory provides an analytical lens for examining prospective partners from varied stakeholder groups, and also to study the decision-making process in international franchising arrangements and agreements (Altinay and Miles, 2006).

3.2.3 Cluster 3: power, control and autonomy. Cluster 3 highlights issues about power and control in the relationship between franchisors and franchisees. Shane (1996b) explores franchisors’ need to develop better capabilities to prevent the opportunistic
behavior of their franchisees in foreign markets compared to domestic markets. Quinn (1999) finds that franchisors generally use non-coercive power to influence and control franchisees’ behavior. Quinn and Doherty (2000) argue that cultural and geographic distance is important in explaining why it may not be feasible to apply non-coercive power in franchisee monitoring. Pizanti and Lerner (2003) outline four factors that influence autonomy and control in the relationship with domestic and international franchisees, namely, the size of the chain, its age, the franchising concept and the length of the contract. Lafontaine and Oxley (2004) explore cross-border franchising and find that American and Canadian franchise contracts in Mexico differ from those in their domestic markets. Paik and Choi (2007) examine differences between the degree of control and autonomy exerted by domestic and international franchisors. They find that franchisees in foreign markets have more autonomy than those in domestic markets. They also determine that it is unlikely that experienced international franchisees will require autonomy, while experienced domestic franchisees tend to demand more autonomy. Collaboration also tends to develop between experienced international franchisors and franchisees as opposed to competition for control or autonomy when the parties are in a hardship situation. Brookes and Roper (2011) show that social interaction and communication may be used to control international master franchise agreements and promote the development of relationships. In contrast, contractual controls may discourage the growth of relational norms and hamper the relationship between franchisor and franchisee.

Relational contracting theory, resource dependence theory, agency theory, institutional theory and marketing channel theory dominate this cluster. These theories are used to study the behavior of franchisors and franchisees as they attempt to find a balance regarding their management and performance. The relational contracting theory is used to analyze the role of trust and commitment in the partnership between franchisor and franchisee (Leblebici and Shalley, 1996). Resource dependence theory is used to explain the inter-dependence between franchisor and franchisee regarding many aspects including knowledge and experience (Pak and Choi, 2007). Agency theory is used to examine the implementation of coercive sources of power to monitor the behavior of franchisees (Quinn and Doherty, 2000; Shane, 1996b). Institutional theory confirms that the formal (regulatory) or informal (culture or norms) institutional context may affect the franchise relationship (Doherty et al., 2014). Marketing channel theory is used to study the use of non-coercive power such as training and other assistance, site visits and national advertisements by the franchisor to change and control the behavior of the franchisee (Paik and Choi, 2007; Quinn, 1999).

3.2.4 Cluster 4: mutual learning. Cluster 4 examines issues about the learning process between franchisors and franchisees. Baucus et al. (1996) explain the dynamics of franchise relationships. Franchisees may improve the franchisor’s competitive advantage by providing insights into the local market and business operations. In return, the franchisor can give franchisees the chance to adopt their own product quality and standards. They find that cooperation between franchisors and franchisees is a vital element in long-term success. Fladmoe-Lindquist (1996) argues that international franchisors and domestic franchisors need to have different capabilities. International franchisors need skills in administrative efficiency and managing the host country’s risk. Wang and Altinay (2008) investigate franchisors’ engagement in exploratory and exploitative learning when selecting a franchise partner. The selection may lead to tension because explorative learning highlights the importance of adapting to local markets, whereas exploitative learning aligns with standardization and efficiencies. Doherty (2009) writes that, before selecting a prospective franchise partner, a franchisor examines the economic and demographic conditions in the host country. Doherty (2009) also mentions that franchisors choose
franchisees who possess knowledge about capital and local markets and with whom they have chemistry. Grewal et al. (2011) discuss the entrepreneurial partnership between franchisors and franchisees and how it affects the expansion of the franchise into foreign markets.

