The internationalization of franchise networks

Process and success factors

Research contract
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Research team:
CERGAM, Aix Marseille University
Nabil Ghantous, Fabienne Chameroy
Pierre-Yves Léo, Jean Philippe
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The research team can be contacted through its representative, Dr. Nabil Ghantous at the following address:

Faculty d’Economie et de Gestion
Aix-Marseille University
15-19 Allée Claude Forbin
13627 Aix en Provence Cedex - France

nabil.ghantous@univ-amu.fr
Chapter 1: Introduction
1. Research background and objectives

The international development of retail and service networks under a common brand is one of the most visible trends of globalization. In most sectors, companies have managed to develop international networks of units bearing the same brand and distributing highly similar products and services regardless of location, through processes that are also of high homogeneity. Franchising as an organizational form and mode of development of retailing and service companies quickly found its place in this march towards internationalization (Hoffman and Preble, 2004), based on the specificities of its formula. Specifically, three elements of franchising can intuitively explain the appeal of this organizational form on an international level.

First, in a global context, the ability of companies to develop global brands through a worldwide network of outlets has become an important tool for penetrating new markets, where consumers often show a preference for global brands that they consider as a sign of quality and excellence (Holt et al., 2004). One of the pillars of the franchise system is that the franchisor develops a common brand throughout the network, and that the franchisees become custodians and guarantors of this brand’s development in their daily contact with the market. Moreover, based on a greater homogeneity of consumer culture on the one hand and a strong desire to achieve economies of scale and simplify management procedures on the other hand, the dominant model of international development that has emerged since the 1980s is largely based on a strong preference for standardization of supply and operations. In this context, franchising appears as a particularly interesting organizational form at the international level, since it relies on the duplication of a know-how and standardized processes, often codified in the smallest details through franchise manuals, facilitating standardization across the global network. Finally, if the trend internationally is to maximize standardization, adaptations to national and local contexts remain necessary because of irreducible differences in language, legal and cultural context, etc. By relying on a network of local franchisees, the franchisor enhances both its knowledge of local markets as well as its agility in adapting its offer to the market when necessary (Sashi and Karuppur, 2002).

Many French networks have been fully involved in the development of the international franchising for many years now. According to recent figures from the French Franchising Federation¹, over a quarter of French networks have some form of international presence. Though these figures underline the international dynamism of French franchisors, they also indicate that ample opportunities for international expansion remain untapped. A further analysis of data from the Annual Survey on Franchising² regarding the internationalization of French networks provides information that complement the previous figures. Indeed, the results of the last four editions of the survey reveal several interesting facts.

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First, the percentage of networks already established abroad has been stable over the last few years. While scoring some minor fluctuations, the percentage of networks considering an international presence in the next two years and those not considering any expansion abroad have small variations over the same period. Moreover, over 40% of the networks have no intention to develop abroad, while international development occupies the fourth position in the areas of future development of surveyed networks. These figures suggest that the French franchisors have reached a limit in terms of capacity and/or commitment to internationalization.

**Understanding the motivations and restraints concerning the internationalization of French networks is hence paramount and constitutes as such the first objective of our work.**

Beyond the choice of operating abroad, the internationalization of franchise networks presents a wide variety of situations and conditions of international development. Thus, we can first note that the scale and pace of international development can vary greatly between networks. For example, while some networks have concentrated their efforts on the European continent, others have opted for a broad international distribution, with a real presence on several continents (Bennoun and Durand-Reville, 2012). Franchised networks also seem to use a variety of entry and presence modes when operating internationally. While the latest edition of the Annual Survey on Franchising underlines the use of master-franchising on a larger scale, it still shows that the share of direct franchising remains relatively constant and still account for around one third of international franchising. It is also noteworthy that, in addition to the choice of some networks to develop internationally through hybrid forms, some networks who have developed through franchising on the domestic market have on the contrary opted for the development of company-owned networks abroad.

The second objective of our work is to study franchisors’ decision-making process in their choices related to international expansion. These choices are however very numerous to be exhaustively investigated in depth in a single study.

**The second objective of the present research is to investigate franchisors’ choices of target countries, modes of international expansion, and level of standardization and adaptation of their offerings to the different markets.**

Finally, the third objective of our work is to address the success of the internationalization of a franchise network. This objective is considered in two complementary ways. First, the very notion of international success of a franchise network is not clearly defined and can refer to a rather diverse set of indicators. Thus, one might intuitively think that a network that achieves a sustainable presence in a large number of countries has succeeded in its internationalization. Some networks may be present, on the contrary, in a more limited number of countries, but still show higher profitability or better relationships with their franchisees and master-franchisees. Similarly, the notion of international franchising failure also remains unclear.
Hence, this research will first address the definition and measurement of international success by focusing on the concept of international franchise network performance from the perspective of the franchisor.

Second, the literature does not offer an overview on the key conditions and success factors of franchising internationally. Instead, research has fairly advanced in the last decades in a fragmented way, studying the key decisions and actions of franchisors separately, such as the choice of host countries, modes of entry, adaptation of supply or transmission and control. In the present research, we choose to anchor our research in the paradigm of the franchise relationship by studying it in an international context. This orientation is a continuation of recent research commissioned by the FFF and that has adopted the relational perspective. It also provides an integrating framework of a set of international issues of interest to franchisors, such as the issue of partner selection, know-how transfer and control, as well as the conditions of collaboration and co-creation of value between the different partners of the international franchise relationship.

The final objective of our work is to study the determinants of the performance of franchise systems internationally with an emphasis on the mechanisms and success factors of the international franchise relationship.

The rest of this work is organized around these objectives and research questions. The architecture of the report is shown in Figure 1. We present in the following paragraphs the research methodology.
2. Research Methodology

In order to address the different objectives and research questions, we conducted a literature review as well as a series of six empirical studies with top-managers of both non-internationalized and internationalized franchise networks, partners of French networks abroad (franchisees and master franchisees), as well as experts in franchising and in international development (Figure 2). These studies were conducted in a mixed methods research design, combining both qualitative and quantitative studies. The different studies are summarized in what follows. The data analysis methodology is presented in Appendix 1.
2.1. Study 1: interviews with top-managers of non-internationalized networks

16 interviews were conducted with non-internationalized French franchisors, including both networks with an international development project in the short term and networks with no development project abroad. The interview guide is presented in Appendix 2. Interviewed franchisors cover different sectors of activity, both in retailing and services. Respondents are mainly CEOs or founders in the case of small networks (Appendix 3). The average duration of interviews was 26 minutes and 13 seconds.

2.2. Study 2: interviews with top-managers of internationalized networks

28 interviews were conducted with French franchisors already operating internationally. The interview guide is presented in Appendix 4. Networks included in this study vary in their level of presence and international engagement, with networks that are currently taking their first steps abroad and others who have had a continuous presence abroad for decades (Appendix 5). This study also covers different modes of international development, including networks expanding through franchising both in France and abroad, others expanding through franchising only in France or only abroad, and networks adopting a mixed approach. The profile of networks also varies widely in terms of size, age and sectors. Respondents are mainly heads of international development, export or international zone managers, or CEOs. The average duration of interviews was 54 minutes and 27 seconds.

2.3. Study 3: interviews with franchisees and master-franchisees abroad

26 interviews were conducted in ten different countries, including eleven interviews with master-franchisees. The interview guide is presented in Appendix 6. The interviews were mainly conducted by the French team by Skype or telephone, in English or French language. 13 interviews were conducted by Brazilian, German and Chinese researchers. Transcripts were
translated into French. The average duration of interviews was 39 minutes and 16 seconds (Appendix 7).

2.4. Study 4: interviews with experts

Six interviews were conducted with academic and professional experts, four of which are based in France, one in Germany and one in the United States. These individuals were selected based on their expertise in either franchising or in international development. The average duration of interviews was 58 minutes and 12 seconds. The interview guide is presented in Appendix 8.

2.5. Studies 5 and 6: questionnaire surveys

Two quantitative surveys by questionnaire were conducted with internationalized and non-internationalized French networks. The questionnaires are presented in Appendices 9 and 10. A database of 630 networks was established. The survey was first conducted by mail and was supplemented by an online data collection through SurveyMonkey and direct electronic questionnaires sent by email or through professional networks such as LinkedIn. At the end of this survey, 245 questionnaires were collected, including 197 usable questionnaires. The latter come from 122 non-internationalized networks and 75 networks with a presence abroad. The profile of participant networks for both populations, internationalized and non-internationalized, are shown in Figures 3 and 4 Tables 1 and 2.

![Non-internationalized networks per sector of activity](image-url)
### Table 1. Non-internationalized networks’ characteristics

<table>
<thead>
<tr>
<th></th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>Standard deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Network’s age (in years)</td>
<td>2</td>
<td>52</td>
<td>14,4</td>
<td>10,3</td>
</tr>
<tr>
<td>Network’s age as a franchise (in years)</td>
<td>1</td>
<td>45</td>
<td>8,5</td>
<td>8,2</td>
</tr>
<tr>
<td>Total number of outlets</td>
<td>3</td>
<td>317</td>
<td>62</td>
<td>74,4</td>
</tr>
<tr>
<td>Number of franchised outlets</td>
<td>1</td>
<td>316</td>
<td>50</td>
<td>66,2</td>
</tr>
<tr>
<td>Number of company-owned outlets</td>
<td>0</td>
<td>200</td>
<td>14,4</td>
<td>35,8</td>
</tr>
<tr>
<td>Percentage of franchised outlets</td>
<td>7</td>
<td>100</td>
<td>74,9</td>
<td>28,2</td>
</tr>
<tr>
<td>Average duration of franchise contract</td>
<td>2</td>
<td>10</td>
<td>6</td>
<td>1,6</td>
</tr>
</tbody>
</table>

### Internationalized networks per sector of activity

- House equipment: 11%
- Personal equipment: 6%
- Food retailing: 3%
- Diverse retail: 9%
- Hairdressing and styling: 3%
- Other personal services: 3%
- Auto services: 6%
- Business services: 3%
- Hotels: 9%
- Fast food restaurants: 12%
- Traditional restaurants: 17%
- Real estate: 9%  

### Table 2. Internationalized networks’ characteristics

<table>
<thead>
<tr>
<th></th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>Standard deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Network’s age (in years)</td>
<td>3</td>
<td>93</td>
<td>28,3</td>
<td>20,4</td>
</tr>
<tr>
<td>Network’s age as a franchise (in years)</td>
<td>1</td>
<td>74</td>
<td>20,5</td>
<td>17,5</td>
</tr>
<tr>
<td>Total number of outlets (France and abroad)</td>
<td>8</td>
<td>6200</td>
<td>424,6</td>
<td>1053,1</td>
</tr>
<tr>
<td>Number of franchised outlets (France and abroad)</td>
<td>5</td>
<td>6200</td>
<td>360,2</td>
<td>1051,8</td>
</tr>
<tr>
<td>Number of company-owned outlets (France and abroad)</td>
<td>0</td>
<td>311</td>
<td>64,4</td>
<td>90,2</td>
</tr>
<tr>
<td>Percentage d’unités Franchisees</td>
<td>7</td>
<td>100</td>
<td>71</td>
<td>29,8</td>
</tr>
<tr>
<td>Durée Mean du contrat de franchise</td>
<td>3</td>
<td>15</td>
<td>6,7</td>
<td>2,4</td>
</tr>
</tbody>
</table>
Chapter 2: The decision to go international
The decision of a franchise to operate outside its home market has received much attention in scientific research over the past twenty years. This stream of research highlights a number of factors that trigger the decision to internationalize, but also suffers from some methodological limitations. We provide in the first section an overview of the main findings in this literature. The remainder of this chapter is devoted to the results of our empirical work on the choice of a franchise network to internationalize. These results are based primarily on interviews with non-internationalized franchisors and experts, as well as the questionnaires collected from non-internationalized franchisors.

1. The decision to internationalize in the literature

Eroglu (1992) was among the first researchers to address the issue of reasons of franchisors to internationalize. The model that he develops aims at explaining why a franchisor moves abroad by distinguishing factors grouped into two main levels. First, Eroglu believes that the intention to internationalize is the result of a cost/benefit analysis by the franchisor. Here, the perceived benefits are considered as a combination of the magnitude of potential gains and their probability of success. The costs, that the author presents as risks, are also the high costs in case of failure weighted by the probability of failure.

Other factors influencing this decision-making process are grouped upstream as the antecedents of benefits and perceived costs. Eroglu makes a distinction between factors internal to the organization, such as the international orientation of managers, the firm's size and risk tolerance, and external factors, related to the business environment. External factors are here considered both from the domestic business environment, for example the competitive pressure on the home market, and the international environment, for example the opportunities that present themselves in other markets. These internal and external factors affect network executives' perception of risks and benefits and then help to establish their intention to internationalize.

It is also important to note that Eroglu does not present this intention as a dichotomous choice, but as a variable that can represent several levels. He introduced the concept of "strength of the intention to internationalize", which according to Eroglu will impact the management's level of commitment during the internationalization process as well as their decisions and subsequent actions.

Building on Eroglu's groundbreaking work, many researchers have in particular focused on some of the internal and external determinants that motivate the decision to internationalize. Most research discusses the internationalization of franchise networks in view of the assumption of saturated domestic markets: dynamic markets that are not served by the same type of offer, in particular emerging markets (Alon, 2006a, Welsh et al., 2006), present opportunities for growth and profit that attract franchisors. Other macroeconomic and geopolitical factors that are often cited as motivations or facilitators for internationalization include reduced barriers for international trade, the increasing openness of markets, technological advances reducing the costs associated with international operations, and incentives provided by the political power of the host country (Aliouche Schlentrich, 2011, Elango, 2007).
Other authors highlight internal factors or aspects specific to the company, such as network size and the proportion of franchised units (Aydin and Kacker, 1990). Kedia et al. (1994) also identified the impact of two managerial attitudes: the desire to grow and that to increase profits. Based on the increased risks of conflict and moral hazard in international franchise relationships, Shane (1996) shows that franchisors who are moving towards internationalization are those who have developed abilities to a) provide incentives to franchisees abroad not to act opportunistically and b) effectively control the actions of franchisees.

Moreover, it is interesting to note that the work implicitly assumes that the decision to internationalize is a strategic decision that stems from active consideration by the franchisor. However, as noted by Doherty (2009), entry into new markets may depend on an opportunistic logic in response to a request from a potential franchisee.

Before concluding this brief review of the literature, we wish to emphasize two technical points concerning empirical studies generally conducted to examine the choice of internationalization. The first point concerns the operationalization of the variable to explain the decision to internationalize. A large number of empirical studies approach this question by comparing the profile of already internationalized networks with the profile of networks that still have no international presence (e.g., Elango, 2007, Kedia et al., 1994, Perrigot et al., 2013), aiming to reveal which independent variables significantly explain the membership of a network to one of two groups - internationalized or not.

This operationalization includes, in our opinion, an important bias. Specifically, in seeking to understand the determinants of the decision to internationalize, these studies test the impact of explanatory variables whose values are obtained at the time of the study and not at the time of the decision to internationalize. In other words, in the case of a network that internationalized thirty years ago, for example, these studies examine its decision to internationalize in view the scores obtained on the explanatory variables today. To illustrate the bias resulting from this choice, consider the age of the network which is often used as a predictor of the decision to internationalize. A network can have 32 years of existence and be international since 30 years. Thus, the "network age" variable, which value here is 32 years, refers to an older network, while the age of the network at the time of internationalization, which was only 2 years at the time, indicates that it was a "young" network. If age has a positive effect here, it would indicate that the older networks are more internationalized, whereas in this case it is a counter-example of a network that internationalized early.

To overcome this bias, we approach the intention to expand into new foreign markets by comparing the profile of French networks only present on French territory at the time of the study and that intend to expand internationally in the next two years to the French networks only present on French territory at the time of the study and that do not intend to expand internationally in the next two years.

The second methodological point that we emphasize is the very systematic use in previous studies of proxies for some variables (e.g., Alon and McKee, 1999, Perrigot et al., 2013). However, the choice of proxies used in some of this research is disputable. Indeed, complex variables such as the dynamic capabilities of the franchisor in terms of development and transmission of know-how or variables related to reputation and brand are summarized by descriptive indicators like the age and the size of the network. This perspective seems highly simplistic and we choose to align our approach to that of the work of Kedia et al. (1994) and
emphasize the operationalization of the determinants of the choice to internationalize by measures based on the managers’ attitudes and perceptions towards the characteristics of their networks.

2. The decision process behind franchisors’ choice to internationalize

The vast majority of the sixteen representatives of non-internationalized franchise networks whom we met declared at least a desire for internationalization. In other words, the international development of the franchise seems to be a desirable way to thirteen of the sixteen franchisors whom we interviewed. However, this generalization of a positive attitude towards international expansion shows a strong contrast with two other elements. On the one hand, only two of the sixteen network representatives that we interviewed reported having a true internationalization project, surpassing the simple framework of the desire of international development. The internationalization project, even when it is not launched, is presented in a structured way, with a description of deadlines and resources identified and validated. One of these two networks even shows a more strategic approach to international development, with approval by the Executive Committee:

"It is the project that we have validated in the Executive Committee, and I’m working on it since four months now. So I took an intern of Chinese descent to study the Chinese market. Okay, so nothing has started, but we are on schedule, it is moving into export so to speak. This is a project with a time horizon of two or three years. In 2015/2016, I think we will have started." (Franchisor, personal equipment network)

On the other hand, this lack of structuring of the desire to expand internationally through a clearly identified project sharply contrasts with the accuracy provided by these networks on the pace of development in France, with annual objectives clearly identified and fixed in terms of the number of openings required, of target regions and cities as well as resources to be mobilized.

This emerging character of the international development strategy, compared to the planned and structured development strategy in the domestic market, is also reflected in the decision-making process of franchisors. This process corresponds usually to a very unstructured response to a trigger of the reflection of the franchisor, which can be modeled in five phases as shown in Figure 5.
Figure 5. Steps of the decision-making process of going international of non-internationalized franchisors

The first step is linked to the trigger of the motivation to internationalize. This motivation can be of internal origin, corresponding to an idea of the franchisor who sees international opportunities or feels pressure on his domestic market. However, the situation mentioned by a majority of franchisors is that of an external motivation, which corresponds to a particular request by foreign franchise candidates:

"This is not necessarily a very strong desire on our part, we know that our concept is quite suitable for export. Today we focus much more on what we do in our domestic market before thinking about international. Now I would say, by pragmatism or opportunism, that when one is approached by people from abroad we will respond favorably. We have not had any applications that have been successful to date, but now we have one that is likely to become successful" (Franchisor, food retailing network)

The different categories of triggers of motivation to internationalize will be addressed in section 3 of this chapter.

The second phase is a crucial step in the decision process of the franchisor. Indeed, we found indications of triggers to internationalize in the interviews of almost all franchisors, including external triggers. These triggers seem to be analyzed by franchisors, consciously or unconsciously, through the prism of other distinguishing features of the network and the attitude of its leaders. These elements then at this stage either amplify or otherwise hinder motivation triggers from the previous step. That is why we call this second phase the evaluation of the opportunity for international development. Amplifiers and brakes of the motivation to...
internationalize cover a wide range of items that will be addressed separately in Section 4 of this chapter.

The evaluation of the opportunity to internationalize leads to the formation of an intention of international development in the mind of the franchisor. The franchisor is no longer at the stage where s/he only wishes for international development, but at a more advanced stage where s/he has already weighed the pros and cons in some detail. However, this intention does not correspond to a firm and final decision on a specific internationalization project.

The transition to the stage of decision is first done as a project phase, where the intention to internationalize begins to take shape around choices of policy options that the franchisor would have to do at the international level, for example the choice of countries or modes of international development. This phase of the project then relies heavily on a study approach, often unstructured, of potential target markets, the necessary adaptations of the concept, of possible types of presence, of competitive practice and other elements of the internationalization process. It then requires the franchisor to question his brand, his expertise and its evolution, even when the final decision is not to pursue the project.

"Last year through, there was very strong demand from Eastern European countries including Russia. With people, senior investors who already have franchises, master franchises of international concepts and networks of hundreds or thousands of stores and seeking concepts in fast-food or French bakery. And this far we do not know how to respond. Those people were told, we do not know, we cannot, look for those who know. Thence, they are referred to [competing networks], the only two national retailers who know-how. And we thought it was a pity to refer future customers to our competitors, so the idea of internationalization stems from this. So we said that as we are moving fast enough on the national territory, even though today we are slowed by the crisis, the question would arise anyway in the medium term so why not redesign the concept today to seize opportunities" (Franchisor, fast food network)

Finally, the fifth phase of the decision process corresponds to the decision to internationalize. This decision concerns one or several specific internationalization projects.

3. Triggers of the motivation to internationalize

Triggers of the idea and motivation to expand internationally can be classified into two categories, depending on whether they correspond to an internal stimulus, i.e. triggered by the franchisor's own reflection concerning the topic, or as a response to an external stimulus, which thus refers to a solicitation by a current or potential partner of the network.

3.1. Internal motivations

Internal motivations of the franchisor to internationalize his or her network seem to stem from the combination of two elements. The first corresponds to a managerial attitude already described in previous research (e.g., Kedia et al., 1994) and refers to franchisor's search for opportunities for development and growth. The second element is the assessment by the
franchisor of his domestic market and more specifically the opportunities for development and growth in this market. Thus, franchisors who perceive their domestic market as saturated or as moving towards saturation in the near future would be more tempted to push their development towards international endeavors and the potential of foreign markets. The combination of these two elements can be illustrated in the following statement of a manager of international network development in the construction sector:

"Indeed, there are several reasons, the first is that in fact we have a franchise, we split the market into different zones in France, and it is estimated that there are between 160/180 areas in France and we have 86 locations. So it is already half of the development and we will be limited in any case to areas on French territory. So we thought about having an international approach to expand, because if we have no more franchisees suddenly, it will be blocked in France" (Franchisor, construction network)

In general, we find that the networks who responded to our questionnaire survey show strong search for growth and development opportunities, with an average score of 4.02 out of 5 (Table 3).

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Items</th>
<th>Mean</th>
<th>Loading</th>
</tr>
</thead>
<tbody>
<tr>
<td>Search for growth</td>
<td>We regularly seek new growth paths for our network</td>
<td>4,05</td>
<td>0,901</td>
</tr>
<tr>
<td>50,87% explained</td>
<td>We seek new ways of promoting/developing our brand</td>
<td>4,11</td>
<td>0,853</td>
</tr>
<tr>
<td>variance</td>
<td>We are currently seeking a way to enhance our profits</td>
<td>3,89</td>
<td>0,664</td>
</tr>
<tr>
<td>Mean : 4,02 (standard deviation 0,75)</td>
<td>Cronbach alpha: 0,735</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table 3. Non-internationalized networks' search for growth opportunities

However, this search for growth is just as strong in networks with an intention to internationalize in the next two years as in networks with no intention to internationalize. In other words, we find no statistically significant difference in scores of search for development opportunities between these two sub-categories of non-internationalized franchisors (Figure 6).

Moreover, the quantitative survey data indicate that the average level of saturation of the domestic market reported by franchisors totaled a score of 3.29 (Table 4). It is interesting to note that the level for franchisors with an internationalization project (3.18) is very close to that reported by franchisors without internationalization project (3.33) and the difference between the two scores was not statistically significant. Similarly, the difference between the mean scores of two groups on three issues related to the saturation of the domestic market is not significant (Figure 7).
Search for growth opportunities

<table>
<thead>
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<th>Dimension</th>
<th>Items</th>
<th>Mean</th>
<th>Loading</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Domestic market saturation</strong></td>
<td>Our industry is marked with a strong price war on the French market</td>
<td>3.27</td>
<td>0.880</td>
</tr>
<tr>
<td></td>
<td>Competition is very intense in our sector of activity in France</td>
<td>3.57</td>
<td>0.863</td>
</tr>
<tr>
<td></td>
<td>The French market in our sector of activity is more and more saturated</td>
<td>3.00</td>
<td>0.852</td>
</tr>
</tbody>
</table>

Cronbach alpha 0.833

Internationalization project in the two coming years

* Differences between the two groups are not statistically significant

Table 4. Domestic market saturation

Figure 6. Search for growth opportunities by non-internationalized networks

Figure 7. Domestic market saturation for non-internationalized networks
3.2. External motivations

Motivation to internationalize can also be triggered by external factors, including solicitations from international franchise candidates, and solicitations and encouragement by network partners we call external change agents.

3.2.1. Solicitations from international franchise candidates

All network managers whom we met during our interviews said they are approached, more or less intensely and regularly, by candidates for international franchising, i.e. individuals or institutions wishing to develop the network abroad. These solicitations reach the interviewed network managers through a variety of channels, which include solicitations by telephone and e-mail or meetings during the franchise fairs organized especially in France.

"We have a few contact cards, and suddenly we get in terms of solicitations, I can tell you this because we keep some statistics, since the beginning of the year 160 requests. 160 requests over six months, so it's quite some..." (Franchisor, network of credit brokerage)

"Yes, because in fact contacts that we have come to our website and request information about the franchise abroad regularly. I'd say that we've got requests from Belgium, even South America, and two from Algeria. Yes, we regularly have requests from abroad." (Franchisor, network of personal services)

What seems to differentiate networks with an intention to expand internationally from those that do not have the intention is therefore not being more or less regularly solicited by foreign partners, but their attitude towards meeting these demands. Indeed, we note in our interviews with network managers that those most likely to pass the course of internationalization thereafter are those who show the most on the lookout for this type of external opportunities and who give the most importance, regardless of their initial internal motivation:

"No, no, honestly not. We never had this intention, in fact when we had this opportunity, it was early 2012, and made the move as we had this opportunity and it was very serious, so we went for it" (Franchisor, network of credit brokerage)

Data from the questionnaire survey indicate that, overall, this opportunistic approach among networks is limited, with an average score of 2.97 out of 5 (Table 5). However, from these data, we find significant and important differences between the two populations of franchisors. Thus, in general, franchisors with an internationalization project in the short term seem to be more on the lookout for opportunities for international development with an average score of 3.54, against an average score of 2.6 for franchisors without an international project. In addition, as shown in Figure 8, these significant differences are observed in all items used to measure this opportunistic trend. The most important difference is observed even at the item measuring networks' preference for an opportunistic approach as opposed to a strategic approach planned by the company.
### Table 5. Opportunistic approach to internationalization of non-internationalized networks

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<tr>
<th>Dimension</th>
<th>Items</th>
<th>Mean</th>
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</thead>
<tbody>
<tr>
<td>Opportunistic approach</td>
<td>We prefer to expand internationally in response to requests from potential partners instead of doing it on the basis of our own initiative</td>
<td>2.92</td>
<td>0.810</td>
</tr>
<tr>
<td>55.46% explained variance</td>
<td>We often meet foreign candidates for franchising during trade fairs in France</td>
<td>2.78</td>
<td>0.778</td>
</tr>
<tr>
<td>Mean : 2.97 (standard deviation 0.95)</td>
<td>We do not have a specific internationalization project, but we will penetrate a new country if we have a request from the right partner</td>
<td>3.44</td>
<td>0.777</td>
</tr>
<tr>
<td>Cronbach alpha 0.797</td>
<td>We often receive requests from foreign companies to develop our network in new countries</td>
<td>2.85</td>
<td>0.678</td>
</tr>
<tr>
<td></td>
<td>We study systematically the requests for developing our network abroad that we receive from foreign companies</td>
<td>2.85</td>
<td>0.668</td>
</tr>
</tbody>
</table>

**Figure 8. Non-internationalized franchisors’ opportunistic approach**

### 3.2.2. The role of external change agents

Our interviews with franchisors indicate a second category of external agents that can trigger franchisors’ motivation to internationalize their network. These agents are multiple and include both professional organizations such as the French Franchising Federation, UBIFRANCE and the Chambers of Commerce and Industry, as well as other stakeholders such as financial partners of the network or its own franchisees. These agents then act on the motivation of franchisors by both information and encouragement they provide networks to initiate an international approach.

The analysis of franchisors’ responses to our survey shows that they seem to evaluate the role of change agents not through this complementary information-encouragement perspective, but
based on the nature of the agents. Thus, our analysis indicates first factor on the role of professional bodies such as FFF, and a second reflecting the role of partner organizations in the microenvironment of the franchisor, including financial partners, suppliers and franchisees (Table 6).

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Items</th>
<th>Mean</th>
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</tr>
</thead>
<tbody>
<tr>
<td><strong>Role of professional organizations</strong></td>
<td>We are often informed by professional organisms (e.g. the French Franchising Federation) about the opportunities to expand abroad</td>
<td>2.60</td>
<td>0.986</td>
</tr>
<tr>
<td><strong>54.05% explained variance</strong></td>
<td>We are often encouraged by professional organisms (e.g. the French Franchising Federation) to explore opportunities abroad</td>
<td>2.51</td>
<td>0.949</td>
</tr>
<tr>
<td><strong>Mean: 2.63 (standard deviation 1.09)</strong></td>
<td>Professional organisms have resources and skills to accompany us in our international expansion</td>
<td>2.77</td>
<td>0.699</td>
</tr>
<tr>
<td><strong>Cronbach alpha: 0.872</strong></td>
<td><strong>Role of partner organizations</strong></td>
<td>Our other partners (e.g. suppliers, consultants) encourage us to expand internationally</td>
<td>2.19</td>
</tr>
<tr>
<td><strong>24.97% explained variance</strong></td>
<td>Our financial partners (e.g. banks) encourage us to expand internationally</td>
<td>1.99</td>
<td>0.857</td>
</tr>
<tr>
<td><strong>Mean: 2.10 (standard deviation 1.00)</strong></td>
<td>Our franchises encourage us to expand internationally</td>
<td>2.11</td>
<td>0.800</td>
</tr>
</tbody>
</table>
| **Cronbach alpha: 0.845** | **Table 6. Influence of external change agents**

If the influence of these two types of agents appears to be low, with an average score of 2.63 to 2.10 for professional organizations and partner organizations, statistically significant differences exist in terms of their influence on each of the two populations as shown in figure 9. The influence of partner organizations is particularly low in the case of franchisors without an internationalization project, with an average score of 1.86.

**Figure 9. Influence of external change agents**
3.2.2.1. The expected role of the French Franchising Federation

Interviewed franchisors seem to have high expectations vis-à-vis the French Franchising Federation, specifically in their international approach:

"Today the FFF is a very international player [...], and the number of member brands that are already international within it, there is a real know-how. In any case, the FFF is well positioned to have a vision, practices, and things to avoid" (Franchisor, specialized distribution network)

Specifically, franchisors express three types of expectations on the Federation. The first expectation relates to the establishment of relations with networks more experienced in international development, with the aim of receiving feedback and advice.

"It is essentially the establishment of relations, so we help each other among brands that have positive or negative experiences in the target countries. Optionally, the establishment of relations in order to search for people with master franchise brands which the master franchisee has already solicited. And then establishing relations with others, the chamber of commerce etc." (Franchisor, fast-food network)

The second expectation franchisors have with respect to the FFF also refers to the need for establishment of relations, but this time with international development experts. Finally, the third type of expectations refers to a need for methodological contribution, formalization and training. In fact, the surveyed networks reveal, due to their lack of international experience, strong ignorance of the mere approach of internationalization, which results in a significant loss of time in the preparation of an international project:

"For once, yes I think it can really have a real role. Even more important and productive for us than role they may have today in France anyway. Because this time it would be a real time-saver because all the time we spent on the phone or on site with lawyers etc. which took us an incredible time, if all that work was already done, it is sure that in terms of financial gain, it would be a huge added-value" (Franchisor, network of personal services)

The networks' expectations on the Federation in this context is therefore to provide methodological support, particularly at key stages of the process and procedures for international development:

"Maybe there should be consulting through the Federation for overseas development actually. What steps you have to take? Procedures to follow for overseas development. Here’s what to do. We do it empirically, but is there really a process that must be followed in order to thrive abroad if you are French" (Franchisor, network of personal services)

This assistance could also cover the different possible modes of international development or information on target countries:

"Yes, yes advice and perhaps assistance... because we have asked ourselves questions about master-franchising in fact because we do not really know how it works" (Franchisor, network of personal services)
"Of course what would be great is to get something like summary sheets for all types of franchise for each country, at least let's say European countries that are part of the EU, and know broadly what are the main regulations in each country, what are the regulations in terms of financial flows etc. so at least we know that if we open tomorrow in Hungary, well we should anticipate this or that problem, so we must pay attention to this or that regulation" (Franchisor, personal equipment network)

3.2.2.2. The influence of other partner organizations of the network

Three types of partner organizations of the network seem to have an impact on their motivation to internationalize. We thus find financial network partners, other partners such as consulting firms or suppliers, and finally the franchisees of the network. Given the heterogeneity of these partners and organizations and to better understand the influence of different agents, we compared the mean scores on each of the three items of this factor between the two populations. The results, shown in Figure 10, indicate that the influence of financial partners is not significantly different between the two populations. However, the most important significant difference is observed at the franchisees level who seem to push much more their franchisor to internationalize in the case of networks with an internationalization project. However, this influence remains very moderate or low, with an average score of 2.68 for this population, therefore lower than the average score on the scale of 1 to 5.

![Influence of partner organizations](image)

*Only the differences for Other partners and Franchisees are significant at p < 0.05

4. Amplifiers and brakes of the motivation to internationalize

The interviews that we conducted with non-internationalized franchisors highlight three categories of factors that amplify or otherwise hamper the motivation of the franchisor to internationalize. These amplifiers and brake components concern managers' attitudes and perceptions towards internationalization, the perceived added-value in the case of internationalization and the network's capacity to internationalize.
4.1. Attitudes and perceptions of managers towards internationalization

Attitudes and perceptions of network managers towards international development, based on their interviews, have a particularly significant impact on the intention to internationalize. And we clearly identify in the discourse of these leaders amplifying positive attitudes on the one hand and negative attitudes and brakes on the other.

4.1.1. Attitudes amplifying the motivation to internationalize

Three categories of favorable attitudes towards internationalization are reflected in the responses of non-internationalized franchisors (Table 7). We first find the perceived ease of internationalizing the network, represented by having a concept and a brand that can easily expand into foreign markets, or which can be easily adapted in order to do so. This perceived ease of internationalizing the network also appears in the qualitative survey with non-internationalized franchisors as a central element in their decision that can impact in a positive way by promoting internationalization. In contrast, the perceived difficulty of internationalizing the network emerges from these same interviews as a major obstacle for the decision to internationalize. In sum, as summarized by the franchisors and experts interviewed, some franchise concepts are more "internationalizable" than others.

"The main prerequisites are the fact to be able to verify that your concept is compatible with the local culture, you see you cannot change consumers, okay, so the limit of internationalization, it is that my concept at some point it is adaptable finally, is that it can match the expectations of local consumers given their culture. If you are already in a country where for religious reasons, I'll give you an example, if for religious reasons beer consumption is banned... So after there may be small changes, but it does not require you to change the positioning of your brand. Neither the positioning nor the profession. At McDonald’s they make small adjustments in adapting their recipes to countries, but nevertheless, it's still the burger. Except, actually, if you eat in Italy, Japan or France, they will not taste exactly the same, they have slightly adapted the recipe from one country to another, more salty, less salt, more sweet, less sugar etc. But it's still a McDonald’s, you are not lost as a consumer" (Franchisor, themed restaurants network)

Note, however, that the surveyed franchisors indicate that the overall average level of ease of internationalization remains relatively low, with a score of 3.27.

In addition to the perceived ease of internationalization of the concept, we find two categories of expected benefits of internationalization. The first refers to the expected positive effects on the development of the company. The second emphasizes that internationalization can be an opportunity for the network to improve its offer, either through new good practice and new ideas or an improved concept and quality of the offering prior to internationalization.
Moreover, we conducted a comparison of average scores on all three factors between networks according to their intention to expand internationally or not. For the three factors, we observe statistically significant differences in the respondents’ attitudes towards internationalization (Figure 11). This is particularly evident for the issue of perceived ease of internationalizing the network. More specifically, the networks with the intention to expand internationally perceive their concept as being able to easily develop in foreign markets, with an average score greater than 4 out of 5, and the networks that do not intend to expand internationally have an average score of 2.83.
4.1.2. Attitudes that hamper motivation for international development

Managers whom we interviewed also exhibit negative attitudes towards internationalization that seem to strongly hamper their motivation to develop outside of the domestic market. These negative attitudes mainly revolve around the perceived risk associated with internationalization, and that appears in the discourse of franchisors as much higher than the risk of a domestic development:

"The brand protection, financial failure, the choice of the wrong partner to whom you entrust exclusivity over a large territory and after that blocks you, the legal risk of protection of the brand and logos [...] financial risk I mentioned. And the risk after all that the concept does not work, we will not launch fifty stores in a country, there’s a store, then another, then another and then if it works we develop and if it does not work it is stopped, this is not too much of a concern" (Franchisor, personal equipment network)

More specifically, interviews with franchisors and data collected by the questionnaire were leveraged to define various aspects of the role of risk in franchisors' decision making. First, we distinguish franchisors' evaluation of the perceived risk on the one hand and their attitude to risk on the other, i.e. their risk tolerance.

Regarding the perception of risk associated with internationalization, quantitative data analysis can distinguish two types of risk expressed in the responses of franchisors (Table 8). The first is an overall risk of internationalization. In this context, international development of the franchise is deemed riskier than in France and requiring costs and efforts that are not necessarily justified by the earnings outlook. The second risk is more specific and can be characterized as financial risk, referring to potential losses related to foreign currency exchange and repatriation of royalties.
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<th>Dimension</th>
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<tbody>
<tr>
<td><strong>Global risk</strong></td>
<td>International franchising involves a much higher risk than in France</td>
<td>3.53</td>
<td>0.900</td>
</tr>
<tr>
<td></td>
<td>The required efforts to develop our network internationally are higher than the perspectives of benefit</td>
<td>3.27</td>
<td>0.695</td>
</tr>
<tr>
<td></td>
<td>International franchising involves very important costs</td>
<td>3.86</td>
<td>0.634</td>
</tr>
<tr>
<td><strong>Monetary risk</strong></td>
<td>The repatriation of royalties from abroad can be very complicated</td>
<td>3.07</td>
<td>0.936</td>
</tr>
<tr>
<td></td>
<td>The repatriation of royalties from abroad can be very complicated</td>
<td>3.33</td>
<td>0.736</td>
</tr>
</tbody>
</table>

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<th>Dimension</th>
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</tr>
<tr>
<td></td>
<td>International franchising involves very important costs</td>
<td>3.86</td>
<td>0.634</td>
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</table>

Cronbach alpha 0.643

Table 8. Perceived risks associated with internationalization

However, the comparison of perceptions of international risk between franchisors according to whether or not they have a project of international expansion in the short-term indicates that the two types of network have a similar perception of the overall risk which stood at a relatively high score of 3.57. However, franchisors with a draft international development project have a perception of financial risk that is significantly higher than franchisors without international development projects (Figure 12).

![Perceived risks of internationalization](image)

*Only the difference for Monetary risk is significant at p < 0.05*

This higher level of perceived risk may be surprising at first because we expected that franchisors who have chosen to internationalize see this form of development as less risky, thereby justifying their choice. One possible explanation here is that franchisors with an internationalization project in the short term have probably analyzed more in-depth the monetary aspects of internationalization practices, such as exchange rate issues and issues related to repatriation of royalties. Thus, they would thereby be more aware of these specific risks.
This perception of risk must be completed, as we noted above, with the managers' tolerance for risk in general. Network managers who participated in our survey show a level of risk tolerance that is moderate overall, with an average score of 3.09 out of 5 (Table 9).

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<th>Dimension</th>
<th>Items</th>
<th>Mean</th>
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</thead>
<tbody>
<tr>
<td>Risk tolerance</td>
<td>Risk taking is normal in the management of a franchise network</td>
<td>3.57</td>
<td>0.927</td>
</tr>
<tr>
<td></td>
<td>We are ready to take risks to explore new growth paths for our network</td>
<td>3.09</td>
<td>0.783</td>
</tr>
<tr>
<td></td>
<td>We are ready to take important risks to generate higher than average returns</td>
<td>2.62</td>
<td>0.777</td>
</tr>
<tr>
<td>69.22% explained variance</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mean : 3.09 (standard deviation 0.87)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cronbach alpha: 0.794</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table 9. Risk tolerance in non-internationalized networks

Moreover, as we can expect based on the discourse of franchisors, the level of risk tolerance is significantly higher for franchisors with a draft international development (3.43) compared to those who do not have an internationalization project in the short-term (2.89).

Finally note that the networks' perception and attitude to risk may deteriorate over time, particularly after a first unsuccessful internationalization experience, and push managers to see the internationalization as even more risky. This does not seem to discourage networks from making new attempts to internationalize, but rather make their approach more conservative.

4.2. The perceived added-value of the network

The second category of items that can boost, in case they are present, or otherwise hamper in case they are absent, the networks' motivation to internationalize reflects the idea expressed by network managers that it is easier to internationalize for a network which brings added-value to a foreign market.

4.2.1. The originality of the concept and know-how

The first and most important way in which the added-value of the network in an internationalization logic springs from franchisors' discourse refers to the concept of the network and its know-how. More specifically, many franchisors have emphasized that the specific, new, original, or differentiated character of the concept can facilitate its internationalization by providing added-value to targeted markets.

"For me, there are many things, it is first the originality of the concept, of the market in which it is positioned [...] We are a brand that comes with a fairly original concept to the market. Behind all this, I would say, we have a marketing that is totally suitable for international operations, starting with the brand name" (Franchisor, food network)

Based on previous work carried out on behalf of the FFF (El Akremi et al., 2009), we evaluated the originality of franchisors' know-how according to its rarity and difficulty of imitation for
competitors. We expected to find that franchisors with an internationalization project in the near future have developed rare know-how and concepts that are difficult to imitate. Indeed, the discourse of franchisors whom we interviewed seems to corroborate that scarcity and difficulty of imitation of the know-how are factors that increase the potential of internationalization of the network by increasing the attractiveness of its offer.

From a quantitative point of view, we find in general that the franchisors in our sample seem to have a moderate level, hovering around the average on a scale of 1 to 5, both of scarcity and difficulty to imitate the know-how (Table 10). In addition, we find no statistically significant difference in mean scores on these two factors between the two populations. Thus, franchisors about to internationalize seem to have a know-how that they assess as slightly rarer (3.47 against 3.10), but almost equivalent in terms of difficulty of imitation (3.07 against 3.06).