The resource-based view, resource dependence theory, knowledge-based theory and dynamic capabilities theory are predominantly used in this cluster. The resource-based view emphasizes that the ability of firms to exploit resources (both tangible and intangible) can help them achieve a competitive advantage (Grewal et al., 2011). Resource dependence theory is used to show how the franchisee depends on the franchisor’s assistance, while the latter relies on the franchisee to expand the business, as well as on their knowledge about the local culture and markets (Grewal et al., 2011). Knowledge-based theory confirms that the performance of the franchisee relies on the successful transfer of knowledge between franchisor and franchisee (Szulanski and Jensen, 2006). Dynamic capabilities theory affirms that organizational learning capabilities may determine the ability of the international franchise to exploit opportunities, expand the business and perform well (El-Akreemi et al., 2015; Grewal et al., 2011).

### 3.3 Leading channels in the international franchising literature

#### 3.3.1 Leading authors, articles and journals

Table 3 lists the 10 authors who received the most local citations (TLC) within the retrieved articles. Table 4 lists the articles that received the highest local citation scores (LCS), indicating whether the article received more citations recently.

To understand the influence of each journal we visualize the data by presenting it in a table (Table 5) that shows the most influential journals. We create a proxy for journal output by examining how many articles are published in each journal (PAC) and calculate the total local citations received by the articles per year (TLC/t), which identifies the most influential journals. By calculating the mean values of the two variables (PAC Mean = 1.503 and TLC/t = 0.158), we can examine which journals have the largest number of publications and total local citations (Table 5 and Figure 3).

| No. | Author                          | TLC |
|-----|---------------------------------|-----|
| 1   | Doherty, A. M.                  | 47  |
| 2   | Fladmoe-Lindquist, K.           | 43  |
| 3   | Altinay, L.                     | 34  |
| 4   | Contractor, F. J.               | 33  |
| 5   | Kundu, S. K.                    | 33  |
| 6   | Quinn, B.                       | 31  |
| 7   | Alon, I.                        | 28  |
| 8   | Jacque, L. L.                   | 25  |
| 9   | Shane, S. A.                    | 23  |
| 10  | Brookes, M.                     | 18  |

Table 3. Authors with the most local citations (TLC)
Table 4. Articles with a high local citation score (LCS)

| No. | Article                                                                 | LCS |
|-----|------------------------------------------------------------------------|-----|
| 1   | Fladmoe-Lindquist, K., and Jacque, L. L. (1995). Control modes in international service operations: The propensity to the franchise. *Management Science, 41*(7), 1238-1249 | 25  |
| 2   | Shane, S. A. (1996b). Why franchise companies expand overseas. *Journal of Business Venturing, 11*(2), 73-88 | 23  |
| 3   | Quinn, B., and Doherty, A. M. (2000). Power and control in international retail franchising—evidence from theory and practice. *International Marketing Review, 17*(4/5), 354-372 | 20  |
| 4   | Fladmoe-Lindquist, K. (1996). International franchising: Capabilities and development. *Journal of Business Venturing, 11*(5), 419-438 | 18  |
| 5   | Contractor, F. J., and Kundu, S. K. (1998). Modal choice in a world of alliances: Analyzing organizational forms in the international hotel sector. *Journal of International Business Studies, 29*(2), 325-356 | 18  |
| 6   | Contractor, F. J., and Kundu, S. K. (1998). Franchising versus company-run operations: Modal choice in the global hotel sector. *Journal of International Marketing, 6*(2), 28-53 | 15  |
| 7   | Doherty, A. M. (2009). Market and partner selection processes in international retail franchising. *Journal of Business Research, 62*(5), 526-534 | 15  |
| 8   | Hackett, D. W. (1976). The international expansion of US franchise systems: Status and strategies. *Journal of International Business Studies, 7*(1), 65-75 | 14  |
| 9   | Sashi, C. M., and Prasad Karuppur, D. (2002). Franchising in global markets: toward a conceptual framework. *International Marketing Review, 19*(5), 499-524 | 14  |
| 10  | Welsh, D. H., Alon, I., and Falbe, C. M. (2006). An examination of international retail franchising in emerging markets. *Journal of Small Business Management, 44*(1), 130-149 | 14  |
| 11  | Quinn, B. (1999). Control and support in an international franchise network. *International Marketing Review, 16*(4/5), 345-362 | 11  |
| 12  | Alon, I., Ni, L., and Wang, Y. (2012). Examining the determinants of hotel chain expansion through international franchising. *International Journal of Hospitality Management, 31*(2), 379-386 | 9   |
| 13  | Lafontaine, F., and Oxley, J. E. (2004). International franchising practices in Mexico: Do franchisors customize their contracts? *Journal of Economics and Management Strategy, 13*(1), 95-123 | 8   |
| 14  | Altinay, L., and Miles, S. (2006). International franchising decision-making: An application of stakeholder theory. *The Service Industries Journal, 26*(4), 421–436 | 8   |
| 15  | Doherty, A. M. (2007). The internationalization of retailing: Factors influencing the choice of franchising as a market entry strategy. *International Journal of Service Industry Management, 18*(2), 184–205 | 8   |