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<tr>
<th>Dimension</th>
<th>Items</th>
<th>Mean</th>
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</tr>
</thead>
<tbody>
<tr>
<td>Know-how scarcity</td>
<td>Our concept is not specific per se; other competitors have close concepts even if they operate them differently (reversed)</td>
<td>2.71</td>
<td>0.876</td>
</tr>
<tr>
<td></td>
<td>Our network has a truly unique concept</td>
<td>3.77</td>
<td>0.861</td>
</tr>
<tr>
<td>Mean : 3.24 (standard deviation 0.91)</td>
<td>Our network operates with a very different concept from our competitors</td>
<td>3.56</td>
<td>0.747</td>
</tr>
<tr>
<td>Cronbach alpha 0.811</td>
<td>Many constituting elements of our concept already exist in other networks</td>
<td>2.90</td>
<td>0.668</td>
</tr>
<tr>
<td>Difficulty of imitation of the know-how</td>
<td>It would be difficult and costly for our competitors to imitate our concept</td>
<td>3.25</td>
<td>0.871</td>
</tr>
<tr>
<td>Mean : 3.06 (standard deviation 1.04)</td>
<td>Even if they wanted, our competitors would have a hard time duplicating our concept</td>
<td>3.00</td>
<td>0.821</td>
</tr>
<tr>
<td>Cronbach alpha 0.801</td>
<td>Our competitors would need a lot of time to copy our concept</td>
<td>2.95</td>
<td>0.817</td>
</tr>
</tbody>
</table>

Table 10. The know-how's scarcity and difficulty of imitation

4.2.2. Network performance on the domestic market

The second way in which network managers whom we interviewed expressed the value that their concept can bring to international market is looking at the value of this concept and its performance in its domestic market. In other words, it appears from the discourse of franchisors that for a network to have a real chance to succeed its internationalization, it must already have demonstrated its potential on its domestic market by reaching a certain level of competitive advantage and performance. This is perfectly illustrated in the following statement of a general manager of a brand of fast food:

"Before going abroad, I think we must not burn the steps, already let's perform nationally, and then we can talk about the international [...] It’s a matter of logic, before talking about the international I speak first about the national market. After that, I do not say no
From a quantitative point of view, networks reported having a high level of competitive advantage on the domestic market, with an average score of 3.99 out of 5 (Table 11).

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<tr>
<th>Dimension</th>
<th>Items</th>
<th>Mean</th>
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</tr>
</thead>
<tbody>
<tr>
<td>Competitive advantage</td>
<td>We have a lasting competitive advantage vis-à-vis the other networks in the industry</td>
<td>3.97</td>
<td>0.896</td>
</tr>
<tr>
<td></td>
<td>Our know-how allows us to respond to the evolutions of the market more quickly than our competitors</td>
<td>4.01</td>
<td>0.877</td>
</tr>
<tr>
<td></td>
<td>Thanks to our know-how, we have a good competitive position on the French market</td>
<td>4.06</td>
<td>0.876</td>
</tr>
</tbody>
</table>

**Table 11. Non-internationalized networks' competitive advantage on their domestic market**

However, we do not find significant differences in the scores of competitive advantage between the networks with and without an internationalization project.

In addition, we also completed our assessment of the situation of networks in their home market by evaluating their performance. The quantitative data analysis indicates that the overall network performance amounted to an average score of 3.3. It seems to be the weakest in terms of market share and the highest in terms of growth rates (Figure 13).

**Figure 13. Networks' performance on their domestic market**

In contrast, we find no statistically significant difference between the two populations of franchisors in terms of overall performance. Only the performance in terms of growth rate leads to significantly different scores between the two populations (Figure 14). This result may seem counter-intuitive. Indeed, we observe that networks' with a short-term internationalization project have growth rates in the domestic market that are significantly higher than networks without internationalization project. However, according to the assumption of market saturation, we could expect that a slowdown in the growth of the network would push it to seek
opportunities for international expansion, while a high rate of growth in the domestic market would imply the existence development opportunities in the domestic market that the network could exploit first, before turning to international opportunities.

**Figure 14. Growth rates for networks with and without internationalization projects**

4.2.3. *The added value of the network through a favorable image*

Finally, the last way the perceived added value of the network amplifies the motivation to internationalize is expressed through the positive image of the network. Such a favorable image enhances franchisors' motivation to internationalize. This positive image of the network that can facilitate its internationalization is expressed through two elements in the discourse of franchisors. The first is the network brand, which by its fame, reputation and the image that it projects can facilitate the internationalization of the network and the acceptance of the concept by very different audiences.

In general, the quantitative study indicates that non-internationalized networks enjoy a brand image of moderate level, with an average score standing at 3.21 out of 5 (Table 12).

<table>
<thead>
<tr>
<th><strong>Brand image advantage</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>66.34% explained variance</td>
</tr>
<tr>
<td><em>Mean : 3.21 (standard deviation 1.01)</em></td>
</tr>
<tr>
<td><em>Cronbach alpha 0.714</em></td>
</tr>
</tbody>
</table>

In comparison to our competitors, our brand has a strong level of brand awareness

| 2.99 | 0.937 |

Our brand name is one of our most precious sources of competitive advantage

| 3.44 | 0.820 |

Table 12. Brand image on the domestic market

Moreover, we do not find statistically significant differences in the brand perception by the managers of networks according to whether or not they have a project of international development in the short term (Figure 15).
The second element of image that can facilitate the internationalization of networks and thus motivate their managers to move towards international markets is the perceived role of the French origin of the brand. More particularly, this origin may encourage a franchisor to internationalize because it improves the potential of its offers in markets where it is perceived positively. However, we also find a sectorial approach here and that is particularly present in the discourse of franchisors who are already internationalized. Thus, some franchisors operating in particular sectors where France has a very positive image (e.g., wine trade, aesthetics and cosmetics), stressed that the French origin of the brand is used as a marketing argument in international development. However, the geographical origin is not reflected at all in the other networks’ strategies which consider that it plays no role:

"In France, we have a strong image on luxury, on design, on any creative aspect, and there is quite the craze for French brands. And so I think if we go abroad, internationally, we should go with this image, you know that we develop a portfolio of brands, so we should go with the brand that bears most of this axis of differentiation and design"

(Franchisor, a network of florists)

Responses from franchisors in our quantitative survey indicate that they consider the potential role of the French origin of the network in two ways (Table 13). The first refers to the positive image of France and its capacity to be an element of attraction for franchisees and customers abroad. The second, complementary to the previous one, refers to the ease of positioning the network abroad by associating it to its French origin.

For these two dimensions relating to the role of French origin, we observe statistically significant differences between the two sub-populations of non-internationalized franchisors. Thus, franchisors with a short-term internationalization project have a more positive view of the potential role of the image of France for their internationalization (average score of 3.47 against 2.85) and consider that their network can more easily be positioned to reflect this origin (average score of 3.51 against 3.11). However, at the level of the items that constitute these two
factors, only three of the seven items indicate a significant difference between the two sub-
populations (Figure 16 and Figure 17).

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<th>Dimension</th>
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<th>Mean</th>
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<tbody>
<tr>
<td>France’s favorable image</td>
<td>The French origin of our network offers an advantage to attract foreign franchisees</td>
<td>2.94</td>
<td>0.973</td>
</tr>
<tr>
<td></td>
<td>The French origin of our network offers an advantage to attract foreign customers</td>
<td>2.97</td>
<td>0.958</td>
</tr>
<tr>
<td></td>
<td>In our sector of activity, the network’s French origin is an asset to expand internationally</td>
<td>3.00</td>
<td>0.910</td>
</tr>
<tr>
<td></td>
<td>In our sector of activity, France has a very positive image</td>
<td>3.40</td>
<td>0.693</td>
</tr>
<tr>
<td>Ease of French positioning</td>
<td>The positioning of our brand reflects its French origin</td>
<td>3.48</td>
<td>0.980</td>
</tr>
<tr>
<td></td>
<td>The products and services sold by our network are associated to the image of France</td>
<td>3.05</td>
<td>0.886</td>
</tr>
<tr>
<td></td>
<td>If we expand internationally, we can easily position our brand as a French brand</td>
<td>3.27</td>
<td>0.536</td>
</tr>
</tbody>
</table>

Table 13. The two dimensions of the role of geographic origin

![Franchisor's perception of the image of France](image)

Internationalization project in the two coming years

*Only the differences for Overall image and Attracting foreign customers are significant at $p < 0.05$*
4.3. The network's ability to properly conduct its internationalization

Finally, the last category of factors that are evaluated by the franchisors, amplifying or otherwise hampering the motivation for international markets, relate to franchisor's ability to conduct the internationalization process. This ability is itself based on three types of factors.

4.3.1. The availability of specific resources and international skills

The importance of the availability of resources depends on, for many interviewed franchisors, the fact that internationalization is seen as a development requiring the mobilization of significant resources and of different types. Without these resources, surveyed franchisors perceive the risk of failure as very important:

"It's simple, to settle abroad, we know the French law, the French taxation, when we go abroad we are not aware of all this, so we definitely need to have a lawyer, a tax counsel, someone who you can handle all the administrative and fiscal side to set your activity abroad. You see, all this to begin with, these are really extra costs" (Franchisor, network of personal services)

Franchisors' discourse reveals the importance of four types of resources in the context of internationalization, covering relational, temporal, human, and financial resources. The low level of available resources reported by franchisors in the survey seems important to note (Table 14), with an average of 2.15 on a scale from 1 to 5. However, the lack of resources is a clear barrier for the decision to internationalize in our interviews. For example, one of the important actions in the context of an international development is the exploration that often requires significant human, temporal, and financial resources. The absence of these resources could therefore push the franchisor wishing to internationalize to circumvent this problem by leveraging an opportunistic approach, excluding any active search. However, even in the
context of an opportunistic approach, the lack of resources can still be a handicap and a deterrent for the franchisor:

"No, no, we do not look at all, we do not look at all requests. Because we know that we cannot do it, we do not have the human resources to respond to it and handle foreign requests. Now we develop a lot in France, where we have projects, you see two outlets a year is a lot to do, and so we did not have time, no time, no resources and it is not our priority" (Franchisor, network of personal services)

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Items</th>
<th>Mean</th>
<th>Loading</th>
</tr>
</thead>
<tbody>
<tr>
<td>Available resources</td>
<td>The required time for operations of international exploration</td>
<td>2,10</td>
<td>0,899</td>
</tr>
<tr>
<td></td>
<td>The human resources for the good conduct of international operations</td>
<td>2,22</td>
<td>0,883</td>
</tr>
<tr>
<td></td>
<td>The relationships with the right financial partners for the good conduct of international operations</td>
<td>2,15</td>
<td>0,861</td>
</tr>
<tr>
<td></td>
<td>The financial resources to expand internationally</td>
<td>2,12</td>
<td>0,826</td>
</tr>
</tbody>
</table>

Table 14. Resource availability for internationalization

We also observe statistically significant differences in available resources between franchisors according to whether or not they have an internationalization project in the short-term. Unsurprisingly, franchisors with a short-term internationalization project report having more available resources on the four categories of resources (Figure 18). However, despite the significant differences between the two categories of franchisors, it is important to note that even franchisors preparing an international expansion in the next two years seem to have limited resources to fund and carry out this development project well. However, if the limited financial resources can be compensated through a franchise development and the access to franchisees’ or master-franchisees’ resources abroad, the declared low level of available time, relationships with financial partners, and human resources can be a serious handicap to the development projects. This can even be particularly important when the company is considering internationalization for the first time, as is the case here, and thus has no previous experience and lessons learnt in the field.
The importance of the availability of resources is completed in the discourse of the franchisors by the specific skills in international development. These seem to be particularly important for the success of a project of internationalization and thereby constitute by their absence or insufficiency a major obstacle for the desire to expand internationally:

"I do not have today inside the organization the men for going international" (Franchisor, a network of florists)

"The main difficulty is that I have no competencies inside the organization, who have already practiced exporting, who have already dealt one way or another with international trade, so it is not easy, I am obliged to start-looking for information myself, and I would say that ultimately the easiest part was to go abroad, to observe what was being done in other countries and after to see if there is a place for us in these countries" (Franchisor, personal equipment network)

"The prerequisites, it would already be to have market research that is super reliable and super accomplished and then to have strong enough skills inside the organization, for example, I would say about other services, the quality control service should be able to handle well international regulation and not only the French one, the logistics department should know how to manage export, the marketing and communication department should also know how to all their topics. The entire company should be able, all support functions of the company should be capable of handling exporting" (Franchisor, food network)

The analysis of quantitative data reveals two types of skills needed for internationalization (Table 15). The first refers to franchisors knowledge of international development, especially knowledge of opportunities abroad and internationalization efforts. The second type of skills
relates to the mastery of international trade techniques and covers the knowledge of foreign languages, negotiation skills and expertise to manage the exchange rate matters. Overall, the responses of franchisors indicate limited skills in internationalization, with an average score of 2.21 for the first type of skills and 2.68 for the second type of skills.

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Items</th>
<th>Mean</th>
<th>Loading</th>
</tr>
</thead>
<tbody>
<tr>
<td>Knowledge in international</td>
<td>A good knowledge of the opportunities for our products/services abroad</td>
<td>2.41</td>
<td>0.933</td>
</tr>
<tr>
<td>development</td>
<td>A good knowledge of franchising regulations on foreign markets</td>
<td>1.96</td>
<td>0.844</td>
</tr>
<tr>
<td>52.8% explained variance</td>
<td>A good knowledge of potential export markets</td>
<td>2.29</td>
<td>0.837</td>
</tr>
<tr>
<td>Mean : 2.21 (standard deviation 0.95)</td>
<td>A good knowledge of the required steps for international expansion</td>
<td>2.18</td>
<td>0.819</td>
</tr>
<tr>
<td>Cronbach alpha 0.886</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mastery of international</td>
<td>Proficiency in business english</td>
<td>2.83</td>
<td>0.940</td>
</tr>
<tr>
<td>trade techniques</td>
<td>Proficiency in other languages that are useful for a possible international expansions</td>
<td>2.41</td>
<td>0.912</td>
</tr>
<tr>
<td>18.19% explained variance</td>
<td>The skills to manage currency rates fluctuations</td>
<td>2.48</td>
<td>0.703</td>
</tr>
<tr>
<td>Mean : 2.68 (standard deviation 1.09)</td>
<td>The ability to negotiate with partners from different cultures</td>
<td>3.00</td>
<td>0.590</td>
</tr>
<tr>
<td>Cronbach alpha 0.831</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table 15. The required skills and competencies for internationalization

In contrast, we find significant differences in the mastery of these skills between franchisors with or without internationalization project. Among the eight skills over the two factors, franchisors with an internationalization project in the short-term seem to master six significantly better than franchisors without internationalization project. It is interesting to note, however, that no significant difference was observed in terms of exchange rate management. Specifically, franchisors about to internationalize have almost as low scores as franchisors who do not intend to expand overseas. This can be particularly alarming given the importance of the issues of exchange rate in the management of international operations and their complexity.

In addition to these two subjective measures of international expertise, we also asked franchisors to indicate the number of people in the team currently in charge of network development who are foreign nationals or who have worked abroad. In most cases, the staff responsible for the development of networks is French and has gained professional experience mainly in France. Thus, if the number of foreign persons in the service of development varies
between zero and two, the average is 0.07. Similarly, the number of persons who have professional experience abroad varies between zero and four, also with an average of less than one (0.73). However, in this second case, we observe a small but statistically significant difference between the two populations of franchisors, with a number of people who have worked abroad higher in the case of a franchisor with a short term internationalization project.

4.3.2. Adaptive capacity of the network

The ability to effectively lead the internationalization, based on the discourse of franchisors, also depends on the adaptive capacity of the network. The importance of this stems from the large differences between national markets, whether in cultural, economic or legal terms, and that require adaptations of the offer of the network for the international market. The importance of having a concept that easily adapts to international markets and/or organizational capacity to adapt emerge in different ways in the discourse of franchisors.

First, when the main concept of the network has great variations internationally and thus requires major adaptations, then this is a very important brake for the desire to internationalize:

"We, finally, the service we offer is very specific because it mainly deals with mortgage and real estate loans, typically these loans in France have a specific way of being done, and abroad it is totally different. The English have a different approach, as the Spanish, the Italian too, so it is not at all, not at all a model that is replicable internationally" (Franchisor, a network of brokerage funding)

Moreover, the need for adaptation is not limited only to the adaptation of the concept and offer to end customers, but also appears to affect the necessary adjustments of the business model, which may also hinder the willingness of the network managers to internationalize:

"For the moment we are in testing phase, where we have constraints, especially to adapt our business model to other tax or social constraints [...] there is not the same taxes, not the same fiscal system, not the same level of social contributions on wages, this is what fear now for the next step: how to convert our economic model according to the legal constraints" (Franchisor, construction network)

Other networks do not allow themselves however to be deterred from internationalization because of the need to adapt. However, this need for adaptation seems to severely limit their internationalization and confine them to projects in the nearest and culturally close countries:

"And then those are adjacent areas, so there's naturally a communication between people, so the brand is not known, and then what will be interesting with those neighboring countries is that the culture is not far from ours so it is easily transferable" (Franchisor, themed restaurants network)

We included two measures of the ability to adapt in our questionnaire, concerning networks' organizational agility and pursuit of an innovation strategy. Overall (Table 16), we find that the networks show a moderate adaptation capacity with an average score of 3.78 on each of the two dimensions. However, contrary to our expectations, networks with an internationalization
project (average score of 3.87 to 3.86 for innovation and organizational agility) show no significantly higher adaptation capacity than do the networks without an internationalization project (average score of 3.73 for innovation and organizational agility).

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Items</th>
<th>Mean</th>
<th>Loading</th>
</tr>
</thead>
<tbody>
<tr>
<td>Innovation strategy</td>
<td>We actively search for new ideas to develop</td>
<td>3.86</td>
<td>0.915</td>
</tr>
<tr>
<td></td>
<td>We invest in R&amp;D to develop new concepts</td>
<td>3.41</td>
<td>0.895</td>
</tr>
<tr>
<td></td>
<td>We encourage innovation inside our network</td>
<td>4.10</td>
<td>0.712</td>
</tr>
<tr>
<td>48.49% explained variance</td>
<td>Mean : 3.78 (standard deviation 0.90)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Cronbach alpha: 0.817</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Organizational agility</td>
<td>We can quickly change the prices of our products/services</td>
<td>3.69</td>
<td>0.895</td>
</tr>
<tr>
<td></td>
<td>Responsiveness to the evolutions of the demand</td>
<td>3.92</td>
<td>0.753</td>
</tr>
<tr>
<td></td>
<td>We regularly renew the range of products/services</td>
<td>3.73</td>
<td>0.708</td>
</tr>
<tr>
<td>21.93% explained variance</td>
<td>Mean : 3.78 (standard deviation 0.74)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Cronbach alpha: 0.706</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table 16. Non-internationalized networks' adaptive capacity

4.3.3. Mastery of the know-how’s transmission and control

Finally, the network's ability to properly conduct its internationalization also appears to be related to its ability to clearly transmit and control its know-how. These two elements of the franchise relationship in a domestic market are part of the thought process of franchisors considering internationalization. However, by adding the geographical and cultural distance, it appears from the discourse of franchisors that mastery of these two elements of the franchise relationship is more complicated in an international context, which can then hamper the willingness to internationalize.

Instead, the networks that master the transmission of know-how and which believe that they would be able to do so in international markets are encouraged by the fact that they consider this as an asset in their future relationship with their foreign partners:

"For me, after all, a franchisor/franchisee relationship as it is defined by the law, there's a transmission of know-how, so at some point we must transmit this know-how, plus it's really where we have added value to export. Because all the countries that I started visiting, I mean products like ours, they know very well how to manufacture them, except that what makes us unique is not only that the product, it is the product in its shell, the content, the container and all that goes around. And this is where we can attract a partner" (Franchisor, personal equipment network)
Moreover, the need for control is not only clearly stressed, but it also appears that this control is perceived as more difficult, especially in certain modes such as direct franchising, or in the case of absence of human resources on site:

"So, direct franchising it still requires control structures, presence on the countries to be sure that the concept is well deployed by the various direct franchisees" (Franchisor, personal equipment network)

"You cannot develop over distance you see, our franchisees, a franchisee in this business needs proximity, we go and see him every month. So if I have French network manager, who in addition is not steeped in the local culture, we will not make it. You need people who know the local culture, are familiar with the market in order to follow a franchisee in good conditions. It is impossible otherwise. You should fin specialists and for once there I would certainly never take a French that I would put out there, I will hire a local. So I may have one or two French, but behind it I will rely on local specialists, in any case local employees who know well their country, who know where to locate, how, etc." (Franchisor, themed restaurants network)

We have therefore included in our questionnaire a measure of mastery by the franchisor of the transmission and control of his know-how, assuming that these two skills are more developed among franchisors having an internationalization project. Our statistical analysis indicates a high mastery of the transmission of the know-how by all networks (mean score of 4.22) and slightly lower control (mean score 3.81) as shown in Table 17.

However, contrary to our expectations, we find no statistically significant difference between the two sub-populations of franchisors on these two skills. Thus, franchisors with an internationalization project in the short-term have average scores of 4.25 and 3.80 respectively for the transmission and control of know-how, against the average scores of 4.21 and 3.81 for franchisors without internationalization projects on the same dimensions.
<table>
<thead>
<tr>
<th>Dimension</th>
<th>Items</th>
<th>Mean</th>
<th>Loading</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Know-how transmission</strong></td>
<td>Replication of the know-how in different contexts</td>
<td>3.99</td>
<td>0.918</td>
</tr>
<tr>
<td></td>
<td>Continuous training of the franchisees</td>
<td>4.19</td>
<td>0.875</td>
</tr>
<tr>
<td></td>
<td>Faithful transmission of the know-how to the franchisees</td>
<td>4.29</td>
<td>0.638</td>
</tr>
<tr>
<td></td>
<td>Formalizing the concepts and methods in franchise “bibles” and/or manuals</td>
<td>4.39</td>
<td>0.592</td>
</tr>
<tr>
<td><strong>Know-how control</strong></td>
<td>Auditing of the outlets</td>
<td>3.61</td>
<td>0.998</td>
</tr>
<tr>
<td></td>
<td>Control of the faithful application of the know-how in all the outlets</td>
<td>3.86</td>
<td>0.744</td>
</tr>
<tr>
<td></td>
<td>Verifying the faithful application of the know-how by the franchises</td>
<td>3.95</td>
<td>0.709</td>
</tr>
<tr>
<td><strong>Cronbach alpha 0.807</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Cronbach alpha 0.872</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table 17. Mastery of know-how's transmission and control

5. Determinants of the intention to internationalize

To the question “do you have the intention to expand your network abroad in the short-term”, 37 % of the networks indicated that they are considering a presence abroad in the next two years, against 63 % of networks that declare no intention to expand internationally in the short term. This figure is much higher than that of the annual survey on franchising in France (FFF-CSA-BP), which last four editions indicate that around 20% of the networks surveyed reported an intention to expand internationally in following two years.

![Image](image.png)

Figure 19. Non-internationalized franchisors' intention to go international in the short-term
To investigate the determinants of the decision to develop abroad, we then carried out a forward binary regression\(^3\) using SPSS 18, with the dependent variable intention to internationalize, and as explanatory variables the triggers, amplifiers and brakes to the motivation to internationalize presented above.

### 5.1. Direct determinants of the intention to internationalize

The analysis allows to retain three models, having one, two, and three variables. The specification test of the model, which compares each time the new model to the previous to see if it allows to predict significantly better the probability of belonging to one or the other of the two subpopulations (here with or without intention to internationalize), is significant for the 3 steps. In addition, all three models have non-significant Hosmer-Lemeshow tests, not indicating any difference between the values observed in the two populations and the values predicted by each model (Table 18). Model specification and Hosmer-Lemeshow test provide hence initial validation of the models used and we can now evaluate and compare the contents.

<table>
<thead>
<tr>
<th>Model</th>
<th>Khi-square</th>
<th>df</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>9,703</td>
<td>6</td>
<td>0.138</td>
</tr>
<tr>
<td>2</td>
<td>5,163</td>
<td>7</td>
<td>0.640</td>
</tr>
<tr>
<td>3</td>
<td>5,501</td>
<td>8</td>
<td>0.703</td>
</tr>
</tbody>
</table>

**Table 18. The Hosmer-Lemeshow test for the three retained models**

The most appropriate model, that we retain and present here, is that with three explanatory factors. These are the perceived ease of internationalizing the network, franchisors' knowledge of international development, and opportunistic behavior by franchisors in their international approach. As we can see from Table 19, the impact of these three variables on the intention to internationalize is significant. In addition, the perceived ease of internationalizing the network and knowledge of franchisors in international development have an almost equal impact on the intention to internationalize, and higher than the opportunistic approach.

<table>
<thead>
<tr>
<th></th>
<th>B</th>
<th>S.E.</th>
<th>Wald</th>
<th>Df</th>
<th>Sig.</th>
<th>Exp(B)</th>
<th>CI for Exp(B) 95%</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Low.</td>
</tr>
<tr>
<td>Ease of internationalization</td>
<td>1,423</td>
<td>0.477</td>
<td>8,914</td>
<td>1</td>
<td>0.003</td>
<td>4.149</td>
<td>1.630</td>
</tr>
<tr>
<td>Knowledge in international development</td>
<td>1,446</td>
<td>0.489</td>
<td>8,736</td>
<td>1</td>
<td>0.003</td>
<td>4.244</td>
<td>1.627</td>
</tr>
<tr>
<td>Opportunistic approach</td>
<td>1,209</td>
<td>0.53</td>
<td>5,199</td>
<td>1</td>
<td>0.023</td>
<td>3.349</td>
<td>1.185</td>
</tr>
<tr>
<td>Constant</td>
<td>-12,597</td>
<td>3.199</td>
<td>15,506</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>1</td>
</tr>
</tbody>
</table>

**Table 19. Models of the direct determinants of the intention to go international**

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\(^3\) Cf. the methodological note in Appendix 1
The retained model fit to the data is very good as indicated by several indices. First, the $R^2$ of Nagelkerke increases significantly from one model to another and landed for the final model at a very satisfactory level of 0.647. Similarly, the pseudo-$R^2$ of the model amounts to 0.486. Both indices may be interpreted in the same way as the coefficient of determination $R^2$ in a classic linear regression. In particular, the pseudo-$R^2$ indicates that the selected model explains 48.6% of the variance of the probability of internationalization, which is very satisfying.

Finally, the last model validation comes from the classification table, which shows every time the percentage of cases well classified by each model, i.e. assigned to the correct subset of franchisors. Here, we note that the retained model can classify 82.6% of observations well. If the results were analyzed by sub-population, the selected model can classify well 88.4% of the observations for networks with no intention to internationalize, and 73.1% of the networks with the intention.

These results are very satisfactory and show that the model chosen has a good explanatory power of intention to internationalize.

### 5.2. Indirect determinants of the intention to internationalize

The results of the binary logistic regression we obtained may seem surprising at first. More specifically, despite a model of a very good quality from a statistical point of view, only three determinants appear to play a role in the intention to internationalize. Such a result may then seem very simplistic to the extent that the decision to internationalize, as suggested by the interviews we conducted with non-internationalized but also internationalized franchisors, is a rather complex decision. Moreover, the determinants rejected in the binary logistic regression are often cited in both the literature and in the discourse of franchisors.

A closer reading of the interviews with non-internationalized franchisors then reveals links between the different determinants presented above. These links indicate that some variables may have an indirect impact on the decision to internationalize, promoting the three direct determinants identified by logistic regression. The issue of availability of resources, as we noted above, seems to have not only an impact on the international expertise of the franchisor, but also on the type of approach s/he adopts.

Thus, based on this new interpretation of the interviews and analysis of the correlation matrix between the variables of the previous model, we propose to test a model of antecedents of the three direct determinants of the decision to internationalize. In other words, this new model includes three dependent variables: the opportunistic approach, networks’ knowledge in international development, and the perceived ease to internationalize the concept.

Determinants selected for the perceived ease to internationalize the concept can be classified into three categories:

- The elements of the image of the network, represented by the positive image of France, ease of positioning the network as French, and the network’s brand image;
- The originality of the concept and of the know-how, measured by the scarcity of the know-how and the difficulty of imitation;
- The ability to easily adapt the concept internationally, measured by organizational agility and innovation strategy.
Determinants selected for networks' knowledge of international development are the following four:
- The role of professional bodies such as the FFF;
- The role of partners such as banks and supplier organizations;
- The availability of resources;
- Mastering the techniques of international trade.

Determinants selected for opportunistic approach are spread over eleven categories:
- The role of external change agents, as measured by two components: professional organizations and partner organizations;
- Attitudes towards internationalization, measured by the perceived benefits of business development, the perceived benefits of improved concept and offer, the overall perceived risk, and perceived financial risk;
- The general managerial orientations of the network, measured by two components: the search for growth and risk tolerance;
- The situation on the domestic market, as measured by three components: performance on the domestic market and the saturation of the domestic market;
- The elements of the image of the network, represented by the positive image of France, ease of positioning the network as French, and the network’s brand image;
- The availability of resources;
- The originality of the concept and know-how measured by the scarcity of know-how and the difficulty of imitation;
- The ability to easily adapt the concept internationally, measured by organizational agility and innovation strategy;
- The ability to transmit and monitor the implementation of know-how;
- Perceived ease of internationalizing the concept;
- The networks knowledge of international development.

The overall model including the three dependent variables, their relationships and their determinants is tested with structural equation modeling with the partial least squares approach, PLS-PM, with a bootstrap resampling with 1000 bootstraps. The analysis is performed using XLSTAT software.

Interpreting the results of such an analysis is usually done in two stages. First, we begin by assessing the measurement model, i.e. the relationships between variables and their indicators. In this case, and in line with the principal component analyses conducted above, we find that the measurement model is very satisfactory compared to conventional statistical criteria. Having established the quality of the external model or measurement, we analyze the internal model, i.e. representing the structural relationships between each set of explanatory variables and the dependent variable. The three sets of selected variables explain a significant proportion of the variance of the three independent variables, with $R^2$ of 32.1 %, 46.6 % and 59.9 % respectively for the perceived ease of internationalizing the concept, knowledge of international development, and opportunistic approach. However, all selected determinants do not seem to have a significant effect on these variables. This is particularly the case for the perceived ease
to internationalize the concept. As shown in Table 20, only the positive image of France has a significant and positive impact on the perceived ease of internationalizing the concept, with a regression coefficient of 0.19.

<table>
<thead>
<tr>
<th>Determinant</th>
<th>Coefficient</th>
<th>Std. dev.</th>
<th>T</th>
<th>low. (95%)</th>
<th>High. (95%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ease of French positioning</td>
<td>0.241</td>
<td>0.198</td>
<td>1.217</td>
<td>-0.319</td>
<td>0.354</td>
</tr>
<tr>
<td>France’s favorable image</td>
<td><strong>0.194</strong></td>
<td>0.072</td>
<td><strong>2.690</strong></td>
<td><strong>0.051</strong></td>
<td><strong>0.318</strong></td>
</tr>
<tr>
<td>Brand image advantage</td>
<td>0.023</td>
<td>0.093</td>
<td>0.248</td>
<td>-0.163</td>
<td>0.176</td>
</tr>
<tr>
<td>Innovation strategy</td>
<td>0.066</td>
<td>0.071</td>
<td>0.935</td>
<td>-0.081</td>
<td>0.199</td>
</tr>
<tr>
<td>Organizational agility</td>
<td>0.146</td>
<td>0.118</td>
<td>1.238</td>
<td>-0.222</td>
<td>0.284</td>
</tr>
<tr>
<td>Ease of imitation of the know-how</td>
<td>0.057</td>
<td>0.098</td>
<td>0.584</td>
<td>-0.162</td>
<td>0.182</td>
</tr>
<tr>
<td>Scarcity of the know-how</td>
<td>0.163</td>
<td>0.082</td>
<td>1.980</td>
<td>-0.122</td>
<td>0.275</td>
</tr>
</tbody>
</table>

Table 20. Determinants of the perceived ease of internationalization

The four determinants selected to explain the networks' knowledge of international development have a significant impact on this variable and jointly explain 46.6 % of the variance. However, as shown in Table 21, the impact of these determinants on networks' knowledge of international development is uneven. Thus, the main antecedent of this knowledge is the competence related to the mastery of international trade techniques. It is followed by the impact of available resources and the influence of the partner organizations. The impact of professional organizations such as the FFF is significant and positive, but stood at a lower level with a regression coefficient of 0.15. Beyond differences in the impact in terms of weight, we also find a significant difference in the impact in terms of participation of each determinant in $R^2$, i.e. the participation of each variable in explaining the variance in networks' knowledge of international development. Thus, mastering the techniques of international trade and the availability of resources together explained 70% of variance (37.37% and 34.35 % respectively), while the influence of external agents explains a smaller share if we take each category of agents separately.

<table>
<thead>
<tr>
<th>Determinant</th>
<th>Coeff.</th>
<th>Std. dev.</th>
<th>T</th>
<th>Low. (95%)</th>
<th>High. (95%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Professional organizations (including FFF)</td>
<td><strong>0.155</strong></td>
<td>0.055</td>
<td><strong>2.692</strong></td>
<td><strong>0.036</strong></td>
<td><strong>0.252</strong></td>
</tr>
<tr>
<td>Partner organizations</td>
<td><strong>0.232</strong></td>
<td>0.051</td>
<td><strong>4.389</strong></td>
<td><strong>0.130</strong></td>
<td><strong>0.342</strong></td>
</tr>
<tr>
<td>Available resources</td>
<td><strong>0.298</strong></td>
<td>0.062</td>
<td><strong>4.792</strong></td>
<td><strong>0.172</strong></td>
<td><strong>0.423</strong></td>
</tr>
<tr>
<td>Mastery of international trade techniques</td>
<td><strong>0.321</strong></td>
<td>0.057</td>
<td><strong>5.477</strong></td>
<td><strong>0.214</strong></td>
<td><strong>0.438</strong></td>
</tr>
</tbody>
</table>

Table 21. Determinants of networks' knowledge in international development

Finally, among the determinants selected for the opportunistic approach, ten of these collectively explain 59.9 % of the variance (Table 22). These ten drivers cover eight of the eleven categories described above. The two categories of external change agents have a significantly positive influence on the opportunistic approach. However, the impact of
professional organizations, including the FFF, is not only larger than that of the partner organizations, but are the strongest of the opportunistic approach antecedents. This is followed by one of the management attitudes towards internationalization, namely the perceived benefits of business development. Other managerial attitudes towards internationalization, the perceived benefits of improved concept and offer, also have a positive impact on the opportunistic approach, while the perceived risk of internationalization has no significant impact on franchisors’ opportunism. The third determinant of opportunism in order of importance of its weight is the perceived ease of internationalization of the concept. This result is particularly interesting as it highlights that perceived ease motivates the intention to internationalize both directly (see results of the binary logistic regression), but also indirectly through favoring an opportunistic approach. Moreover, it is the same for franchisors' knowledge of international development.

Among the general management orientations of the network, only risk tolerance has significant impact on the opportunistic approach, unlike the search for growth. This result is somewhat counter-intuitive. Indeed, the dependent variable here is the tendency of the franchisor to be on the lookout for external opportunities and not the actual decision to internationalize. Thus, it was logical to expect that the networks searching for growth are on the lookout for external opportunities, and risk tolerance would intervene later in the internationalization process at the time of acting on these external opportunities and turn them into a decision to internationalize. Among the determinants that have a significant positive impact, we also find the innovation strategy put in place by networks which encourages them to adopt a more opportunistic approach. Available resources are another factor that has a significant impact on the opportunistic approach. This is not surprising in that the opportunistic approach is resource consuming, mainly time and human resources. This was particularly evident in our interviews with franchisors, many of whom emphasized that they were often solicited by potential foreign partners and the processing of these requests can be very time consuming on the one hand, and require human resources and financial resources to respond on the other. However, note that the impact of available resources is the weakest among those of all other determinants. Finally, the last determinant which has a significant impact is the domestic market saturation. Contrary to our expectations and the teachings of the literature, market saturation is negatively related to franchisors' opportunistic approach. In other words, the more the domestic market seems saturated and the less franchisors tend to attach importance to external development opportunities. Thus, not only does the saturation of the domestic market not play in favor of the intention to internationalize as indicated by the results of the binary logistic regression, but also the saturation discourages franchisors to fully focus on the external opportunities. In this, the saturation of the domestic market seems to lead franchisors to refocus on their domestic market, which apparently becomes the main stake of the corporate strategy.

Moreover, the analysis of the non-significant relationships catches our attention by indicating that the determinants of two categories do not exert any significant impact on franchisors’ opportunistic approach to internationalization. On the one hand, we find the pure marketing elements related to the brand and the role of the country of origin. On the other hand, and even more surprisingly, we find the four variables related to the know-how of the franchisor, namely the rarity and difficulty of imitation of the know-how, and the franchisor's ability to transmit
and control this know-how. After all the analyses carried out so far, we find that mastering these skills, traditionally at the heart of the franchise system, seems to have no impact on the international approach of the franchisor, as they do not determine its intention to internationalize nor do they participate to explain the determinants of this intention. While these skills are at the heart of the success of the model of the franchisor in the domestic market, it is the skills and attitude of the franchisor in terms of internationalization that seem to dictate its international approach.

<table>
<thead>
<tr>
<th>Determinant</th>
<th>Coeff.</th>
<th>Std. dev.</th>
<th>T</th>
<th>Low. (95%)</th>
<th>High. (95%)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Professional organizations (including FFF)</strong></td>
<td><strong>0.113</strong></td>
<td><strong>0.018</strong></td>
<td><strong>6.353</strong></td>
<td><strong>0.078</strong></td>
<td><strong>0.147</strong></td>
</tr>
<tr>
<td>Partner organizations</td>
<td><strong>0.093</strong></td>
<td><strong>0.020</strong></td>
<td><strong>4.552</strong></td>
<td><strong>0.045</strong></td>
<td><strong>0.127</strong></td>
</tr>
<tr>
<td>Performance on domestic market</td>
<td><strong>0.063</strong></td>
<td><strong>0.051</strong></td>
<td><strong>1.244</strong></td>
<td><strong>-0.099</strong></td>
<td><strong>0.113</strong></td>
</tr>
<tr>
<td>Recherche de croissance</td>
<td><strong>0.047</strong></td>
<td><strong>0.027</strong></td>
<td><strong>1.768</strong></td>
<td><strong>-0.035</strong></td>
<td><strong>0.093</strong></td>
</tr>
<tr>
<td><strong>Risk tolerance</strong></td>
<td><strong>0.088</strong></td>
<td><strong>0.022</strong></td>
<td><strong>4.090</strong></td>
<td><strong>0.048</strong></td>
<td><strong>0.131</strong></td>
</tr>
<tr>
<td><strong>Network development benefit</strong></td>
<td><strong>0.107</strong></td>
<td><strong>0.020</strong></td>
<td><strong>5.395</strong></td>
<td><strong>0.063</strong></td>
<td><strong>0.141</strong></td>
</tr>
<tr>
<td><strong>Offering enhancement benefit</strong></td>
<td><strong>0.087</strong></td>
<td><strong>0.022</strong></td>
<td><strong>4.057</strong></td>
<td><strong>0.037</strong></td>
<td><strong>0.119</strong></td>
</tr>
<tr>
<td>Overall risk</td>
<td><strong>0.039</strong></td>
<td><strong>0.043</strong></td>
<td><strong>0.927</strong></td>
<td><strong>-0.065</strong></td>
<td><strong>0.094</strong></td>
</tr>
<tr>
<td>Financial risk</td>
<td><strong>0.048</strong></td>
<td><strong>0.045</strong></td>
<td><strong>1.061</strong></td>
<td><strong>-0.073</strong></td>
<td><strong>0.097</strong></td>
</tr>
<tr>
<td><strong>Available resources</strong></td>
<td><strong>0.061</strong></td>
<td><strong>0.024</strong></td>
<td><strong>2.533</strong></td>
<td><strong>0.006</strong></td>
<td><strong>0.105</strong></td>
</tr>
<tr>
<td><strong>Domestic market saturation</strong></td>
<td><strong>-0.084</strong></td>
<td><strong>0.025</strong></td>
<td><strong>-3.415</strong></td>
<td><strong>-0.132</strong></td>
<td><strong>-0.037</strong></td>
</tr>
<tr>
<td>Ease of French positioning</td>
<td><strong>0.078</strong></td>
<td><strong>0.063</strong></td>
<td><strong>1.234</strong></td>
<td><strong>-0.099</strong></td>
<td><strong>0.118</strong></td>
</tr>
<tr>
<td>France’s favorable image</td>
<td><strong>0.050</strong></td>
<td><strong>0.029</strong></td>
<td><strong>1.727</strong></td>
<td><strong>-0.013</strong></td>
<td><strong>0.102</strong></td>
</tr>
<tr>
<td>Brand image advantage</td>
<td><strong>0.022</strong></td>
<td><strong>0.042</strong></td>
<td><strong>0.534</strong></td>
<td><strong>-0.075</strong></td>
<td><strong>0.070</strong></td>
</tr>
<tr>
<td><strong>Innovation strategy</strong></td>
<td><strong>0.069</strong></td>
<td><strong>0.032</strong></td>
<td><strong>2.146</strong></td>
<td><strong>0.037</strong></td>
<td><strong>0.118</strong></td>
</tr>
<tr>
<td>Organizational agility</td>
<td><strong>0.053</strong></td>
<td><strong>0.046</strong></td>
<td><strong>1.168</strong></td>
<td><strong>-0.092</strong></td>
<td><strong>0.104</strong></td>
</tr>
<tr>
<td>Ease of imitation of the know-how</td>
<td><strong>0.030</strong></td>
<td><strong>0.052</strong></td>
<td><strong>0.578</strong></td>
<td><strong>-0.091</strong></td>
<td><strong>0.085</strong></td>
</tr>
<tr>
<td>Scarcity of the know-how</td>
<td><strong>0.076</strong></td>
<td><strong>0.037</strong></td>
<td><strong>2.046</strong></td>
<td><strong>-0.070</strong></td>
<td><strong>0.129</strong></td>
</tr>
<tr>
<td><strong>Ease of internationalization of the network</strong></td>
<td><strong>0.102</strong></td>
<td><strong>0.019</strong></td>
<td><strong>5.361</strong></td>
<td><strong>0.062</strong></td>
<td><strong>0.131</strong></td>
</tr>
<tr>
<td><strong>Knowledge in international development</strong></td>
<td><strong>0.089</strong></td>
<td><strong>0.023</strong></td>
<td><strong>3.939</strong></td>
<td><strong>0.044</strong></td>
<td><strong>0.133</strong></td>
</tr>
<tr>
<td>Know-how control</td>
<td><strong>0.039</strong></td>
<td><strong>0.028</strong></td>
<td><strong>1.384</strong></td>
<td><strong>-0.032</strong></td>
<td><strong>0.090</strong></td>
</tr>
<tr>
<td>Know-how transmission</td>
<td><strong>0.051</strong></td>
<td><strong>0.061</strong></td>
<td><strong>0.827</strong></td>
<td><strong>-0.092</strong></td>
<td><strong>0.096</strong></td>
</tr>
</tbody>
</table>

*Table 22. Determinants of the opportunistic international approach*

The final model of the determinants of the decision to internationalize is recomputed keeping only the significant determinants. This leads to slight changes in the regression coefficients but the new coefficients follow the same order of magnitude as before. All the significant relationships between the variables are presented in Figure 20.
Figure 20. Two-stage model of the determinants of the decision to do international
Chapter 3: The main strategic choices of the franchisor in his internationalization
Having studied in the previous chapter the decision making process of the franchisor and that leads to the choice of international expansion, we dedicate this third chapter to the study of the major strategic choices that the franchisor must operate during its internationalization. As with all businesses that grow internationally, the franchisor must particularly take position on three main issues relating to the choice of target countries, the choice of entry and presence modes as well as the choice of standardization or adaptation of the international offering. Analysis of the interviews conducted with internationalized franchisors, their overseas partners and experts, as well as data collected by questionnaire from internationalized franchisors help shed light on the choices made by the French franchisors on these three points as well as the underlying decision-making processes. The analysis uncovers different upstream approaches to internationalization adopted by the franchisors, and that vary in their degree of opportunism or voluntarism, subsequently influencing the strategic choices of franchisors. A section will be devoted to the international upstream approach of the franchisor, just after a brief presentation of the literature on these issues.

1. A literature review on the international strategic choices of franchisors

1.1. The choice of target countries

A multitude of criteria for selecting target markets is highlighted in the literature. Baena (2012) and Baean and Cervino (2011) report the impact of macro-environmental variables such as the level of economic development, political stability, corruption and the rule of law on the attractiveness of markets. In addition, these researchers highlight the impact of the distance between the country of origin and the host countries and that affects negatively the latter’s attractiveness. Here, the distance is operationalized in multiple ways, according to the CAGE framework (Ghemawat, 2001), including Cultural, Administrative, Geographic and Economic distance. Aliouche Schlentrich (2011) point out the trade-off between costs and benefits of a destination, and empirically show a stronger impact of the benefits and perceived risks of destinations than the distance between the destination and the country of origin. These results echo the declining importance of distance in international relations.

This research stream remains however focused on the criteria of market attractiveness and not on the decision-making process of franchisors based on such criteria. Two notable exceptions are the studies by Welch (1989) and Doherty (2009). Welch identifies the progressivity of the internationalization process, where the destinations are chosen in chronological order according to the geographical and economic proximity. Doherty identifies two approaches to internationalization: a strategic one, initiated by the franchisor, and an opportunistic one, where internationalization comes in response to a request initiated by a potential franchisee. In this second case, the choice of the country become secondary as it is determined by the choice of the international partner.
1.2. The choice of a mode of international expansion

Previous research has addressed the question of networks’ international expansion mode on two levels of choice: first, a choice between expanding through franchising or company owned outlets, and second a choice between the different modes of international franchising.

Sashi and Karuppur (2002) propose, to our knowledge, the largest theoretical framework on the choice of franchising as a mode of international expansion, based mainly on analysis in terms of transaction costs and agency theory. They outline a set of elements that promote or discourage franchising as an international expansion mode. Thus, international expansion through franchising would be favored by uncertainty in the macro-environment (e.g. political and economic), or where the target markets are very different from the home market and/or the product or service requires a high level of adaptation. In all these cases, franchising can reduce the risk associated with internationalization because it is a non-capitalistic expansion mode, where the franchisor relies on a network of local entrepreneurs who have a better knowledge of local market conditions.

Moreover, franchising would also be preferred when the geographical distance to the domestic market is high and when the international experience of the network is limited. In fact, these two conditions increase the costs of control and agency risks within the network and that can be reduced through franchising. In addition, when the network’s concept requires significant capital, it could also be tempted by franchising as it gives access to capital from future franchisees. This argument is echoed by Alon et al. (2011) in their study on the internationalization of the hotel industry. These authors consider that the capital intensive side of the hotel industry promotes its international development in a franchised mode.

In contrast, Sashi and Karuppur (2002) also refer to factors that act against international franchising. In particular, networks with strong technical and technological specificity would have less incentive to develop through franchising, because it implies larger costs related to the establishment of mechanisms for the protection and dissemination of this technological know-how through the network.

Beyond the choice of international development through franchising, internationalizing franchisors are also faced with the choice of an international franchise mode. This decision is logically presented in the literature as the second step in a hierarchical process, i.e. just after the choice of franchising as a mode of international development (Pan and Tse, 2000, Sashi and Karuppur, 2002).

The majority of published research on this topic focuses on identifying the determinants of the choice between direct franchising and master-franchising. The choice of master-franchising is based mainly on the fact that it requires less resources from the franchisor, involves less risk-taking and lower commitment level than other forms of international expansion, and reduces the complexity of managing the international network by reducing the number of the franchisor’s foreign partners in the target market (Alon, 2006b). Claude Nègre (2006) considers in his analysis the franchisor’s resources, transaction and agency costs, the desired level of control on operations abroad, the local adaptation level or the implemented spatial strategies.

In a complementary manner, Alon (2006b) points out the influence of the environment of the country of destination on the choice of a mode of presence of the foreign franchisor, master-franchising being favored by a competitive economic environment with high variability of the
demand, a strong geographical and psychological distance between the two countries, a strong
development of franchising activities, a high level of legal protection and a low level of
corruption. Sashi and Karuppur (2002) underline that the "delegation" aspect that is inherent to
master-franchising makes the latter more attractive on markets with higher levels of legal,
economic and/or cultural instability or uncertainty.

1.3. The choice of standardization or adaptation

The choice between standardization and adaptation has been among the most studied and
debated issues in international marketing for the last forty years. Advocates of standardization
advance the importance of economies of scale, coupled with managerial simplification, and the
emergence of a global consumer culture (Cleveland and Laroche, 2007). In contrast, advocates
of adaptation argue that, beyond incompressible international differences (e.g. language,
climate, etc.) that require a certain level of adaptation, cultural differences still persist and
influence consumer behavior.

This research stream converges however towards some consensual outcomes: neither extreme
standardization nor extreme adaptation is a realistic approach; standardization should be the
goal and adjustments should be made only when necessary; and adaptations should especially
concern the operational elements of the offering, without altering its strategic core (Ghantous,
2008). There is little research on these issues in the specific context of franchised networks.
Thompson and Merrilees’ (2001) "modular" approach is a notable exception, that in part reflects
the consensual results presented above. These authors consider the decision to standardize or
adapt at the level of three categories of elements of the franchisor’s offering, linked to its brand,
marketing mix and operations. In each category, they propose to define the core elements and
other peripheral elements. Hence, the first should be standardized while the latter can be
adapted.

Another limitation of this stream of research is that it address the standardization/adaptation at
the level of the offering to the end market and much less at the level of franchise offer made to
franchisees. Sashi and Karuppur (2002) suggest for example that, since the geographical
distance increases the cost of controlling franchisees, the franchisor should probably increase
the entry fees and reduce the level of royalties for distant countries in order to increase the profit
share of the franchisee on his own turnover, thus aligning his interest even more to that of the
franchisor. Lafontaine and Oxley (2004) find a strong tendency to standardize franchise
contracts internationally and operate only limited adaptations, mainly at the level of entrance
fees. Their results also indicate that the level of adaptation does not appear to increase with
time. However, it should be noted that this work is limited to U.S. franchisors operating on the
Mexican market, which significantly reduces the scope of its results.

2. The networks’ approach to internationalization

Our survey of non-internationalized franchisors presented earlier revealed a dichotomy
between, on the one hand, franchisors who take a purely opportunistic approach where
internationalization is initiated as a response to a request by a foreign partner, and on the other
hand, a more strategic and proactive approach, where internationalization is initiated by the franchisor in a more or less planned manner. Our qualitative and quantitative studies with the already internationalized franchisors show that this dichotomy remains relevant to study the international approach of these franchisors as well. While some franchisors who began their internationalization in an opportunistic approach subsequently progress towards a more planned one, many networks continue to adopt a very opportunistic behavior, and some are even purely opportunistic. In addition, the more planned approach does not prevent franchisors from being alert to opportunities and acting opportunistically at times.

In general, the responses of franchisors to our quantitative survey indicate that the opportunistic approach of internationalized networks remains moderate overall, with an average score of 3.29, close to the average rating point of our scale. This score is higher than the one previously observed with non-internationalized networks, but the comparison makes little sense given that the questions are formulated in a very different way.

However, the analysis of the four items used here to measure franchisors’ opportunism allows us to better understand the approach adopted by the internationalized franchisors (Figure 21).

### Figure 21. Franchisors' international approach

<table>
<thead>
<tr>
<th>Opportunism and strategic planning in franchisors’ international approach</th>
</tr>
</thead>
<tbody>
<tr>
<td>We have established a real international market surveillance procedure to watch for expansion opportunities abroad</td>
</tr>
<tr>
<td>We dedicate human and financial resources to international exploration to find new opportunities abroad</td>
</tr>
<tr>
<td>We do not have a specific internationalization project, but we will penetrate a new country if we have a request from the right partner</td>
</tr>
<tr>
<td>We prefer to expand internationally in response to requests from potential partners instead of doing it based on our own initiative</td>
</tr>
</tbody>
</table>

Thus, while the two items that actually reflect an opportunistic approach score on average close to 3, the other two items score less than 2. However, these two items, covering on the one hand the resources devoted to international exploration and on the other hand the establishment of an international monitoring processes, reflect by their low score the absence of a genuine strategic approach among franchisors in their international expansion projects. The opportunism that was prevailing before internationalization and that largely dictated the decision to internationalize seems to extend once the network operates internationally, or at least not to fade away and evolve into a more strategic and planned approach.

Moreover, the analysis of the interviews conducted with internationalized franchisors sheds light on the nature of opportunities seized by franchisors. It also allows a finer understanding
of franchisors’ international approach beyond the classical dichotomy between the purely opportunistic and strategic approaches. Instead, it indicates different levels of international opportunism and voluntarism, while highlighting the criteria that can distinguish them. Finally, our analysis also shows that the franchisors’ approach is often dynamic, and often evolves towards a more proactive approach as described below.

2.1. The nature of international opportunities

Franchisors’ opportunistic behavior is mainly triggered by the solicitation of potential partners wishing to export the network to a specific country. These requests come from both foreign partners and French partners wishing to settle abroad. A specific case for this latter situation is that of French franchisees who wish to change their country of residence and therefore offer their franchisor the opportunity to export its concept. In addition, these solicitations go through different channels, of which the dominant one is internet and more specifically email requests. Franchising expositions organized in France are also often opportunities for meetings with potential foreign partners.

In addition to these requests by potential partners, we identify other types of solicitations by other actors and that also lead to the international expansion of some of the surveyed networks. Two particularly important examples emerged from our interviews. In the first case, networks receive requests to expand abroad from other networks operating abroad or who want to start operating abroad, and with whom there is a complementary of business or positioning. This is particularly illustrated in the case of large retailing networks, seeking partners from industries such as fast food automotive services or hairdressing to join them in their international development. The second case concerns networks offering Business services, and that are requested by some of their internationalizing clients to follow them abroad.

2.2. The nature of the international approach

At the broadest level, internationalized franchisors can be classified into two broad categories. The first one includes the networks which international approach is driven by external opportunities and follow an international strategy that we can qualify as "opportunity-based pull strategy". The second category includes networks which international approach is most often initiated internally and is of a more planned character. These networks therefore follow what we call a "proactive push international strategy".

This dichotomy based on the internal or external nature of the trigger of internationalization seems very simplistic however. We therefore propose an alternative reading that refines each of these two approaches into two others, and based on a set of indicators that can be aggregated at the broadest level, as they reflect the level of committed resources and planning on the one hand, and the focus of the international development strategy of the other network on the other hand. The four approaches that result are shown in Figure 22 and are more fully described and illustrated in the following paragraphs.
2.2.1. The passive opportunistic approach

In this first type of international approach, the internationalization of the network is the result of external opportunities, corresponding to requests by partners wishing to develop the franchisor’s concept abroad, and that were deemed interesting at some point. However, this opportunism remains very passive in the sense that the franchisor considers these transactions as isolated incidents that require little attention and involvement on his part. More specifically, we identify four characteristics of this type of approach.

First, although the network can expand on several foreign markets, it continues to consider its market as the domestic market. In other words, the sole object of both the business strategy and the resources dedicated to its pursuit is the domestic market:

"France [...] is our major playground, that is to say that the international is now trivial and we do not want it any other way" (Franchisor, traditional restaurant network)

Moreover, not only is the concentration of the network mainly on the domestic market, but also the international market at this stage is still not considered as strategic. This reinforces the passivity of the network in its approach, which continues to be in its international focus exclusively based on external opportunities:

"As international presence is not considered as absolutely strategic for the moment, well, if there is an opportunity, why not, but we will not go search for opportunities not will we create it from scratch " (Franchisor, auto service network)
The second characteristic refers to the nature of seized opportunities. First, it is important to note that seizing opportunities remains very rare for these networks, although they are very often solicited. In addition, opportunities seized are those that are perceived as relatively easy in the sense that the foreign candidate highly fits, both at the country level and characteristics of the partner per se, the very desirable profile according to the franchisor. This was for example the case of two franchisors that we have encountered. The first has expanded internationally in response to the solicitation of a candidate that he knew personally, and he hence knew the reliability and autonomy of the candidate on the basis of their relationship. The second network is part of a larger group, and has responded positively to the request of a long-term partner of other brands of the group on a nearby market with great opportunities. This type of opportunity is then perceived as requiring little involvement on the part of the franchisor, because the partner is considered to be very autonomous and independent, not requiring virtually any monitoring from the franchisor. This seems especially important given the first feature that we introduced for this type of approach because it does not distract the franchisor of the main object of its strategy, namely the domestic market.

The third feature of the passive opportunistic approach is that the external opportunity seized by the franchisor does not initiate further internationalization projects or specific actions thereafter. In other words, this opportunity is not perceived by the franchisor as a springboard to international experience and first-hand learning experience to embark on a larger scale later. Instead, it is viewed an isolated experience that is not intended to develop any further. This can be illustrated with the case of a food-retailing franchisor that has had two franchised stores in a single country with a single partner since 1995, and that has not expanded any further internationally ever since.

Finally, the fourth characteristic of the passive opportunistic approach is that the franchisor does not commit resources to international development. Hence, no specific effort is made to monitoring international partners, apart from the basic order tracking and repatriation of royalties. The philosophy of these networks is clearly expressed by the aforementioned food-retailing franchisor and who finds no need to intervene because "it already works very well with both stores". Similarly, the franchisor of traditional restaurant, although having among his staff personnel with international skills such as knowledge of foreign languages, clearly states that he has "people on the team who could be dedicated to international development as a part of their job [...] however, we are not ready today to say that we will dedicate our workforce to that course".

2.2.2. The active opportunistic approach

As in the case of the passive opportunistic approach, the internationalization of the network remains largely based on seizing opportunities triggered by external solicitations. However, the attitude of the franchisor differs from the previous approach. Mainly, we can outline four major
characteristics of this approach, many of which can be crossed with those of the passive approach.

First, the network’s strategy remains firmly focused on the domestic market, but the latter is no longer the exclusive purpose of the strategy. International markets are still not at the heart of strategic thinking. Nevertheless, they are considered as an extension to the overall strategy of the network and that is interesting to explore. This is manifest through a stronger interest of top-management in internationalization as a growth venue, though international expansion is not a goal on its own right. This is the case for example of a network of traditional restaurants, whose export manager’s recalling of the beginning of their international experience highlights a very passive opportunism based on "chance", the "coincidence" or even a "whim". Today, the network’s approach remains opportunistic but it adopts a much more active posture:

"It is not the heart of our expansion strategy, [but] an expansion venue that is possible because our top-management is very open and very attentive, there is no priority given to international expansion, however they will go willingly, so it’s already not bad"

(Franchisor, traditional restaurants)

The second feature of this approach also relates to the attitude of the management towards the seized opportunities and the events that they trigger. It manifests itself in two ways. On the one hand, networks that are part of this process try to instigate more strongly new international opportunities. This is for example the case of an export manager who keeps a blog to improve the visibility of the network including on the international scene, or the case of a network of services contacting the French economic services abroad and other public or semi-public agencies to instigate external solicitations. On the other hand, these networks adopt a posture of learning in relation to their foreign partners encountered during these opportunities, especially trying to learn from their failures abroad in order to capitalize on in the future.

The third characteristic of active opportunism concerns the treatment of the external requests received by the company. In the passive approach, only a small number of requests was considered, and in particular those that corresponded to historical partners or filling very restrictive criteria that minimize the commitment of the franchisor. In the present case, we find that networks have a much more complex assessment of external solicitations. This is manifested for example by defining a list of countries and regions in order to refine its analysis of requests received or by the establishment of a more complex evaluation grid, based on criteria such as the accessibility of the market, its potential and the quality of the requesting candidate.

Finally, active opportunistic networks devote resources to international development, in contrast with passive opportunistic networks. However, these resources are relatively limited and, most often, are not fully dedicated to international expansion. This is the case of an export manager in a traditional restaurants networks who, although she joined the company ten years ago to manage the network’s export, had relatively long periods (two years) where she was allocated 50% to international development and 50% to the development of a French region. The fact that the resources deployed abroad are not dedicated to this goal, but shared with the resources of the domestic market is also evident through the following example:
"I have a concrete case now where, for example, to model the content of the breakfast there, they wanted me to work on it, I did it with the colleague in the marketing department, and who handles the product, who is responsible for the French market and his functions, his job is to work on the French network, so we are not devoted today, there is no international team, operational team I mean" (Franchisor, hotel network)

2.2.3. The international proactive approach

The international proactive approach marks a clear break with the two opportunistic approaches. Particularly, international development is no longer driven by external solicitations but is voluntary, deliberate and planned, and the company is actively engaged in this course in order to achieve clear objectives. Several aspects characterize this process and allow to distinguish it from the previous approaches.

At the broadest level, the international market is no longer considered as an additional opportunity to develop the domestic market, but as a full-fledged object of the overall strategy of the company. In most encountered cases, the domestic market still remains dominant in terms of number of locations or sales revenues. However, the importance of the international market appears in different ways.

First, the company engages in an active process of prospecting, including the participation in international fairs, the development of multilingual websites and websites that are dedicated to the international aspects of the network activity, the activation of a web of public and private partners to instigate meetings with potential foreign partners, as well as very frequent trips abroad of the international development managers of the firm. One manager of international expansion in a retailing franchise even qualified this prospecting approach implemented by his network as "hunting for partners". Note, however, that the fact that the network actively engages in prospecting does not mean that it neglects the business opportunities that are generated by spontaneous solicitations. However, as stated by the same manager, the process of active prospecting becomes dominant at this stage:

“
We have both approaches. There are partners that we, because we are still a very well-known brand, so many people call us, we do not say 'yes' to everything [...] so if you want, yes we will meet people, but I think that we are rather in a hunting approach, to prospect countries rather than wait for requests to arrive” (Franchisor, retailing network)

This strategic emphasis on international expansion is also reflected in the level of resources allocated to this type of development. Unlike the active opportunistic franchisors, resources allocated to international expansion by the networks adopting this proactive approach are not only more important, but also entirely dedicated to international expansion. This is particularly the case at the levels of recruitment and human resources. Specific individuals are recruited on the basis not of their skills in franchising or in the industry, but their skills and experience in international development. In addition, these resources are fully dedicated to international expansion so as to optimize their performance in the context of a large-scale development. Thus, the export manager is replaced here or at least supported by regional managers, and the latter can often rely on dedicated teams.
Another very important feature that we have observed in many companies, and that also underlines their strong commitment to international expansions, is their attitude towards the problems and failures encountered during internationalization. Unlike opportunistic companies, which failure in a specific country often resulted in the network’s withdrawal from the market, proactive companies show determination and perseverance in the face of failure:

"[A country] that was for us very chaotic and is associated with partnership problems, difficulties to find a good partner, and to date [...] me, it's been two locations that I had to shut down, so I've built two, I removed two, a real problem partner. [but still] it is out of question that go away and leave that market" (Franchisor, hairdressing and styling network)

International voluntarism is also reflected in a significant planning effort. Franchisors have a very clear idea of the countries they wish to invest in the short and medium term as well as the order in which the international development must take place. In addition, this planning is very explicit and is often accompanied by a clear codification of procedures, for instance related to the choice of countries or partners. Moreover, these plans and procedures seem to evolve around clearly defined strategic objectives. This is the case for example of a food network which planning for countries to prospect and open is made to maximize the learning about a specific geographic zone and a wider expansion on the same zone afterwards:

"You know when you are an evolving company, you are obliged to follow a strategy [...] you've got Asia, the Maghreb, and then you have the Gulf, the Middle East, so when you start to expand and you get to learn about different countries, different cultures, in terms of regulation, in terms of consumption, because in the Middle East you do not eat the same way as when you're in Japan" (Franchisor, food network)

Finally, despite the importance of international expansion in this proactive approach, one last feature is that the approach to business remains that of a French company that develops internationally. The domestic market remains the epicenter of the company, the anchor of its culture and especially the decision-making center. Two examples we encountered serve to illustrate this. The first is a network of hairdressing and cosmetics which market is divided into three main areas: Western Europe, the export market that represents the rest of Europe and the Mediterranean countries, and the large export market that represents the Americas, Oceania and the Far East. However, it is interesting to note that Western Europe, which is the "heavyweight" of the network in terms of turnover and number of outlets, is still designed and managed as an extension of the French market:

"It was the famous area of six, six because six countries, France is our historical and domestic market with its 435 outlets, then around France from North to South, Belgium, Luxembourg, Switzerland, Italy and Spain, that is the area of six in Europe today, it is that one" (Franchisor, hairdressing and styling network)

The second example is a network with strong international presence, but that refuses to relocate its production to countries with lower costs, largely due to its cultural roots, not only as a French company but more particularly as originating from a specific region of France:
"We are a family, we are from [a French region] and who want to keep their business in [this French region] and who want to stay in France, they can grow in other countries, but there is still a real desire to keep their plans in [this French region]. You will find the same things at Beaumanoir, Michelin, you are on this French family capitalism that goes global, but still retains its French roots" (Franchisor, specialized distribution network)

2.2.4. The global company’s approach

The highest level of international involvement and commitment is that of companies with a global approach. What distinguishes this approach from the previous ones does not lie primarily at the level of prospecting and initiation of franchise relationships. The main difference is in the business culture and the company’s vision of its market. More specifically, the three companies that we identified in this category look at the whole world as their market, instead of looking at the world from France:

"Ultimately, our playground, it's really the world" (Franchisor, cleaning services network)

Several features of these companies and their way of doing seem to stem from this approach to internationalization. First, none of these companies adopts language elements centered on the French identity or anchored in the country or region of origin, and no reference to this origin is present in the discourse of these franchisors, unlike all other internationalized franchisors we have interviewed. This lack of national roots also occurs at the level of human resources, where we find people of foreign nationalities at the head of the network or the department of international development. Then, in the role of France as a place of production and management. Thus, the only manufacturing company among these three has relocated an important part of its production abroad, and one of the other two companies, purely service-based, has relocated its decision-making and management center in other European countries.

Beyond this detached approach from the country of origin, the approach of these companies in other countries in which they operate is also different from what we observed previously. Thus, foreign markets are no longer considered solely as sources of growth and revenues, but also as sources of learning. This learning logic was already present in the international proactive approach as we noted above. However, the two approaches differ in the direction of learning. Thus, in the case of international proactive networks, foreign locations were used as learning centers to better serve and reach out to other foreign locations. In the present case, we also find feedback effects on the domestic market from abroad, reflecting a strong logic of exchange and search of synergies across the network:

"There are a lot of initiatives, and this is precisely the richness of an international network, there are so many initiatives whether in sales, whether also in management, whether on the staff motivation, well I mean we really have an extremely rich base from which we can draw, in which we can find new ideas" (Franchisor, personal services network)
2.3. Evolution of the international approach throughout the network’s international lifecycle

The discourse of the franchisors indicates that the four approaches of internationalization that we have identified can be linked together and mapped along the network’s international lifecycle. In other words, there are only few networks among those that we have encountered and that have started their internationalization directly by clearly following the proactive approach. Most networks address internationalization through an opportunistic approach before moving eventually to a more proactive one. Moreover, none of the networks that we have met had started its internationalization by following the global approach depicted above.

2.3.1. An increasing international commitment

As they evolve from one approach to another, franchise networks increase their level of international engagement, with more dedicated resources and an increasingly strategic place of internationalization in their growth projects. None of the networks that we have encountered has decreased its international engagement through its international lifecycle, going back as such from a proactive approach to an opportunistic one, or from an active to a passive opportunism. This result is particularly interesting in the case of networks that have met with great difficulties and many failures in their internationalization. One could then expect that such networks would reduce their commitment and decide to devote fewer resources to international expansion, returning to a passive approach for example. Instead, we realize that not only the difficulties and failures do not seem to dissuade the networks from moving forward in their internationalization projects, but also that such failures and difficulties enhance franchisors’ international commitment and their belief in the need for a more structured and strategic approach:

“In the 90s, most brands have developed opportunistically because there is someone one day in Morocco or Saudi Arabia who said ‘I’d like to sell your brand’, so you go, ok. And then another country, and then a third country and then after a while we realize that we must be damn organized to manage a network of shops around the world. Your development can stop quickly if you are not behind the structure to manage all these people abroad, because it is necessary that we have teams that go there to see these partners and you must be able to manage their stocks too. So it takes a big, important structure” (Franchisor, personal equipment network)

2.3.2. Triggers of franchisors’ proactive international behavior

The evolution of the different networks between the different approaches depicts highly variable cycles in the duration of their various phases and the speed of transition from one phase to another. For example, some networks remain for several decades in a very passive approach before accelerating and industrializing their international development, passing to an active and proactive approach. For other networks, this passage is however faster. Some specific triggers seem to play an important role in the decision to move from one stage to another. Specifically, two such triggers seem to play a decisive role.
First, the saturation of the domestic market seems to trigger the desire to speed up the process, while in contrast, having significant growth opportunities on the domestic market seems to slow the franchisor’s internationalization and anchor the network in its opportunistic approach:

"We went abroad because he had a lot of people knocking on the door, investors wishing to establish [network name] in their country [...] we are not very quick in our internationalization simply because it is booming in France and that France, at the time I’m speaking to you, is still our major playground" (Franchisor, traditional restaurant network)

The second trigger refers to the top-management’s attitudes in strategy formulation. In some networks, international development has long remained opportunistic due to managers’ attitude towards internationalization, which was not a strategic priority. However, we also met two specific cases where a change at the top-management level has led to a change in the attitude towards internationalization and eventually to a much more proactive approach. In the first case, a member of the second generation of the owning family took control of the network. The arrival of this new manager, much more aware of the importance of internationalization, triggered a stronger voluntarism, resulting for instance in hiring new staff members with specific international competencies. In the second case, the acquisition of the network by investment funds instilled a culture of search for growth opportunities, making international expansion a very desirable expansion venue, and hence promoting a much more engaged international approach.

2.3.3. Determinants of the international proactive approach

We also find more direct determinants of the adoption of a proactive approach. They correspond more specifically to elements which detention by a network that is willing to adopt a structured and committed international approach seems to directly facilitate the adoption of such a proactive approach and in this sense to favor it. Three broad categories of determinants can be inferred from franchisors’ discourse.

2.3.3.1. Resources and skills

The international proactive approach is very resource consuming. Thus, the discourse of franchisors indicate that the possession of certain resources is an essential condition for the network to adopt a proactive approach to internationalization. The two types of resources that are most cited by our respondents are financial and human resources. To adopt a proactive approach, the network clearly needs to have substantial financial resources to cover the resulting expenses, but also the teams and support staff number. However, the importance of human resources is not measured only in quantitative terms but also by holding specific international skills, such as a specific expertise in international logistics or better knowledge of the target countries. These resources are acquired with time and experience as the network moves on through its international lifecycle. Finally, time is also an important resource to be able to develop a proactive international approach, as it appears from the speech of many franchisors.
2.3.3.2. Mastery of the know-how

The second category of factors that seem necessary upstream of a proactive international development involves the mastery of the know-how throughout the network at large. This is then reflected in three ways. First, several franchisors seem to consider that a network which concept and know-how are still not quite mastered, can still internationalize if it meets very specific opportunities, with a foreign partner who presents the same profile as the typical French partner (i.e. franchisee), and thus requires little commitment on the part of the franchisor. However, a more structured and proactive approach should wait until the concept is more clearly developed and mastered first on the domestic market:

"International markets demand much effort, time, energy, adaptation, therefore the having strong foundations in the mother country is fundamental before going to 'plant the network's flags' at an international level" (Franchisor, traditional restaurants network)

Mastery of the know-how is also evident through the ability to transmit and control the know-how. Specifically, franchisors who wish to adopt a proactive approach need tools that allow them to communicate with potential candidates about the concept and know-how, to transmit it and control it thereafter:

"The time has come for us this year to accelerate the process, and especially to industrialize it before accelerating. To do this, I planned this year, I am in the process of hiring a person who will work with me for a few months, just to codify the process of opening an international franchise [...] I 'm not going to go much further in the immediate future with these candidates to the international franchise, I must have tools that are not yet built, specifically for the international" (Franchisor, network of hotels)

Finally, mastery of the know-how is also evident in the franchisor's ability to respond nimbly and quickly to different national contexts, i.e. to adapt its offerings and know-how as well.

2.3.3.3. The image of the network and its brand

A final element also appears, though less clearly and in a more limited way, in franchisors’ discourse. It concerns the image of the network at large, with elements such as its geographic origin or its brand image. Despite the low importance of these elements in the discourse of franchisors, we consider them noteworthy because they appear in a somehow counter-intuitive way. Specifically, it is intuitive to think that a network which has a very positive and strong image in terms of brand and / or country of origin is pushed to favor an opportunistic approach, because such an image would be a strong element attracting more spontaneous applications from foreign candidates. On the contrary, it comes clear from our interviews that this image seems to motivate even more a shift towards a more proactive approach.
2.3.4. The model of the determinants of the opportunistic approach

Based on the determinants highlighted in the preceding paragraphs, we tested the model shown in Figure 23 using quantitative data collected from internationalized franchisors. In addition to these determinants, the role of the lifecycle is taken into account by including the duration of the presence of the network on international markets.

The selected determinants jointly explain 58.7% of the variance in franchisors’ adoption of an opportunistic approach. Six determinants have a significant impact, direct and/or indirect, on the adoption of such an approach (Table 23). Before analyzing them separately, it is important to note that all of these six determinants exert a negative influence on the opportunistic approach. In other words, and as expected, these factors promote a more proactive approach.

The determinant with the strongest impact in reducing the opportunistic approach of networks is the availability of resources, followed by the mastery of international skills and competencies. Within these skills, mastering the techniques of international trade has a stronger impact than franchisors’ knowledge in terms of international development. At the level of organizational skills related to the mastery of the know-how, the more the franchisors master control and the less they will use an opportunistic approach. Similarly, franchisors having more adaptive capacity through a strong organizational agility also diverge more from the opportunistic approach. Finally, the last observed effect supports the idea of an international lifecycle in terms of the adopted approach to internationalization, since the duration of internationalization encourages franchisors to abandon the opportunistic approach in favor of a more planned one.
### Determinant of Direct and Indirect Impact on Opportunities

<table>
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<tr>
<th>Determinant</th>
<th>Direct Impact</th>
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<th>Indirect Impact</th>
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<th></th>
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<td>Resources</td>
<td>-0.17</td>
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<td>International Trade Techniques Mastery</td>
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<td>Knowledge in International Development</td>
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<td>Organizational Agility</td>
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<td>France’s Favorable Image</td>
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<td>Know-How Transmission</td>
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<td>Ease of French Positioning</td>
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<td>Innovation</td>
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<td>0.071</td>
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<td>Difficulty to Imitate Know-How</td>
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*Table 23. Results of the model of determinants of opportunistic approach*

3. The choice of target countries and the number of host countries

3.1. The choice of target countries

Three major lessons emerge from our analysis regarding the choice of target countries. We first present these lessons before presenting the selection criteria of foreign markets used by most franchisors.

3.1.1. Absence of a clear and methodical approach

The majority of network managers were able to spontaneously cite criteria used to evaluate and select the target countries. However, what is striking in those franchisors’ discourse, is that they rarely develop a systematic and clear approach to conducting this selection process. Thus, even when selection criteria such as geographical proximity are used, these criteria are rarely codified in a procedure to follow and apply in all cases. Moreover, these criteria often seem very unstable and the same criteria are not always used in the evaluation.
Only two of the 28 networks we interviewed have established a relatively clear procedure that they seem to be use in their assessment of the majority of situations. This is the case for example of a network of automotive services which established a process to evaluate the markets in the form of a funnel, with a succession of assessments that gradually discard markets that do not match the criteria. These criteria are then in order of appearance in this network’s funnel method: market accessibility, measured by the existence of barriers to entry; commercial accessibility taking into account the concept of network; the commercial potential of the market; and finally the existence of potential partners.

3.1.2. Three main approaches for the selection of countries

We identify three main approaches that govern the choice of target countries. Note, however, that these approaches are not mutually exclusive. In other words, even if each franchisor seems to have a dominant approach, this does not preclude the selection of target countries at times based on the criteria from a different approach.

3.1.2.1. The “capillarity” approach

The most dominant approach in franchisors’ discourse is the approach by capillarity. It consists of focusing on countries that have a high proximity to France, in order to facilitate access and reduce operating costs and possibilities of failure. This search for proximity is first manifested in the form of geographical proximity. Thus, most of the networks that we have met have started to internationalize in locating in neighboring countries such as Belgium, Germany and Luxembourg.

"The first settlements were rather European and neighboring to France, so Spain, Benelux, Italy, Austria, that kind of the countries" (Franchisor, hairdressing and styling network)

Proximity may also take other aspects. Cultural proximity is thus often invoked as a facilitating element and as reducing the risk of failure:

"Morocco, it was easy, because ultimately, between the French and Moroccan, there is no language barrier and there are still some nice business opportunities [...] Lebanon is really an extraordinary country, Lebanon and France, we can also speak of very close proximity" (Franchisor, food network)

Moreover, the combination of geographical and cultural proximity is seen by many franchisors as an opportunity in the early stages of internationalization to test the concept abroad and develop international skills:

"Countries like Belgium or Luxembourg are formidable terrain of experimentation. All networks should start there. This is already very close, it is more accessible than many regions in France already. And culturally, we remain in something similar. At least at the level of the language you see. You can then test, see what works and what does not go with your concept, your offer, how you react to these small differences, like the legislation etc." (Franchisor, personal services network)
Beyond the assessment of the proximity on a particular criterion, another remark concerns the path followed in this capillary approach. We identify two ways. The first one, dominant in the discourse of franchisors, is a circular process, as in a snail movement. The global market is broken down in the form of circles, all of which have France as their centre, and are conquered successively in order of proximity. We thus find first the countries of Western Europe, followed by the Mediterranean countries and Eastern Europe, and the largest export zones, covering in particular South-East Asia and the Americas. The second way to expand based on proximity is more linear than circular.

"The reasoning was as follows: Germany, we went there, we came from Strasbourg [...] is a logic that is based on linearity if you take a close look, once you’re in eastern France you develop a little further, once developed on Germany, you push a little further towards Poland. Similarly, once we arrived in Nice, we crossed the Italian border to settle there" (Franchisor, network of hotels)

3.1.2.2. The approach based on the attractiveness of the target countries

The second approach relies on the analysis of the attractiveness of potential target countries, by assessing their potential and associated risks. The attractiveness of countries is assessed first according to their economic potential. In this context, developing countries are often cited by franchisors as attractive countries, based on the level of economic growth they show, the non-saturation of their markets and especially the difference they show at these levels vis-à-vis the more mature markets such as those of the European countries. Countries’ attractiveness is also evaluated by other criteria that focus on more strategic aspects referring to the potential for long-term development of the entire network. The following two quotes refer respectively to the ability of some countries to play as bridgeheads for the development and visibility of the brand, and to signal the value of the network and its concept:

"The choice of locations must be made strategically, and should correspond to a particular strategy to promote the brand [...] Every time, we try to position the brand so that we could build on this position, because the goal is not to open two or three stores, it is also to be able to promote the brand" (Franchisor, fast food network)

"A very important man from a country with which we signed [...] he told me ‘when I saw that you could succeed in London, they are in Paris, they are in London, then they are necessarily good’, you see that success in important international platforms, as now those who succeed in Dubai, they succeed in Singapore, it automatically brings you large groups who want to diversify their portfolio" (Franchisor, food network)

Meanwhile, other characteristics of countries reduce their attractiveness as they convey risks for the franchisor. Such characteristics are numerous and varied and include, for example, implementation difficulties, differences in legislation or the need for important adaptations of the concept and offering to the local market. Two elements stand out as the most significant. The first one refers to monetary and financial risk, particularly issues related to repatriation of royalties. This element of perceived risk was already apparent as important in the survey of
non-internationalized franchisors presented in the previous chapter. More specifically, many franchisors have highlighted the problems related to the business culture in some countries, including some members of the European Union, where entrepreneurs have a tendency to make statements of income described by some franchisors as unrealistic, and this in a purely fiscal perspective. These misleading sales figures constitute a significant risk to the franchisor, as they can be a source for important differences between the royalties it receives and those that it should receive.

The second risk factor is related to the possibility of brand protection. The network’s brand appears from franchisors’ discourse as such a strategic asset for many franchisors that should be protected by all means, including avoiding certain countries where both the business and consumption cultures are tolerant of the non-respect of intellectual property:

"Our brand, for us it is very important [...] Then you go into a country like [name of country], then yes on paper they have a protection for intellectual property, and you can protect your brand. And actually, in reality it is not that at all! Watch the fake Ikea stores they have, I do not know if you saw it, but everything is there, it is not just the brand name, it's the customer journey from A to Z, and the yellow arrow that leads you from A to Z! So for us it is unimaginable to go there" (Franchisor, personal services network)

3.1.2.3. The opportunity-based approach

The two previous approaches, even if they are not always clearly codified into procedures followed systematically in the international management of the network, have in common the reliance on clear criteria for selecting target countries. We also met with tales of more arbitrary choice of countries, not based on an evaluation logic of countries. This has manifested itself in two types of situations. The first refers actually to a very arbitrary choice made by the founder of the network, but that remains a minority (one network), which is not based on objective criteria but rather on a subjective approach:

"It is also for family reasons. The boss, the founder [...] is very attached to this region. For personal reasons I would say in relation to its history. So you see, at times, it does not necessarily follow a very sophisticated logic, but intuitions, ideas, history" (Franchisor, hairdressing and styling network)

The second situation is more usual and corresponds to the cases of opportunism described in the literature. In other words, the choice of countries is secondary here because the choice of internationalization is related to a specific partner, which determines in fact the host country.

3.1.3. Evolution towards a cluster approach

Whatever the approach for the selection of target countries, a very common situation in franchisors’ discourse corresponds to an evolution in terms of countries and geographical locations towards an approach that we can qualify as cluster approach. Specifically, franchisors who have gone to geographically distant locations from the domestic market, start at a certain
time to use these remote locations as bridgeheads or development centers to geographically and/or culturally close countries:

"I am interested in expanding in Russia, it is the reason we participated in franchise fair in Moscow this year and so I have a number of contacts with Russia and thus the entire region also, many people from Ukraine, Belarus, this franchise has strong reach over all these regions" (Franchisor, traditional restaurant network)

3.1.4. The markets’ selection criteria most used by franchisors

The internationalized franchisors’ questionnaire included questions about the importance they attach to different criteria when selecting foreign target markets. We find that franchisors attach more importance to the country assessment on criteria of attractiveness than on proximity criteria (Figure 24). In addition, we also find that franchisors attach moderate importance to geographical and cultural proximity, while economic proximity, and even much less administrative proximity, weigh very little in their choice of target countries.

![Importance of the different criteria for choosing target-countries](image)

Furthermore, we also compared the importance of criteria within each category. Figure 25 shows that the five criteria used to assess the attractiveness of the target countries are assessed as having a significant weight in the decision of the franchisor, with average scores ranging from 3.78 to 4.26. The two most important criteria are respectively the presence of a favorable international trade regulation and low political risk.
However, in terms of proximity between countries, none of the elements used for the assessment of administrative and economic proximity plays an important role in the decision of franchisors. Things are more complicated in the case of geographical and cultural distance. First, all of the criteria used to evaluate the geographical distance receive average scores higher than 3. However, when analyzing the four items used here to evaluate the geographical proximity, we find that the geographical proximity to France is much less desirable or sought after than the geographical proximity with other international location centers, thus confirming the cluster approach described above. Similarly, we find an important role of ICT, which compensates the lack of geographical proximity. Finally, concerning the cultural proximity, we note that the use of languages spoken by staff members is a very important criterion, unlike other criteria such as the close proximity to French traditions and customs.

3.2. Determinants of the number of countries where the network is located

In terms of geographical coverage, the networks that have participated in our survey are present abroad on between one and 132 countries, with an average presence on 19.1 in countries when all modes of presence are considered, and 16.3 countries under a franchise mode (direct or master-franchise). To study the determinants of the number of countries of presence, we have tested a structural model based on the following hypotheses. First, the network’s attractiveness, based on its image and know-how, can facilitate its implantation and positively influence the number of countries where the network is present. In addition, adaptive capacity and mastery of the know-how in terms of its transfer and control can also facilitate the presence of the network in a wide range of countries. However, this presence would require more resources and skills to manage a wide implantation. Finally, the duration of international presence is a factor that can influence the number of host countries.

These determinants explained 61.3 % of the variance in the number of host countries. However, only two determinants have a significant effect on the number of host countries (Table 24).
### Table 24. Results of the model of determinants of the number of countries of presence

The first determinant and that has the highest impact is the duration of internationalization of the network. This is consistent with our interviews with the networks’ managers where most franchisors implicitly emphasize that there is a kind of maximum capacity of going on new markets per year. Thus, time is needed for the development of a network that covers many countries. The second determinant having a significant impact is the mastery of control by the franchisor, with a much more moderate impact than the duration of internationalization. This result corroborates the content of our interviews and that we will develop further in the next chapter, which indicates that the mastery of control is necessary for networks that develop on a broad geographical scale, which also increases to the geographical, cultural and administrative distance.

### 4. The selection of modes of entry and presence abroad

Most networks we met grow internationally by using different organizational forms. The quantitative study thus indicates that only 37.1 % of participating networks grow by using a single organizational form internationally.
"Internationalizing a franchise, there are a thousand ways and there are no two similar patterns [...] that’s why I'm telling you, there is no single model, people who work in international development will tell you all there is no single model" (Franchisor, hairdressing and styling network)

Modes of presence mentioned by the participating franchisors are varied, consisting primarily of direct franchising and master-franchising, but also subsidiaries, brand licensing and joint-ventures. On average, networks 2.2 use forms of international presence and some networks combine up to six different modes of development. 62.9 % develop using at least two different modes (Figure 26). The three most commonly used modes are respectively master-franchising (60%), direct franchising (45 %) and subsidiary (18%)⁴. However, among the networks that use only a single mode of international development, 46% develop through direct franchising and 31% through master-franchising.

![Number of modes of presence abroad](image)

Figure 26. Number of modes of presence abroad

Note that for most networks (57.1 %), the proportion of units abroad developed under a franchised mode (direct or master) is less than 25 %, while 34.3 % of the networks have more than 75 % of their units abroad under a franchised mode. These figures underline that networks have strong positions on the use of franchising as a mode of international development, either minimizing the use of this mode or widely adopting it.