Table 5. Journals with the largest number of publications and local citations

| Journal                                      | No. of publications | TLC/t | TGC/t |
|----------------------------------------------|---------------------|-------|-------|
| 1    *Journal of Business Venturing*          | 4                   | 49    | 250   |
| 2    *International Marketing Review*         | 5                   | 46    | 189   |
| 3    *Journal of International Business Studies* | 3                   | 34    | 596   |
| 4    *Journal of International Marketing*     | 5                   | 25    | 149   |
| 5    *Journal of Small Business Management*   | 6                   | 22    | 100   |
| 6    *Journal of Business Research*           | 4                   | 22    | 133   |
| 7    *International Journal of Hospitality Management* | 9                   | 20    | 163   |
| 8    *Journal of Economics and Management Strategy* | 4                   | 18    | 107   |
| 9    *International Journal of Service Industry Management* | 4                   | 18    | 107   |
| 10   *Service Industries Journal*             | 7                   | 15    | 101   |
| 11   *International Small Business Journal*   | 2                   | 13    | 78    |
| 12   *European Journal of Marketing*          | 3                   | 10    | 83    |
| 13   *Journal of Retailing*                   | 2                   | 10    | 89    |
| 14   *Journal of Services Marketing*          | 2                   | 8     | 42    |
Table 3 lists the 14 most influential journals in IF. Figure 3 illustrates the position of each journal in the quadrant matrix. Additionally, Table 6 shows the relative importance of IF in various disciplines calculated by the number of publications on the topic in each discipline.

4. Discussion
When a firm enters an international arena, it must transfer its resources and capabilities to its foreign market operations. The firm must select an effective entry mode to transfer assets from the home country to a host country without reducing the ability to create a competitive advantage (Erramilli et al., 2002). Firms use franchising not only to acquire capital and expand at a rate that could be challenging when the firm uses only its own...
resources (Combs et al., 2004; Oxenfeldt and Kelly, 1969) but also to ensure that it can maintain its competitive advantage by transferring its knowledge, reputation and other resources (Lillis et al., 1976). This ability to use, transfer and internalize firm-specific advantages in new locations, balancing their capacity to coordinate their abilities in a new environment while internalizing new knowledge, allows firms to engage in foreign operations. This is one of the reasons why decision-makers need to select appropriate modes of entry into foreign markets (Bouthers and Henart, 2007; Dunning, 2007) because the choice will become a determinant of their performance.

Frequently, the IF literature discusses the choice between franchising and corporate-owned units as an entry mode. Therefore, in Table 7 we defined some of the general conditions for firms to choose between franchising contracts (hybrids) and wholly-owned subsidiaries (hierarchical entry mode) when entering foreign markets. These conditions are largely explained by overarching theories like the OLI paradigm (Dunning et al., 2007). This framework combines the resource-based view, internalization theory and transaction cost theory (Bouthers and Hennart, 2007). These theories together provide a more fine-grained explanation of entry mode decisions based on specific ownership, location and internalization assumptions.