The qualitative study revealed an even finer diversity of modes of presence. Thus, international subsidiaries can either franchise on the markets where they are located, or sometimes manage a network of company-owned outlets. Similarly, direct franchising can cover various types of arrangements, ranging from simple direct franchising to franchising with territorial exclusivity on an entire country. The very notion of international franchise seems unclear. Thus, some franchisors seem to stick to the legal criteria to describe a form of international presence as a franchise. This vision can be problematic since many countries do not have specific legislation on franchising. Other franchisors appear instead to base their understanding of international franchising on managerial and organizational criteria, including the transfer of know-how and the exclusive use of the brand. However, in this case, some of these franchisors include under

⁴ The annual survey FFF-CSA-BP in 2012 indicates that 57% of networks grow internationally through master-franchising and 32% through direct franchising.
the franchise concept very different patterns, even including such non-franchised modes such as direct importing.

4.1. The choice of a mode of international development: a complex process

Our interviews with internationalized franchisors highlight a complex decision process briefly presented in Figure 33. The comprehensive and detailed process of selection of a mode of international development is presented below in Figure 27.

At the heart of this process, we find a *structure of preferences* that franchisors hold between different modes of development, and that is often very clear. In other words, when franchisors develop internationally using different organizational forms, they still often keep a very clear hierarchy of preferences between the different possible modes. This hierarchy of modes is also revealed in the quantitative survey, where 85% of the respondents reported having a preferred international expansion mode, as well as in the discourse of the interviewed franchisors.

In addition, for most franchisors we met, certain modes of development are categorically excluded. Thus, these decision makers seem to establish more often, implicitly or explicitly, a first *consideration set*, which defines all possible and acceptable methods of development, and excluding the other modes. Then in a second step, a more or less clear classification is established within the consideration set. Note that, the more the franchisor is open to different possible modes of development, and the harder it was for him to indicate a clear order of preference within the consideration set. However, the majority of our respondents were able to identify at least the preferred mode and their second choice, or even a top three in terms of modes of development.

Furthermore we find many determinants of the preferences for the different modes of development. However, franchisors’ discourse analysis indicates that these determinants do not all act in the same way. Thus, while some upstream determinants act directly by shaping the consideration set and the structure of preferences, other determinants act later in the selection process, as comparison and trade-off elements between the different possible modes. Similarly, franchisors’ preferences, their determinants and comparison are affected by other factors that arise during the international lifecycle of the franchisor.
4.2. Determinants and formation of the structure of preferences

The formation of the consideration set and the establishment of the structure of preferences at a given time are based unsurprisingly on the characteristics, perceived advantages and disadvantages of each possible mode. Thus, for example, the subsidiary is presented by franchisors as a resource-consuming mode of development, but which in turn allows the franchisor to keep all the profits, while expansion through franchising is always described as a good way to access financial and entrepreneurial resources.

However, beyond these conventional modes’ objective characteristics, we observe differences that can be important in the attitudes of top-managers and that are more subjective. Thus, the same pattern of development can be perceived very differently by different managers. This is perfectly illustrated in the attitudes of managers vis-à-vis master-franchising. For many franchisors, master-franchising is a risky mode because it delegates the network’s brand and reputation to a single actor, the master-franchisee. In contrast, this form of development is perceived by other franchisors as risk-reducing, in that it consists of entering the foreign market accompanied by a partner of a certain size and that has the necessary skills to improve the chances of success.

Four major categories of determinants of emerge from franchisors’ discourse when asked about the reasons that shape the structure of their preferences for the modes of international expansion beyond the aforementioned attitudes.

4.2.1. The corporate culture

The first category of determinants is also the largest and concerns the culture of the network or of the company/group owning the network group:

"Culturally speaking, these are topics on which we are very reluctant [...] so culturally, we do not really want master-franchises" (Franchisor, specialized distribution)

Culture also manifests itself indirectly through various indicators.

4.2.1.1. The conception of the line of business

The network’s culture is manifested first by the way the company represents its line of business. This is illustrated in the words of export area managers of two networks, the first having a strong preference for international franchising over subsidiaries, the second developing internationally only by ways of subsidiary:

"Our business consists of being franchisors, not owning subsidiaries, even in the long run to attract a master-franchisee" (Franchisor, personal services)

"Insofar as we do well our job of subsidiary owners and managers, that we have shareholders who give us the means to develop, why go and look outside for what we can do" (Franchisor, auto services network)
4.2.1.2. The attitude towards franchising

The preference of some networks for international subsidiary is motivated by an attitude towards franchising, not just on international markets, but also more generally, even on their home market. This rather negative attitude toward franchising, which is considered as a development mode of low strategic importance, seems to arise from the historical development of the network and the advent of franchising as a minority way of developing on the domestic market, which was seized by opportunity or developed very late in the network’s lifecycle.

A first illustration is given in the case of the franchise of automotive services mentioned above, where the network adopted franchising on the French market based on a business opportunity, at a time where "a bunch of guys who had worked for 15-20 years in the retail sector, and who had some money saved", were looking for opportunities to invest and create their own business. We also find the case of an international group of business services and that has developed a minority activity of franchising solely on the French market, following the acquisition of another company, which had a number of subcontractors for whom the company needed "to secure a legal framework". Thus, the group has developed a franchise network as a solution to this situation and not as a strategic development option.

In these cases, the history of company-owned development seems to lead to a low positive attitude towards franchising even on the French market. This attitude also reveals the fact that these networks, once they have started franchising on their national market, continue to give this mode of development much less attention than company-owned development. Hence, the more financially interesting and more strategic opportunities are seized through company-owned development and not franchising.

4.2.1.3. The search for control

A managerial value that seems to play an important in the emergence of the structure of preferences is the search for control. The different modes of international development indeed offer variable levels of control. The subsidiary is hence often presented as the mode where the company keeps the most control. Seeking control seems to act against master-franchising which, unlike direct-franchising, is often presented as offering a particularly low level of control, because it cuts the franchisor from the franchisees who operate and manage the outlets, and it delegates the selection process of these franchisees to the master-franchisee:

"I've never studied a master-franchise contract, but I do not think you can in a contract of this type require or prohibit certain human profiles or some investors You know that tomorrow the master-franchisee, in order to achieve its growth and profitability objectives, may well be much less regarding in the selection of its own franchisees that we would" (franchisor, network of hotels)

4.2.1.4. Time orientation of the network

The time orientation of the network, i.e. the orientation towards the short or long term, can also influence its preferences for some modes of development. This is the case for example of an interviewed franchisor whose growth model over the years has been based on being acquired
by investment funds who sell it after a few years with the aim of making an added-value. In this case, the network has developed a strong preference for company-owned international development for two reasons. On the one hand, growth through subsidiaries provides better financial value at the time resale and therefore better prospects for added-value. On the other hand, the time horizon of a franchise abroad is often longer than the relationship between the investment fund and the network.

4.2.2. Resources and international skills

The second category of determinants covers the resources and skills necessary to internationalization. The scarcity of resources is often mobilized as a major explanation of the development of a franchise business even on a national market. From an international perspective, our interviews support the idea that the scarcity of financial and human resources of the French network and of its skills in terms of international development reinforces its preference towards a development under a franchise form rather than as a subsidiary form. Thus, as pointed out by several network managers, the establishment of foreign subsidiaries requires having a "team, staff, facilities, training centers" and thus mobilizing significant financial resources. This becomes particularly important in the case of networks that are not backed by a shareholder group or an investment fund, and therefore cannot easily mobilize such resources. The lack of financial resources thus pushes some networks to expand their consideration set and change their preferences in this regard:

"One should not ignore the financial aspect [...] at some point, you should be able to back your choices with the resources" (Franchisor, food network)

In contrast, the availability of resources can enhance the preference of a network for a company-owned mode of development. However, the availability of resources does not emerge as a leading determinant of the structure of preferences. In other words, it seems from franchisors’ discourse that the availability of resources will strengthen or alter the structure of preferences shaped by the culture of the company.

4.2.3. The business model of network

Some networks also seem to exclude forms of development on the basis of considerations linked their business model, and that render these forms of development not profitable enough in the case of an international development. A first example is a service network which business model is based on a very deep coverage of the territory through a large number of small service units. A development form such as a direct franchising would then require a heavy investment in training and monitoring of a large number of foreign partners:

"Direct franchising, no [...] today it is not a model that we aims to develop, probably due to the peculiarity of our business model, to the capillary, the important number of outlets to make our business model profitable, so for us, the effort to set up a store, and the effort to set up a master-franchise, it is clearly better for us to train a master-franchisee who would replicate our business model" (Franchisor, cleaning network)
4.2.4. The network’s international approach

The adoption of an opportunistic approach to internationalization or a more proactive approach also seems to affect the network’s structure of preferences in terms of international development modes. However, the international approach seems to impact less the fact that a network would prefer a particular mode of development than it does the fact of having clearly and explicitly defined preferences. Thus, the more the network develops a planned and strategic international approach, and the more it establishes a clear hierarchy of preferences between the modes of development that it considers. Similarly, these networks with a more proactive approach have a smaller consideration set, in other words on with fewer possible modes of development.

In contrast, opportunistic networks seem to have much less clarity about their preferences regarding modes of international development. This first shows through the fact that these networks are much more open to a broad range of possible modes that are evaluated on "a case by case" basis, thus leading to much larger consideration sets. Similarly, the hierarchy of preferences between these different modes seems very weakly established:

"I do not want to exclude anything. It is true that today, I did not develop through master-franchising for example. But it is that we have not encountered the right opportunity. I have nothing against it. I am willing to consider all interesting proposals I receive" (Franchise, traditional restaurants network)

It is surprising to note that these opportunistic franchisors do not seem to exclude the subsidiary. However, the development of subsidiaries may seem counter-intuitive in the case of opportunistic networks because it requires greater resources on a longer term, which is rather more characteristic of a strategic and planned approach than an opportunistic approach.

4.2.5. The "upstream" factors

Other factors contribute to shaping the consideration set of franchisors and the structure of their preferences, but their impact seems rather indirect because they act upstream, influencing the determinants of the structure of preferences. A first example that was discussed in the context of the corporate culture is the historical development of the network. For example, some networks that have developed historically on their domestic market in a non-franchised mode, also seem to favor a company-owned mode abroad. Two other factors also seem to act upstream, mainly by strengthening the network’s search for control. The first is the network’s sector of activity. Thus, the variability that characterizes services in comparison with manufacturing and the inseparability of production and consumption of these services emerge as a factor which reinforces the need for control throughout the network. This sector impact goes beyond the traditional distinction between service and retail franchises, and can be established at the level of the company’s offering. Thus, since cosmetics’ retailers face high regulatory constraints on the one hand and sell a product that may present a risk for the customer on the other hand, they try to avoid master-franchising because of the lower levels of control it offers.

The second factor which reinforces the need for control and influences hence the preferences regarding modes of development is the weight of the brand and its importance for the network. In this context, the networks with a strong brand orientation, and who consider their as a
strategic asset which reputation should be strongly protected, also form specific preferences based on the need to control that derives from the importance of the brand.

4.3. Contingency and trade-off factors

Several contingency factors contribute in the final choice of a mode of entry and presence based on the consideration set and the hierarchy of preferences. These factors are mainly characteristics of the target countries, but may also result from an opportunistic development of the network.

4.3.1. The characteristics of target countries

The characteristics of the target countries are the category of contingency factors having the greatest weight in the trade-offs between different possible modes.

4.3.1.1. The economic characteristics of target countries

The first factor in this category is the economic factor that has an impact on the attractiveness of different modes of development from the perspective of the party who commits resources. Thus, it is necessary that the target country offers some interesting economic opportunities to motivate the choice of the company to commit its own resources in the development of its own network, i.e. through a subsidiary, or the choice of a local company to engage in a master-franchise:

"If tomorrow in Saudi Arabia, we have an opportunity to have fifteen [outlets] that are at least 1000m² if not 2500, with at least 120 employees if not 300, we would have what it takes may be to find a master-franchisee to run this entire organization, but today it is irrelevant [...] In Spain, we have today 8 [outlets], which we franchise directly from France, for one simple reason is that we do not have the critical mass to develop, under the economic situation, locally in Spain, a team of local people, so there we operate directly from France" (Franchisor, hairdressing and styling network)

4.3.1.2. The strategic importance of target zones

The more or less strategic aspect of the country from the point of view of the network also acts as an arbitration factor between the different possible modes. Thus, for most countries considered strategic for their economic potential or by their impact on the image of the network, it seems important for the franchisor to favor modes of development where he can have the most control, such as the development of a subsidiary:

"There are strategies that result in the group investing in some places, whether London, Singapore, Washington [...] Yes, there are countries that are more strategic where we prefer to keep more control" (Franchisor, food network)
4.3.1.3. The availability of human resources

We also find the availability of resources that the franchisor wants to access, particularly the existence of a pool of entrepreneurs wishing and able to develop the franchise network in a given country:

"We need to be able to imagine going on a franchise model, i.e. to find or identify a sufficient pool of operators or prospective franchisees. Today, clearly, it does not exist in Poland" (Franchise, auto services network)

Other networks also highlight the lack of serious candidates for master-franchising as a factor acting against the choice of this mode of development:

"In Spain [...] no entrepreneur, no investor, Spanish or French wishing to settle in Spain has stood up and said, I want to take your brand in the country, and I would deliver the service to those [outlets] that are already opened" (Franchisor, hairdressing and styling network)

A network has also reported the opposite situation. The difficulty of finding human resources in some countries was not a motivation to develop a subsidiary but rather a franchise, because of the difficulty in some countries to find the right employees if you want to develop into a subsidiary. This minority case among the networks we met is not entirely surprising. It echoes the agency problems that can occur in a network and favor developing through franchising rather than company-owned outlets. With distance in all its forms (geographical, cultural, etc.), these agency problems may be aggravated when developing abroad.

4.3.1.4. Geographical and cultural distance

The importance of accessing local skills through franchising also appears to be particularly important when targeting a country with a strong cultural distance and which specificities are not fully understood and mastered by the network:

"Why haven’t we gone directly on Portugal or Morocco, simply because the further we go away from our origins, the more there are cultural specificities that we obviously have to understand and it is essential to rely on local expertise, it is as simple as that" (Franchisor, a network of hotels)

4.3.1.5. Regulatory constraints

Regulations may modify the choice of a network compared to its preferences in two ways: either by completely prohibiting certain types of development, or by rendering their implementation, mainly at the level of administrative procedures, very complicated:

"There are countries where we do not have this vocation, there are so many constraints on the regulatory level, and then there are countries where you cannot, there are countries, if you are not from the country, you cannot, some Gulf countries, among others, but it is not just the Gulf [...] or there are countries where they do not forbid it, but it there are so many constraints that it is not easy, you know sometimes they do not
forbid it but they put so many barriers for your product not to go through customs, so at the end it is a kind of protectionism” (Franchisor, food network)

4.3.1.6. Perceived country risk and difficulty of control

The perceived difficulty of control in some countries may also influence the choice of mode of development. For many franchisors, all countries do not seem to present the same level of risk of loss of control. A particular example, often cited by our respondents, is that of China. This country is so often seen as particularly risky in terms of loss of control and piracy, pushing networks to favor a significant level of direct presence, either through a partnership or a subsidiary:

"In China, we are likely to associate with a Chinase partner, but in all other countries at the moment it is through franchising […] First of all we can control the brand, it is very easy to copy, it can be easily and quickly copied in China, and in addition it is their line of business, so we would like to remain present in the management and the development of the brand in China" (Franchisor, traditional restaurants network)

4.3.1.7. The business culture

Finally, arbitration between the different possible modes can also be influenced by the culture of business in the target country. This culture can be reflected in the expectations of local actors, who are partners of the French franchisor. One of the possible implications of this business culture is the expectation of local actors vis-à-vis the foreign partner in terms of involvement and investment of its own resources:

“There are some markets where when you sell a master-franchise, your model is credible, that is to say, they will buy on paper, then we talk about Africa, the Middle East, we speak of South America, it’s all the countries who can value an economic model and a concept based on the paper, but in contrast in Asia, we noticed that people were much more skeptical, they were waiting to see something that works and gives results, so they expect an investment of the franchisor that is very different from other markets we’ve seen” (franchisor, cleaning network)

These different elements of contingency related to the characteristics of target countries could be grouped into two broad categories. On the one hand, we find the potential of the country, represented by its economic attractiveness and strategic aspect for the development of the network and its brand. On the other hand, we find the ease of entering the market and operating, due to factors such as geographical and cultural proximity, the existence of an entrepreneurial pool or the need to mobilize their own resources. It emerged from our interviews, everything else being equal at the level of the structure of preferences, that the combination of a strong potential with ease of operation tends to promote modes with high capital and managerial involvement by the French company, such as the establishment of subsidiaries abroad. In contrast, a low potential and difficulties of operation would lead networks to favor a lower level of involvement and operate in partnership with other companies (Figure 28).
4.3.2. Opportunity-based contingencies

The second category of contingency factors involved in arbitrating between different modes of development comes from the development of the network based on opportunities. For example, some networks choose development modes from their consideration set, though not their preferred modes, just because they corresponded to an opportunity that presented itself at a given moment. It is also interesting to note that the impact of development based on opportunities is not only to guide the choice of the network to a mode that was not the preferred one, but it can also make some modes non-operational, even though they are considered interesting in general. This is the case for example of two networks we have met who have each developed through a joint-venture initiated by another network with which it shares a complementarity in the business and offers. However, even if these networks have a preference for the franchising, they had also to take into account the preferences of the partner network, which in this case did not want to engage in the complex management of a network of franchisees.

Moreover, the role of chance in choosing a mode of development is not limited to cases of opportunities seized after requests from foreign partners. It is also found in the case of networks entering a market by buying an existing local company. In this case, the French network may “inherit” the mode of development of the company it acquires.

4.4. The role of time and the international lifecycle of the network

Time can influence the trade-offs between different possible modes of presence as well as the consideration set and the structure of preferences.
4.4.1. Time as a factor of arbitration between possible modes

Several networks we met have evolved during their presence in a country between different modes of presence. Three major situations arise here.

4.4.1.1. A planned evolution

Some networks believe the mode of presence they consider as the most suited is not applicable upon the entry of the network in the country. This is particularly obvious in two cases. In the first one, the franchisor has a preference for the subsidiary to maximize control and not to share the generated revenues. However, he preferred for various reasons, including to reduce risk, to enter the market with a partner, then evolve towards a company-owned pattern by buying back the partner’s shares. In the second case, the franchisor has a preference for franchising, but prefers to enter the market a company-owned form or at least a hybrid form, for reasons such as seeking higher control or signaling the value of its concept. The common point in both cases is that the evolution from one mode to another is not left to chance, but is planned from the beginning and integrated into the negotiations and the contractual relationship between the two partners:

"The structuring of the deal is the ‘who’, the ‘how’, and the ‘way out’ [...] the buyout is very important, if it works. In fact, this is the most difficult part when you negotiate a partnership for international development, the buyout" (Franchisor, specialized distribution network)

This planned evolution may have very different time horizons. In the case of the distribution network quoted here, it considers its buyouts from the beginning but to be implemented 15-25 years later.

4.4.1.2. A desired evolution

The second case of a change to a preferable mode of presence corresponds to a desired evolution that is however less planned and less certain. This case corresponds to two different situations we encountered.

In the first, the preferred mode is perceived as risky, and the network enters the market through a less preferred but less risky mode, in order to test its concept and potential on the market. In the second situation, the preferred mode is inaccessible at the time of market penetration. This is particularly the case of development based on opportunity, where the latter corresponds to a less preferred mode. Like the previous situation, the market entry mode is a springboard mode, which is selected with the aim of moving towards a more preferable method:

"The products are our Trojan horse [...] we penetrated the market with the products to reach franchising later [...] we can sometimes rely on the distributor of our products, who is a known and recognized actor on his market and has more favorable contacts that help him bring us people" (Franchisor, hairdressing and styling network)
4.4.1.3. A forced evolution

The change between modes of presence can also be forced. Such change presents here a shift from a preferred to a less favorable mode of presence, due to a failure encountered during the lifecycle in this country, and in the hope of shifting back towards the preferred mode:

"We bought the master-franchise and went back to direct franchising, because we were no longer satisfied with the previous master-franchisor and at the end of his contract of master franchise of five years, the question of whether we went on with him arose and we were not very keen on that, we could have taken some time to find a new master franchisor, but in this case, you have a latency period that leaves the franchisees, who for us are here sub-franchisees, on their own and this is not very healthy for the business and we had a third solution that was to buy the master-franchise back, so we decided to invest, we bought our master franchise license to exploitation of our brands, and we became the masters-franchisors" (Franchisor, hairdressing and styling network)

4.4.2. The lifecycle’s influence on the consideration set and the structure of preferences

Time also acts by altering the consideration set, particularly by expanding it to include new possibilities or by excluding modes hitherto considered as possible. In other words, it is no longer here a planned or forced transition from one mode of presence to another among the initially possible modes, but adding a new possible mode. Here we identify five particular situations.

4.4.2.1. Learning effects and resource acquisition

Some modes of presence require certain conditions, including resources and skills that are not necessarily available to the network at the beginning of its internationalization cycle. The unavailability of these resources and skills then makes corresponding modes of presence not possible. However, the progress of the network throughout its lifecycle can make these international resources and skills available:

"We chose to lock the system first to have a product that really suits internationalization and then to understand how it works, what are the mechanisms, etc. Once we felt we had already mastered well enough, we finally began to master the thing, you see, you could be more reassured when proposing the concept of foreign partners" (Franchisor, personal services network)

4.4.2.2. The effects of opportunities

The consideration set may also be widened under the effect of the newly encountered opportunities. For example, some networks have welcome some opportunities for international development in forms that were not possible in their original consideration set. This situation remains a minority among the networks we interviewed. For most networks, initially excluded development modes remain so because they correspond to a large change in their procedures or violate important values such as the search for managerial control. Networks that have
expanded their consideration set as a result of an opportunity seem to have in common, in addition to adopting an opportunistic approach or at least an approach that is strongly open to opportunities, to also adopt a pragmatic approach to international development that goes beyond the simple adjustment of offering to final consumers to include as well adapting the business model:

"It seemed to me that the strategy was more appropriate to proceed like this, so we decided to proceed like this, it is not a dogma, it could be the opposite [...] You know we have our strategy and our models, but we also know how to spot a good opportunity when it presents itself" (Franchisor, personal services network)

4.4.2.3. The effects of a change in the internationalization strategy

Some networks also seem to consider options previously excluded under the effect of a change in the internationalization strategy and more specifically the desired level of international expansion. This is the case of a fast food network that, after 35 years of international presence limited to a small number of countries, chose to engage more widely on international markets and accelerate its internationalization process. The mode of development through subsidiaries used so far proved much more complicated in the context of this new strategy, because it is very resource-consuming:

"It is faster to develop through franchising than to develop on your own, for a reason that I mentioned at the beginning, I think it's easier to find partners than to find employees, it is easier, it's cheaper and the financial decisions are easier, you can accelerate faster. It does not cost much to penetrate a new country through franchising" (Franchisor, traditional restaurants network)

4.4.2.4. The network’s expansion on new international markets

So far we have mainly considered the impact of target countries as an element arbitration between different modes included in the consideration set. However, we also note that the characteristics of the target countries may affect the consideration set and the structure of preferences when the network is entering a new phase of its lifecycle, specifically when it considers new target countries that were so far excluded, and which characteristics are very different from those of the countries previously targeted:

"Today we have a lot of development agreements, except perhaps master-franchising, in our company, we do not do master-franchising. We may do it in Brazil, because Brazil is a country where the Franchise is, that it is difficult to develop in Brazil without doing master-franchising. So yes, perhaps that eventually we will do it in Brazil" (Franchisor, specialized distribution network)

4.4.2.5. The indirect effects

Finally, the international life cycle of the network can also act indirectly by acting on the determinants of the structure of preferences. We discussed in a previous section the role of time and the lifecycle in, for example, the passage from an opportunistic approach to a proactive
international approach. However, the international approach is a determinant of the structure of preferences that we have identified. Some other elements can also lead franchisors to revise their consideration set by influencing other determinants of the latter, such as the search for control. This is the case for example of a network in the building and construction sector that has encounter a significant failure with a master-franchise because of a lack of control over the foreign partner. This failure then reflected in a higher search for control through the modes of presence, and thus led to restrict the consideration set by completely excluding the master-franchise contracts.

"I am convinced that through the experiences we have had, if you want to last in a country, you must be able to control your presence, and the only way to control this is to have a local subsidiary with employees, in partnership or not, but in any case you master of the game and therefore majority" (Franchisor, construction network)
Figure 29. The full decision-making process for the choice of a mode of presence abroad.

- **International lifecycle**
  - Evolution of the consideration set and of the structure of preferences:
    - Acquisition of resources and skills
    - Change in international strategy
    - Opportunity
    - New target countries

- **Excluded modes**
- **Hierarchy of preferences between considered modes**
- **Contingency factors**
  - Characteristics of target countries:
    - Economic situation
    - Strategic importance
    - Availability of human resources
    - Geographic and cultural distance
    - Regulatory constraints
    - Perceived risk and difficulty of control
    - Business culture
  - Opportunity-based development:

- **Factors amount**
- **Structural determinants**
  - Managers’ attitudes
    - Network's culture:
      - Conception of the business
      - Attitude toward franchising
      - Search for control
      - Time orientation
    - Business model
    - Resources availability:
      - Financial resources
      - Human resources
      - International skills
    - International approach:
      - Opportunistic vs. strategically planned
  - History of the network’s development
  - Activity sector / nature of the product
  - Importance of the brand
5. The choice of standardization or adaptation of the offering

At the broadest level, the general approach of the networks that we have encountered in terms of standardization and adaptation of the offering seems to be based on two main ideas. The first one, widely shared among franchisors, is that the adaptation of the international offering is inevitable, whatever the initially desired level of standardization of the franchisor:

"There is anyway a form of adaptation, it is inevitable in 90% of the countries"  
(Franchisor, hairdressing and styling network)

The second widely shared idea by franchisors derives from the first one and completes it: as adaptation is inevitable, it should be minimize. Several franchisors even advanced tolerable adaptation levels, usually ranging between 10 and 30%. Behind this strong search for standardization, or at least this desire to reduce adaptation, there is a strong fear on the part of franchisors to lose control:

"We try to adapt as little as possible, because we realize that if we start to concede things, we end up by completely altering our concepts and how we want to develop our business [...] imagine if from the outset, we begin to adapt our concept, then the door is quickly open to anything, so we try to adapt the least possible"  
(Franchisor, personal services network)

5.1. The main reasons behind adaptation

5.1.1. Differences between national contexts

The main reasons given by franchisors to justify adjustments refer to differences between national contexts where the network is present. These differences relate to different variables.

5.1.1.1. Cultural differences

Cultural differences between countries and their impact on perceptions and consumer behavior are the main reasons cited by the majority of franchisors to adapt their offering:

"There contingencies, I would say, cultural, traditional, religious, sometimes, well, sometimes we are forced to adapt to them"  
(Franchisor, personal services network)

It is interesting to note that franchisors who often seek in their internationalization to take advantage of globalization, are also very aware that that latter has not succeeded in eliminating cultural differences and their impact:

"You have to challenge yourself [...] to adapt to the country in which you are present, because every country, even beyond globalization that has been there for a few years, each country remains with its own ways to consume, because once again one does not consume in the Gulf in the same way as when you are in Eastern Europe, even though it all tends to harmonize, there are still customs"  
(Franchisor, food network)
In addition, if cultural differences are mostly cited for their impact on consumers, they are also referred to by some franchisors at the level of the business culture. These differences in business culture between countries then require from the franchisor an adapted approach also for his way of franchising:

"You have a country where the concept of franchising is already very difficult to understand and even harder to accept. I'll give you a concrete example. In Italy, traditionally, culturally, the barber is someone very independent [...] you will struggle, even if he loves both your concept, your haircutting school, your cutting method, your video and images, the products you sell him, the brand, you still struggle to make him understand that he will have to remove Fabrizio from the sign on the door, that he will appear only in small characters at the bottom of the price list as an independent entrepreneur who is part of a franchised network, with just his name in small letters and having to replace the famous sign Fabrizio with [the network’s name]. It is a state of being, it is a culture, the name, the family tradition, perpetuating the individuality of the entrepreneur are part of the landscape and the sociology of the country" (Franchisor, hairdressing and styling network)

5.1.1.2. Regulatory differences and legal factors

Regulatory differences are also highly cited by franchisors who point out that, while some aspects of culture can be circumvented by targeting specific segments, more cosmopolitan, local regulations are often difficult to circumvent:

"Obviously when you're in Saudi Arabia, you have a store that has two counters because you cannot mix men and women together, you have different rooms, one room for singles, one room for families" (Franchisor, food network)

5.1.1.3. Economic differences

Franchisors also refer to economic differences, mainly citing differences in purchasing power:

"It is obvious that we cannot apply the same prices in Delhi, Moscow and Paris. At the same price as in France, already, many people could not even afford our services elsewhere in the world" (Franchisor, personal services network)

5.1.2. The characteristics of the offering

The impact of differences in national contexts can be amplified by contingency factors, especially relating to the nature and characteristics of the offering.

5.1.2.1. The cultural embeddedness of the product

Certain categories of products or services are presented by franchisors as strongly linked to or embedded in consumer culture, what is also usually referred to as culture-bound products. The need for adaptation that emerges is then amplified. This is particularly the case for example in the food industry:
"Because we reach even through time, and then, I'm going to use a strong word, food, it's still tied to certain memories" (Franchisor, a network of fast food)

5.1.2.2. The brand positioning

The need for adaptation may be however decreased by a specific brand positioning. Thus, the products positioned on a luxury or high-tech image are cited as requiring less adaptation because they generate strong demand for uniformity from consumers:

"What helps us to be able to get those positions, is that it is a luxury brand, that our model was tested, and if we draw a parallel if you will, in all these countries, a corner selling Louis Vuitton or Chanel, it looks like a corner of selling Louis Vuitton or Chanel Paris, it should not and it can only look like a corner Louis Vuitton Paris, a European city to European standards. So we rely on all these types of markets, although we are not there in [the sector of activity of the network], it is a small example in order to impose and do the same thing" (Franchisor, personal services network)

Similarly, the need for adaptation is also decreased when positioning strongly reflects the French origin of the network:

"Customers still expect French cuisine. So we can make Halal meat, we can even perhaps do without meat, but the margin of adjustment is limited because clients come to us to get this piece of France and not something else" (Franchisor, a network of traditional restaurants)

5.1.3. The franchisor’s culture

Finally, the choice of adaptation is also partly influenced by the culture of the franchisor, which in turn amplifies the adaptation process required by the characteristics of the country and the offering or, on the contrary, restrains it.

5.1.3.1. A flexible approach even on the domestic market

A first part of the culture of the franchisor which can promote or hinder adaptation on international markets refers to the flexibility of the approach of the franchisor on its domestic market, i.e. how it allows local adaptations between different units of its own national network. The most flexible franchisors in the domestic market also seem to adopt a flexible approach internationally:

"We already, our franchisees, they already have a freedom to buy, it is just a little bit, they have the right to have 20% of their products outside the network in France, since already we have a regional touch to make. I would have shown you a store in the region Pays de Loire or in the region of Provence, I adapt my range, even at this level. This is even truer I would say, on the international level, it is even truer" (Franchisor, food network)
5.1.3.2. A more humble attitude towards cultural differences

The second element of the culture of the franchisor that can push towards more adaptation is its attitude when deal with cultural differences. Thus, the most humble franchisors in their way of addressing these differences seem to leave significant room for adaptations:

"Internationalization, I have been practicing for a very long time, and yet I 'm still learning, I continue to discover and marvel when I travel. So obviously there are the fundamentals, of course, that I will not sell bananas when I am called [network name], but you cannot succeed internationally by saying 'my marketing works in France and I just duplicate it'. It is not this attitude, this mindset. You must know how to listen, listen to your customers abroad, and listen to your partner as well who know well their market" (Franchisor, house equipment network)

5.1.3.3. The search for control

Finally, unlike the two previous elements of the culture of the franchisor, its search for greater control often leads him to restrain and reduce his adaptive approach:

"Clearly, we try to minimize differences. In a network like ours, you cannot open the door to such differences, because it is somehow an open-door to slipping away. It is important for us to keep things 'under control', because as soon as we allow changes we must also monitor and ensure their impact, how it is perceived by consumers, how it is done, would it backfire on me if my clients in France hear about it, etc." (Franchisor, personal services network)

5.1.4. A molecular approach to adaptation

Franchisors’ discourse echoes the molecular approach to adaptation described in the literature. In other words, franchisors seem to define different groups of elements of the offering and consider these elements separately in terms of standardization and adaptation. A first distinction is then made between the elements that it is possible to adapt and those elements that should not be modified.

5.1.5. Non-adaptable elements: the red lines

All franchisors we interviewed reported having elements of their offers which are not adaptable because they should never be changed. These elements correspond from the franchisor’s point of view to what lies at the heart of its offering, and their adaptation would completely distort the network. Three elements seem particularly shared by the majority of networks.

The first element that must not be adapted is the brand identity. However, franchisors make here an implicit distinction between on the one hand the sensory brand identity, which is reflected in elements such as its graphic design, and on the other hand the deeper and more intangible brand identity that franchisors even describe as the DNA of the brand. While some franchisors show flexibility on the first type of elements, e.g. with minor adjustments to the
name or logo of the brand, the DNA of the brand seems to be a red line unanimously accepted by franchisors:

"Not on the fundamentals of the brand, because it is out of the question, when you sell a concept people come because they like the brand, it is like someone who buys Hermès or Vuitton, it is to have the product, to have the support, the monitoring the franchisor, so it's not that [...] the fundamentals of brand, quality, service, which are fundamental, the criteria for the brand [network name], it is not negotiable" (Franchisor, food network)

The other two elements that the network must maintain constant internationally are also the customer experience and the quality of the end result. These two elements are perfectly illustrated in the following parable of a franchisor we met:

"I'll give a little trivial image, but you will understand, what we sell at the bottom line is the quality of the hole, not the drill, it is the end result for the consumer, so what can possibly be adapted is the ergonomics of the drill, its color, how it is funded and the person holding it, but we would like the end result, itself, would be at the same level in all cases and in all countries, of what a service to our customers should be like [network name], so this is the final result, it is what we want to adapt the least and where we would compromise the least possible" (Franchisor, hairdressing and styling network)

Moreover, this search for standardization on these fundamental elements is reflected not only by their non-adaptation, but in addition it materializes in some cases, when major changes are required, either by avoiding the market in question, or by penetrating it with a different brand:

"It's a different market from the usual market which is rather luxury or high-end, since it is a chain at an affordable price oriented towards American families, which are located more in the middle areas or at the entry of the outskirts of American cities [...] The brand which is inspired by [the name of network], I would say about 25 % below when comparing them on average, and is upscale without being luxurious, here and we will use multi-franchisees or franchisees today to propose an alternative with a brand like this" (Franchisor, personal services network)

5.1.6. The fields of adaptation

In their presentation of the elements that can be adapted, franchisors make a first implicit distinction between the elements of the offering to the end consumers and those of the offering to franchisees and other partners. Then, for each of these two categories, we can see another distinction. First between the elements related to the brand and that are at the heart of the concept on the one hand and on the other hand the other items related to operational marketing or marketing mix. Then, for the elements relating to the franchisor-franchisee relationship, we see a distinction between the elements of the franchise contract on the one hand, and the elements of transmission and communication with the franchisees on the other hand.
5.1.6.1. Adaptation and standardization of the brand and the heart of the concept

As we previously reported, the items related to the brand are the part of the offer that franchisors want to adapt the least or keep very standardized internationally. To do so, franchisors seem to target their communication with foreign partners on two particular elements that they convey as non-adaptable of red lines.

The first element refers to the core of the concept of the network and its features, and that must remain very constant throughout the international network:

"There is the core of the brand on which it is clear that the franchisee knows he will not be able to do what he wants, anywhere, in any country whatsoever, he does not make fries; after that, there are adjustments, but it is imperative that it remains an Italian restaurant so as not to damage the brand" (Franchisor, traditional food network)

The second element relates to the set of signals relating to the identity of the brand, whether its name or other sensory identity elements, such as for example the colors or the physical environment of the franchised outlets:

"There are rules, there are very clear rules, for example, the environment, the store concept is something we have modified for some countries, so we made light concepts, super light, ultra-light, if you want, they are variations of validated at the headquarters’ level, produced at the headquarters’ level, but it is out of question for us to have a store [network name] in blue, and that is not possible" (Franchisor, hairdressing and styling network)

From a quantitative point of view, the questionnaire survey reveals that the elements related to the brand and at the core of the offering are those that franchisors are actually the least likely to adapt to the international markets, with an average score of 1.51 of 5. This standardization is fairly constant regardless of the element, as shown in Figure 30.

![Figure 30. Adaptation level of core and brand related elements](image-url)
5.1.6.2. Adaptation and standardization of the marketing mix elements

Franchisors’ discourse reveals different marketing mix elements on which can be adapted. First, if franchisors seem to search for standardization at the level of the central product or service of the network, they seem more open to modifications by adding peripheral products and services and expanding the product range:

“Typically you have the basic services that will be the same [...] however, what we call additional services, that is to say all of a sudden you have the home delivery service, all these additional services are obviously much more dependent on markets, but the basic service, it will be I would say the same” (Franchisor, cleaning network)

Adaptation can also include other elements of the marketing mix, such as prices or communication elements, when it does not alter the positioning or the core of the brand or concept:

"For example, promotional offers, at [network name], we do a lot of promotional offers, is the promotional offer part of the core of the franchise [network name]? The answer is no. Russia, for ten years were sold in Russia, we never used promotions there" (Franchisor, specialized distribution network)

The adaptation of the marketing mix elements seems to be more accepted by the franchisors than that of the brand elements. However, it also remains at a very low level with an average score of 2.53 out of 5. Moreover, as in the case of the items related to the brand, we find a strong homogeneity in franchisors’ choices in adapting the different elements of the marketing mix (Figure 31).

<table>
<thead>
<tr>
<th>Element</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Communication content with the consumers (e.g. advertising)</td>
<td>2.7</td>
</tr>
<tr>
<td>The peripheral or supplementary products/services</td>
<td>2.43</td>
</tr>
<tr>
<td>The price of the central product/service</td>
<td>2.51</td>
</tr>
<tr>
<td>The price of the peripheral products/services</td>
<td>2.49</td>
</tr>
</tbody>
</table>

Figure 31. Adaptation level of the marketing mix elements

5.1.6.3. Adaptation and standardization of the elements of the franchise contract

As with other categories of elements, franchisors show a strong desire to establish a strong and invariant core for the franchise contract across national contexts, and to subsequently proceed with peripheral adaptations:
"It is a standard contract, we have some variations which may be made based on, I would say, big differences, on the complexity of a country or the potential of a country, but we actually have a standard, which is applied to all the latest contracts, and makes reference, typically, I would say that the amounts are fixed and other amounts which vary depending on the potential of the country, we cannot compare India and Armenia for example, so we actually have some parameters that are adapted, but it is still based on a standard contract with conditions that are identical and so I think it's a very important point, as for the sustainability of a network, to have the most possibly homogeneous conditions" (Franchisor, personal services network)

If the legal and economic factors remain the most spontaneously cited reasons by franchisors to justify these changes, two other reasons deserve special attention. The first, which we discussed earlier in this report, refers to the business culture of certain countries, including the undervalued statements of turnover. Thus, franchisors adapt their royalties in an upstream approach to protect themselves against this type of hazard:

"We protect ourselves from the outset with ‘guaranteed minimum’, we call it ‘guaranteed minimum’ but these are actually very high fixed charges, enabling us if we have very unrealistic statements of turnover to still earn a living anyway" (Franchisor, hairdressing and styling network)

The second reason for the adaptation of the contract refers to the fact that the services that the franchisor provides to its foreign partners may vary from one country to another. This is particularly the case for geographically and culturally distant countries where some franchisors are not able to provide the same services to foreign partners as those provided to their franchisees in France. However, these services, such as advertising and communication, are often used to justify some of the fees and royalties:

"The level of fees is adapted internationally. In fact, we do not have the same international policy for the simple reason that in France, our franchisees benefit mainly from mailing and advertising while this is not the case abroad, that is to say that on each foreign territory the franchisees or distributors handle the advertising, producing catalogs in their language, etc. So obviously we demand less fees" (Franchisor, food network)

Franchisors surveyed in the present research report a low overall level of adaptation of their international contracts, with an average score of 2.24 out of 5. This weakness in the adaptation appears to be homogeneous across the different elements of the contract (Figure 32).
5.1.6.4. Adaptation and standardization of the elements of transmission and communication with franchisees

Finally, elements of transmission and communication with franchisees may also be adapted. Thus, the adaptation of the language of communication is an important point, but requires that the franchisor detains the adequate human resources. We also find a willingness on the part of some franchisors to adapt some elements related to assistance and support to foreign partners, but always with the desire to maintain a constant core and peripheral adaptations:

"The basics [of assistance and support] are the same, that is to say, a franchisee will also seek the support of the franchisor to go identify the location of the outlet, to do the store layout and open the outlet, to do its market research, so here, if you want, the canvas, the main objectives are exactly the same, now given the distance and the fact that every time it is a new country, it actually requires a different approach" (Franchisor, cleaning network)

From a quantitative point of view, the elements of transmission and communication are the most adapted ones by franchisors, but their average score of adaptation remains low and does not exceed 2.66 out of 5. It is notable that the only element which score of adaptation is slightly above the average rating of our scale is the language of the franchise guide or manual (Figure 33).
5.2. The question of adaptation from the perspective of master-franchisees

Although the decision to standardize or adapt to international markets belongs to the franchisor, it is most often initiated by a request from the foreign partner, who notes differences in its domestic market and signals the need to adapt to the franchisor. This dialectic between the two partners will be further discussed in the next chapter in the mechanisms of co-creation between the two partners. However, we discuss here the point of view of a particular category of foreign partners, the master-franchisees, on the issue of standardization and adaptation, given the role of master-franchisees in initiating this process. The attitude of the master-franchisee on the issue of standardization-adaptation then emerges as much more complex than that of the franchisor. The master-franchisee seems somehow torn in four directions.