### 4.1 Toward a conceptual model of international franchising

Based on our literature review, we propose a conceptual model for IF illustrated in Figure 4. The model consists of franchise ownership advantages, such as franchise resources and capabilities and location-specific characteristics, specifically, socioeconomic and political factors affecting the international franchise’s strategic decisions and performance.

#### 4.1.1 Franchise resources and capabilities: ownership advantages

What capabilities does a firm need to franchise internationally? “Every firm is thought to be a bundle of resources and capabilities” (Erramilli et al., 2002, p. 225). These firm-specific assets include the capacity to exploit resources efficiently and effectively (Barney, 1991). Ownership advantages in international business are the assets of the firm that generate income and allow it to operate overseas (Dunning, 2001). These advantages are the resources and

| Franchising                                      | WOS                                                                 | Source                                                                 |
|--------------------------------------------------|---------------------------------------------------------------------|-----------------------------------------------------------------------|
| Brand quality can be easily controlled with contracts and less brand awareness | Strong brand asset specificity and a strong reputation | Fladmoe-Lindquist and Jacque (1995)                                   |
| Need for equity investment                       | Financial capacity for equity investment                            | Fladmoe-Lindquist and Jacque (1995) and Brouthers and Hennart (2007) |
| Easily replicable/standardizable                 | Knowledge difficult to transact and/or high risk of know-how leakage | Fladmoe-Lindquist and Jacque (1995), Castrogiovanni et al. (2004) and Hennart (2010) |
| Strong service component                         | Service and/or a manufacturing firm                                | Fladmoe-Lindquist and Jacque (1995) and Combs et al. (2004)          |
| Little experience in the host market, large cultural and institutional distance | Viable internalization of capabilities in a foreign market, benefits of internalization greater than those of contracts or joint ventures | Baucus et al. (1996), Contractor and Kundu (1998a, 1998b) and Dunning et al. (2007) |
| Free-riding costs are lower than employee monitoring/shirking costs | Employee monitoring cost is less than franchisee monitoring cost, i.e. less risk of shirking than free riding | Brouthers and Hennart (2007, 2010)                                    |

Table 7. Entry mode conditions of IF vs wholly owned subsidiaries
capabilities that are the intangible, spatially transferable assets of the firm (Dunning, 2001). Shane (1996b) argues that the capabilities required for a firm to expand internationally differ from those needed domestically. Before a firm enters a foreign market, it needs to combine its existing capabilities and capacity to absorb and develop new knowledge and skills according to what Fladmoe-Lindquist (1996) calls the dynamic capabilities perspective of the resource-based theory. As the author continues, a firm faces a fundamental problem with how to balance demands and constraints. It may lack the entrepreneurial ability, time and experience to acquire needed capabilities, especially if it is a young small firm or in the early stages of growth (Oxenfeldt and Kelly, 1969). Resource scarcity drives a firm to seek access to human capital and managerial resources (Combs et al., 2004).

Valuable, scarce and inimitable resources help create a competitive advantage (Grant, 1991). The value driver for competitive advantage is the integration of resources, including intangible assets and distinctive skills, as well as the absence of entry barriers that limit competition (Barney, 1991; Peteraf, 1993). As Dunning (2001) notes, looking at the firm as the only source of intellectual capital is not sustainable. Instead, the firm plays the role of an organizer of created assets that can be generated both internally and through cooperative relationships with other entities. These relationships can take the form of non-equity alliances, such as franchise agreements.

In franchise agreements, franchisors supply their franchises with intangible assets such as the brand, know-how, intellectual property, operating routines and other ongoing support services. In return, franchisees pay franchise fees and royalties and provide knowledge about local market conditions (Alon, 2004; Gillis et al., 2020). The trademark is one of the most important aspects of international franchising. It is a decisive element for franchise
expansion because it is an essential element in increasing market share and awareness when entering foreign markets. Brand recognition is a catalyst for a firm’s growth in foreign markets (Brookes, 2014). When choosing the right firm to work with, the franchisor uses reputation as a criterion for selecting a partner (Brookes, 2014).

In the case of international hotel chains, the brand is the most important aspect when deciding between management contracts and franchising expansion strategies. Hotels prefer management contracts when the brand has greater value specificity, as it allows them to retain more control and ensure the quality standards of the brand to maintain its reputation (Kruesy and Zamborsky, 2016). Hotel chains with more stars also prefer this format, because it allows them to guarantee the required service delivery associated with the brand. Moreover, for hotel managers and potential franchisees in China, the most important aspects when deciding to become part of a hotel chain are strong brand awareness, the franchise fee and return on investment (Xiao et al., 2008).

4.1.2 Political and socioeconomic environments: location. A firm’s domestic success will not necessarily translate into an international success, because the host country may have unique risks, a different culture, new contacts and new knowledge (Madhok, 1997). There are characteristics inherent to the production site both domestically and overseas that influence the value-added activities of the firm. Location-specific advantages are the non-transferable or immobile characteristics of a location that affect the productivity of the firm (Dunning, 2001). Among these characteristics, economic, demographic, social and political factors strongly influence the expansion of IF (Alon and McKee, 1999). Economic factors include GDP per capita, GDP growth and the level of urbanization. Demographic factors fall into three categories, namely, the size of the middle class, population growth and the rate of female labor participation. Among the distance, factors are physical distance and cultural distance (in Hofstede’s terms, power distance, individualism/collectivism, masculinity and uncertainty avoidance). The political dimension consists of internal political risks (red tape, political stability, government regulations and policies, level of bribery and ownership restrictions) and external political risks (import restrictions and foreign exchange controls).

Alon and McKee (1999) suggest that, when entering foreign markets with unfavorable environments, international franchisors use master franchising, a method with little involvement or risk and low costs.

Cultural distance may affect franchising decisions (Hoffman et al., 2008), the negotiation process (Weiss, 1996), business format transfers and operating system compatibility (Justis and Judd, 1989). Eroglu (1992) studies the effect of cultural distance on an organization’s intention to internationalize its franchise system, suggesting that cultural distance involving differing perceptions and ways of doing business may increase the risks of internationalization. The franchise concept and its managerial and operating system are extensions of the franchisor’s cultural values and routines in the home country (Huszagh et al., 1992). Franchisors may want the standardization they built to apply to their outlets in foreign markets (Aydin and Kacker, 1990).

Contractor and Kundu (1998a) argue that franchisees in developed countries are more capable than those in developing countries because they generally have greater absorptive capacities that may enhance knowledge transfer. Higher-income countries usually provide a better institutional environment by offering better protection and enforcement of intellectual property laws. Political risks emerge when government policies in the host country create a disadvantageous environment for franchisors, including restrictions on franchising, limits on repatriation at the micro-level, corruption, political turmoil and restrictions on foreign investors (Fladmoe-Lindquist and Jacque, 1995). When the host market is developed, and intellectual property laws exist and are enforced, franchising is more likely to take root.
and has a greater chance of success (Rosado-Serrano et al., 2018). Intellectual property protection and hospitable rules for service businesses may also encourage the emergence of franchising (Fladmoe-Lindquist, 1996; Lafili and Van Ranst, 1990).

Hackett (1976) examines the factors that drive a franchisor to enter a foreign market. The author claims that having a saturated domestic market plays a major role in motivating franchisors to pursue alternate markets. If spread first to developed economies that are culturally and linguistically similar to the US (the UK, Canada and Australia), then to other developed economies with more cultural distance (Japan) and finally to emerging markets that are economically less developed and are culturally distant (Welch, 1989). Hackett (1976) also suggests that franchising follows a product’s life cycle. Welsh et al. (2006) argue that emerging markets offer franchisors a number of opportunities: an unsaturated and liberalized market, a growing middle class that demands products and services that meet international quality standards, free-trade zones and relatively friendly business laws.