5.2.1. The need for local adaptations

The first force that seems to guide the master-franchisee is the need he feels himself to adapt the offering to the local market, based on his knowledge of the latter. The possibility of adapting that is granted from the outset by the franchisor to his partner is often a factor in assessing the different partnership opportunities by the local entrepreneurs looking to become master-franchisee of a foreign network:

"It was a condition during the negotiations, it was a condition that the brand could be adapted" (Master-franchisee, hairdressing and styling network, Brazil)

The reasons behind master-franchisees desire to adapt are widely shared with those presented earlier in the case of franchisors. Particularly, adaptation is seen as a way to better address the local market which, from a cultural, legal and economic point of view, is different from the home market where the franchisor’s offering has been developed. Just as we found in the approach of franchisors, master-franchisees take into account at this level both the differences in consumer culture and business culture:

"The Brazilian franchisee is very entrepreneur, he wants to be independent, and we have an organization for the franchisee to express themselves, improve their business, which is called the Council of Franchisees. An organization that [network name] does not have in France. It is a forum where franchisees exchange views, speak, give their opinion, they participate. And in Brazil, if you do not have an organized way to do this, the franchisee does not remain in the network, he will not be happy, because he is a 'business man', not an employee" (Master-franchisee, network of personal services, Brazil)

The general approach of the master-franchisee to the issue of adaptation is, overall, quite similar to that adopted by franchisors. This is particularly evident in two respects. First, master franchisees want to carry only limited adjustments. Many of them preferred to use in our conversations more moderate words that an adaptation, such as "acclimatization" or "fine-tuning". Furthermore, we find the idea of keeping invariable and uniform across the national and international network, the elements that are at the core of the concept and the network’s offering. These elements include according to our respondents especially the most visible
elements of the offer and that allow customers to easily recognize the network, such as the brand name, logo, colors or even the internal architecture of stores.

"The way things are done in Germany is the same as in other countries. At least with regard to Germany, Austria and Switzerland, it is very homogeneous. And this is important! The fact that no matter to what store the customer goes, he knows where to find the product he is looking for. He knows that if I have 50% off displayed in my window, then at his hometown in Munich it will be 50% as well. And I think it's very important. Because it's the only way you can make a brand" (Master-franchisee, personal services network, Germany)

In addition, many master franchisees mentioned in the elements that must remain invariant the elements of know-how and technology that are specific to the network. More specifically, this attachment to these elements comes particularly from the fact that they are specifically developed by and for the network, and they are a major determinant of competitive advantage:

"Some basic things, he must maintain for instance the technology. If you have a different technology, developed for the competitiveness of the network, we must maintain this technology. How to deliver the activity to the market may change, but the technology must be maintained if it was developed for the network" (Master-franchisee, personal services network, Brazil)

5.2.2. The "struggle" with the franchisor

The master-franchisee is also confronted with the franchisor when considering new adaptations. More specifically, the franchisor is perceived by the master-franchisee as a very rigid guardian of the concept and the offering, which must therefore be convinced with great effort of the benefits of the proposed adaptations. Two master-franchisees, a German and a Brazilian, evoke these exchanges with the franchisor to impose modifications using a vocabulary related to fighting, with words like "fight" and "struggle":

"The flexibility that we have to adapt things, we really have to fight for it" (Master-franchisee, business services network, Germany)

These difficulties come to a great extent from the rigidity of some franchisors when it comes to adaptation, but are also rooted in significant differences in the assessment of the situation by the two partners. For example, a Brazilian master-franchisee which emphasizes the importance of keeping invariant the strategic elements at the core of the concept and the offering would still like to adjust the positioning of the network, knowing that his franchisor that we also met considers this positioning as a strategic element to maintain without any changes:

"I fought hard for Brazilian customers, because they see [the service in question] as a matter of refinement, as something of a much higher quality that what you do at home. It is very refined as a service in the eyes of Brazilians, and I struggled because in Europe it is not perceived like that, and it is not sold like that" (Master-franchisee, personal services network, Brazil)
These differences of opinion then lead to tense situations from the point of view of the master-franchisee, trying to dispel the tension experienced in three possible ways:

- With a breach of trust between him and his franchisor, choosing to bypass the latter and make the necessary adjustments without his consent:
  "Take marketing for example. Officially, the adapted documents must be submitted. In reality, you do not do that" (Master-franchisee, personal services network, Germany)

- With pedagogical efforts to show the benefit of the proposed adaptation. In fact, successful adaptations increase the credibility of the master-franchisee in the franchisor’s eyes when requesting further adaptations thereafter:
  "You must show them the added value of what you suggest. Their first approach is often negative or, at most, very reserved. You must show them why, how, explain, show what it brings, numbers if possible, but it's not always easy to find numbers" (Master-franchisee, hairdressing and styling network, Switzerland)
  "One must fight, but it is relatively positive at [network name]. That means that if you are strong and you are successful, you have more flexibility and you use this flexibility" (Master-franchisee, personal services network, Germany)

- With self-censorship. This is particularly interesting because it is based on the fact that the master-franchisees are very familiar with both their franchisor and the brand, which also helps them to know what proposals of adaptation have a chance to be accepted:
  "If I think my clients love the color ‘red’, I’m not going to suggest to [name of network] to paint the walls in red. Even if I thought, and I do not think so, but even if I thought it was a good idea. I know it will never happen. It’s just going to discredit me" (Master-franchisee, hairdressing and styling network, Switzerland)

5.2.3. The education of the local market

Beyond this tension between their moderate desire to adapt the offering to the market and the struggle to have the franchisor’s acceptance, the master-franchisee also take into consideration the need to bring the local market closer to the concept rather than simply adapting the concept to the market. Here we find a strong idea in international marketing, that of educating one’s consumers:

"At first it was really difficult to make these adaptations [...] But the real question was rather to create the culture of caring for one’s skin. Because it was not the case. Today everyone uses sunscreen, but before it did not exist. People said: ‘Why I will clean my skin’. The idea of health, what we eat, we started with that here. We heard women saying absurd things, about how they took care of their skin, they did nothing. So it was the French way of being we introduced gradually, ‘you must take care of yourself, to be beautiful, it must come from within, the preventive measures’ [...] It is therefore this
work to open people's heads, to explain it all, that was the most complicated" (Master-franchisee, hairdressing and styling network, Brazil)

5.2.4. The "struggle" with franchisees

Finally, the master-franchisee has also to deal with the issue of adaptations in his relationship with his own franchisees. In fact, this situation is similar to some extent to the situation encountered between the master-franchisee and franchisor. But here, the master-franchisee must meet the demands of local changes from franchisees. This relationship is complicated to manage as the master-franchisee himself, unlike the franchisor, does not have the ability to grant the requested changes. However, in a franchising logic, the franchisees are also important sources of information on local market conditions for the master-franchisee and the franchisor, and one should also consider their recommendations:

"It is not easy. They are strong, the franchisees, they are entrepreneurs and those who are good, they hardly let other people dictate things to them. That is to say they already have ideas on how they want to organize the market themselves. And this is how diverging opinions appear" (Master-franchisee, business services network, Germany)

This potentially confrontational situation with the franchisees, or at least difficult to manage, leads some master-franchisees to prefer to have more rigidity on the part of the franchisor and that this rigidity be expressed explicitly, so that it does not leave a lot of space for negotiation between the master-franchisee and his own franchisees:

"With regard to marketing, what we want, the 'corporate design', it is to develop it further. Better guidelines, or I would say more clear. Not to leave much choice, not to let so many alternatives" (Master-franchisee, real estate network, Germany)
Chapter 4: The international franchise relationship
The franchise relationship has received considerable attention in recent years in both academic and professional circles. This relationship is also part of the research priorities of French Franchising Federation whose 2011-2012 research project focuses specifically on the franchise relationship. However, the vast majority of research on the franchise relationship, including that carried out on behalf of the FFF in 2011-2012, does not address specifically its international aspects. This is also due to the fact that issues related to the decisions and decision-making process of the franchisor, to which we have devoted Chapter 3 of this report, are dominant in research on international franchising. This chapter focuses therefore on three key elements of the franchise relationship, and that have emerged from our interviews as particularly important in the development of healthy relationships between international partners and consequently as the basis for the network’s international performance. These elements cover the selection of foreign partners, know-how transfer and other support mechanisms, as well as partner and know-how control in an international franchise network. A fourth theme emerges strongly from our interviews and refers to the process of co-creation of value between the partners of the international franchise relationship. Before presenting the outcomes of our research on these issues, we open with a brief review of the literature on these elements of the international franchise relationship.

1. The elements of the international franchise relationship in the literature

In general, the importance of the franchise relationship for network performance is twofold. On the one hand, the development and maintenance of a harmonious relationship based on mutual trust and interdependence between partners translates at the level of network performance. On the other hand, the mere network expansion it terms of outlets and its ability to survive depends on the franchisor's ability to attract new franchisees and retain existing franchisees of the network, which is therefore to manage the franchise relationship. Grewal et al. (2011) note that the development of partnership relationship between the franchisor and his franchisees in an international context is an antecedent of both the strategic and financial performance of the network, given its impact on the speed and scale of the network’s international expansion.

The international context nevertheless poses particular challenges for the development of healthy franchise relationships and that are source of shared performance for both parties. This is mainly due to information asymmetry problems that are both a major source of potential conflict in the relationship as well as motivation of many regulatory mechanisms. However, information asymmetry may be even more important in an international context, particularly because of cultural and language barriers, as well as differences in the economic, social and legal context between the country of origin of the franchisor and the host country, i.e. the country of the franchisee (Doherty and Quinn, 1999).

1.1. Selecting an international franchise partner

Several studies have revealed a multitude of criteria used by franchisors to select their franchisees, referring to personal characteristics of the candidates, entrepreneurial qualities,
their motivations, their relational compatibility with the franchisor or their resources and skills (e.g. El Akremi et al, 2012; Kaufmann and Stanworth, 1995). This stream of research has been however systematically carried out in the framework of a single national market and does not consider the issue of selection of franchise candidates in an international context. Two important studies have specifically studied the selection of franchisees by franchisors internationally. They highlight both the selection process and criteria for assessing candidates and that are used by the franchisor.

The first research is conducted by Altinay (2007). It emphasizes that selecting a franchise partner on international level follows a formalized process by the company, and that can be decomposed into two spatiotemporal levels: a first phase that takes place in the various countries where the franchisor seeks to recruit franchisees, then a second selection phase where the decision is made at level of the franchisor in the home country. In the various host countries, the country managers play a crucial role. The role of these developers is first to build relationships with a broad range of stakeholders and identify potential opportunities for franchising. Developers make an initial assessment of applications from prospective franchisees, including of their relational compatibility with the franchisor. This includes, for example, evaluating the level of shared vision and management practices, etc. They also have an "educator" role where they try to clearly explain the expectations and culture of the franchisor to potential franchisees. Applications selected by developers in the host country are subsequently analyzed at the franchisor’s level in the country of origin of the network. The evaluation criteria used at this stage are no longer linked to the relational qualities of the candidates but rather to the content of their project in terms of the different tasks.

The second research on selection of an international franchise partner is proposed by Doherty (2009), who distinguishes two approaches to international franchising already presented in the previous chapter. In the first, called the strategic approach, the franchisor selects first markets where he wants to settle before proceeding to the evaluation and selection of future partners. In the second, called opportunistic, contact between the two parties is initiated by a request from a prospective franchisee, which is subsequently evaluated by the franchisor, leading in case of acceptance to settle in a new country. In the strategic approach, Doherty (2009) reveals a multitude of criteria for evaluating candidates and that include for example the financial stability of the partner, his business expertise and knowledge of the market and the level of shared vision of the brand and how to conduct business. Another criterion appears more implicitly: the relational compatibility between the two partners.

1.2. Transfer of know-how and support mechanisms

The transfer of knowledge and know-how in inter-firm cooperation in an international context has been the subject of various studies covering different forms of inter-firm relations. However, studies concerning the transfer of know-how in the international franchise relationship remain underdeveloped despite the importance of the subject (Mariz-Pérez and García-Alvarez, 2009; McIntyre, 1996; Quinn, 1999). The work of Doherty (2007) reveals two types of support mechanisms and knowledge transfer by the franchisor to its franchisees abroad: strategic mechanisms such as franchise manuals and development plans, and operational mechanisms such as the attendance at the opening of the first store and training in the country
of origin or the host country. In addition, while strategic mechanisms are usually initiated and handled by the network’s top management, operational mechanisms are often initiated and managed by the functional departments. In addition, the establishment and development of these mechanisms are positively affected by the size of the franchisor and its previous experience abroad.

Nègre (2006) points out in turn that the transfer of competencies to a master-franchisee is twofold: in addition to the skills related to the franchised network’s activity, it also focuses on the skills of franchising and franchise network management since the master-franchisee acts as franchisor in the host country. This question has not been properly studied by academic research according Nègre (2006) who notes that it is more cited by practitioners. Similarly, these studies usually consider the flow of transferred knowledge in a unidirectional manner, from the franchisor to the franchisee. However, not only is the franchisee is supposed to act as a source of information on the local market for the franchisor, but also studies on international acquisitions indicate that transfer mechanisms may also be reciprocal (Bresman et al., 1999).

1.3. Control mechanisms in international franchise relationships

As noted by Quinn (1999), the literature has often treated the issue of control in the international franchise relationship in a very superficial and anecdotal way, while the distance and the increased information asymmetry increase the risk of moral hazard or at least of unintentional bad management by franchisees. Several authors have addressed the issue of control in the international franchise relationship over the past decade (e.g. Doherty and Quinn, 1999; Moore et al., 2004; Quinn and Doherty, 2000).

The work of Doherty and Alexander (2006) provides an interesting conceptual framework by linking the notions of control and power of the franchisor, power referring to the ability of the latter to modify the behavior of their partner. These authors identify five control mechanisms referring to four types of power. Control can be carried through the establishment of international franchise contracts, in a coercive vision of power. The second mechanism, non-coercive, is the establishment of support procedures towards franchisees so that they have the means to manage their business in the most efficient and the most faithful way to the interests of the entire network. The third approach to power is relational and is carried out through two mechanisms: strategic and careful selection of franchisees to minimize the risk of errors and conflicts, then communication throughout the relationship to develop and maintain trust and commitment. Finally, in an organizational approach to power, the franchisor can control by establishing a form of representation in the foreign market, such as a master-franchisee or a regional developer.

The relative importance of each mechanism depends heavily on contextual variables (Doherty and Alexander, 2006; Quinn and Doherty, 2000). For example, the content of contracts becomes more developed with time and experience of the franchisor, and when the latter adopts a more strategic than opportunistic approach in his international development. Furthermore, the use of non-coercive mechanisms based on support and training is complicated in large international networks as well as in networks with international management department with little human and financial resources. The franchisor's brand also plays a role: the more it is clearly defined
and considered as a valuable asset and thus protected by the franchisor, and the latter will deploy stronger control mechanisms.

Finally, the majority of these studies highlight franchisors’ preference for non-coercive mechanisms rather than coercive mechanisms for several reasons. First, non-coercive measures are most appreciated by franchisees and are positively correlated with their satisfaction (Yavas, 1998). Moreover, the enforcement of contracts which refers to the possibility of imposing their execution can be difficult in an international context, even when the necessary laws exist. The franchisor can hence suffer from "piracy" of the concept, know-how and/or brand by his franchisees (Frazer et al., 2007).

2. The selection of partners in the international franchise relationship

Selecting the right international partners appears in franchisors’ discourse as a major factor in their success internationally. Indeed, this is the first step in a long way to build good relationships with foreign partners. In contrast, a poor choice of partner is considered a major risk factor, and even a cause of failure. Moreover, it is striking in this respect that all the stories we collected from franchisors about failures they have encountered internationally refer to situations with an unreliable partner or a conflict with the partner.

"You have to carefully select your partner. If your partner in Russia, Moldova, Saudi Arabia, decided to break relations with you and carry on on his own, legally we have very few opportunities to fight, so we can set up a suit, with 99% chance to get nowhere and it costs money, so that's the risk, you have to know where it is" (Franchisor, traditional restaurants network)

As on their domestic market, franchisors try to develop procedures and especially to define some criteria, objective and subjective, to select their foreign partners. However, a significant difference appears based on the nature of the international partner, and will play beyond the selection in the transmission of know-how as well. More specifically, several franchisors reported a situation of duality between on the one hand the partner, who is the owner of the local company, and on the other hand the real operator of the local network. This duality seems to be absent at the level of the home country, where the franchisor often deals with small entrepreneurs who make a “choice of lifestyle” rather than an investment choice when deciding to join the network. Another element that reinforces this duality is the international franchise mode selected by the network. Thus, this duality does not seem to appear in direct franchising, but appears when it comes to an investor who wants to be the master-franchisee, partner or developer of a country.

"In France, in 8 out of 10 cases, these are people who will be operational on a daily basis, that is to say it is Mr. and Mrs. Dupont who decide after several years of being employees, company executives or anything else, to be, to work for themselves, as their own boss, that is to say they will invest and they will be in daily contact with the customers and with their own teams, even if it is not daily, they appoint a manager or responsible for their hotel, they will still monitor the activity very carefully [...] internationally, it is much more difficult, since the selection does not operate in the same way, I know for a fact that our partners in Portugal or Morocco will not stay for a long
time, it is not their function nor their desire at all. They are financial investors, I mean that the common denominator of the person who is struggling to lead our international expansion is being a financial investor, someone who knows how to count, someone who knows how to invest and that eventually surrounds himself with people with the necessary skills to achieve his objectives" (Franchisor, a network of hotels)

2.1. The selection criteria of an international partner

Franchisors use a multitude of criteria for selecting their international partners. These criteria are not necessarily shared by all franchisors, and every network seems to give different weights to different criteria. Similarly, we find strong differences in franchisors’ opinion about what is expected of the candidate on the different criteria.

2.1.1. The need to have previous experience in the network’s domain of activity

A first criterion widely cited by franchisors refers to the past experience of the candidate and his particular experience in the same domain of activity as the network. However, franchisors appear to have very different opinions that can be grouped into three trends

2.1.1.1. The importance of previous experience in the trade

A first group of franchisors emphasizes the importance of selecting candidates from the same sector of activity, for various reasons. First, this criterion is invoked by franchisors as a way to facilitate the candidate's training and subsequent transmission of know-how, because he already has the knowledge about the business:

"It's very rare, it can happen but it is very rare that we validate a candidate, already, as I told you earlier, it's rare that we validate a candidate who is totally alien to the world of hairdressing and beauty, because we know that later, it [i.e. the training and transfer of know-how] is much more difficult" (Franchisor, hairdressing and styling network)

Moreover, beyond facilitating the transmission and acquisition of skills, the candidate's experience in the business seems to offer a first guarantee against failure, or at least a precaution to minimize the risk of failure in short and medium run:

"We generally try to choose people who are skilled in the trade, that is to say a pure investor […] is avoided, it is preferred to have investors who are already professionals and rather have more than less integrated image in the field of hairdressing and beauty, because there has been in our network or in other competing franchisors, experiences, where the money was there, the will was there, but there was no know-how, competency and continuity, and it was a nice implementation which lasted two or three years before abandoning" (Franchisor, hairdressing and styling network)

In addition, this past experience helps to have partners who not only require less effort and cost for their training, but also are faster from an operational standpoint:
"We do not want an investor, we want someone operational [...] for restaurant franchises, you have to entrust the restaurants to someone who has expertise in the restaurant business, I mentioned earlier that we are not looking for investors but rather operational people" (Franchisor, fast food network)

2.1.1.2. Previous experience in a close business

When franchisors are not looking for candidates with experience in the same trade as the network, at least they seem to favor candidates from similar or close sectors of activity. Thus, the beauty saloons’ networks mentioned candidates from hairdressing, and fast food networks mentioned candidates with hotel or retailing background. This proximity of trades then allows to have at least some important skills, such as the management of the customer relationship, and that are transferable to neighboring areas:

"I have a lot of franchise candidates who come from retailing, well obviously because they have the necessary cash and often strong financial reserves, I hope so, but from the moment they know what a client, it is good, they know how to do" (Franchisor, a network of hotels)

This sought after proximity is expressed not only in terms of trade, but also in terms of positioning and target markets. Thus, some networks with a luxury positioning report a preference for partners with background in companies with a similar positioning, as for example networks with a very mass-market positioning. The motivation behind this search for positioning proximity is that such a partner would better understand the brand and its audience:

"[There is also] the understanding of our brand. Today, between someone who has almost the same type of, who will have brands that are close to ours or in any case who, we speak the same language. I do not think today we would go and choose someone who only works in luxury for example, because the ways of doing are completely different and we have already had the experience of someone else who was certainly very well but had brands that have not the same, we did not target the same customers at all, we do not work at all in the same way above all, and we did not get along at all. We failed to understand each other, that’s it. [It should have] a business culture, mass-market, a close business culture, absolutely" (Franchisor, personal equipment network)

2.1.1.3. A negative view of the candidates from the same line of business

Finally, we met with franchisors who, on the contrary, wish to avoid candidates who already have previous experience in the same business. This is then justified by the fact that such an experience can be a source of failure in the franchise relationship because the partner already has a way of doing, a culture, specific routines, etc. which may not match what the network wants to implement. However, as these are already well entrenched, it becomes difficult to change:
"I would almost say the opposite, because if we rely on someone who already knows how, that person who already knows how, will tend to follow the rails on which it conducts its business so far, without being may be sufficiently attentive to what we want" (Franchisor, personal services network)

2.1.2. The ability to develop the market and its potential

This second criterion acquires special importance when selecting a master-franchisee or an importer or developer, but does not make much sense when talking about direct franchising. The capacity of the potential partner to well develop the market and cover it is evaluated by franchisors based on different criteria. The most frequently cited criterion corresponds to the financial capacities of the partner. These capabilities are deemed especially important by franchisors in order to achieve optimal network coverage, especially when the target countries geographically wide and/or offer a great potential for development:

"We make the deal with the company so we obviously ensure its reliability and good financial health and skills to develop our business [...] it is not hotelier who owns the hotel Three Ducks that could claim to be our franchisee, he can do it but we are not going to validate it, what we look for is a group with strong financial capacities to ensure our development on an entire country" (Franchisor, hotel network)

The second criterion used to evaluate the ability of the partner to develop a market refers to management and development skills. These skills are particularly important in a context of master-franchising, where the partner will assume the role of franchisor locally. However, they seem secondary to the financial capacity:

"We look in the milieu for partners with strong financial capacities to invest, around 100,000 euros, and then we prefer a partner with the right skills, management skills, marketing, commercial, people who can easily acquire technical skills to be applied, rather than looking for people with technical skills and try to make them do something else" (Franchisor, building network)

The partner’s perceived capacity to develop the local market also depends on his knowledge of the market. This knowledge then allows the partner – and hence the franchisor – to save time. It also largely explains the franchisors’ preference for candidates from the target country rather than French candidates:

"I need a partner, if we target a market abroad, I need to have a partner who perfectly masters the local market, his own local market, his own national market" (Franchisor, food-retailing network)

Finally, the ability to develop successfully the market is also associated with the relational and professional network of potential partners, especially the relationships that they may already have with other key players in the market and that can facilitate the network’s development. This seems particularly important in sectors where it is important to have access to strategic resources such as, for example, some locations:
Those are retail groups [...] which already have a network of stores, which have, so because they already have a network of stores, they have good relationships with shopping malls for example, they will have more facilities to go to a mall and say ‘I’d like a number one location’” (Franchisor, personal equipment network)

2.1.3. The ability and willingness to develop a long-term partnership

Beyond the ability to develop target markets in depth, franchisors also attach importance to the ability and especially the willingness of potential partners to develop long-term partnerships, rather than engage in joint operations in the short term. One way to assess the candidate's ability to engage in the long term is then based on the analysis of his financial capacity:

"If tomorrow we identify a country, we need a candidate who has a financial base which gives us confidence, who is able to engage in the long term, who can consider signing shareholder agreements or long term structured agreements, this is the standard and usual relationship, someone that we should say that he will indeed adapt the model of [network name] to the country but without distorting it [...] So we need someone who has a project, who can commit over time, based on the operation and profitability of the business, and not someone looking for a good opportunity by building a network with the idea of selling it when it has been a little bit structured" (Franchisor, auto services network)

Willingness to commit in the long-run is also reflected in the nature of the partner. Thus, institutional investors and other investment funds are avoided by franchisors seeking long-term partnerships, because they know that this type of actors have a time horizon for profitability that is much shorter. One of the surveyed franchisors marks a strong preference for partners such as family groups, considered to be more committed to long-term:

"It happened to us to sign agreements with people who had money, who were from the same sector of activity, who were listed companies and who, locally, when there were fluctuations on stock exchanges, have sold our brands immediately, whereas when you work with a family, it's not like that, it does not happen that way" (Franchisor, hairdressing and styling network)

Beyond the criteria for assessing the ability and willingness of the candidates to commit to long-term, the search for long-term partners seems to be motivated by both the long-term orientation of the franchisor as well as his concern to protect the brand:

"Nice partnerships that last two or three years, this is generally not good, because, OK, you've collected the entry fee, you collected royalties for some time, the only problem is that the brand is a bit “burnt” for some time, this is rarely a good sign in terms of image, communication and awareness, so we try to be more cautious" (Franchisor, hairdressing and styling network)
2.1.4. Relational and personal criteria

In addition to the above criteria, which can all be characterized as rational, we also find more subjective criteria that focus on the relational aspects and the understanding, even the "chemistry", and that takes place from the outset between the two partners at the time of first contact:

"Something that is highly significant to us in our relationship, so it is true in France but it is also true internationally, is that we work on a personal basis, so we wish that this way of functioning also continues internationally considering that the person who will manage the network is fundamental" (Franchisor, traditional restaurants network)

Conversely, for some networks, the importance of the human and interpersonal factor that was paramount in their assessment of potential partners in the domestic market is no longer that important internationally. This is justified for them by the fact that internationally, the subjective assessment of the human element is biased particularly by the cultural distance. This assessment is perceived as unreliable and is replaced by more objective assessments based on the aforementioned criteria, such as financial capacity

"When [the chairman of the network] had given me the mission, he told me you'll see that 95% is based on the human element, I want to say he lied to me, it is 100 % the human element, there are projects that are not established because the human element is not good, and it cannot always be explained, it can be felt, so it's really a human relationship. This is in France. Internationally, it is much more difficult. You can also spend time with someone abroad, but precisely because there is a cultural lag, it may very well be that we don’t understand everything, that we don’t identify all the underpinnings. There, what we do and what we would recommend to any brand that wants to go international is really to check, that is to say, we all have solid enough banks, so ask and say then GO or NO GO" (Franchisor, a network of hotels)

Other networks respond to this potential bias caused by the lack of reliability of the assessment of the human element internationally by establishing long periods at the beginning of the relationship to get to know the potential partner in order to make a better assessment.

"You have to be really sure, you know there is a phrase I love: before getting married you must get engaged. It is true that we are no longer in that mentality today, but I say it is a good idea, because you get to know each other, even when you get engaged, sometimes marriage still does not work, but if you do not burn steps, we will have more chance that it works, nothing is ever certain" (Franchisor, food-retailing network)

Several criteria seem to be used to evaluate potential partners on this personal and relational base. The first one refers to the passion of the candidate. The importance of passion is often justified by the fact that it reveals an intrinsic motivation on the part of the candidate to invest and get involved personally, and which results in a stronger defense of the concept and the brand on the local market:

"We need someone who is involved and who has the means to really put the products forward. So we are looking for people who are involved, as I said earlier who love food,
who love France, our criterion is that the people are involved [...] It must be really someone passionate [...] if behind, people are not motivated, people do not motivate their customers to buy, it cannot work, it really has to be people who love food, who love France and who want to transmit it. There is a lot of passion in our vendors that are passionate about food, and this is important” (Franchisor, food-retailing network)

Another aspect of the evaluation of international candidates in this context is to what extent they are considered as serious candidates. Franchisors seem to use a lot of implicit and subjective criteria to assess this point. This is the case of a franchisor who considers that French candidates who want to go abroad and open an outlet of the network, as well as those encountered in franchise fairs in France, are deemed not serious:

"In fact I have many contacts abroad, there are a lot of French people who dream of going in a country they like, I do not believe in this kind of projects, I honestly do not believe at all in this kind of project [...] During fairs, I could open stores in the whole world, but often these are people who are visiting the fair and would say ‘why not’, so what I would like to say is that it makes new contacts, but behind it there is nothing much, there is no structure, these are people who have imagined their product, not more than that. I have entrepreneurs, I could have opened in Africa this year, I do not know why I had ten contacts for Africa, but I 'm pretty sure there is none that would work” (Franchisor, food-retailing network)

The seriousness is measured by another franchisor based on the credibility of the partner, and more specifically what he has to lose if he does not deliver on his promises. Thus, the franchisor we have quoted above, who has a preference for family groups, justifies this preference also in part by the fact that a family is a more credible partner who has more to lose than other types of partners if it does not keep its commitments:

"When a family locally tells you I will make the deal with you, regardless of the country where you are, overall, you have a more serious commitment, another scope, you are not working with an investment fund, you are not working with a bank, you do not work with people who are listed on the financial market, but working with a family that does business locally, which has a reputation, which will seek to protect its reputation” (Franchisor, hairdressing and styling network)

In addition, franchisors also attach importance to compatibility or congruence between the two partners. This compatibility is often expressed at the level of the expectations, the investment process or even the corporate culture. It can also be expressed in terms of the nature of both partners, family groups favoring partnerships with other family groups, or even networks owned by investment funds focusing on relations with other investors. Compatibility can also be assessed more subjectively based on a relational evaluation:

"There are people with whom we have a good relationship, but we did not sign because we were not on the same page” (Franchisor, food-retailing network)
Also note that franchisors refer not only to the congruence between the two partners, but between the sought partner and the franchisor’s brand, specifically the values it stands for. This is the case for example of the previously mentioned food network where the sought partner must share the core values of the brand such as passion for French gastronomy and the quality of local products.

2.2. Contingency factors and weights of different selection criteria

The selection of a partner is indeed based on a mixture of the above criteria, but it seems to be carried out only if the country of the candidate is deemed interesting for the network. In other words, whether the network is opportunistic or proactive does not seem to affect the fact that a partner that is assessed as interesting is retained when you already consider that the country is interesting. This differs from the results of Doherty (2009) which indicated that proactive franchisors first choose the country then the partner, and opportunistic ones choose a partner and thus penetrate a country, almost by default. But even for opportunistic networks, the assessment of the country seems to be more important than that of the candidate:

"Suppose you say ‘yes’ about a country, yes there is a purchasing power, there are customers, so there is sufficient demand to absorb a number of shared costs, fine, now after that there is the partner, who is he? [...] Once again, first, the country, then the candidate" (Franchisor, auto services network that claims to be particularly opportunistic)

Once the applicant's country is approved by the franchisor, several elements seem to be taken into consideration to give more weight to a particular selection criterion among the above criteria.

2.2.1. The nature of the international approach

The first factor that plays here is the network’s international approach, i.e. the fact that it is a passive opportunistic franchisor for example, or a more proactive franchisor. The more opportunistic the franchisor, and the more will he search for partners who require the least effort and involvement from the franchisor, whether in terms of training at the beginning of the relationship or of support thereafter. Such franchisor will tend to favor candidates with strong business experience, who are immediately operational. On the contrary, the more a proactive approach is adopted, and the more the franchisor has generally established structures and resources dedicated to supporting and training. In this case, it is easier to accept candidates who need to be trained.

The type of international approach has also an impact on the importance of finding long-term partners. This criterion is much more important for franchisors who are proactive internationally, while opportunistic franchisors adopt generally a short-term logic.
2.2.2. The selected mode of entry and presence

More specifically, it is clear from franchisors’ discourse that master-franchising is a pattern where the partner must master two types of business: the business of the network and the business a franchisor. In this case, many franchisors give more importance to the fact that the candidate already masters at least one of the two businesses to focus on the other:

"It would be easier if I think about master-franchise, to develop with someone who is already in the business, it avoids the future master-franchisee to learn several trades at the same time" (Franchisor, food-retailing network)

The mode of development also has a significant impact on the weight of the partner's capacity to develop the country as a selection criterion. Thus, this criterion is particularly important in the case of the master-franchise, where by definition the partner has to develop a network in the country that matches the potential of the concept and the local demand.

2.2.3. The duality of the entrepreneur and the operator

This duality that we have previously reported, and that seems strengthened internationally, particularly in patterns of master-franchise, also gives more weight to certain criteria. Specifically, the importance of the fact that the partner has previous experience in the same sector of activity will fade when you know that this partner associates or surrounds himself with people who have the necessary skills in the trade, or at least intends to recruit people who are from the line of business to take on the operational aspect and take over the daily management of operations:

"We want it to be someone from the food industry, but if it is someone who is not from the food industry and gives you the guarantee that in this division that he will lead, it will be headed by a chief operating officer or manager as it is generally called, who will take care of, who will come, who will work with the teams, who will come for training, that will go well" (Franchisor, food-retailing network)

2.2.4. The technicality of the know-how

The technicality of the franchisor’s know-how also impacts on the weight attached to different factors. Indeed, the more or less technical aspect of the know-how influences the difficulty of controlling it by the partner. Hence, the less technical the know-how and the less necessary it seems to have someone with previous experience in the same sector:

"The food itself is not necessarily a criterion, it is ok here because our concept is based on ‘assembled cuisine’, our processes can be learned fairly quickly" (Franchisor, traditional restaurants network)

"It's very important [to select partners with a similar business background] because the restaurant industry, it is a service industry, it requires handling the service, cleanliness, hygiene, it is a complicated job, it is not simply storing. It is a daily job, seven days a week, it is a dangerous job" (Franchisor, fast food network)
2.2.5. The culture of the network and/or the parent company

As we saw earlier for example, companies with strong family culture and that are rooted in a specific geographic area will attach great importance to this type of cultural and relational criteria in choosing a partner. The time orientation of the network and its managers also has an important impact. Thus, not only the hotel network we have encountered and that is regularly bought and sold by investment funds does not consider it important to the search for long-term partners, but it also seems to expect partners who are also short-term oriented:

"Internationally, it is much more difficult, since the selection does not operate in the same way, I know for a fact that our partners in Portugal or Morocco will not stay for a long time, it is not their function nor their desire at all. They are financial investors, I mean that the common denominator of the person who is struggling to lead our international expansion is being a financial investor" (Franchisor, a network of hotels)

3. Know-how transfer and international support for foreign partners

The importance of know-how transfer and franchisor’s support to his partners abroad emerges strongly as a success of the internationalization and more specifically of the franchise relationship, as it appears both in the discourse of both the franchisors than in their foreign partners.

"The transmission of our knowledge is actually one of our key missions as a franchisor. But I would say it is particularly important when we export, because we are less present, we can less go and solve the problem instead of our franchisee if needed, and therefore we should train him well from the outset, and above all find ways to keep in touch and stay tuned, and this with a large network like ours is not always easy, believe me" (Franchisor, personal services network)

"I know I can count on them. You get support when you need it. You're just not alone, and that makes the business much easier" (Franchisee, personal equipment network, Greece)

To measure the ability of networks to transmit their knowledge to their partners abroad, we used the same scale used to evaluate the transmission in a national context (see Chapter 2) and that we have slightly modified to focus it on the international franchise relationship. Analysis of the responses shows that internationalized franchisors, on average, have a satisfactory level of mastery of the transmission of know-how in an international environment, with an average score of 3.59 out of 5 (Table 25). The percentage of franchisors who declare perfectly mastering (note equal to 5) all the components of the transmission even reaches 14.3 %.
Table 25. International transmission of the know-how

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Items</th>
<th>Mean</th>
<th>Loading</th>
</tr>
</thead>
<tbody>
<tr>
<td>Know-how transmission</td>
<td>Codification of the network’s know-how</td>
<td>3,64</td>
<td>0,946</td>
</tr>
<tr>
<td>57,47% explained variance</td>
<td>Faithful transmission of the know-how to the franchisees and master-franchisees abroad</td>
<td>3,62</td>
<td>0,929</td>
</tr>
<tr>
<td>Mean : 3,59 (standard deviation 1,03)</td>
<td>Formalizing the concepts and methods in franchise “bibles” and/or manuals</td>
<td>4,00</td>
<td>0,881</td>
</tr>
<tr>
<td>Cronbach alpha 0,907</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

In comparison, recall the result reported in Chapter 2 and according to which non-internationalized franchisors reported a mean score of mastery of the transmission equal to 4.22. However, the comparison between these two scores is not valid because the measurement scale has been modified to take into account the specificities of the transmission abroad. Nevertheless, we can interpret this decrease in the score of the mastery of transmission by the increased complexity of this organizational competence in an international environment, and the lack of experience and learning effects for the newly internationalized networks.

Beyond this quantitative assessment of the mastery of the know-how transfer by internationalized franchisors, the interviews with them and their partners abroad highlight several characteristics of the issue of transmission in an international context and that could be summarized in six main points.

3.1. Different training depending on the nature of the actors

One difference between training and transmission in an international environment in comparison the training on the domestic market is the fact that the franchisor deals with different types of actors. Thus, first, we see a duality in international franchising between on the one hand the franchisee, investor and entrepreneur, and on the other hand the operator of the local network or the point of sale. This duality contrasts with what is traditionally observed in the franchise model where it is the franchisee himself who often manages and operates his unit. In this new framework, the training is no longer delivered to the franchisee himself but to the COO of his business abroad:

"It is very rare that the franchisee receives the training. The manager and his chef, those are the two people to whom we deliver the training, and after that we support them" (Franchisor, traditional restaurants network)

"I would say that it is not the franchisee who comes in [for training], unlike France, it is one of his employees" (Franchisor, traditional restaurants network)

However, the fundamental difference in the nature of the actors that has the most impact on the contents of the training is the fact that the foreign partner is a simple franchisee or a master-franchisee. In this context, most networks we have met seem to have developed specific and more developed training for master-franchisees. Those among them who have not done so still acknowledge the need for such training. However, this situation is not unanimous and we also...
encounter networks for which a master-franchisee training does not differ from that of a conventional franchisee:

"No, it's the same, it's the same training [i.e. for a franchisee and master franchisee]. Even for the big sales corners [...] of course there are things we do not address because there is no reason for it, but otherwise there is necessarily a training on the products, sales techniques, all of it of course" (Franchisor, food-retailing network)

A particular case of lack of specific training occurs in the case of the aforementioned duality between the franchisee and the operator, where some networks recruit from the beginning chief operating officers who with previous experience in the line of business or with expertise in network development, which reduces the need for additional specific training:

"There is no specific training [for the master franchisee], there is a support and very quickly afterwards we invite our partners to recruit someone with expertise in how to accompany the development of a network. In England, our partner has recruited a network manager dedicated to business development" (Franchisor, building network)

3.2. The content of the training of international partners

The content of the training of international partners mirrors that of national franchisees, with a dual focus on mastering the skills of the trade and the management of an outlet. However, once again we find two differences internationally. The first refers to the fact that some elements of training are specific to cultural and legal contexts, and cannot be duplicated internationally:

"You cannot internationalize a specialized legal training, since it's just completely different. Therefore, this training is done by us here, it is logical, [network name] is not able to provide it. Yes, as an international network. So we adapt it here in Germany and we take advantage of the opportunities that we encounter here. This is why we have a collaboration agreement with the Graduate School of Management and the Environment" (Master-franchisee, real-estate network, Germany)

The second difference we observe is more directly related to the nature of the actors as mentioned above, and more specifically the development of specific training for master-franchisees. This training comprises the same elements transmitted to simple franchisees, to which supplementary skills and techniques are added and that are crafted specifically for master-franchisees. In this context, the first type of specific skills transferred to the master-franchisee are the skills related to the development of a network, since the master-franchisee acts as a franchisor on his national territory:

"It is planned like that in their contract, that is to say that from the moment they decide to develop [a network], we will provide them with a specific training for the purpose of network development, so we bring them here to France, to our headquarter and explain to them what they must do to develop their brand, to develop our brand in their country, yes, because they leave the restaurant business and they become instead business developers, having to participate in trade fairs, to produce leaflets about regulation and
provide them to their prospective franchisees, assist them, so here it is in another field of activity" (Franchisor, traditional restaurants network)

The second type of specific skills transferred to the master-franchisee concerns no longer the network’s development per se, but its management:

"We have training modules to launch the franchise, we have training modules for how to manage and optimize the management of a network, that is to say what are the duties of an area manager, or for example also at the financial level, how to do a reporting, so we have tools that we offer for master-franchisees that go far beyond the tools that I would offer to simple franchisees, in fact we build what we offer as training for franchisee, a master is a franchisee but he must do much more" (Franchisor, cleaning network)

The third type of skills for which the franchisor provides specific support for his foreign master-franchisees relate to the strategic aspects of network development. Specifically, the skills relate to the development of the master-franchisee’s strategy in the medium and long term for the network he builds and manages on his domestic market:

"The basic elements of support are the same, with a complementary strategic part. A master-franchisee, you must also give him the support in his development strategy, because ultimately a franchisee, he is a store operator, a master-franchisee is not only a store operator, but he is mostly a business development officer and in this perspective of development officer, you must of course make every day a little assessment of the situation, is it better to invest, I don’t know, in an additional activity, is it worth it to develop additional activities, or is it necessary to franchise or rather open new company-owned [i.e. master-franchisee-owned] outlets" (Franchisor, cleaning network)

"The focus was mainly on marketing, on operating strategies, sales strategies, and then training, sales training, interactive trainings, how to get contracts? What sales strategies to carry on? How to penetrate the market? How do I enhance my business’ awareness? And so on" (Master-franchisee, real estate network, Germany)

Finally, franchisors also attach particular importance to the transmission of the DNA of the brand to the master-franchisee, even more than in the case of franchisees. This seems particularly important since the master-franchisee will himself convey this DNA to the franchisees on his own market, and should hence integrate it well upstream:

"Throughout [the training] there are also meetings with people in the home-country, in offices at the headquarter, in stores, he is very well told the story, it soaks in, any case everything is done for the story to soak in I would say, because the technique alone is insufficient. A master-franchisee should very well incorporate the DNA of the brand, its history and project, because he will pass it to the network he will also develop" (Franchisor, house equipment and furniture network)
3.3. The location of the training

We also spotted several possible schemes for the location of the initial training. A very common scenario is to bring franchisees or master-franchisees to France for an initial training period which generally ranges between one and three weeks:

"All of our French and foreign franchisees come and spend a week, and they are well trained on the product of course, on the way to address customers, the management of the store, the organization of the store, all this of course, there is a training, there are even a few days with a store manager who shares his know-how with the franchisee" (Franchisor, food-retailing network)

Several factors seem to favor or discourage this configuration. The first is the existence of specific resources for the training in France and that cannot be moved abroad, such as in the case of networks with highly technical know-how and that have developed a school or center for training. The second element is complementary to the first, and refers to the case of networks that have in France elements of corporate heritage, such as an important place, and that are used as a means to communicate the brand’s DNA to foreign partners. The third element is rather practical and refers to the feasibility of such an approach. Thus, when the number of people to train is very important, displacing them in France becomes then both more expensive and more complicated, and hence alternatives are considered:

"To teach all that here, we found that the only way was to create a school here to train our employees, because it was too expensive and complicated to send them to France [...] and this is why the franchise works, because it's a lot of training and the person learns with us" (Master-franchisee, hairdressing and styling network, Brazil)

The second possible pattern for the training location is a mixed approach, where part of the training, especially the initial training is delivered in France, while the rest of the training which is rather a continuous training, is delivered abroad, in the country of the master-franchisee or the franchisees:

"All of our partners are being trained in our training school. Then we have our area manager who must give a local training on specific points [...] things continue to evolve, we implemented a year and a half ago a development system with regional managers, when we launch new products, training is done directly in each specific area" (Franchisor, building network)

Finally, the last pattern we spotted refers to the cluster approach described above in the choice of target countries. Thus, various international training centers are developed to train franchisees and master-franchisees in neighboring countries. Note however that this capillarity is not only geographical, but is developed by some networks on the base of a rather cultural proximity:

"If you have to set up a franchise in Austria, obviously we will not bring in an Austrian to France, the Austrian will exclusively go to Germany, in addition we work in a cultural way. The Brazilian will attend training in Portugal" (Franchisor, hotel network)
3.4. The role of ICT

The need to complete the initial training with ongoing support to foreign partners, combined with geographic distance, gives way to a very important place for information and communication technologies (ICT) in many networks as a path for transmission and training. These ICT play primarily as a medium of direct communication between the franchisor and his partners abroad. The franchisors and their partners abroad mention in the interviews a very important number of ICT tools used for such purpose:

"Communication between us is intense. In reality it is very heavily based, it focuses on e-mail exchanges, conference calls, webinars. It is done during the workshops, trainings" (Master-franchisee, real estate network, Germany)

"I call [name of the export manager] oh yes very regularly. Several times a week for sure. And we exchange a lot in other ways too, especially by e-mail, but sometimes I just have a quick question, I send him a text message, or even we are on what's'app, I do not know if you know that" (Franchisee of a food network, Reunion and Mauritius)

In addition, some networks have developed further usages of ICT, beyond their ability to connect both parties through a direct communication, to develop more elaborate knowledge-management systems, based on the sharing of good practices within the international network, both between the franchisor and his partners, and between his different partners:

"What we get is very often in a very targeted manner, that is to say, we put the record straight and say that's my problem. Then a colleague from the United States, for example, says that they have the document, the solution, the program for the problem at hand. And they say it to me directly and I get the document in the internal database or they even send it to me. I take a look at it and then we will, of course, if we want to use it, do the work of translation" (Master-franchisee, personal services network, Germany)

3.5. Evolution of training and learning

Finally, one last feature that we identify at the level of transmission and support in the international franchise relationship refers to a learning effect and changes in the level of support and training. Thus, franchisors who are early in their internationalization cycle appear at this time to provide very little support to their foreign partners. Training is perceived by them as insufficient and must be supplemented by direct learning from own experience of the partner:

"In fact, he gave me half a dozen pamphlets and 'goodbye' [laughs] here and good luck. We did a week of classes in France, but we really learned by adapting the work, by listening to customers and creating our local training center. [Network Name] did not have, now it has, a structure, at that time, to offer master-franchisees in other countries" (Master-franchisee, cleaning network, Brazil)

This situation evolves over time and franchisors seem to realize progressively the importance of training and the transmission internationally, and develop specific tools to deliver such training and support:
"We did not have all the mechanisms that we have currently. Now if I start a new franchise abroad, for instance Belgium where things are more advanced now in setting up the new franchise, it is obvious that I will form my prospective franchisee or my future master-franchisee myself, it is clear and unambiguous and I will train him so he would be able to form afterwards [his own franchisees]" (Franchisor, food-realtling network)

The development of a more elaborate training approach specific to international markets goes through a stage of codification, which is perceived by franchisors as an important element of the transmission:

"[it is important] to take care of everything, have clear specifications, operating protocols, etc. to make it as clear as possible, because you know it as much as I do, we retain 10% of what is said, 30% of what is said and seen, etc. So we must have written documents, we are working on it, and the base of pedagogy is repetition and we must be very pedagogical, this is where the difficulty resides, and behind all this there’s also the interpretation and the inevitable abuses that may appear" (Franchisor, hairdressing and styling network)

3.6. Adaptation of training and transmission

In the previous chapter, we saw that the transmission of knowledge and communication with franchisees are among the matters dealt with in the process of adapting the franchisor’s offering and approach to the international markets. Based on franchisors’ discourse, we tested the model of the determinants of the level of adaptation of the transmission and communication elements shown in Figure 34.

Figure 34. The model of the determinants of the level of adaptation of the elements of transmission and communication with the partners abroad

The determinants of the adaptation of transmission and communication elements with franchisees and master-franchisees abroad explain all together 41.6 % of the variance in the level of adaptation. However, only a limited number of determinants have a significant impact on the adaptation of these elements of the franchise relationship (Table 26).
The availability of resources and the mastery of the techniques of international trade are the two determinants that have the greatest impact on the level of adaptation of the transmission elements. They are followed by the franchisor’s knowledge in international development. The lack of impact of other variables is also interesting to point out. The number of host countries has no significant impact, contrary to our expectations. Similarly, the level of adaptation does not increase with time, nor does it decrease. Moreover, the adaptive capacity of the network, represented by its innovative spirit and organizational agility, do not participate in their turn to explain the level of adjustment of the elements of the franchise relationship.

<table>
<thead>
<tr>
<th>Determinant</th>
<th>direct impact</th>
<th>indirect impact</th>
<th>total impact</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Coeff. t Low. (95%)</td>
<td>Coeff. t Low. (95%)</td>
<td>Coeff. t Low. (95%)</td>
</tr>
<tr>
<td>Resources</td>
<td>0,15 3,23 0,04</td>
<td>0,22 0,21 3,61 0,05</td>
<td>0,31 0,37 0,37</td>
</tr>
<tr>
<td>Mastery of international trade techniques</td>
<td>0,18 4,25 0,04</td>
<td>0,24 0,16 3,78 0,06</td>
<td>0,22 0,34 0,34</td>
</tr>
<tr>
<td>Knowledge in international development</td>
<td>0,19 4,20 0,07</td>
<td>0,26 0,00 0,00 -0,01</td>
<td>0,01 0,19 0,19</td>
</tr>
<tr>
<td>Organizational agility</td>
<td>0,08 1,35 -0,09</td>
<td>0,16 0,00 0,00 -0,01</td>
<td>0,01 0,01 0,01</td>
</tr>
<tr>
<td>Know-how control</td>
<td>0,08 1,37 -0,13</td>
<td>0,16 0,00 0,00 -0,02</td>
<td>0,01 0,01 0,01</td>
</tr>
<tr>
<td>Know-how transmission</td>
<td>0,04 0,61 -0,13</td>
<td>0,15 0,00 0,00 -0,02</td>
<td>0,01 0,01 0,01</td>
</tr>
<tr>
<td>Innovation</td>
<td>-0,05 -0,70 -0,19</td>
<td>0,09 0,00 0,00 -0,01</td>
<td>0,01 0,01 0,01</td>
</tr>
<tr>
<td>Number of countries</td>
<td>0,00 0,02 -0,09</td>
<td>0,07 0,00 0,00 -0,01</td>
<td>0,01 0,01 0,01</td>
</tr>
<tr>
<td>Duration of internationalization</td>
<td>0,06 1,49 -0,03</td>
<td>0,15 0,00 0,00 -0,02</td>
<td>0,01 0,01 0,01</td>
</tr>
</tbody>
</table>

Table 26. Results of the models of the determinants of the level of adaptation of transmission and communication elements with franchisees and master-franchisees abroad

4. Control of the know-how and partners abroad

The difficulty of controlling operations in foreign outlets, due mainly to geographical distance, appears in franchisors’ discourse as a major concern in the internationalization of a franchise network. Therefore, the control of the good implementation of the know-how by the foreign partners is crucial. Moreover, it is striking that many franchisors interviewed refer to not only the importance of controlling partners but also its necessity, or even the mere obligation to do so:

"In our business, we must be able to control at any time" (Franchisor, food-retailing network)

"It is an obligation, we must verify, we must control, we cannot afford problems of fraud in foreign restaurants, we cannot afford that his work [i.e. the foreign partner’s] taints the brand, so we must be very vigilant" (Franchisor, traditional restaurants network)
If this need to control evoked by franchisors has the primary purpose of ensuring the correct application of the concept in foreign units, two other objectives are also highlighted by the franchisors. The first, which we previously discussed in Chapter 3, refers to the importance of controlling for the protection of the network’s brand and its reputation, which are in the eyes of franchisors strategic assets. Moreover, the need for control in an effort to protect the brand is reinforced by the globalization of communication and social networks, which threatens franchisors with “contamination effects” that are very harmful to their image:

"[Network name] is a famous brand, it is a notorious brand that is well-known, it makes us vigilant in terms of the brand’s reputation and awareness, so when you cumulate the brand awareness with the specificity of the products, you see the importance of controlling the franchisee, when you give your franchise to someone, you do not give it any way, you are obliged to be very demanding on the reiteration of the franchise [...] because especially with the Internet, the development of social networks, if you have a problem in Russia, it will be known in the whole world, people will see what happens on the Internet" (Franchisor, hairdressing and styling network)

The second objective associated with control is less present in the discourse of franchisors and appears to be primarily not a direct objective of the control logic itself, but rather an objective associated with the tools of the control process. It consists specifically for the franchisor to keep, through control tools such as visits abroad, a strong and direct link with foreign partners:

"Of course, [the inspection] is what allows us to keep our relationship with our franchisees that are far from us, that is to say that beyond a call once occasionally, I or my colleagues who are present over there, it allows us to discuss important things and to see things that are going fine, and those that are not going well" (Franchisor, traditional restaurants network)

Beyond these direct and associated objectives of control, franchisors discourse reveals a great underlying motivation, which refers rather to the state of mind behind the whole control process. More particularly, the search for control by the franchisor seems to a great extent governed by a desire to support the foreign partner to achieve a mutually beneficial outcome, rather than by a logic of controlling the actions of an agent by his principal:

"The goal is not to ‘play the cops’ with anyone, it is to ensure that people, our partners that we accompany, and who I want to say it here defend the brand in an extraordinary way, so they will often be much more concerned that we abide by the criteria of the brand" (Franchisor, food-retailing network)

This motivation of mutual interest seems well understood by many foreign partners we have met, and who also see control as a way for them to maximize the benefit they derive from their membership in the network:

"I want to go back a little to what was said on the inspection and control. You know I have been with [network name] for almost 30 years, and control as you call it, I know that it is not done to monitor me or spy on me, but it is rather in our mutual interest of both [network name] and I too, because it allows me to remain on the right path. In 30 years a lot of things, practices, techniques, and even the brand, it evolves a little too,
and this follow-up by the headquarter is also a way for me to ensure that I continue to do things right, and that I continue to have good results” (Master-franchisee, hairdressing and styling network, Switzerland)

4.1. The mastery of control of foreign partners by internationalized networks

We measured the ability of internationalized franchisors to monitor the application of their know-how by their partners abroad by slightly modifying the scale used to assess control in a national context (see Chapter 2), to take into account the international aspect of the franchise relationship. The analysis of the responses indicates that internationalized franchisors have an average level of mastery of control that is satisfactory (mean score of 3.75), which is slightly higher than their mastery of transmission. 11.4% of the surveyed franchisors even declared that they fully mastered (note equal to 5) all control elements on which they were interviewed.

As we did with transmission, we compared the level of control between internationalized and non-internationalized franchisors. The difference between the mean score of control between internationalized (3.75) and non-internationalized (3.81) franchisors is very low. However, as reported in the case of transmission, this comparison must be interpreted with great caution because the measurement scale has been modified to take into account the specificities of the transmission abroad.

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<thead>
<tr>
<th>Dimension</th>
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<th>Mean</th>
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<td>Know-how control</td>
<td>Verifying the faithful application of the know-how by the franchisees and master-franchisees abroad</td>
<td>3.68</td>
<td>0.920</td>
</tr>
<tr>
<td></td>
<td>Control of the faithful application of the know-how in all the outlets abroad</td>
<td>3.53</td>
<td>0.933</td>
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<td></td>
<td>Auditing of the outlets abroad</td>
<td>3.38</td>
<td>0.858</td>
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<tr>
<td>Cronbach alpha 0.926</td>
<td>Follow-up and monitoring of the franchisees and master-franchisees abroad by the network managers</td>
<td>3.76</td>
<td>0.910</td>
</tr>
</tbody>
</table>

Table 27. Franchisors’ ability to control the application of their know-how abroad

4.2. The various monitoring tools used by international networks

Franchisors’ discourse indicates at first sight strong similarities between the control tools in a national market and those mobilized internationally. We find for example the audit of units (i.e. outlets) as well as the checking of the correct and consistent application of the know-how by the partners abroad. However, it appears from the franchisors’ discourse that mainly geographical distance and the costs it generates in the implementation and deployment of such control, reduce the ease of use of the same tools in an international setting and require the use of complementary tools. Thus, based on these difficulties, some monitoring tools deployed in France are abandoned abroad. These abandoned tools include for instance satisfaction surveys carried out by external poll institutes and that are not replicated abroad.
The interviewed franchisors seem to make a distinction at the level of monitoring and control tools that are effectively deployed, between the tools they describe as qualitative and other tools that are more quantitative, based on more tangible and measurable indicators.

4.2.1. Qualitative control tools in an international setting

In the category of qualitative control actions, we note a distinction between control actions that are deployed at the beginning of the relationship, especially at the establishment of the first stores or service units, and actions thereafter. At the beginning of the relationship, control often takes the form of guidance and support for the installation of the foreign partner by the teams of the franchisor. However, it can also take an inspection character, where the franchisor allows the foreign partner to carry on the installation on his own while keeping a very close look:

"Our boss goes back and forth almost every week or at least every two weeks to see exactly how things are being set up by our German partners" (Franchisor, building network)

Qualitative monitoring and control continue to take place on an ongoing basis throughout the relationship between the two partners. The main tools that we find here are very similar to those mobilized on a national territory, namely visits and audit of units abroad and maintaining regular contact by phone or mail:

"We have a country manager who goes to each country at least once every season, the merchandiser, so that is the person who is a little in charge, a merchandiser is someone who sets up the merchandise, the visual part, the implementation of the products in the store, who also moves very often from one country to another. And we also ask our partners, we call them very regularly, we get their sales figures of course but, even if we get their figures, we control their inventory, but we also call them very regularly to get their feedback on sales" (Franchisor, personal equipment network)

However, the complexity of the implementation of such a monitoring system, mainly due to geographical distance and especially in networks with strong geographical dispersion, as well as the costs associated with such an approach, seem to limit the ambitions of franchisors at this level and push towards a more selective control. Specifically, franchisors devote less time and resources to the inspection of national networks that are managed by a very trustworthy master-franchisee or one who has been part of the network for a long period, where the franchisor runs less risk when he does not make very regular controls:

"Here we have an international coordinator who goes to the different countries and does a complete audit of our business with the franchisee or master-franchisee, so you try to have that done at least annually, that is to say at least once per year ...] I give you the example of Switzerland, we have a very good master-franchisor, so the priority for the person who takes care of that [i.e. the international audits] is not to go to Switzerland, there are a lot of countries where there are much more things to be done, so it can be that this person will go and do her famous audit visit in Switzerland, which lasts several days in some cases, every two years instead of every year" (Franchisor, hairdressing and styling network)
In addition to these measures to monitor and control that we can qualify as conventional, because they duplicate what is already done on the national market, franchisors have highlighted three other forms of control and inspection that may be specifically useful for the international network. The first complementary manner to the monitoring that is carried out by representatives of the network refers to the use and analysis of feedback returned by customers of foreign units, including through the network of national franchisor websites:

"We have our international websites, on which believe me, consumers when they are not happy, regardless of the country in which they will have their hair done at [network name], they do not hesitate to write back, and we receive letters sometimes, so is not necessarily through mails, letters, everything is possible, because many consumers send a letter to their outlet but also send us a copy [...] so this also gives us indications" (Franchisor, hairdressing and styling network)

Another complementary form of feedback to which franchisors also seem sensitive to supplement the information they get from the representatives of the network refers to the information they get back from the employees of foreign partners of the franchisor. This feedback then seems very useful and especially relatively easy to collect during the training of teams of foreign partners, in France or abroad:

"[The trainers] they have the feedback of hairdressers who are part of the team and you know that the feedback of the teams is usually much more revealing than the feedback of the person of the master-franchisee or with whom we have contracted, so we also have this qualitative information channel, and I think this extremely important for us" (Franchisor, hairdressing and styling network)

This last point in fact reveals the importance of the link between training and transmission on the one hand and monitoring and control on the other. Indeed, in this case, training is used as a place to collect valuable feedback and that is used for control and improvement. Some franchisors emphasize in this regard that training and support are particularly important vectors for control over foreign operations:

"We also send or receive people of the team for training here, or we send our trainers abroad, you can imagine that these people do not go there with blinders only to teach how to cut hair to employees and not to see what is the overall atmosphere in the outlet, what is the quality of infrastructure, compliance with the specifications, the good performance of the outlet, I talk about the concept, its development, etc. of cleanliness, personal hygiene, how clients are received. Often when there are trainers, they can go and stay for a rather long period and so they keep an eye on how things are going" (Franchisor, hairdressing and styling network)

"In my opinion, the transmission is fundamental, it is only through support that you get to control, it is not by coming once a year with the cap of the police franchisor, it's going to happen, I would say that support is the best way finally to control your network, this is a personal opinion" (Franchisor, cleaning network)

Finally, the third way of qualitative control that franchisors mobilize consists of centralized procurement, whether of raw materials or elements of the universe of the franchised unit. This
centralization then enables the franchisor to keep a high level of control over the quality of the final offer and its consistency across the network:

"The flour comes from France, the decorative elements that are ours, everything that can make a good impression and that goes from France, we do it to really keep a high mastery of the concept" (Franchisor, food-retailing network)

4.2.2. Quantitative control tools in an international setting

Qualitative monitoring and control tools are often supplemented by more quantitative tools in the sense that they are based on the collection and quantitative performance indicators that allow the franchisor to have a better visibility on the activities of his partner abroad. The importance of these additional measures derives according to franchisors from the difficulty and cost of qualitative measures as we noted above, mainly due to geographical distance. In this framework, and as mentioned earlier for transmission and support, ICT play a very important and palliative role, allowing real-time monitoring that cannot otherwise be assured given the distance. These ICT then become essential for the process of international control:

"I've never had a case where in a restaurant, there is no information system, in all restaurants, in all countries there is IT to control what happens at the level of the inventory, sales figures. So actually, we are part of their management and the management of their suppliers" (Franchisor, traditional restaurants network)

5. The co-creation of value in the international franchise relationship

An additional theme that emerges from the discourse of both the French franchisors and their foreign partners as the center of the relationship and its success is the concept of co-creation of value. Thus, both parties often emphasize the concepts of partnership, win-win relationship, and the participation of each partner to the success of the other:

"Our franchisees, they are partners that we have everywhere, because we call them our partners, we do not call them our customers, because we are really an important part of their performance" (Franchisor, personal equipment network)

"Between us, it's a win-win relationship, where everyone contributes to the success of the other, and where it is difficult to see how one can succeed without the other" (Master-franchisee, hairdressing and styling network, Switzerland)

This co-creation of value may seem, at first, very intuitive in a franchise relationship, whether national or international. Indeed, the franchise system is based on a delegation of certain actions between the two parties, mutual access to the resources of the other party and the alignment of interests of both parties. However, despite all this, we see in several of the surveyed networks that the creation of shared value is often additive. In other words, each party will deal separately with the creation of some part of the value, even if the final value is shared by aligning the interests of both parties. This is then reflected in the majority of these cases by the fact that the
franchisor develops a concept and know-how he transmits to his foreign partner and the foreign partner in turn implements this knowledge. We also observed in our interviews with franchisors and their partners many situations where collaboration between the two parties is stronger and cannot be reduced to the additive process of value creation. In these situations, the franchisor and his partner are involved in all the actions and decisions that, in the previous case, were completed and implemented by either party. We begin by presenting a typology of the different actions of co-creation that we observed before studying the level of involvement of the parties in this co-creation and the reasons that favor it.

5.1. Typology of areas of co-creation

We identify in the discourse of the partners of the international franchise relationship five areas where co-creation can be implemented.

5.1.1. The establishment and launch of the network abroad

We identified two main scenarios for the launch of the network abroad and the establishment of units, and that reflect different levels of co-creation. The first case refers to a very low level or even an absence of co-creation. In this case, the foreign partner, following the initial training he receives from the franchisor, usually in the country of origin of the latter, returns home to open its first units. The involvement of the franchisor in the establishment of the network in this country is very low, and is reduced to the availability of the franchisor to answer any questions from the foreign partner:

"They come in France for three weeks where they are first formed and they visit our stores and some franchisees. Then they return home to open their first store [...] usually they are quite autonomous, we are not really involved here, in the opening of their store unless they ask us for advice or other" (Franchisor, home equipment and furniture network)

In contrast, other franchisors are actively involved in the establishment of the first units and this involvement happens in different ways. This commitment includes, for example sending specialized teams of architects, vendors or merchandisers to supervise and assist the foreign partner before the launch. The presence of these teams can even be extended beyond the launch period to cover an initial period of several weeks to ensure proper startup of the network:

"When they open the first restaurant they have training that is related to the restoration [...] and after they attend, we will be there with them fifteen days or three weeks, to ensure that the restaurant is in place, that things are going well, right from the start, that it is a good start" (Franchisor, traditional restaurants network)

"Now, as this is the time to launch the franchise, Mr. [name of the international manager] is quite present with me and he comes regularly, whenever I call him, but even without calling him, we go together to visit the [candidates] and to explain the concept and what they gain from joining a network rather than remaining independent" (Master-franchisee, hairdressing and styling network, Switzerland)
Note finally that the presence of the franchisor in the launching of operations abroad is not limited to the first phase of launch of the network, i.e. when the partner is still with little or no experience, but can also be encountered at the time of launching new units even when the partner has been part of the network for years.

5.1.2. The adaptation of the marketing mix elements

This is undoubtedly the area where co-creation between the two partners is most present and widespread. More specifically, all franchisors we interviewed who reported having made adaptations of certain elements of their marketing mix have reported a role of both parties in this adaptation. The element that varies however in these situations is the degree of involvement of each partner and to which we return later.

Two cases can be encountered here. The first and most dominant refers to the fact that adaptation is initiated by an explicit request from the foreign partner, or at least an alert by the latter that significant differences exist between his local market and other markets and that signal to the franchisor the need for adaptation:

"It is the franchisee who makes proposals that we would validate" (Franchisor, a network of fast food)

The second scenario is less present and corresponds to situations where adaptation is initiated by an idea of the franchisor. However, the latter will then ask his foreign partner to capitalize on his knowledge of the local market and better direct adaptations:

"I know now from experience that arriving in new countries I will not necessarily keep quite the same price [...] my partner on site is a bit my barometer, he knows directly and better than us, that’s for sure, legislation, taxes, the purchasing power of his customers, so we will use this knowledge to easily adapt our prices [...] that is also why you take a master-franchisee, because he knows it all" (Franchisor, network of personal services)

5.1.3. The creation of new products and services

Beyond the collaboration in the adaptation of the existing offering of the franchisor to the local market, we also find evidence of co-creation between the two parties at the level of the offering’s extension with the creation of new products and specific services for a foreign market:

"When we moved in some Gulf countries and Latin America, for example, at the time we were selling furniture and there was little additional services. And these are countries where services are very important, as delivery is indisputable or even services such as consulting and interior design, to the client this is the value of a brand like ours, whereas in France or in Europe this is not the case. So it is our franchisees on site that made us understand the importance of these things, and that we began offering" (Franchisor, house equipment and furniture network)
An important difference with the previous case is that this scenario seems only initiated by the foreign partner, as we have not identified any cases where new products or services are offered by a franchisor to a specific foreign market without the idea coming from his partner.

5.1.4. Training and learning

Co-creation also seems fairly developed at the level of training and learning within the network. Before presenting the different forms of co-creation identified in this area, we note that, if co-creation in terms of training and learning is less present quantitatively than co-creation in adapting and proposing new products and services, it is however the type of co-creation with the most varied forms as we now present.

5.1.4.1. Participating in the training effort of the foreign partner

As manager of the local network of outlets, the master-franchisee must handle himself the functions of training and transfer of know-how to his employees and franchisees. In this context, some networks have limited their role to training the master-franchisee and transmitting the know-how to him, and then fully delegating the transmission to local franchisees and employees to the master-franchisee. Other networks adopt a more collaborative approach where they will also send trainers in foreign countries to assist their master-franchisee in training his employees and franchisees. In other cases, the master-franchisee will be able to send his own trainers or staff to the headquarters to acquire specific skills that he cannot transmit them himself:

"There is training that I develop here, for example on local legislation, sales techniques on the German market [...] but there are more complicated aspects, e.g. on public relations, on which I’m not necessarily very knowledgeable, so I’ll send people from here, employees, who will be formed at [name of network] and after they return to give training in Germany" (Master-franchisee, business services network, Germany)

5.1.4.2. Mutual learning and exchange of expertise

A second form of co-creation in terms of training lies in the mutual learning that develops in the exchange between the two partners, enabling them to enhance their skills in each other’s areas of expertise:

"He discovered our business at the same time that we were discovering his country, so we formed one another if you want [...] we were in mutual training and mutual support" (Franchisor, building network)

The importance of this mutual aspect of training is revealed in certain conflict situations that we have encountered and which are due to an imbalance in learning between the two parties in the relationship, which allows one of the two parties to acquire a dominant position over the other and that can lead to failure of the relationship. This is shown clearly in a situation where the master-franchisee acquired sufficient professional skills to enable him to operate independently on the market, while the franchisor has not acquired during the same period sufficient expertise to operate alone on the same market. This situation then resulted in the
master-franchisee leaving the relationship, after which he became a competitor of the franchisor on the local market, while the franchisor has not acquired enough skills during the relationship to be able to operate on his own on the market and curb the ambitions of independence of his partner.

5.1.4.3. Mutual learning with other members of the network

The sharing of learning and training can also go beyond the two partners of the international franchise relationship to develop among members of the international network. In this context, the franchisor still plays a central role as a facilitator of co-creation between the actors of the network, including the development of tools to enable and promote these exchanges:

"There is a global database, which is itself linked with the base at the international level, which is huge, with 32 languages, it connects people from Asia to Europe, from South America to Australia [...] you will find plenty of solutions in these databases proposed by other master-franchisees or the franchisor, and will be able to share and give advice with others" (Master-franchisee, personal services network, Germany)

5.1.4.4. The feedback of good practices

The logic of the transmission in a franchise relationship, whether on national or international level, is generally oriented from the franchisor to his franchisees. However, we also found cases where the franchisor learns from these foreign partners some practices that he will operates subsequently on his home market or other markets that he needs to revive:

"Clearly logistics, which is mainly home delivery, this is a subject that we working on, it has already, there are some countries which cannot live without this service, so they have already ‘absorbed’ and mastered it overtime, so clearly there, then [...] I can’t recall all the examples now but there are many, many, many, and now we have this opportunity to be in countries that are much more service-oriented, home-delivery, etc. to also make a change in our offer on more mature markets, such as France, Portugal, Spain, which are countries that are obviously more mature and where we test these new things to see if it is a trend that could also allow us to capture additional markets and make a difference on the market of [network name] clearly" (Franchisor, cleaning network)

This learning can also go beyond the observation of good practices in foreign markets for their repatriation to the home market. In a more developed case, the franchisor can experiment new concepts on these foreign markets in order to learn before applying on his home market:

"We have relatively few services that we do not yet address, either we don’t have it or we are more interested in learning it, even if we have to set a pilot in a master country" (Franchisor, cleaning network)
5.1.4.5. The foreign partner as a center of training

The last situation of co-creation of value through training is when the franchisor integrates his foreign partners in his training and transmission process, by using them to train other partners. This situation reminds a classic situation in the world of franchising where a new franchisee can be both socialized to the culture of the network and trained by spending time with another franchisee. However, in the international setting, we met two interesting variants. In the first one, the franchisor would capitalize on the cultural capital of one of his partners to facilitate transmission. This is the case for example, that we quoted earlier in this chapter, of a hotel franchisor who trains his new foreign partners neither in France nor in their country of origin, but by another foreign partner of a close culture. The second variant gives even more place to the foreign partner as a center of training and learning. It is then the case where the franchisor recognizes the expertise of his foreign partner, including for example on some specific services or methods from this country, and will integrate him with a view to disseminating knowledge to all the network:

"The franchisor sometimes asks me to come speak in front of the other master-franchisees and franchisees, because I have been with the network for so many years, I know the network and I can talk about it, but also because he wants them to learn things about the way we operate here" (Master-franchisee, personal services network, Germany)

5.1.5. Management of the encountered difficulties and failures

The co-creation of value in the international network may also include the management of difficulties and failures abroad. We met and various situations of non-co-creation, where the franchisor does not help at all his partners in resolving their difficulties, and would only intervene after their failure in the form of buyout of the network, or where the franchisor considers difficulties encountered by the partner as a test to assess his value as a partner. The latter situation is particularly present in networks that give a partner the right to master-franchise for a period of time during which they will let him try to expand his network on his own, without any help, and hence assess his ability to master-franchise.

Other networks however engage more actively with their foreign partners in situations of difficulty and failure to manage these situations together. This co-management of difficulty manifests itself in two ways. First, working together to find an agreed solution:

"Someone who does not give good results, once again we have a very close relationship with our partners, so we cannot just find out overnight that a shop does not work, it does not happen this way, we see it every day, he begins to ask for a little more margin, so we give him a little more, and then of course we put action plans for this shop so it would work better [...] the solution [that we try] to put in place, it is still concerted, she developed with the partner, absolutely. All the time, all the time, all the time [...] objectively, we do not want to close down and our partner in general does not want it either, so we put together solutions to help face the problems" (Franchisor, personal equipment network)
Co-management of the difficulty may also occur at the level of the joint decision – rather than unilateral – to disengage from a market and accompany the partner in the withdrawal:

"When all this does not work, well, we see together if it is not better close [...] There comes a time when your partner has to pays his rent, and if he does not sell enough and he is only losing money, we must face the facts and help him close in the best circumstances [...] we will decide together if it's worth continuing or not" (Franchisor, personal equipment network)

5.2. The level of engagement of the franchisor in co-creation

Beyond the different areas and actions of co-creation in which the franchisor takes part with his foreign partners, we also spotted different levels of engagement on the part of the franchisor. These two issues are however not entirely disconnected. Indeed, a first way to assess the level of engagement of the franchisor in co-creation would be to assess the range of participation in areas and actions of co-creation in which he engages. Indeed, the franchisors we met show more or less limited levels of engagement in co-creation. Thus, as we noted above, the majority of franchisors engages more or less in a process of co-adaptation of the offer with the foreign partner. However, the engagement of the franchisor is rarer in areas such as co-learning or joint management of difficulties and failures.

Two other ways could help differentiate the levels of commitment of the franchisor in the co-creation, beyond the number of areas and activities.

5.2.1. The role of the franchisor in the initiation of the process of co-creation

The role of the franchisor in the initiation of the process of co-creation can help distinguish four profiles of franchisors that can be classified in ascending order engagement:

- A passive role, that seems to be dominant in the discourse of the actors we have met, and where the franchisor engages in co-creation with his foreign partners in response to a request initiated by the latter.
- An active role in which the franchisor himself develops codes and processes to systematically engage in certain types of shared actions with his partners. This is the case for example of networks that assist in setting up units abroad, and where this intervention responds to a process initiated by the franchisor and generalized to all cases of opening abroad.
- A proactive role, in which the franchisor also initiates the collaboration, but not following a standard procedure that applies automatically. This case occurs, for example, particularly in situations of co-management failure described above, where the franchisor engages in co-creation not following a request from the partner but proactively based on his own observation of a situation of difficulty.
- A solicitation role, where unlike the previous cases, the franchisor does not undertake to assist the partner to maximize the creation of value that they share, but is seeking help from the partner in some cases as those of co-learning described above.
The role of the franchisor in managing the process of co-creation

The second way that allows to differentiate the levels of engagement of the franchisor in the co-creation refers to the role of the franchisor in managing the process of co-creation, i.e. how he participates in a specific action of co-creation, here we can distinguish three profiles of franchisors, each time with a different vision of the role of the franchisor.

The first and most widespread pattern refers to a dominant attitude of the franchisor in the relationship, with a strong involvement in joint work with partners whose role is minimized. In this case, not only the final decisions, e.g. concerning acceptance or rejection of an adaptation idea launched by the partner, are in the hands of the franchisor, but he also intervenes heavily in the development and execution:

"[The foreign partner] would not have a say. He can tell us my outlet is 1400 m² [...] and I intend to have 7 manicure stations, 7 pedicure stations and 10 cabins, so far we will tell him ok, you think you have the market for it so go on, however the manicure and pedicure stations will be made our way, with our equipment, according to our specifications, we have specifications that are as thick as a phonebook and there will be no arrangement, you can put 7 because you consider that it is your market whereas we traditionally have in major outlets in France and even in Europe 1 or 2, OK free to you there is no problem, but you will not do it your way, using your products or machines that are the ones you will choose, no, no, no, it will not be your colors, it will be ours, it will not be your table it will be ours, and the operator who will make the manicure will be formed in our premises by our team in our training center or possibly at your outlet by our trainers [...] and you will be asked to charge a minimum of time to be in line for this service there as for all other services, all products that can be sold , to be in line with the brand image that is ours" (Franchisor, hairdressing and styling network)

The second pattern is a true collaboration between the two partners, in which the two actors will participate in both the generation of ideas and execution. Both actors are hence fully stakeholders as one franchisor puts it and work together to achieve the final result:

"It's both of us, it's together [...] The price in France is 10 € [...] it is difficult to sell at 10 € there, so he will sell it for 11 € or 12 € and we both agree on the price difference between France and his country. We work on the operating account together, we look at the margin that we are able to give him, does this satisfy him or not, does it satisfy us or not, this is a big job that is done upstream, which leads to final retail price" (Franchisor, personal equipment network)

"[Network name] does not let the master franchisee do everything alone on the market, we working with ‘four hands’, in an alliance mode" (Master-franchisee, cleaning network, Brazil)

However, even when the generation of ideas and their execution are jointly carried out, we find two alternatives for the final decision. In the first, the franchisor retains control at the end of this common process and validates or not the result:
"We will be mandatorily involved [...] but in my opinion still decision-making at the end. We would agree on a powerful, positive concept, and still we remain the decision-making part, it seems mandatory and unavoidable, if you want the philosophy of your concept to continue, the basic concept that is" (Franchisor, food-retailing network)

Another variant of this very collaborative way in the execution of ideas leads on the contrary to a decision by the foreign partner:

"At first, I told my franchisee to make a tour in Morocco, see what our friends at Ibis or other networks offer for breakfast, he put it all by email, we looked at it together, I already proposed, in my opinion this is not useful, he told me ‘no wait this is really a must’ and this is where his knowledge of the local cultural is really important, I would take a decision me from afar, and who am I to make decisions from afar? So at some point I just accompany them [in their decision]" (Franchisor, a network of hotels)

Finally, the third pattern we find excludes or at least minimizes the franchisor’s role in implementation or execution. The franchisor then plays the role of advisor or, as pointed out by one of the franchisors, the role of watchdog, who oversees the ideas and executions of the foreign partner, advises when necessary to maximize the value created, and reminds him of the basics when necessary, especially when the partner deviates from the brand’s fundamentals:

"Our franchisee asked me to give my opinion, I gave my opinion, although I insisted that it was only advisory, it is not I who will work with them every day, so it is not for me to choose and ultimately they made a completely coherent choice compared to our expectations, I would say we did not have our say, we have our say of course, but at some point they are the ones to operate, it is them who decide, we are informed, that’s it" (Franchisor, a network of hotels)

"We, we bring our experience and I would say, our visions, our opinion, of course it is not us who make the final decision" (Franchisor, cleaning network)

5.3. Elements that promote co-creation

We identify four broad categories of factors that promote or at least affect franchisors’ engagement in co-creation with their foreign partners.

5.3.1. The network’s international approach

The first type of elements that appears to affect the level of involvement of the franchisor in a process of co-creation refers to the network’s international approach, especially the four approaches described in Chapter 2. It is obviously impossible to provide with certainty a relation between the international approach and levels of engagement in co-creation, first because the three criteria used to define this level previously do not always necessarily vary in the same direction, then because we do not have quantitative data to calculate correlations between factors. However, the discourse of franchisors helps to identify typical profiles of the level of commitment of franchisors according to their international approach as shown in Figure 35.
In general, we find that the adoption of a more proactive and comprehensive strategy seems to lead networks engagement in a higher number of activities of co-creation, and to a more active and proactive engagement where the franchisor is less hesitant to seek help from his partners. However, the relationship between the role of the franchisor in the management of joint action and the type of international approach is less clear. We find however a higher level of implication from proactive franchisors in comparison to opportunistic franchisors who are less involved in the execution. Furthermore, collaboration appears to be more widespread among franchisors with a global approach.

![Figure 35. Observed links between the level of commitment of the franchisor in co-creation and his international approach](image)

5.3.2. The corporate culture

The second type of elements that appears to affect the level of commitment of the franchisor in the co-creation refers to various aspects of corporate culture. First, a corporate culture that emphasizes centralization seems to limit the direction of co-creation, in the sense that it minimizes the effects of feedback:

"A real experience in the other direction, I don’t think so, no, because we have always designed, it is very [network name] and I am not saying at all that it is good [...] at [network name] we always have a vision that is very, the brand, the concept, it is all very central, the product, us, our products are designed in our laboratories, manufactured in our factories, it's very, it is a very central vision, a very strong vision of the concept, a strong concept, so an experience acquired in another country and that we would have integrated in the home country at the headquarters to digest it and rebroadcast it in France and in other countries, I do not see any such case" (Franchisor, hairdressing and styling network)

Moreover, the search for control is most evident in the role that the franchisor adopts in the management of co-creation, namely a dominant rather than collaborative or advisory role:
"We realized that already a few years ago, a Slavic beauty is not a Mediterranean beauty, an Asian beauty, we had to develop with the help of local partners, who helped us [...] so all that we have developed it with the assistance of local partners, but it is managed centrally, because we want it to be safe for the reputation of the brand globally" (Franchisor, hairdressing and styling network)

In contrast, a corporate culture that emphasizes humility when dealing with cultural differences promotes less involvement by the franchisor and more delegation to his partners:

"When you have a partner, well we do not presume to know the market better than our partners. If we have partner it is precisely because we want people who have perfectly master the sector on their home market, so they know, they are supposed to know better than we do in any case, their habits, choices and tastes of their customers, how we should communicate in their country etc. So we rely completely on them for a part of our business anyway” (Franchisor, personal equipment network)

5.3.3. The availability of resources and skills

The third category of elements that influences the level of commitment of the franchisor in the co-creation is the availability of resources and expertise. However, the link between this variable and the level of commitment does not appear to be linear in the sense that it cannot be summarized by saying that a greater availability of resources promotes more involvement in co-creation. We observe instead various situations. Thus, a greater availability of resources can promote more commitment because the franchisor may be more involved in the management and implementation of joint activities. In contrast, the availability of resources and skills may also reduce the need of the franchisor to use his foreign partners. The limited resources could have the opposite effect in both cases.

5.3.4. The quality of the franchise relationship

Finally, the fourth category of elements that influence the commitment of the franchisor in co-creation refers to the nature and especially the quality of the franchise relationship. This is manifested first by the level of confidence in the relationship, and that also develops over time. Thus, franchisors that have a strong confidence in their foreign partners on the level of their skills in the art and knowledge of the local market, seem to adopt an attitude of greater delegation to these partners:

"The franchisee makes many proposals that we validate or not, that validate most of the time because if we chose this partner it is also because it was someone that we considered as a professional" (Franchisor, personal equipment network)

Moreover, this trust and delegation that follows are enhanced when the franchisor feels that his partner has a strong brand orientation and is aligned to the brand identity:

"He knows he has no interest in associating poor quality products with ours, so with all the choices he makes, I’ve never been disappointed. I know very well that he has products at least equal to ours [...] for sure if one day I see in the store a product that
does not suit me, I would tell him, but he is very [network name], so I 'm not concerned” (Franchisor, food-retailing network)
Chapter 5: The networks’ international performance
The last major theme that we address in the present report refers to the success of a franchise network overseas. This question is itself twofold and refers to both the definition and measurement of international success on the one hand and its determinants on the other. A first noteworthy point at the level of measuring the performance of an international franchise network refers to the complexity of the issue and its multiplicity. First, because there is no consensus on how to measure the performance of a franchise network in general. Then, because the consensus is also lacking at the level of the international business performance. The approach, therefore, that we adopt in this chapter is itself multiple, and takes into account different performance measures based on both the discourse of franchisors and a review of the literature. Moreover, in line with the previous chapter, the quality of the international franchise relationship is placed here at the heart of both the measurement of the international performance and its determinants. More generally, a model of the determinants of performance is proposed and tested. It incorporates elements relating to the strategic choices developed in Chapter 3 and elements relating to the franchise relationship developed in Chapter 4. Other factors are also taken into account, such as resources and international skills, to which we devote a specific section.

1. Literature review and research model

There is no consensus in the literature about the question of measuring the success or performance of a franchise network, even on a single market. A first set of research considers the performance of franchise systems based on objective measures that are predominantly financial or commercial, such as the network’s growth rate and sales’ growth rate (Sorensen and Sorensen, 2001), return on assets (ROA) and on sales (ROS) (Barthelemy, 2008) or financial valuation (Combs et al., 2004). In addition, some authors like Gueye (2009) propose to retain multiple indicators in a multilevel perspective, analyzing the performance through indicators relating to the franchisor, such as increasing the number of outlets and the satisfaction of its franchisees, indicators relating to the franchisees such as the growth of their turnover and job satisfaction, and indicators relating to the network itself, such as its longevity and brand performance. Such an approach has the merit of being more comprehensive and detailed, but has thus a high level of complexity. The appeal of approaches based on financial proxies is also justified in particular by the relative simplicity of such performance measures. Finally, we can also include an evaluation approach of franchise networks based not directly on the assessment of results indicating a good performance, but rather on the evaluation of the presence or absence of conditions and factors necessary for the network’s success. This approach can be illustrated for example by the work of Nègre (2008) who proposes a set of indicators comprising the existence of an innovative culture in the network or the degree of differentiation of the know-how.

1.1. Measuring the international performance of franchise network

Beyond the lack of consensus in the above streams of research and their positioning at different levels, it is important to note that they do not address the issue of performance or success of the
franchise internationally. One of the few studies to our knowledge to address this issue directly is conducted by Wang and Altinay (2008). Their review of the literature on franchising coupled with empirical work in international hospitality lead them to consider two key indicators of a successful internationalization of a franchise network. The first is the ability to develop and maintain brand reputation and quality across markets. The second refers to the growth of the network by recruiting a significant number of franchisees to ensure significant market share. Wang and Altinay add that these two indicators do not have the same importance and it is the coherent development of an international brand which is considered both as a major goal and the supreme measure of international success. Moreover, if the franchisor's ability to recruit franchisees to expand its international network is highlighted as a performance indicator, the authors state that it is not an obsession with the "quantity" or number of franchisees. In other words, if a significant number of franchisees abroad reflects an international success, the quality of franchisees is necessary both to maintain cooperative relations within the network and especially to preserve and sustain the brand's development.

Despite its relevance, the work of Wang and Altinay remains extremely limited, as it is mainly based on a case study on one company in one sector. The literature on international business development, regardless of the mode of development, offers other performance indicators that should be considered as well. This literature highlights the complexity and multi-dimensionality of the concept of international performance. Minh (2009) identifies for example fifty indicators of international performance and notes that the tendency of researchers was first to focus on simple and immediate measures of commercial performance and introduce increasingly broader and more strategic perspectives. A great number of such indicators is however used only by the author or the research team that propose them.