4.1.3 International franchise strategic decisions: internalization. As previously explained, socioeconomic, political and demographic factors influence decisions about how to enter and operate in foreign markets (Alon and McKee, 1999). These choices depend not only on how the MNEs’ location-bound resources and capabilities affect their costs but also on how they influence their capacity to exploit assets related to partner firms (Dunning, 2001; Fladmoe-Lindquist and Jacque, 1995; Hennart, 2010).

Internalization (I) advantages include the benefits of coordinating the use of firm-specific advantages and generating new resources and capabilities (O) in new locations (L) (Dunning, 2001). The costs and benefits of internalizing new assets explain why firms choose certain entry modes, where they use their own advantages and internalize others, instead of obtaining assets from another organization in new markets, through different business configurations (Brouthers and Hennart, 2007; Dunning, 2001; Hennart, 2010). The internalization, location and ownership advantages explain why the firm decides to operate abroad and are crucial when deciding whether franchising or wholly-owned subsidiaries are the most suitable entry mode (Dunning, 2001). When the asset specificity of the business and its reputation are not compromised by contractual partnerships, companies will choose to franchise. It is also preferred when the costs of reducing opportunistic behavior from franchisees are less than the costs of monitoring employees and shirking. Internalization advantages determine if a firm should choose a hierarchical entry mode or share ownership of the trademark through franchise contracts (Brouthers and Hennart, 2007; Dunning et al., 2007).

Furthermore, researchers have studied the relationship between franchisors and franchisees and how organizational and external factors affect it, particularly regarding the dynamics of power in franchise alliances (Alon, 2006). To prevent free-riding and opportunistic behavior by franchisees, monitoring instruments are essential (Shane, 1996b). In addition to monitoring, control and advice are needed in the initial stages of franchising, because franchisees have less knowledge than franchisors (Baucus et al., 1996). However, as franchisees learn more about the local markets and develop their entrepreneurial initiative, the franchisors allow them more autonomy. The franchising concept, and the size and age of the chain influence the degree of control and autonomy. Large chains tend to provide greater autonomy to their franchisees (Pizanti and Lerner, 2003). Quinn (1999) finds that the use of non-coercive power as a control mechanism is more effective for influencing the behavior of franchisees. Quinn and Doherty (2000) explore the disadvantages of using non-
coercive power to control franchisees, stating that the mechanism is costly due to geographic distance and difficulty in implementation. However, in an environment where the brand is well-defined, strong, coercive power may be effective. In an environment where such conditions are absent, non-coercive power may be used. Furthermore, the authors argue that the development of franchising, as well as the size of the firm, may influence the nature of the power and control between franchisors and franchisees.

Other scholars emphasize more tacit features, such as the role of personal feelings, chemistry or intuition when selecting markets and franchise partners (Doherty, 2009). Moreover, organizational learning is an important factor when selecting partners, as franchisors need to learn from their franchisees and local markets to improve their adaptability and responsiveness (Doherty, 2009; López-Fernández and López-Bayón, 2017). Grewal et al. (2011) argue that the nature of the partnership between franchisors and franchisees is entrepreneurial and the quality of this partnership affects the pace, size and scope of franchise expansion into foreign markets.

4.1.4 International franchise performance. The performance of the franchise is another important area of study. Among the aspects that influence this performance are the relationship between franchisees and franchisors and the mechanisms governing the franchise. One of the most important factors influencing such relationships is trust. Calderon-Monge and Pastor-Sanz (2017) report that using contracts as the only governance mechanism is associated with poor performance. Thus, contracts should be customized to each franchise form. Additionally, they found that for single-unit franchisees, it is more profitable to have relational governance mechanisms that strengthen the relationship with the franchisor.

In their study of the financial performance of international and domestic US hotels, Lee et al. (2014) document that the financial performance of international US hotels is better than that of hotels that have only domestic operations. They infer that internationalization has a positive effect on the financial health of hotels. One of the reasons for this positive outcome is the franchising strategy that hotel firms use. It reduces agency costs due to the franchisees’ familiarity with and knowledge about the new market and their understanding of local customers. These factors limit the risks involved in operating in a foreign business environment and leverage the franchisees’ motivation to maximize profits (Lee et al., 2014). Moreover, among hotel chains that have internationalized, they identify a turning point in the degree of internationalization. As the total hotel property operations increase, the financial performance starts improving and the benefits outweigh the costs. Thus, they document a U-shaped relationship between internationalization and performance. Table 8 summarizes the constructs of the international franchising model with the main theoretical approaches used for analysis, suggestions for operationalization and a list of authors that have previously studied the variables listed.

5. Future research agenda
A more holistic explanation of international franchising may combine several theoretical perspectives with differing levels of analysis. International franchising across countries might be profitably investigated with an institutional theory where the economic, political and social environments affect the variation and diffusion of franchising across different parts of the world. Using multi-country data would help generalize the findings on how these national and environmental moderators affect the internationalization decisions of franchise networks (Baena, 2018). The use of
multilevel data and methods will enable researchers to estimate with greater accuracy the moderating or interactive effect of national-level data on the firm and the individual consumer. Consistent with host country factors, economic growth and economic uncertainty impact the desire of franchisors to internationalize (Madanoglu et al., 2017). More research is needed on how political risk and culture affect the selection of international franchising markets (Kruesi et al., 2017; Madanoglu, 2018;
Madanoglu et al., 2017), and how protectionist measures affect international franchising in host countries. Furthermore, location characteristics such as cultural and geographic distance affect the transfer of firm-specific advantages from parent multinationals and influence the adaptation of local subsidiaries (Verbeke and Yuan, 2016). Therefore, a recommendation for further research is to investigate location characteristics, specific institutions, institutional distance, psychic distance and other distance variables that explain the expansion and diffusion of international franchising (Ghantous et al., 2018). Herz et al. (2016) find that trust enables knowledge transfer and improves performance. Future research should test both subjective and objective measures of trust in international franchising at the individual, organizational or institutional levels.

The integration of international and local resources and capabilities within the network improves the competitiveness of the firm (Lee et al., 2008). The engagement of foreign subsidiaries in innovation-related activities directly impacts technological capabilities and indirectly influences other organizations to increase their innovation efforts (Cantwell, 2017). More research is necessary to shed light on the importance of international franchising, including its plural form, as an orchestrator of innovation, technological, social and economic development.

Although there are studies analyzing the performance of international franchise firms (Grewal et al., 2011; Lee et al., 2014; Wang and Altinay, 2008) and multinationals operating in advanced and developing economies (Hansen and Gwozdz, 2015), there is more room for research to further investigate location advantages and their implications for the performance of franchise firms operating in global markets (Lee et al., 2014) and in different business settings and industry sectors. Similarly, another fruitful research avenue would be to analyze to what extent the different forms of international franchising (master franchising, multiple unit franchising, area franchising, single-unit franchising, cross-franchising) moderate or influence firm performance, relative to management contracts or wholly-owned subsidiaries.

Increasing research on the impact of franchising in emerging economies would provide further insight into the dynamics and effects of franchising on the social and economic development in the host countries in different regions of the world. There is a need for more academic attention to complement our current knowledge about international franchising in Latin America (Baena, 2015), Asia and other emerging markets. Future studies should emphasize different markets to expand the geographic scope of the existing franchising literature, which focuses almost exclusively on franchise companies from the USA (Madanoglu et al., 2017; Michael, 2014). There is a lack of franchising research on emerging markets from Asia other than China and India, and countries in Latin America other than Mexico and Brazil.

A significant investigation of franchising into and from Africa is sorely needed. Social and micro-franchising are business strategies that have developed on the African continent as a form of entrepreneurship (Alon, 2014; Christensen et al., 2010). Nevertheless, many firms are also using franchising as a means of company expansion, not only as a form of social entrepreneurship, without having a social mission at their core but mainly as profit-oriented firms. Moreover, many international companies have internationalized toward African countries because of its great market potential.