More specifically, we find objective measures such as financial ratios, and other subjective measures based on the perception of performance by the main stakeholders (Sousa, 2004). In addition, the used indicators are of various nature and can, for example, reflect economic criteria or not (Katsikeas et al., 2000). These indicators are also characterized by the multiplicity of points of view adopted: that of the entrepreneur (e.g. growth, development or strengthening of the company) or that of the financial investors (e.g. profitability of operations). The most recurrent measures of international performance in Minh's (2009) census are mainly the criteria relating to the degree of international engagement, the growth of international sales, the profitability of international operations, the geographical extension of international markets and geographical progression. Two broad categories of measurement methods are used: either by calculating more or less simple ratios based on accounting data from companies or by asking for top-managers’ evaluation of various performance criteria, knowing that these two types of measures are rarely used simultaneously (Minh, 2009).

The first method seems safer at first sight, to the extent that it is objective, avoiding a number of biases by the respondent. However, it may lead to anomalies, because it focuses attention on instant results and is very sensitive to exceptional events, quite common in the lives of firms, particularly the smaller ones. Diamantopoulos and Kakkos (2007) defend the use of subjective evaluations of managers: the opinions expressed better reflect the strategic perspective of business development, the achievement of the objectives they were given, the achievements of the competition (at least as they are known to them) and provide more stable and thoughtful data. Finally, the usual accounting tools are heavy or ill-suited to properly measure the
performance of international service activities that can be organized in very heterogeneous ways: some firms export, others have foreign subsidiaries, others have joint partners or franchised networks. In fact, most international service networks combine these different forms and each situation should warrant a specific mode of calculation.

1.2. Determinants of international performance of franchise systems

Just like the question of the measurement of international performance, the issue of the determinants or international key success factors of a franchise network is not directly addressed in the literature. As we have noted in previous chapters, research on international franchising has often investigated separately strategic issues in international development of franchisors, such as the choice of host countries, underlining their importance as a source of competitive advantage and international success. However, there is no integrative framework that identifies all key factors specific to international success. Our review of the literature and empirical results presented in the previous chapters converge strongly and indicate that the quality of the international franchise relationship is the major factor behind the performance of international networks. This is particularly found in Chapter 4 of this report, where we have stressed the perceived importance by franchisors of the partner selection, transmission and control in the success of the international network. Moreover, while most networks surveyed cited the quality of this relationship as a key factor of success internationally, several respondents used the same quality of this relationship as a proxy when answering the question of how to measure international performance. Our research model, presented in Figure 36, gives hence a central role to the quality of the international franchise relationship as a direct determinant of the international performance of networks and as a mediator of the impact of a set of other variables on international performance. Many of these other direct and indirect determinants of performance have been discussed in previous chapters. We first find the components of the franchise relationship, such as mastery of the transmission and control internationally, discussed in Chapter 4. Similarly, we consider as determinants of both the quality of international relations and network performance, two strategic choices in international franchising discussed in Chapter 3, namely the nature of the international approach of the network and its choice of standardization and adaptation. We then formulate the first hypothesis that the networks showing a stronger commitment to internationalization in a more proactive approach can more easily develop international good franchise relationships and achieve higher levels of performance. We also propose that the level of adaptation of the offering may also positively influence the quality of the relationship and performance. Indeed, these adaptations emerge from our interviews and previous analyzes not only as a way to better serve consumers in their diversity, but also the accommodation request made by foreign partners.
Four additional categories of determinants are also taken into account. They consist of the availability of resources and skills, the originality of the network’s know-how, its image in terms of brand and French origin, and its adaptive capacity through its innovation strategy and organizational agility. These factors have been so far discussed only in the context of non-internationalized networks and hence we will reconsider them in the context of internationalized networks later in the present chapter.

Finally, the French networks that are present internationally, and of which the sample of our study is drawn, have varied levels of presence and international experience (see Chapter 1). However, it seems natural to consider that this international experience can participate in network performance in a twofold way. First, some surveyed franchisors indicated that the level of international presence, represented by variables such as the time spent since the first internationalization or the number of host countries, may represent a single measure of international performance. Moreover, this level of international presence may itself have an impact on various determinants of our model, and through the role of the lifecycle and learning effects. For example, it is normal to find that a network with an international presence for several decades and in many countries has developed strong skills in the techniques of international trade. Therefore to take into account the effect of this level of experience and international involvement, we integrate in our model two control variables that the duration of international presence and the number of host countries.
2. International performance of franchise networks

2.1. The concept of international performance from franchisors’ perspective

The discourse of internationalized franchisors corroborates the teachings of the literature presented above on the complexity of the concept of international performance. It is striking in this respect that no franchisor has given a single answer to this question. In other words, franchisors have a multiple vision of the international performance of their network, combining a more or less broad set of criteria. It is also important to note that, beyond the number of performance criteria mentioned and their diversity, franchisors often seem to struggle to define a very clear order of priority or importance between the different criteria.

"This is a great question, I think that there is not one answer, it would be completely wrong to say that it is only a quantitative element" (Franchisor, cleaning network)

One aspect of this multifaceted vision of performance that often comes up in the discourse of franchisors refers to the need to take into account not only several performance criteria, but also a mix of qualitative and quantitative criteria of international performance.

"This list is not exhaustive, but it is a little, there is the qualitative, there is the quantitative, there is a bit of both" (Franchisor, personal services network)

A second important lesson is that the criteria do not often need to be considered in absolute terms but in relative terms, i.e. within or in conjunction with other criteria, such as the duration of the internationalization or sector of activity. We present in what follows the major identified criteria and the factors that can shed light on some of them.

2.1.1. The quality of the franchise relationship

The criterion of evaluation of the performance of the international network that is most often cited in our interviews and appears as the most important in the eyes of franchisors is the quality of the franchise relationship. This quality is mentioned in different ways, whether from the standpoint of one of the two partners, or at the level of the overall partnership.

Thus, a first way how international franchisors assess their performance based on the quality of the international franchise relationship is based more specifically on the satisfaction of the foreign partners in the relationship. The underlying argument here is that partner satisfaction will lead to a greater commitment on their part in the development of the network, which can then promote other indicators of performance, such as dynamic openings of outlets or the quality of relationships with end customers:

"I personally measure it [i.e. the performance] above all, by the satisfaction of our partners and their commitment to continue to invest in this business, because ultimately it is a little bit your success, it is an indicator that shows if you are ultimately successful or not and which is directly linked with the dynamics of outlets’ openings, if you have someone who continues to invest and continues to open stores, it means that he is satisfied with the model, I would say he has a positive
relationship with the franchisor, so this is an indicator that is positive” (Franchisor, personal services network)

Meanwhile, the quality of the international franchise relationship can be approximated by the satisfaction of the franchisor, especially based on their expectations vis-à-vis the foreign partner, for example in the development of the network on the local market or on his fulfillment of his obligations vis-à-vis the franchisor. In this context, franchisors consider their relations with foreign partners as satisfactory when these partners fulfill their promise to franchisors and meet their expectations:

"It is both the capacity of the master-franchisor or franchisees to increase the number of outlets, this is rarely a bad sign, it is even more a good sign, and then also by the continuity in time, because when you have a first outlet that opens, which does not go bankrupt after a year or 18 months and is on opposite prosperous, that this outlet has a ‘little brother’, then a second little brother, and a third little brother [...] having a master-franchisor who does his job very correctly, who sends us royalties on a regular basis, optimizes and develops outlets and our reputation in the country” (Franchisor, hairdressing and styling network)

Finally, the quality of the international franchise relationship is also evaluated more broadly, rather than adopting the perspective of one or both partners, by assessing how the relationship is mutually beneficial and satisfactory for both parties:

"That everybody is happy, and that it is in a win-win, so those are the main signs” (Franchisor, hairdressing and styling network)

2.1.2. Network size

Among the other criteria mentioned by franchisors, we also find the size of the network. This size allows both to provide deeper coverage of target countries and to bring more financial resources by multiplying admission fees. For some networks, as we have mentioned in previous chapters, the business model itself is based on a deep network coverage and being present with a small number of units is seen as a failure:

"We withdrew to the extent that in China, you either have 200 stores, otherwise it is not worth it [...] the project could not be put in place as we had originally desired and clearly we realized that the establishment of 200 stores, or 100, in short the amount that was required, I would say to be able to have a real presence in this huge country, we were absolutely not ready at this time to do so and there is a time to make a choice, either you withdraw or you stay there, and at the time the decision was taken to withdraw" (Franchisor, personal services network)

However, the large number of units abroad is nuanced by other criteria. Firstly, many franchisors have clearly stated the need to combine the number of opened outlets with other qualitative indicators, particularly the performance of different units:

"It [i.e. performance] is to be very present and have a lot of success everywhere since we may be present in many countries and still have two shops in each country, and even
have two shops in a country that do not work. So it is difficult to answer this question finally. Finally, it is better anyway to have a network that works very well, that we completely master, even if it is a little less extensive. The ideal is to be, yes, to have 2,000 stores worldwide and that they all have incredible performance” (Franchisor, personal equipment network)

One criterion related to the performance of the outlets and that particularly sheds light on the importance of having a large number of outlets refers to the profitability of these operations:
"The more hotels we have, the more we claim it is a success, but it is mainly operational profitability, the key factor in our hospitality industry, it is not the average price, it is not the occupancy rate, it is the mixture of both and that is called the RESBAR” (Franchisor, a network of hotels)

2.1.3. The number of host countries

The size of the network presented in the previous section in terms of number of units is complemented by a further assessment based on the number of countries:
"[performance can be assessed through] a substantial number, today we are present in 42 countries, so for a French franchise brand, this is pretty good” (Franchisor, hairdressing and styling network)

This approach does not seem at all consensual. Thus, though it is cited by some franchisors as a performance indicator because it ensures high visibility to the network, other franchisors and experts emphasize that it is a misleading and irrelevant approach:
"When you are in many countries and you only have a store per country, the only exposure you have, it is on the world map in your office, where you have planted your flags. Having a store in China or Brazil, which visibility does that give you?” (Franchisor, house equipment and furniture network)

Based on this observation, many franchisors provide criteria to nuance the role of the number of countries as an indicator of performance. One aspect which then comes into play for many franchisors is the more or less strategic aspect of the countries under consideration. Thus, it appears that the presence in some countries that offer significant future growth paths is a strong indicator of current and especially future performance:
"We must be on the strategic markets, so today we are in Latin America, in Russia, the Middle East, but we would like to be there even more, we are in Asia, with India and Indonesia, but we would like to be there even more, so clearly there is also a positioning on these strategic markets that is important, today our ambition is clearly to position ourselves on these growth markets, which will eventually anyway be decisive for the future” (Franchisor, cleaning network)

Similarly, the number of countries is nuanced in the particular case of master-franchising relative to a fundamental criterion in the use of this type of development patterns: the franchisor’s will to grow the network extensively in countries where he goes with a master-
franchisee. More specifically, some franchisors combine the large number of host countries with the master-franchisees’ successful in developing a network that meets the potential of the brand in these markets.

2.1.4. Performance over time

International network performance is also evaluated by franchisors taking into account time. In other words, these franchisors insist heavily on the fact of evaluating the performance not only at a given moment but looking at its sustainability over time, either in the short or medium term:

"A good anchoring of the brand and its development potential in the short and medium term in a country" (Franchisor, hairdressing and styling network)

However, we find two visions of time in the discourse of franchisors. The first remains in a static way, since it corresponds to observing the performance at several points in time, and seeing if the performance of the network is maintained. In other words, for example, it is for a network to see if the foreign partner gets to maintain operations in the opened outlets after a few years. The second vision of time is more dynamic in the sense that it includes time as a dynamic element. In other words, it is for example to see if the network on a particular foreign market is evolving positively with time on certain criteria such as the number of units. It is thus the positive momentum that would be indicative of good performance:

"I think it is a dynamic, it is measured in number, I would say on the duration of the partnership finally, is it something that lasts or not, we can do a test and if we shrink and withdraw everywhere, so there clearly has a temporal dimension to consider, there is a dimension referring to the number of outlets, clearly there is a dynamic of outlets’ openings, so it must be when you have a model that works, we must still have a number of openings, and there is the pace of openings, even if it does not progress every year, it should still reflect a positive dynamic" (Franchisor, personal services network)

Time also is a way to nuance the evaluation of performance based on other objective criteria such as the number of countries or outlets, by taking into account the duration of internationalization:

"We are present with a thousand outlets in about forty countries, on a period of, the internationalization began as I told you in the 70s, late 70s, so it only took over roughly 30 years" (Franchisor, hairdressing and styling network)

"What may be interesting, is that more modestly, [network name] on its segment, can be proud to say I think 'well it's not bad, thirty years ago there we were in no foreign countries and in a few years we will be in 40 or 50 countries''" (Franchisor, food-retailing network)

2.1.5. Taking into account the sector of activity in performance evaluation

The network’s sector of activity should also be taken into consideration in the assessment of its international performance. It is obviously not a criterion or performance indicator in itself.
Instead, the industry will allow to nuance the performance evaluation on the other more objective criteria:

“For a hairdressing brand, after all it is only hairdressing, it is not Michelin, it's already pretty good and we can say that the real international dimension of our group is proven” (Franchisor, hairdressing and styling network)

Beyond the sector, it is interesting to note that franchisors also evaluate their objective indicators of performance by comparing themselves to the competition in the sector. Thus, it is no longer only to judge one’s performance based on one’s sectorial affiliation, but some networks also take into account their positioning and their objectives in comparison to the competition in order to better judge the adequacy of their objective performance:

“It does not have the same vocation either. You will not have, I think in France there is 2400 McDonald's. I cannot imagine 2400 [network name] outlets because we have a type of customer, it is not the same target, it is not the same investments, so you fight well but taken into account the segment you are targeting. If I take Vuitton they will not have as many stores as Auchan [...] we have a target segment that, in our business, we want to have a visibility that corresponds to our product” (Franchisor, network of traditional restaurants)

Other networks use the same comparison logic with a group of competitors in the same sector by taking into account the development strategies followed by each competitor. These strategies may indeed have a direct impact on some indicators such as the number of countries or outlets, and franchisors consider that an absolute comparison, which does not take into account these strategies, would be flawed:

“There is only one other group that must also be present, and I 'm not even sure it is, in 42 countries, the group [name of competitor], and yet, without diminishing the accomplishments of my competitors that I know also, they came to it through external growth, and by acquiring and stacking a number of brands [...] what I mean is that it is not the historical strength of one or two brands that made their presence today, it is due to the stacking of acquisitions and external growth that they found themselves present in a number of countries [...] what I mean is that, we must have had a significant impact, so that on one name and two brands, to be present in all those countries” (Franchisor, hairdressing and styling network)

2.2. International performance of French networks

We present here an evaluation of the performance of the networks that participated in our survey from different angles.

2.2.1. The dynamics of the internationalization of French networks

The first way that we used to evaluate the performance of the French internationalized networks is based on the analysis of the objective criteria of duration of presence and number of countries where the network is present. At first glance, the data collected from franchisors indicate a
favorable trend towards internationalization manifested in different ways. First, the presence of international networks seems sustained over time. For example, some networks have been present internationally for 93 years. The average duration of presence abroad is 18.5 years overall and 15.2 years for networks with international presence in at least one franchised form. Moreover, as we noted in the first chapter, some networks are present in 132 countries and the average number of host countries is 19.1 countries.

In addition, several pieces of information are also important concerning the engagement of networks in an international approach. 71.4% of these networks have developed in at least two new foreign markets during the last three years, and 34.3% have even won more than three new foreign markets during the same period. In contrast, 22.9% of the networks currently engaged internationally have not opened new markets during this period (Figure 37). Meanwhile, 88.6% of the networks reported considering new openings abroad in the next two years. The combination of these figures shows at first a strong commitment to internationalization in our sample.

![Figure 37. Number of new countries where the network has started operating over the last three years](image)

However, it is particularly interesting to note that the majority of these networks (51.4%) achieved less than 10% of their sales in foreign markets during the same period, and 68.5% achieved less than 25% of their sales in foreign markets. Meanwhile, 14.3% of the networks made over the same period more than 75% of their sales outside the French market (Figure 38). So, overall, if these networks show a very positive momentum towards internationalization, this form of development remains a minority in their activity and turnover.

![Figure 38. Percentage of the network's turnover coming from operations abroad](image)
2.2.2. Absolute and comparative international performance

The results presented in the preceding paragraphs emphasize that international franchisors assess their performance both in absolute terms and in comparison to their competitors. We therefore chose a double assessment of international performance, both absolute and comparative.

Our questionnaire included several questions referring to objective indicators of international performance, such as the number of countries where the network is established, the share of turnover made abroad or the share of units of the network operating abroad. We also chose to take after previous work on the performance of franchise networks in general (e.g. El Akremi et al., 2009) and international performance (e.g. Cadogan et al., 2002), by incorporating subjective measures of the international performance as perceived by the franchisor. Specifically, we selected two types of subjective measures. The first is an evaluation of satisfaction with the international franchisors performance over the last period (last 3 years) on a number of indicators such as the number of country openings or the newly acquired market shares. The second is a comparison by franchisors of their international performance with that of their competitors in the last period, also based on a number of performance indicators.

Collected data supports the idea of measuring international performance separately in absolute and comparative terms (Table 28). In general, the mean scores of international performance remain relatively low. This is particularly the case for the comparative performance, with an average score of 2.9 (against 3.49 for absolute performance) and a standard deviation of 1.03. Absolute performance is the highest in terms of number of new countries and network development on foreign markets, and the lowest in terms of brand visibility internationally. These differences are very small, but reflect the content of our interviews on the measurement of performance, where franchisors find it easier to think in terms of indicators like geographical coverage than the more strategic marketing indicators such as the visibility and development of the brand. Indicators of comparative performance are also at very homogeneous levels. They are all on average below the average rating point of our scale, i.e. 3 to 5.

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Items</th>
<th>Mean</th>
<th>Loading</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>International performance</strong></td>
<td>In terms of the number of new countries of presence</td>
<td>3,60</td>
<td>0,583</td>
</tr>
<tr>
<td>54,68% explained variance</td>
<td>In terms of market share on foreign markets</td>
<td>3,40</td>
<td>0,763</td>
</tr>
<tr>
<td>Mean: 3,49 (standard deviation 0,68)</td>
<td>In terms of the networks development on foreign markets</td>
<td>3,63</td>
<td>0,800</td>
</tr>
<tr>
<td>Cronbach alpha 0,782</td>
<td>In terms of profitability of our international operations</td>
<td>3,46</td>
<td>0,813</td>
</tr>
<tr>
<td></td>
<td>In terms of visibility of our brand internationally</td>
<td>3,37</td>
<td>0,687</td>
</tr>
<tr>
<td><strong>Comparative international performance</strong></td>
<td>In terms of market share on foreign markets</td>
<td>2,85</td>
<td>0,931</td>
</tr>
<tr>
<td>24,92% explained variance</td>
<td>In terms of international turnover</td>
<td>2,79</td>
<td>0,934</td>
</tr>
<tr>
<td>Mean: 2,90 (standard deviation 1,03)</td>
<td>In terms of growth rate</td>
<td>2,97</td>
<td>0,929</td>
</tr>
<tr>
<td>Cronbach alpha 0,947</td>
<td>In terms of visibility of our brand internationally</td>
<td>2,97</td>
<td>0,923</td>
</tr>
</tbody>
</table>

Table 28. International performance of franchise networks
Moreover, it is interesting to note that the correlation between these two measures of performance is moderate and amounted to 0.47. More specifically, many networks, particularly in the early stages of internationalization, feel that they have a satisfactory performance in terms of their objectives, while still lagging behind their competitors.

2.2.3. The quality of the international franchise relationship

Research on satisfaction with the franchise relationship has largely concentrated on the study and measurement of franchisee satisfaction and not franchisers satisfaction. Thus, we constructed a new measure of five items to assess the satisfaction of the franchisor, covering both his overall satisfaction level as well as his satisfaction with some more specific points of the franchise relationship and that clearly appeared as indicators of success – or on the opposite, of failure – in the discourse of franchisors. The five items selected to represent this variable (Table 29) show a high reliability and good internal consistency. The average score for the quality of the international franchise relationship amounted to 3.83 on our scale of 1 to 5. On average, franchisors do not seem to experience more conflicts with their partners abroad than with their franchisees in France and are satisfied with the relationship they have developed.

<table>
<thead>
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<th>Dimension</th>
<th>Items</th>
<th>Mean</th>
<th>Loading</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quality of the international franchise relationship</td>
<td>61.1% explained variance</td>
<td>3.89</td>
<td>0.855</td>
</tr>
<tr>
<td>Mean : 3.83 (standard deviation 0.71)</td>
<td>Overall, we are satisfied with the relationships we have established with our franchisees and master-franchisees abroad</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Cronbach alpha 0.833</strong></td>
<td>Our relationships with our franchisees and master-franchisees abroad are as satisfactory as those we have with our franchisees in France</td>
<td>3.80</td>
<td>0.843</td>
</tr>
<tr>
<td></td>
<td>In comparison with the French market, we do not have more conflict situations with our franchisees and master-franchisees abroad</td>
<td>4.03</td>
<td>0.645</td>
</tr>
<tr>
<td></td>
<td>We are satisfied with the communication that we were able to establish with our franchisees and master-franchisees abroad</td>
<td>3.83</td>
<td>0.848</td>
</tr>
<tr>
<td></td>
<td>We are satisfied with the respect of franchise contracts by our franchisees and master-franchisees abroad</td>
<td>3.63</td>
<td>0.734</td>
</tr>
</tbody>
</table>

Table 29. The quality of international franchise relationships

3. Determinants of international performance

Many of the determinants of international performance of franchise networks shown in Figure 36 earlier in this chapter have already been extensively discussed in previous chapters. Specifically, these include, on the one hand, two major strategic choices of the franchisor, namely the international approach and the choice of standardization / adaptation, and on the
other hand two major components of the development of international franchise relationships, namely the mastery of transmission and control in an international environment.

We dedicate this section to the study of the other four categories of determinants of the model that have not been addressed in this report so far at the level of internationalized franchisors.

3.1. The availability of resources and skills specific for internationalization

"What it takes to succeed internationally, whether for a franchise or any other business, I always say it takes two things: men and money" (Expert in international development)

"It will take time, it takes someone who gets really involved and even without being sure of the result, it is not because you are present at international fairs, it is not because you spend time, that you will necessarily succeed to sign contracts, so one should know that exporting takes a lot of time, a deal will take two years, three years before getting anywhere, it really is on the very long term, one should not let go, it is difficult, but it is especially rewarding when the restaurant opens" (Franchisor, traditional restaurants network)

One of the recurring points in the discourse of all the stakeholders we met, whether internationalized or non-internationalized franchisors, experts and foreign partners, is that internationalization is a very resource consuming process and requires to have specific skills beyond those needed for the development and management of a national franchise network. The importance of these resources and skills is also strongly present in the results of qualitative and quantitative studies presented in the previous chapters. Thus, these resources and skills influence the approach taken by the international franchisor, enable him to offer a more tailored offering to the needs of his foreign partners and consumers and facilitate the transmission and control internationally. We present in this section an overview of the resources and skills available in French internationalized networks and we study the factors that promote the development of skills specific to internationalization.

3.1.1. The availability of resources in internationalized networks

Just as we noted in Chapter 2 concerning the non-internationalized franchisors, internationalized franchisors’ discourse highlights the importance of the same four broad categories of resources, including financial resources, human resources, time and the availability of partners to conduct international operations properly. Moreover, this last category of resources seems to play a palliative role in the sense that the networks that do not have enough available resources in the other categories to carry out their own international operations may involve these partners to compensate this lack of resources. This is illustrated for example in the case of a network that uses external partners to explore foreign markets and get in contact with potential prospects, due to its lack of own resources to dedicate to this important phase of internationalization.

Moreover, as noted in the case of non-internationalized networks, internationalized franchisors also call for a greater role for professional organisms to assist them in their international
development. This is particularly interesting to note because it contrasts with the intuition according to which internationalized networks, due to learning effects, have less need for external partners in their international development.

Overall, internationalized networks seem to have few resources to expand internationally. This manifests through an average score on the availability of all resources of 3.11, slightly higher than the average score on the scale of our survey (Table 30). Further analysis indicates that a lack of resources can be found at the level of all types of resources included in our study, but especially at the level of the availability of time to conduct international operations and that does not even reach the average score of 3. This lack of time is present in franchisors’ discourse:

"I am in charge of extending [network name] through franchising everywhere in the world, but it takes time for things to be set up and it takes time to find partners, to negotiate the contract, to negotiate the start of operations" (Franchisor, a network of fast food)

This lack in the availability of resources can be a major handicap for the development of networks, given the need to mobilize significant resources to identify the right partners abroad and manage the international franchise relationship as it appears from franchisors’ discourse. This could even be more constraining in the case of franchisors adopting a planned and proactive approach as opposed to opportunistic one, given that in the latter, market exploration for new partners is replaced by the demands arising from potential foreign partners.

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Items</th>
<th>Mean</th>
<th>Loading</th>
</tr>
</thead>
<tbody>
<tr>
<td>Available resources</td>
<td>The financial resources to expand internationally</td>
<td>3.17</td>
<td>0.805</td>
</tr>
<tr>
<td>74.73% explained variance</td>
<td>The required time for operations of international exploration</td>
<td>2.88</td>
<td>0.868</td>
</tr>
<tr>
<td>Mean : 3.11 (standard deviation 1.09)</td>
<td>The relationships with the right financial partners for the good conduct of international operations</td>
<td>3.36</td>
<td>0.911</td>
</tr>
<tr>
<td>Cronbach alpha 0.886</td>
<td>The human resources for the good conduct of international operations</td>
<td>3.03</td>
<td>0.868</td>
</tr>
</tbody>
</table>

Table 30. Available resources for international networks

At the level of human resource, we find that the majority of networks (65.7%) has a specific department dedicated to international development. The average size of this department is 2.43. However, in some networks with a large international presence, the international development department is composed of a larger number of people that could even reach 15 persons. A closer look at the profile of employees in this department shows that 48.6 % of networks have at least one person of foreign nationality who takes care of their international development, and this figure can even reach up to six foreign people in some networks. Similarly, 71.4 % of the networks report having at least one person in their international department with previous working experience abroad, and the number of people with previous expatriate experience can even go up to 7 people for some networks.
Moreover, though the level of resource availability of internationalized franchisors remains overall rather low, we find that, for the four resource categories considered, internationalized franchisors have more leeway than non-internationalized franchisors (Figure 40). These differences are also statistically significant.

3.1.2. Mastery of skills specific to internationalization

Franchisors present on international markets show variable levels of mastery of the techniques and skills necessary for internationalization and we observe significant differences between the networks. If mastering these skills arises from franchisors’ discourse as particularly important, even as a prerequisite for successful internationalization, we also see its importance in the stories of failure of some franchisors. In these cases, it is the lack of mastery of certain elements of the internationalization process that has been the cause of some failures, either in the
franchise relationship with the foreign partner or the development of the concept in the target market. Among the examples we encountered, we find for instance several cases of markets whose potential has been misjudged by the lack of extensive knowledge on the target countries. Overall, the average level of master both of the knowledge in international development and techniques of international trade, is higher than the previously observed with non-internationalized franchisors. However, for these two types of skills, the average score does not reach the threshold of 4, indicating that the French networks have yet to perfect their mastery of the skills necessary for their internationalization.

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Items</th>
<th>Mean</th>
<th>Loading</th>
</tr>
</thead>
<tbody>
<tr>
<td>Knowledge in international development</td>
<td>A good knowledge of the opportunities for our products/services abroad</td>
<td>3.66</td>
<td>0.927</td>
</tr>
<tr>
<td></td>
<td>A good knowledge of potential export markets</td>
<td>3.74</td>
<td>0.932</td>
</tr>
<tr>
<td></td>
<td>A good knowledge of the required steps for international expansion</td>
<td>3.69</td>
<td>0.946</td>
</tr>
<tr>
<td></td>
<td>A good knowledge of franchising regulations on foreign markets</td>
<td>3.40</td>
<td>0.907</td>
</tr>
<tr>
<td>Mastery of international trade techniques</td>
<td>The ability to adapt culturally to partners of different origins</td>
<td>3.89</td>
<td>0.915</td>
</tr>
<tr>
<td></td>
<td>The ability to negotiate with partners from different cultures</td>
<td>3.94</td>
<td>0.954</td>
</tr>
<tr>
<td></td>
<td>Proficiency in business English</td>
<td>4.29</td>
<td>0.889</td>
</tr>
<tr>
<td></td>
<td>Proficiency in other languages that are useful for a possible international expansions</td>
<td>3.74</td>
<td>0.859</td>
</tr>
</tbody>
</table>

Table 31. Internationalization skills of internationalized networks

The separate analysis of each skill indicates that, on average, the least mastered one refers to franchisors’ knowledge of franchise rules on foreign markets. This information is important to emphasize given the disparity of rules and codes of franchising internationally. Thus, a breach of these rules may have implications both when penetrating new markets and at the level of the management of the international franchise relationship. The most mastered competence by all networks is the linguistic competence and more specifically the business English proficiency by the staff of the international development department.

Figure 41 shows a comparison between the levels of mastery of different international techniques and skills between networks depending on whether or not they are internationalized\(^5\). The differences observed in this figure are all highly statistically significant.

\(^5\) This comparison is limited to the seven questions common to both scales
As we could expect, internationalized franchisors master the techniques and skills needed to internationalize much more than their non-internationalized colleagues do.

**Mastery of international skills and techniques**

<table>
<thead>
<tr>
<th>Skill Description</th>
<th>Internationalized</th>
<th>Non internationalized</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proficiency in other languages that are useful for a possible international expansions</td>
<td>3.74</td>
<td>2.41</td>
</tr>
<tr>
<td>Proficiency in business English</td>
<td>4.29</td>
<td>2.83</td>
</tr>
<tr>
<td>The ability to negotiate with partners from different cultures</td>
<td>3.94</td>
<td>3.00</td>
</tr>
<tr>
<td>A good knowledge of franchising regulations on foreign markets</td>
<td>3.40</td>
<td>1.96</td>
</tr>
<tr>
<td>A good knowledge of the required steps for international expansion</td>
<td>3.69</td>
<td>2.18</td>
</tr>
<tr>
<td>A good knowledge of potential export markets</td>
<td>3.74</td>
<td>2.29</td>
</tr>
<tr>
<td>A good knowledge of the opportunities for our products/services abroad</td>
<td>3.66</td>
<td>2.41</td>
</tr>
</tbody>
</table>

*Figure 41. Comparison of international skills and techniques between internationalized and non-internationalized networks (differences are statistically significant at p<0.05)*

### 3.1.3. Determinants of networks’ international skills

Franchisors’ discourse analysis indicates two types of determinants for international skills. First, international skills often require significant resources to develop, particularly in terms of human and financial resources. Moreover, time can play an important role in the acquisition of these skills mainly through learning effects.

"It takes special skills yes, already people who speak different languages, or at least speak English well, who are able to negotiate a contract in English, so not just any English. So it was necessary to hire, find people with good knowledge of both the sector and international development. And hiring requires expenses that, at the time, we could not really afford. We did not always have same conditions, I mean financially, that we have today [...] Oh yeah! That's for sure that we learned a lot over the years. I have been with [network name] for 25 years, so you can imagine that I know things about the countries, about how to do, today, that I could not possibly know before" (Franchisor, personal equipment network)
Therefore, we assume that the duration of international presence will, just like available resources, have a positive impact on international skills.

Our empirical results support our hypotheses relating to the antecedents of the level of international skills. As shown in Table 32, the availability of resources and the time spent abroad both strengthen the mastery of the techniques of international trade which they jointly explain 44.5% of the variance. However, the impact of resource availability is three times higher than the effect of experience measured by the length of international presence.

<table>
<thead>
<tr>
<th>Determinant</th>
<th>Coefficient</th>
<th>t</th>
<th>Low. (95%)</th>
<th>High. (95%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Resources</td>
<td>0.584</td>
<td>6.246</td>
<td>0.409</td>
<td>0.756</td>
</tr>
<tr>
<td>Duration of internationalization</td>
<td>0.177</td>
<td>2.618</td>
<td>0.005</td>
<td>0.283</td>
</tr>
</tbody>
</table>

Table 32. Results of the model of the determinants of the level of mastery of international trade techniques

Similarly, resources and duration of internationalization as well as the mastery of the techniques of international trade all reinforce the networks’ knowledge in terms of international development, of which they explain 81% of the variance. However, besides being the strongest determinant of knowledge in international development, mastery of the techniques of international trade is the only determinant having a significant direct impact on this knowledge (Table 33). The impact of available resources and the duration of internationalization is significant only through the mediation of mastering the techniques of international trade.

<table>
<thead>
<tr>
<th>Determinant</th>
<th>direct impact</th>
<th>indirect impact</th>
<th>total impact</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Coeff.</td>
<td>T</td>
<td>Low. (95%)</td>
</tr>
<tr>
<td>Resources</td>
<td>0.10</td>
<td>0.67</td>
<td>-0.22</td>
</tr>
<tr>
<td>Duration of internationalization</td>
<td>0.03</td>
<td>0.19</td>
<td>-0.13</td>
</tr>
<tr>
<td>Mastery of international trade techniques</td>
<td>0.81</td>
<td>7.99</td>
<td>0.61</td>
</tr>
</tbody>
</table>

Table 33. Results of the model of the determinants of networks' knowledge in international development

3.2. The originality of internationalized franchisors’ know-how

We noted in Chapter 2 the perceived importance by the non-internationalized franchisors of developing an original concept and an original know-how that are differentiated from the competition, in order to facilitate the internationalization of the network. This originality hence appears as one prerequisite of the internationalization of the network. Internationalized franchisors, however, grant less importance in their spontaneous discourse to the originality of
their know-how. Instead, they seem to consider that the originality of the know-how and concept are rather necessary but not sufficient conditions to ensure good international performance. This echoes the idea of prerequisites developed from the discourse of non-internationalized franchisors, which are elements that facilitate the internationalization but do not guarantee success if they are not accompanied by other international competencies.

To get a better understanding of the potential role of the originality of the concept and know-how of international franchisors, we then turned to their foreign partners. The latter’s discourse actually supports the importance of the concept’s and know-how’s originality as important elements of attraction of foreign partners and network selection by them. More specifically, this originality is highly appreciated by foreign partners for three reasons. First, it allows to address a market segment that is not served by the competition. This is especially appreciated by the master-franchisees even when this segment is small:

"I studied the market of course, and I found it very interesting from the point of view of market prospects. A market in absolute growth, the issue of care and non-medical care. I also quickly realized that this is a niche market, because this concept did not exist yet in Germany, or almost not at all" (Master-franchisee, personal services network, Germany)

Moreover, the originality of the concept and know-how is perceived by foreign applicants as a way to make sure to get a competitive advantage based on differentiation with other actors on the local market:

"This type of service did not really exist in Brazil, not in the way we knew it in France. It was at a stage of craftsmanship, little known and used by the general public, and most importantly, it was expensive, and [the service providers] who were providing it were not doing a giving service. [Network name] is the most innovative concept in this market, they have a very advanced technology and also a strong competitive differential in comparison to other brands. That was what motivated me to choose the brand" (Master-franchisee, cleaning network, Brazil)

Finally, the originality of the concept is also seen by the master-franchisees as an asset to facilitate their role as developer on the local market, attracting more easily franchise candidates:

"This concept did not exist in many parts of Germany. So it was just as good because it was easier to go see the independent providers and convince them to join the network. It's not like when you arrive with a fastfood and there is plenty of foreign and German fastfood, so why would the franchisees choose you" (Master-franchisee, business services network, Germany)

We then sought to assess the originality of know-how of the networks that are already present internationally from franchisors’ perspective, using the same tools as we used with non-internationalized franchisors. In this framework, we first of all find that, like with non-internationalized franchisors previously, the original of internationalized franchisors know-how remains moderate. Both at the level of the scarcity of the know-how and the difficulty of its imitation, the average score is very close to 3, which represents the average score in our survey (Table 34).
<table>
<thead>
<tr>
<th>Dimension</th>
<th>Items</th>
<th>Mean</th>
<th>Loading</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scarcity of the know-how</td>
<td>Our concept is not specific per se; other competitors have close concepts even if they operate them differently (reversed)</td>
<td>3.80</td>
<td>0.817</td>
</tr>
<tr>
<td>52.56% explained variance</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mean: 3.39 (standard deviation 0.93)</td>
<td></td>
<td>3.09</td>
<td>0.930</td>
</tr>
<tr>
<td>Cronbach alpha 0.860</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mean: 3.11 (standard deviation 1.03)</td>
<td></td>
<td>3.51</td>
<td>0.852</td>
</tr>
<tr>
<td>Difficulty to imitate the know-how</td>
<td>It would be difficult and costly for our competitors to imitate our concept</td>
<td>3.26</td>
<td>0.870</td>
</tr>
<tr>
<td>21.05% explained variance</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Even if they wanted, our competitors would have a hard time duplicating our concept</td>
<td>3.00</td>
<td>0.856</td>
<td></td>
</tr>
<tr>
<td>Mean: 3.11 (standard deviation 1.03)</td>
<td>Our competitors would need a lot of time to copy our concept</td>
<td>3.08</td>
<td>0.858</td>
</tr>
<tr>
<td>Cronbach alpha 0.826</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table 34. The originality of internationalized networks' know-how

Then we also compared the originality of expertise franchisors internationalized with that of non-internationalized franchisors. Contrary to our expectations, we observed no statistically significant difference between the mean scores of two groups of franchisors on the rarity of their know-how and the difficulty of imitation (Figure 42). However, we could think that franchisors have developed internationalized expertise greater originality, which becomes an asset for internationalization. However, this result corroborates the results of analyzes on the determinants of the decision to internationalize conducted previously, which did not reveal a significant role of the originality of expertise in training for franchisors internationalize.

![Comparison of know-how originality between internationalized and non-internationalized franchisors](image)

Figure 42. Comparison of the originality of the know-how between internationalized and non-internationalized networks (differences are statistically significant at p<0.05)
3.3. The image and the role of the network’s brand

The importance of the network’s brand appears in franchisors’ discourse in different ways. We reported previously that such brand considerations impact the choice of target countries, when some franchisors are moving to countries that can provide a good development for the brand later, or otherwise avoid the countries where the brand can be easily copied. This strong focus on brand protection is also felt very regularly in the discourse of franchisors, especially when they talk about the importance of controlling foreign operations by the network’s central management.

The importance of the brand for the franchisors derives also from the fact that it is a particularly attractive feature that appeals to franchisees and partners abroad. Network managers we interviewed emphasized in this regard that the brand plays a particularly important role that goes beyond the fact that it is an economic asset or an element of attraction of consumers in the branded outlets. Thus, according to the franchisors, the brand also attracts franchisees by its emotional side, and the values it conveys to franchisees and the attachment it creates:

"Last week, the CFO, not in France, at the level above, which is really the interface between [network name] and the shareholder [...] he told me a few weeks ago, I would like to come with you on a tour for a few days when you visit your franchisees, I said OK and we went together for two days last week, Wednesday afternoon until Friday afternoon. All the people we met, we saw hotel owners and managers, from [network name], other independent hoteliers, franchise candidates, at the end it is amazing to see that these investors who are preparing to invest 2, 3, or 4 million for a 10 years period with us, in fact none of them asked about operating profitability, it is not what motivates them. What motivates them is an almost emotional relationship with the brand" (Franchisor, a network of hotels)

This "emotional" brand value also seems to grow and strengthen especially over time, and motivate the behavior of a range of actors within the network:

"I personally find that there is an identification of our partners with the brand that often goes beyond our own identification with it, I would say a very strong identification. So this is something that is quite indescribable, but when you see, when you listen, when you follow these people, as well as our teams and ourselves, to see how they defend the brand and how they are proud of having the brand, it is a strength of [network name] obviously and yes it helps us, I would say a priori, so at the first contact, people are interested in the brand [network name] but I would say that the emotional side, the emotional connection to the brand comes undoubtedly, this is what we see, comes with the years" (Franchisor, personal services network)

The importance of the brand in attracting foreign partners and as a part of their motivation later in the franchise relationship is echoed strongly in the discourse of these partners too:

"I knew [network name] long ago, when I was a student in France. I loved this brand, I put money aside to buy it, and I have not forgotten it when I came back to China, even if it was not sold there. Then the day they opened here, I was so happy, I wanted to do something with them. So after a few years when I was looking for a business, because
with my divorce, I wanted to change my life, I no longer wanted to be a teacher, I immediately thought of [network name], and I was very happy and proud when they said yes, because it is really a brand I love” (Franchisee, French network of personal equipment, China)

In our quantitative survey, we assessed internationalized franchisors’ perception of their brand with four questions (Table 35). Internationalized networks evaluate their brand positively on these elements of image, reputation and awareness. Overall, the average score of the brand advantage stood at 3.62.

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Items</th>
<th>Mean</th>
<th>Loading</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brand image advantage</td>
<td>In comparison to our competitors, our network has a good brand image</td>
<td>3.97</td>
<td>0.910</td>
</tr>
<tr>
<td>78,7% explained variance</td>
<td>In comparison to our competitors, our network has a good reputation in terms of products and services quality</td>
<td>4.00</td>
<td>0.857</td>
</tr>
<tr>
<td>Mean: 3.62 (standard deviation 0.86)</td>
<td>In comparison to our competitors, our network has a strong level of brand awareness</td>
<td>3.27</td>
<td>0.873</td>
</tr>
<tr>
<td>Cronbach alpha 0.903</td>
<td>Our brand name is one of our most precious sources of competitive advantage</td>
<td>3.25</td>
<td>0.882</td>
</tr>
</tbody>
</table>

Table 35. Internationalized franchisors’ perception of their brand-based advantage

However, we note a difference in the evaluation of the different issues constituting this brand-based advantage. More specifically, it should be noted that if the network managers evaluate their brand positively in comparison to their competitors on the elements of image, reputation and awareness, they do not seem to consider it a strong competitive advantage and this question receives a score that is slightly higher than the average of our scale. This then contrasts with the statements of franchisees and master-franchisees abroad and which we referred to above, indicating that the brand can constitute a major asset for the networks in the attraction and retention of foreign partners.