Traditionally, IF research concentrates on industry sectors that have a strong service component. Franchising is a method of distribution that can connect products to consumers in various industries and facilitate the international expansion of the firms (Combs et al., 2004). Researchers could examine the relationship between
franchisee and franchisor in industries other than the service sector (Calderon-Monge and Pastor-Sanz, 2017; Yeung et al., 2016). New types of franchising, micro-franchising and social franchising (Alon, 2014) are also internationalizing but might have different trajectories, as well as cause-and-effect pathologies that are worth researching.

Strategic marketing management in international franchising is an area that deserves more attention from franchising, marketing and management scholars. As Perrigot et al., 2013; Brookes (2014) and Kruesy and Zamborsy (2016) note, the brand is one of the most important elements of the franchise business format. The analysis of the marketing strategies with which international franchise brands can be strengthened, promoted and designed and the ways in which they can increase awareness of the brands, deserves further investigation. Additionally, the reputation management activities of international franchise brands across different markets is an area that can benefit from further consideration. Another of the specific areas that is ripe for research is the decision about whether to adapt or standardize in international franchising (Baena, 2018; Jean et al., 2016; Welsh et al., 2006).

Questions related to the adaptation process over time (Jean et al., 2016; Maalouf et al., 2020) and to what areas of the firm should be standardized or adapted in international markets, in addition to other related questions, provide an important area for research. Furthermore, the study of standardization-adaptation marketing strategies and branding decisions in international franchise firms can be a potential arena for cross-disciplinary research. Given that one of the most important characteristics of franchising firms is a high degree of standardization, international marketing scholars and entrepreneurship researchers could benefit from studies in this area. Franchising is one of the substantive research domains of marketing channels. Despite the fact that franchises face particular marketing channel issues, the international franchising context can provide important avenues for studying specific marketing channel problems (Watson et al., 2015). Furthermore, there are important cross-disciplinary research opportunities in the analysis of franchising in the context of international business, entrepreneurship, marketing, economics and strategic management.

There is a need for more longitudinal data on franchising (Maalouf et al., 2020), originating beyond the US (Perrigot et al., 2013). Moreover, the majority of IF studies assume the franchisor’s perspective, in spite of the current availability of international franchising studies from the franchisee’s perspective (Xiao et al., 2008; Yeung et al., 2016). Further consideration should be given to the point of view of the franchisees, including their selection of international franchisors and how firm and home country factors play a role in this decision.

6. Conclusions

International franchising scholars have made significant progress in understanding franchising and its internationalization. While in international business, franchising has been studied as a mode of entry, it has also been examined in other disciplines such as management, marketing and entrepreneurship using different theoretical lenses and different variables of interest, including internationalization.

This paper contributes to the IF research by using bibliometrics to identify and examine the leading channels, key articles, leading authors and journals and the four major research streams in the field. We also created a conceptual model for IF research development that accounts for the ownership, location and internalization
advantages relevant to franchise internalization. The configuration of these advantages is useful for understanding the benefits of exploiting existing assets and generating new ones in foreign markets relative to other alternates such as contractual alliances (e.g. franchising) and hierarchies (e.g. wholly-owned subsidiaries) (Dunning, 2001). According to Dunning (2001), the OLI paradigm initially designed to explain the choice between markets and hierarchies in international production needs to be reconsidered to include emerging forms of business alliances and inter-firm cooperative relationships, a call to which this paper aims to contribute. Furthermore, we explain the general entry mode conditions for franchising and wholly-owned subsidiaries. Additionally, this study serves as a bridge between the IF and IB literature. Based on previous literature on IF, we identify the factors that influence the decision to internationalize through franchising: the firm’s resources and capabilities, the host country’s characteristics and the firm’s international performance. We conclude by indicating the areas where international franchising research can make additional contributions.

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