3.4. The role of the network’s French origin

The second element of the network’s image that can participate in its international development concerns its French origin. Just as in the case of the non-internationalized franchisors, managers of the internationalized networks we encountered highlight the role of the French origin of their network as part of attracting foreign consumers and franchisees within certain sectors. More specifically, the French origin is seen by these managers as an asset when the product or service delivered by the network is particularly associated with the image of France or when French producers have a very positive image in this sector:

"We have the chance to work on a product that is typically French, so it allows for what we call the 'French touch' abroad [...] So yeah, this is very much put forth, especially on the sign [...] 'le bon vin', so it is in French. So it really add this 'plus' related to the
typical cellar which specializes in French wines. So this is, I see it as a really positive side" (Franchisor, food-retailing network)

The discourse of the partners of the French networks abroad confirms the role of French origin in some areas as part of attracting consumers and franchisees. However, we find two additional elements of clarification. The first refers to another limit to the role of French origin, which is not only related to the industry, but also to the target countries. Thus, the additional positive image enjoyed by some networks operating in an industry that is strongly associated with France may for example be reduced when these networks operate in countries where the same industry is as developed and reputable as the same industry in France:

"So obviously, yes, I agree with you, the French origin can play very favorably in cosmetics in general, but you know, for us Swiss, we are not ashamed of our cosmetic brands either! So this is not really what we're going to highlight for example" (Master-franchisee, hairdressing and styling network, Switzerland)

The second point on the role of French origin abroad that arises from the discourse of the partners of French networks abroad refers to the target audiences that are positively affected by this French origin. More specifically, some of the partners we met add to consumers and franchisees a third category of actors whose behavior can be positively influenced by the French origin, namely employees of franchised units:

"It is especially our employees who love the most this French image. You should see them when they go on training in France. They are all proud! They talk about it for weeks to the clients, before leaving and when they return" (Master-franchisee, hairdressing and styling network, Switzerland)

Data analysis indicates that, as in the case of non-internationalized franchisors, franchisors already present internationally consider the role of the geographical origin of the network in two ways: on the one hand, France’s favorable image its capacity to attract franchisees and customers abroad, and on the other hand, the perceived ease of positioning their network abroad by associating it to its French origin (Table 36). For these two complementary dimensions, internationalized franchisors consider on average that the French origin can play a positive role in their international development, with an average score of 3.62 for the positive image of France and 3.49 for the ease of the Made in France positioning.

Furthermore, it is also interesting to compare the answers of internationalized and non-internationalized franchisors. As shown in Figure 43, internationalized franchisors have a more favorable perception of the role of the French origin for the international development of their network.

However, though differences exist between these two populations of franchisors on all seven questions, these differences are only statistically significant in two cases. The first significant difference is observed for the question "in the industry in which we operate, the French origin
of the network is an asset to expand internationally". It raises the role of the industry and its relationship to the role of geographical origin as we have pointed out in the analysis of the responses of non-internationalized franchisors. The second significant difference, and that is also the most significant difference observed between the responses of the two populations, relates to the question "the French origin of our network is an advantage to attract foreign franchisees". The interviews conducted with internationalized franchisors reveal the role of time and international experience of the franchisor in this context. Thus, in some cases, the franchisor becomes increasingly aware of the importance of his French origin with time and presence in wider geographical areas. In contrast, in early stages of internationalization, franchisors who penetrate mainly neighboring countries are less aware of the role that their national origin can play.

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Items</th>
<th>Mean</th>
<th>Loading</th>
</tr>
</thead>
<tbody>
<tr>
<td>France’s favorable image</td>
<td>The French origin of our network offers an advantage to attract foreign franchisees</td>
<td>3.71</td>
<td>0.903</td>
</tr>
<tr>
<td></td>
<td>The French origin of our network offers an advantage to attract foreign customers</td>
<td>3.40</td>
<td>0.927</td>
</tr>
<tr>
<td></td>
<td>In our sector of activity, the network’s French origin is an asset to expand internationally</td>
<td>3.54</td>
<td>0.927</td>
</tr>
<tr>
<td></td>
<td>In our sector of activity, France has a very positive image</td>
<td>3.86</td>
<td>0.882</td>
</tr>
<tr>
<td>Explained variance 68.85%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mean: 3.62 (standard deviation 1.12)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cronbach alpha 0.931</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

| Ease of French positioning       | The positioning of our brand reflects its French origin                | 3.69  | 0.872   |
|                                  | The products and services sold by our network are associated to the image of France | 3.34  | 0.919   |
| Explained variance 15.5%         |                                                                      |       |         |
| Mean: 3.49 (standard deviation 1.18) |                                                                      |       |         |
| Cronbach alpha 0.876             |                                                                      |       |         |

Table 36. Role of the network’s French origin
3.5. Adaptive capacity of the networks

Finally, the last category of determinants of international performance of franchise networks refers to their ability to adapt. These capabilities complement the role of the adaptation of the offering by the network. In Chapter 3, we found that international networks’ adaptation of their approach when dealing with foreign markets is complex and involves various elements and areas, both at the level of the network’s offering to final consumers, and at the level of the elements of their relationship with their foreign partners. Beyond the choice of adapting these elements or otherwise standardizing them as discussed in Chapter 3, such an approach also requires a strong capacity to adapt and make the necessary changes. We hence measured the adaptive capacity of the network at the international level by the adoption of an innovation strategy within the network and its organizational agility (Table 37). Overall, internationalized networks seem to put a strong emphasis on innovation and demonstrate great organizational agility, with average scores of 3.93 and 4.12 respectively.
Table 37. Innovation strategy and organizational agility of internationalized networks

Comparing these levels to those demonstrated by the non-internationalized franchisors (3.78 on the two components of adaptive capacity) indicates that internationalized networks have better control of the ability to adapt in various environments. However, statistical analysis shows that only two elements differ significantly between these two sub-populations of franchisors, and that these two elements are part of the field of organizational agility. More specifically, the two sub-populations of franchisors have the most divergent profiles at the level of the regular renewal of the product range, followed by the overall responsiveness to changes in demand.

4. Testing the model of the determinants of international performance

The research model presented in Figure 36 was tested by the method of structural equation modeling with the partial least squares algorithm (PLSPM) described in the methodological appendix. Before presenting the results of these analyses, we first turn to some of our methodological choices, particularly in terms of modeling.

First, concerning the modeling of international performance, we used a double modeling, both as absolute performance and comparatively to other networks in the industry. On the level of adaptation of the international offering, our modular approach and our principal component analysis led to retain four dimensions, two of which are related to elements of the offering to the final consumer, and two other elements related to the franchise relationship. A first series of analyses of the structural model leads us to abandon the two variables related to the elements of the offering to the final consumer, and that is for two reasons. First, though all the measures we studied previously show good reliability, as indicated by the Cronbach's alpha coefficients reported in each case, the analysis of the model should also be based on variables that show good validity. A major aspect of the validity of a measure, known as convergent validity, is measured by the percentage of average variance extracted (AVE), which must be greater than
0.5. Neither of these two dimensions meets this criterion of validity. Moreover, this first series of analyses of the structural model shows no significant impact of the presumed antecedents of these two dimensions of adaptation, and no significant link between these two dimensions and the quality of the franchise relationship or international performance. In other words, the participation of these variables to the model does not seem justified because they are not involved in the explanation of the international performance or quality of the international franchise relationship.

Finally, a final choice is made concerning the modeling of the control variables, namely the number of host countries and the time of presence abroad measured in number of years. In both cases, we have measures relating to both the presence of the network internationally in general and more particularly under a franchised mode. However, for each of these control variables, we find very strong correlations between the international presence in absolute terms and the presence under a franchised mode. Thus, if we keep these two measures for each control variable, we only add very little information and risk instead of having a problem of multicollinearity that would make our results unstable. Given that our model includes as a central variable the quality of the international franchise relationship, it seemed more appropriate to keep the number of countries where the network is present under a franchised mode and the number of years of presence abroad also under a franchised form.

4.1. Determinants of the quality of the international franchise relationship

The model of the determinants of the quality of the international franchise relationship has great explanatory power with an $R^2$ of 56.8%. Determinants with a significant impact can be classified into three categories here depending on the magnitude of their impact (Table 38). Resources and international skills have the greatest impact on the quality of the franchise relationship. The highest total impact comes from the availability of resources, but the inclusion of both dimensions of international skills highlights the importance of the latter as well. These results confirm the difficulty for networks with limited resources to maintain strong franchise relationships internationally. Our interviews had highlighted the importance of "investing" in the development of the relationship, devoting time and financial resources, but also by assigning qualified and competent staff to international and intercultural issues.

These determinants are followed in terms of impact by the organizational agility and the level of adaptation of the transmission and communication elements between the franchisor and his foreign partners. These two variables have in common that they represent the will and ability of the franchisor to adapt his behavior and to meet the demands and expectations of his foreign partners. This point emerges strongly elsewhere in the discourse of these partners in our qualitative phase. In fact, we raised earlier the issue of adaptation in the form of co-creation, initiated by the foreign partner and validated by the franchisor. In this context, the discourse of foreign partners reveals that they often practice a kind of self-censorship at the level of the requests of adaptation they make to the franchisor, keeping only those requests and ideas that they deem necessary or which may be accepted by the franchisor. Thus, the adaptation effort of the franchisor is seen by the partners as a fair recognition of both their views and their efforts, and reinforces the franchise relationship from their point of view.
Finally, we also find a much lower impact of three other variables. First, control acts directly but has little impact on the quality of the relationship. As we noted earlier, this is not surprising since control appears in the interviews not only as desirable value by franchisors, but also by their foreign partners. We also find a weak positive and indirect impact of the duration of internationalization. The indirect effect emphasizes that this is not the mere length of presence abroad which impacts the quality of the relationship, but it is sign of experience and learning effect where the duration strengthens international skills and through them the quality of the relationship.

<table>
<thead>
<tr>
<th>Determinant</th>
<th>direct impact</th>
<th>indirect impact</th>
<th>total impact</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Coeff.</td>
<td>T</td>
<td>Low. (95%)</td>
</tr>
<tr>
<td>Resources</td>
<td>0,14</td>
<td>6,07</td>
<td>0,10</td>
</tr>
<tr>
<td>Duration of international presence</td>
<td>0,01</td>
<td>0,31</td>
<td>-0,05</td>
</tr>
<tr>
<td>Mastery of international trade techniques</td>
<td>0,17</td>
<td>8,31</td>
<td>0,13</td>
</tr>
<tr>
<td>Knowledge in international development</td>
<td>0,15</td>
<td>7,02</td>
<td>0,10</td>
</tr>
<tr>
<td>Organizational agility</td>
<td>0,12</td>
<td>3,55</td>
<td>0,04</td>
</tr>
<tr>
<td>Know-how control</td>
<td>0,09</td>
<td>2,83</td>
<td>0,02</td>
</tr>
<tr>
<td>Know-how transmission</td>
<td>0,05</td>
<td>1,02</td>
<td>-0,07</td>
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<tr>
<td>Opportunistic approach</td>
<td>-0,08</td>
<td>-2,26</td>
<td>-0,13</td>
</tr>
<tr>
<td>Number of countries</td>
<td>0,02</td>
<td>0,65</td>
<td>-0,03</td>
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<tr>
<td>Adaptation of the franchise contract</td>
<td>0,12</td>
<td>1,81</td>
<td>-0,13</td>
</tr>
<tr>
<td>Adaptation of communication/transmission</td>
<td>0,11</td>
<td>2,88</td>
<td>0,03</td>
</tr>
<tr>
<td>France’s favorable image</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ease of French positioning</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Innovation</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Difficulty to imitate know-how</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Scarcity of the know-how</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Brand image</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table 38. Results of the model of the determinants of the quality of international franchise relationships

The third and final small but significant impact that we identify comes from franchisors’ opportunism. Despite the weakness of this link, we think it deserves special attention for two reasons. First, it is common that the regression coefficients are lower by the PLS-PM approach in comparison to other approaches, and even the lowest significant coefficients convey information. Moreover, the impact that we see here is negative. In other words, the more the network adopts an opportunistic approach, and the higher the probability that the international
franchise relationship would be of lower quality. This can be explained by the fact that a franchisor acting by a proactive approach would pay more attention to the stage of selection of partners on the one hand, and that it would lead to a stronger relational commitment on the other hand. These assumptions need to be more fully explored. However, the prevalence of opportunistic behavior and its role in the pre-internationalization phase as well as its livelihood in the post-internationalization phase should alert networks to such undesirable effects of this approach.

4.2. Determinants of international performance of franchise networks

We have chosen to represent international performance in two ways in our research, both in absolute terms as performance on a series of indicators and as compared to competitors. Our results are presented separately for each of these two types of measures in Table 39 and Table 40. The analysis of these results shows that these two measures of performance share certain fundamental determinants, but also emphasizes significant differences. First, the model that we have proposed does not explain both types of international performance equally well. Thus, while the absolute performance is the variable that is best explained by our model, with an R² of 81.2 %, comparative performance is among the most poorly explained variables, knowing that the model explains all the same 42.3 % of its variance. Furthermore, beyond the differences in R² and in the significance of the links, the strength of the links between each of these two variables and their antecedent variables also varies strongly. The direct impacts of the explanatory variables on international comparative performance are weak and do not exceed the threshold of 0.1. We find here a direct positive impact from the availability of resources and skills, but also from the adaptation of transmission and communication elements as well as from the franchise relationship. We also find a direct negative impact from the opportunistic approach. As in the explanatory model of the quality of the franchise relationship, the negative impact of opportunism is very low. However, we reiterate our view that it is important to emphasize this relationship by the wide dissemination of this approach among international networks.

In addition to these direct impacts, international comparative performance also receives indirect influences mediated by different variables in the model. Thus, in total, resources and international skills once again appear as highly central, having the highest cumulated impact on comparative performance, with an impact close to the threshold of 0.3. Concerning the determinants of international performance measured in absolute terms, several elements are interesting to analyze. We find first of all the positive impact of the availability of resources but also of international skills. Here, the mastery of the international trade techniques has the highest direct impact among these three determinants, with a regression coefficient of 0.22. When we take into account the indirect effects, the impact of these variables on performance becomes particularly strong, exceeding for the resources and techniques of international trade the threshold of 0.5. Thus, these two variables are those that participate most in improving the international performance of the network. The quality of the international franchise relationship has the strongest direct impact on performance, with a regression coefficient of 0.31. This result is particularly consistent with franchisors’ discourse and who placed the international franchise relationship at the heart of the
success of their internationalization. In addition, the quality of the international franchise relationship contributes greatly to the explanation of performance. Specifically, we re-estimated the structural model omitting this variable. We then see a very significant decrease in the $R^2$ of performance that goes from 81.2 % to 60 %.

Moreover, the adaptation of franchise contract has a direct, positive and moderate impact on performance, while the adaptation of the mechanisms of transmission and communication with foreign partners has a significant indirect impact but that is extremely low.

<table>
<thead>
<tr>
<th>Determinant</th>
<th>direct impact</th>
<th>indirect impact</th>
<th>total impact</th>
</tr>
</thead>
<tbody>
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<td></td>
<td>Coeff.</td>
<td>t</td>
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</tr>
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<td>Resources</td>
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<td>0.02</td>
</tr>
<tr>
<td>Duration of internationalization</td>
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<td>1.62</td>
<td>-0.01</td>
</tr>
<tr>
<td>Mastery of international trade techniques</td>
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<td>3.55</td>
<td>0.03</td>
</tr>
<tr>
<td>Knowledge in international development</td>
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<td>0.01</td>
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<td>-0.02</td>
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<td>France’s favorable image</td>
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<td>-0.17</td>
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<td>Know-how control</td>
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<td>-0.03</td>
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<tr>
<td>Know-how transmission</td>
<td>-0.01</td>
<td>-0.14</td>
<td>-0.12</td>
</tr>
<tr>
<td>Ease of French positioning</td>
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<td>-0.17</td>
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<tr>
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<td>-0.10</td>
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<td>Opportunistic approach</td>
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<td>0.00</td>
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</tr>
<tr>
<td>Adaptation of communication/transmission</td>
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<td>2.08</td>
<td>0.01</td>
</tr>
<tr>
<td>Quality of the international franchise relationship</td>
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<td>3.69</td>
<td>0.05</td>
</tr>
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</table>

Table 39. Results of the model of determinants of comparative international performance
<table>
<thead>
<tr>
<th>Determinant</th>
<th>Coeff.</th>
<th>T</th>
<th>Low. (95%)</th>
<th>High. (95%)</th>
<th>Coeff.</th>
<th>T</th>
<th>Low. (95%)</th>
<th>High. (95%)</th>
<th>Coeff.</th>
</tr>
</thead>
<tbody>
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<td>0,20</td>
<td>0,55</td>
<td>0,55</td>
</tr>
<tr>
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<td>0,02</td>
<td>0,27</td>
<td>-0,08</td>
<td>0,13</td>
<td></td>
</tr>
<tr>
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<td>0,01</td>
<td>0,14</td>
<td>0,20</td>
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<td>0,03</td>
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<td>-0,13</td>
<td>0,06</td>
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<tr>
<td>Know-how transmission</td>
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<td>-0,25</td>
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<td>-0,01</td>
<td>-0,26</td>
<td>-0,09</td>
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</tr>
<tr>
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<td>-0,23</td>
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<td>0,00</td>
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<td>-0,04</td>
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</tr>
<tr>
<td>Innovation</td>
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<td>-0,13</td>
<td>0,19</td>
<td>-0,02</td>
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<td>0,83</td>
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<tr>
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<td>-0,02</td>
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<td>-2,56</td>
<td>-0,04</td>
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<td>-0,02</td>
<td>-0,01</td>
<td>-0,32</td>
<td>-0,06</td>
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<td>0,26</td>
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<td>1,85</td>
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<td>0,05</td>
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<tr>
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<td>3,00</td>
<td>0,01</td>
<td>0,05</td>
<td>0,03</td>
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<tr>
<td>Quality of the international franchise relationship</td>
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<td>5,95</td>
<td>0,19</td>
<td>0,40</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0,31</td>
</tr>
</tbody>
</table>

Table 40. Results of the model of determinants of international performance measured in absolute terms

The number of host countries has an impact of a quasi-similar magnitude as the adaptation of franchise contracts, but this impact is negative. This is particularly interesting. This negative impact can be explained by the importance played by the resources and skills throughout the model. Indeed, the increase in the number of countries served and geographic dispersion could, if it is not accompanied by a significant increase in resources devoted to internationalization, lead to a dispersion of resources and skills and a dilution of their positive effects. Whatever the explanation for this negative impact, it should serve as a warning to network managers who are tempted to quickly increase the number of countries served, either in an opportunistic or a proactive approach.
Chapter 6: Conclusion
The present research on the internationalization of franchise networks is based on six empirical studies that we conducted with non-internationalized franchisors, internationalized franchisors, their overseas partners and experts in franchising and international development. The diversity of topics addressed in this research, coupled with the multiplicity of studies, has led to a large number of results that we presented in the previous chapters. The conclusion of this work will be devoted to provide both synthetic and critical review of all these results. We therefore review to the main themes developed in the research and try to adopt for each theme a broad transversal vision, as opposed to the presentation in the previous chapters of partial results.

1. The internationalization of franchise networks, a predominantly opportunistic approach

The first result that emerges from the various studies that we have conducted refers to the franchisors’ approach towards the issue of internationalization. Overall, we find that franchise networks’ international approach is guided by a high level of opportunism. The latter manifests itself in different ways, mainly through the level of engagement in the international project. Thus, opportunism is highly dominant in the early stages of internationalization. The majority of non-internationalized networks we met and that are in the process of internationalization, are internationalizing their operations based on chance and opportunity, following a request by potential foreign partners that the franchisor considered interesting at a given moment. Meanwhile, the majority of non-internationalized networks we have met who have no internationalization project in the near future seem to have a desire to internationalize, but are waiting for the right opportunity to arise. In both cases, while internationalization arises from franchisors’ discourse as a desirable growth path, the majority of these networks adopt a predominantly passive approach, waiting for an opportunity to arise. This contrasts strongly with the spirit of strategic planning that these same networks, regardless of size or age, have demonstrated during our interviews concerning their domestic market, and where they usually manifest strong planning and fairly specific projects in terms of number of outlets openings, geographic areas as well as resources to be mobilized.

Another significant fact about this is that this opportunism that guides the first steps of the franchisor internationally, seems to persist when the network is already established abroad. The nature of the post-internationalization opportunism is nevertheless different. This approach is no longer defined solely in reference to which of the franchisor or his foreign partner initiates the international franchise relationship. The characteristics of this post-internationalization opportunism are more complex. We find first of all, at the level of the strategic thinking of managers of the company, a low emphasis on international expansion, while the domestic market remains the great object of strategic thinking. It then follows that low resources are allocated to the international project, and these resources are often appropriated for the purposes of domestic development. Moreover, opportunistic franchisors benefit little from their international experience to develop specific skills and establish a true learning logic of international expansion.
The generalization of this opportunistic approach seems worrying. First, our statistical models show a negative impact, although small, of franchisors’ opportunism on the quality of their relationships with foreign partners as well as on their international performance. Moreover, this opportunism also influences franchisors’ strategic choices, such as the choice of target countries and entry modes, as we clearly see in our interviews with franchisors. In both cases, we observe that franchisors’ opportunistic approach is based on trial and error rather than on a structured and planned approach, while these choices are fundamental in that they do not only engage the franchisor but can also taint the reputation of his brand. Meanwhile, opportunism also influences franchisors’ management of their relationship with foreign partners on issues such as partner selection, control of his actions and engagement in a process of co-creation. For these points, we observe an often negative impact in the sense that opportunistic franchisors seem for instance less methodical in selecting their partners and engage much less with them in a process of value co-creation.

Finally, these negative aspects of opportunism seem to lead the franchisors in many cases toward more proactive and methodical approaches. But what is striking is that this evolution is often driven by failures or difficulties encountered in the opportunistic stages of internationalization.

2. The international franchise relationship at the heart of the network’s international performance

The second transverse result of our work is that the international franchise relationship, that is to say the relationship between the French franchisor and his foreign partners, is at the heart of the international performance of the network. Our interviews with franchisors indicate that they see the quality of this relationship as the major key to success internationally, even to the point of using it as a barometer of their international performance. In contrast, the vast majority of situations of international failure described by network managers clearly and directly refer to problems in one stage or another of managing the franchise relationship. More specifically, four highlights of the management of this relationship emerge from our work.

The first refers to the selection of international partners. This is according to the majority of our interlocutors the cornerstone of international success, but also the most delicate operation. Geographical distance, but also cultural distance, greatly complicate the selection. However, the most significant result at this level is the lack of clear methodology shown by the majority of franchisors. This does not exclude the fact that franchisors have multiple criteria for assessing applications for international franchising. Nevertheless, given the importance of the issue, it is interesting to note that only a very limited number of franchisors have established and codified clear procedures for the prospecting process and especially the selection process. The majority of franchisors seem to overcome this lack of methodology with a longer selection phase, often coupled with a relational learning phase, where the franchisor observes the behavior and performance of his partner for a more or less long period on a single outlet, before engaging more strongly with the partner.
The second element that contributes greatly to the success of the franchise relationship is the transfer of know-how and support to foreign partners. The latter consider in fact training and support as major elements of what they are looking for in a foreign franchisor. This also echoes the importance of know-how transmission as it arises in franchisors’ discourse as well. However, despite its importance, the complexity of international training and support seems to significantly reduce its scope. For example, for the majority of franchisors that we met, the training of the foreign partner strongly parallels the training given to French franchisees, which raises two potential dangers. First, the fact that this training does not take into account the specificities of the markets of these partners, let alone their own cultural characteristics that may influence the logic of learning. Moreover, geographical distance makes it much more difficult, or to say the least expensive, to provide close support and monitoring of the partner in case of doubts or problems. All this is then reflected in the discourse of many foreign partners by a low level of satisfaction vis-à-vis the initial training they have received, especially in situations of opportunistic franchisors.

The third characteristic of the international franchise relationship refers to the control of the know-how and the partner by the franchisor. Overall, the franchisors seem animated by a strong search for control resulting from significant concerns they face when operating abroad. This control logic is even more enhanced when the franchisor operates in sectors with high variability such as services, or with a high levels of risk such as cosmetics, or when he has a strong brand and gives great importance to protecting this strategic asset. Franchisors use monitoring tools that are very similar to those they display on their domestic markets, such as mainly outlets’ audits by qualified personnel. Once again, the geographical distance greatly complicates these procedures. Two complementary perspectives are then strongly used by the franchisors. The first refers to a highly increased role for ICT at the international level, both for direct tracking of sales for example, or through websites to gather feedback from local customers. The second emphasizes the importance of training and support, considered by many franchisors as an important means of ensuring control as well as having a close and sustained contact with their partners abroad. Finally note that these partners seem to show unexpected demand for control from their franchisor because they see control as a way to ensure the good implementation of the concept on their side.

The fourth lesson on the international franchise relationship refers to the great opportunities it provides for co-creation of added value by and for both partners. We identified in Chapter 4 different forms of collaboration between franchisors and their foreign partners that focus on the co-management of the launch of the network in the country of the partner, the co-adaptation of the offering of the franchisor, the co-implementation of new solutions, products and services, the co-training and mutual learning, and finally the co-management of difficulties and failures. In all these situations, the creation of shared value is not just an additive process, but the result of a true collaboration between partners. However, despite the wealth of opportunities of co-creation, we note that franchisors are committed to this process to largely varying degrees and that are often lower than the potential it offers. Among the factors we have identified and which seem to encourage this process of co-creation, we find the international approach of the
franchisor. Thus, the most opportunistic franchisors appear to benefit less from the opportunities this process of co-creation has to offer. Moreover, co-creation seems favored by a less centralized and controlling corporate culture, and a culture that is marked by humility vis-à-vis cultural differences.

3. An internationalization marked by the importance of resources and skills

The third transverse result that emerges strongly from our various studies refers to the importance of resources and skills in the process of internationalization. Different categories of resources are cited by franchisors as particularly important. They focus on financial, human, temporal and relational resources. Two cross-sectional results are then important to emphasize. The first refers to the role of these resources, regardless of the stage of internationalization. Thus, the unavailability of resources emerges as a major obstacle that prevents many franchisors from internationalizing. Moreover, for internationalized franchisors, our qualitative and quantitative studies show that these resources have a significant impact on the skills of the franchisor, his approach to adaptation, the quality of his relationship with his partners and his international performance. The second result is more worrying. Indeed, both internationalized and non-internationalized franchisors who participated in our questionnaire survey reported a low level of available resources for the first, and very low for the second category of franchisors. This is particularly worrying when considering the importance of resources as we just noted.

We wish to add two remarks about resources’ availability and role. First, the lack of resources in itself is not a very surprising fact in a franchising context. In fact, many networks will initially grow through franchising as a way to circumvent a lack of own resources and access such resources through their partnership with franchisees. But what is striking in the present case is that, beyond the availability or unavailability of resources, franchisors show different levels of willingness to allocate adequate resources for international expansion, depending on the approach they adopt. Specifically, opportunistic networks, although some of them have the resources that can be allocated to international expansion, prefer not to do so because their concentration remains on the national market. The second point refers to the role of a particular category of the aforementioned resources, specifically what we call relational resources. This category refers to the fact that the franchisor has or finds partners – apart from franchisees and master-franchisees – that he can seek to compensate for a lack of own resources. A specific case is then the use of private or public organizations, for example to compensate for the lack of knowledge of foreign markets or financial and human resources to market exploration.

Along with the importance of the availability of resources, our studies also reveal the importance of having specific international skills. Specifically, we identified two major areas of skills. The first is the knowledge in terms of international development. It covers mainly the knowledge of foreign markets, potential opportunities for the network in these markets and major rules such as modes of franchising. The second area of expertise is more technical and specific, and refers to the mastery of the techniques of international trade, such as mastery of foreign languages, change rates management or intercultural negotiation. In both cases, these international skills appear to play a key role in the international development of networks. At first, when networks are still not internationalized, the lack of these skills is clearly seen as an
obstacle and a hindrance to the decision to internationalize. Indeed, the lack of international expertise limits the possibilities of the franchisor but also increases the perceived risk associated with internationalization. In later stages, when the franchisor is already internationalized, mastery of these skills seems to have a strong and positive effect on strategic decisions such as the choice of markets and franchise modes, and their implementation as in the case of the process of adapting the offering. In addition, the quantitative study reveals positive effects of international expertise on the quality of the franchise relationship and network performance internationally.

4. A strong search for standardization

One of the main issues in international business development is the choice to be made in terms of standardization or adaptation of the offering. Our studies reveal that franchisors see as inevitable a certain degree of adaptation to foreign markets, but at the same time have a strong desire to minimize as much as possible these adaptations. This search for standardization is based on a strong fear on the part of franchisors of losing control over the quality of their offering and especially the image of their brand. The globalization of communication and the development of other social media platforms seem to exacerbate these fears. The quantitative study supports this search for standardization and shows that the level of adaptation generally remains quite low.

Franchisors’ approach to adaptation seems to revolve around two main principles. First, franchisors distinguish between four main areas to be covered by the choice of adaptation or standardization. The first two correspond to the elements of the offering to the end market, and refer to items related to the brand on the one hand and the marketing mix on the other. The other two fields correspond to elements of the relationship between the franchisor and his foreign partner, more particularly contractual elements on the one hand and the transmission and communication elements on the other.

The second major principle governing the process of adaptation relates to a distinction, at the level of the elements of each of these four areas, between core elements and peripheral elements. Thus, core elements are somehow red lines not to be infringed, that is to say elements that must be very highly standardized across the international network. These include in particular the DNA of the brand and the fundamentals of the customer experience. The peripheral elements are in turn more flexible. Their adaptation is most often a collaborative approach between the franchisor and the foreign partner, where in the vast majority of cases, the idea of adaptation is initiated by the partner and the final decision is taken by the franchisor.

5. Internationalization, a model that examines the fundamentals of franchising

Finally, we wish to conclude this report with a reflection around some elements observed in networks’ international development and that could lead to reexamine some fundamental elements of franchising as a model of business development.
The first element, which has been stressed by several franchisors as a major difference between franchising in France and abroad, is the duality observed in many cases at the level of the foreign partner, between the franchisee or master-franchisee who plays the role of entrepreneur or investor on the one hand, and his staff who acts as operator of the outlets on the other. More specifically, franchising is traditionally an entrepreneurial mode where small entrepreneurs would engage most often personally and beyond the mere commitment of their resources, in the daily management of their franchised unit. However, franchisors have stressed that this pattern is not dominant in the international franchise relationship, and even less in the case of master-franchising. In many cases, the direct partner of the franchisor and who officially has the title of franchisee is not involved in the operation and management of the local network, which is given to a member of his staff. We observed that this duality then has an impact on various elements of the franchise relationship, such as at the process of selection or training. For example, important selection criteria for franchisors, such as past experience of the candidate in the field, can lose all importance when the franchisor knows that he is recruiting a person who will not be involved personally in the local network’s management. However, it seems that this duality can have much more important and unexpected impacts for franchisors, such as in the alignment of the interests of the principal and the agent in the franchise relationship. In this case, the management of outlets abroad is done by a person who is not in an entrepreneurial logic but is simply a salaried manager, which can increase the risk of agency problems, especially given the distance. This duality in our opinion requires more attention from researchers and actors of franchising.

The second element refers to the notion of know-how, which is at the heart of the franchise system. In our various quantitative studies, it appears that the value of the know-how of the franchisor, as measured by its rarity and difficulty of imitation, does not influence the decision to internationalize, nor the different measures of performance. Among the other skills related to the franchisor’s know-how, we find moderate impacts of the mastery of control and organizational agility. This may at first indicate that the know-how of the franchisor, although at the heart of the franchise model, play no or just a little role in the internationalization process. We do not agree with this view for two reasons. First, our interviews with franchisors and their foreign partners corroborate the important role of the core of the franchisors’ know-how, that is to say the know-how related to the franchisor’s business and concept. However, this know-how emerges as a necessary but not sufficient condition, which can attract foreign partners and facilitate the acceptance of the network in new markets, but cannot alone ensure success internationally. The second reason is that our results highlight the importance of a number of specific international skills that can form the nucleus for the modeling of a new franchisor's know-how: the how to internationalize. This internationalization know-how would go beyond the specific skills that we previously presented, covering knowledge in international development and mastery of the international trade techniques. It covers thus additional skills including the selection of foreign partners, choice of countries and modes of presence, skills of adapting the offering to international markets, as well as the mastery of transmission and control internationally. These elements of internationalization know-how deserve in our opinion further consideration and we hope that this research provides insights for future research.
Finally, this international know-how should, in our opinion, be combined with an international state of mind, an open and humble attitude towards diversity in a diverse and complex world. We hence conclude this report by the following excerpt from an interview with international the director of a network which adopts a truly global strategy, and whose international success is strongly proven:

"Now, I think, at least this is what I found here, there really is an international state of mind to have, there really is a team to be developed, there really is a humility to have in one’s market approach which is very different from franchising in one country, that is when you franchise in one country, you have already installed a number of stores, you know that it works, so here you can impose things, saying that it only needs to be replicated, if you are going international, there still I would say some humility to have, some knowledge of the market, that you do not have and that you should set up with your partner, so there, I would say there is a more sophisticated approach and a need to challenge oneself, adaptations I would say, not of everything, but to better respond to the specific characteristics of the country, obviously. You must have proficient teams, which are particularly flexible, mastering languages, different cultures, it is not really mastering culture but rather to have a mindset that allows an openness, that allows to integrate differences that are still significant, if you go one day to Angola and the next day to Moscow and to Indonesia through Luxembourg, necessarily it is not the same, and so there really is a state of mind, a team that I would say is multi, very performing and very flexible, with an openness to international settings, I think it’s very very important, and I think one should have a complicity, a certain humility with the partner to develop a system that works, in our case we have a system that, we exchange a lot, we follow very closely, at least during the first year, we really have a very close monitoring and follow-up, that sometimes surprise some master-franchisees, but this is the method we are used in any case to apply [...] you can be great in sales, in franchising in one country, and yet be less good on the cultural part internationally because you make no difference, because you are less sensitive, perhaps you are simply not familiar with the languages, so it is not easy to have the necessary synergies when starting the international expansion [...] to have some creativity and to exchange, you must have experience in the extent that you need to know what is, what are the fundamentals, what you can customize, and this is not a model that is written in black and white, it’s the experience, it is unfortunately quite intangible in fact"
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APPENDICES
Appendix 1: Note on the methodology of data analysis

Different methods of data analysis are used depending on the nature of the data and research questions.

Data from interviews with different sub-populations of franchisors and partners abroad are analyzed using thematic content analysis. We conducted our coding both from a predetermined grid according to the objectives of the study, but also a free complementary approach, consisting in finding additional analytical units in the discourse of respondents when they are carrying information deemed relevant in the context of research. In a second step, the coding units are aggregated in a hierarchical approach in order to achieve more abstract concepts, and the links between the different units are elucidated.

For quantitative data from surveys with franchisors, five types of analysis are used. First, we calculated descriptive statistics for all of these data in order to provide an overview of the networks in our sample, both those that are internationalized and those who still are not. Furthermore, our data come from different sub-populations of franchisors, mainly comprising already internationalized franchisors, non-internationalized franchisors but who intend to expand internationally in the next two years, and non-internationalized franchisors who do not intend to expand internationally in the next two years. Thus, when the same measures were used for these populations, we conducted inter-population comparisons, mainly through mean comparison tests and analysis of variance (ANOVA).

The third type of data analysis that we used consists of a series of principal component analysis (PCA) conducted with SPSS 18. Indeed, each of the different variables used in our research models is represented in the questionnaires by a multitude of indicators. PCA is a technique that reduces these questions into a smaller set of dimensions that serve as explanatory factors of the internationalization process. The results of these PCAs also allow to study the profile of the networks in terms of franchisors’ attitudes, perceptions and skills and compare networks with the intention to internationalize to those with no intention to internationalize in the next two years on these same attitudes, perceptions and skills. The presentation of the results of the PCAs includes every time the percentage of variance explained by each dimension, the items selected, and their average factorial contribution, and the Cronbach alpha. The latter is commonly used to assess the reliability of a measuring instrument on the basis of internal consistency.

The fourth type of analysis is conducted exclusively on data from the survey of non-internationalized franchisors. Based on the data from the two sub-populations of franchisors in this category, namely those with and those without an international development project in the next two years, our goal is to try to understand the determinants of the these networks’ decision to internationalize. To this end, we conducted a binary logistic regression with SPSS 18, with the intention to internationalize as dependent variable, and as explanatory variables a set of attitudes, perceptions and skills of franchisors. These attitudes, perceptions and skills of franchisors were included in the analysis based on our previous review of the literature and our interviews with franchisors.

Binary logistic regression is the appropriate data analysis technique here, given that the dependent variable is categorical with two modalities. This type of analysis allows to evaluate,
from a set of potentially explanatory variables, which discriminate between the two categories of the dependent variable. In this case, we opted for a forward stepwise binary logistic regression. It is an iterative regression where a first model is computed with only one independent variable, then with each new iteration, a second independent variable is added, until all independent variables that have a significant impact on the binary variable have been introduced. This choice is motivated in this case by the relatively large number of potentially explanatory factors that we selected.

Four types of criteria are used to assess the quality of the model derived from the logistic regression. The first is the specification test of the model, which compares in a stepwise regression after every iteration the new model to the previous to see if it allows to significantly better predict the probability of belonging to one or the other of the two sub-populations (here with or without intention to internationalize). The second criterion is the Hosmer-Lemeshow test, which allows for to test the significance of the difference between the values observed in the two populations and the values predicted by each model. If these differences are significant, then the model is not satisfactory. The third criterion is the pseudo-$R^2$ of the binary logistic regression, which can be interpreted similarly to $R^2$ in a classical linear regression. Finally, the fourth criterion to validate the analysis is the analysis of the classification table, which shows every time the percentage of cases well classified by each model, i.e. assigned to the correct subset of franchisors.

Finally, the fifth type of analysis is conducted separately on data from each of the two quantitative surveys with the aim to study the causal relationships between variables. More specifically, for example, it is in the case of data from already internationalized franchisors, to assess which variables influence the international performance of networks and allow its prediction in the best way. We chose to test this effect to use structural equation modeling with the partial least squares approach, also known as PLS Path Modeling or PLS-PM. These analyses are conducted with the XLSTAT software.

Our choice to test the causal models with the method of structural equations rather than a series of separate regressions is doubly justified. On the one hand, this allows to take into account, in addition to relationships between variables, the relationships between the variables and their indicators, i.e. the items used to measure them. Linear regression does not allow this and is computed on the mean scores of variables only. On the other hand, this approach allows to test a model in its entirety, i.e. taking into account not only the relationships between each dependent variable and its explanatory variables, but also all other relationships between different variables. Linear regression, meanwhile, tests separately the impact of each set of explanatory variables on the dependent variable and thus provides a partial picture in comparison to the broader picture, and therefore more realistic, provided by structural equations modeling.

Moreover, the choice of the PLS-PM approach rather than the more traditional approach of covariance-based structural equations is also justified doubly. First, from a conceptual point of view, we are in an exploratory approach that aims to identify the determinants that better predict our three dependent variables. The classical approach is based in contrast on the test and validation of models that are deep-rooted in the theory in a more confirmatory approach. Moreover, from a methodological point of view, the traditional requires has several features
that are lacking in the present case, including large sample size. This size constraint becomes even more important in the presence of complicated models such as those studied here, with a large number of explanatory variables. However, the PLS-PM approach is designed to fit datasets of small or very small size, where the number of variables may even exceed the number of observations in the sample. Another statistical consideration is that the analysis by the traditional approach based on the maximum likelihood algorithm requires to have normally distributed data. This condition is rarely satisfied in the data in the social sciences, and becomes more difficult to satisfy in the case of small samples. In contrast, the PLS-PM approach is based on empirical distributions with the use of resampling techniques such as the bootstrap, and does not make the assumption of normality of the data.

In the present case, we first conducted our analyses with the PLS-PM approach with a 100 bootstrap resampling. The outputs of these analyses show that, for many outcomes including regression coefficients, the lower bound of the confidence interval of 95% is relatively close to zero. Note that when the confidence interval includes zero, the significance of a coefficient is rejected. Thus, in order not to base our conclusions on approximate or doubtful results, we conducted our analyses with 1000 bootstrap resampling. The results presented are hence those obtained with 1000 bootstrap resampling.

Unlike covariance-based structural equation modeling, there is no global fit indices to measure the overall adjustment of the tested models. Such indices would even be contrary to the spirit of this exploratory method, which main objective is the prediction of scores of dependent variables and not the overall test of theoretical models. In accordance with the recommendations of the recent technical and methodological literature on these approaches, we use three criteria to assess the quality of our results. First, the main measure of quality of our models is the $R^2$ of each regression, which provides information on the explanatory power of our variables. There is no threshold value for $R^2$, which may vary between 0 and 1. In the social sciences, $R^2$ of about 0.2 are often considered satisfactory. Note however that the PLS-PM approach retains the parameter set which maximizes the $R^2$. Moreover, the significance of the links between the different variables was evaluated by the t test, but also and mainly by analyzing the confidence intervals from the bootstrap. The large number of bootstrap requested here (1000) strengthens the reliability of our results. Finally, the predictive ability of a model is also tested with the blindfolding procedure, which consists of retesting the model while systematically omitting a part of the data which is then predicted from the regression equations. The predicted data are then compared to the actual data to assess the predictive quality of the model. This procedure results in the calculation of the coefficients $q^2$, which positive value corroborates the predictive value of a model.
Appendix 2: Interview guide of non-internationalized franchisors

Your network is located in France only I think. Is it a desire on your part not to be internationalized so far?
Do you have internationalization projects in the coming years? What motivates them?

(Those who have planned to internationalize)
Can you describe your internationalization project?
What are your goals and expectations of internationalization?
What are the necessary elements in your opinion for successful internationalization of a franchise like yours?

(Those who do not have internationalization projects)
What are the factors that deter you from considering to expand internationally?
Can a network like yours consider its long-term development without expanding internationally?
Appendix 3: interviewed managers of non-internationalized networks

<table>
<thead>
<tr>
<th>Respondent</th>
<th>Sector</th>
<th>Network’s size</th>
<th>Network’s age (in years)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business developer</td>
<td>Traditional restaurants</td>
<td>250</td>
<td>52</td>
</tr>
<tr>
<td>Brand manager</td>
<td>Traditional restaurants</td>
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<td>24</td>
</tr>
<tr>
<td>General manager</td>
<td>Fast food restaurants</td>
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<td>Fast food restaurants</td>
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<tr>
<td>General manager</td>
<td>Food retailing</td>
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<td>6</td>
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<tr>
<td>Communication manager</td>
<td>Food retailing</td>
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<td>65</td>
</tr>
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<td>Commercial director</td>
<td>Construction works</td>
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</tr>
<tr>
<td>General manager</td>
<td>Personal services</td>
<td>30</td>
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<td>Personal services</td>
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<td>10</td>
</tr>
<tr>
<td>Brand manager</td>
<td>Furniture and house equipment</td>
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<td>9</td>
</tr>
<tr>
<td>Business developer</td>
<td>Business services</td>
<td>13</td>
<td>6</td>
</tr>
</tbody>
</table>
Appendix 4: Interview guide of internationalized franchisors

Can you tell us the story of your international presence? 
What was the trigger for you to internationalize? What was your motivation? 
How do you measure the success of your international network? Do you have examples about other networks? 
If you were to start over, would you do it the same way? If otherwise, how? 
What is your general view on the key success factors in the use of this mode of development abroad? 
What modes of presence abroad are used by your network? What are the key determinants of your choice? 
How much is your offering adapted to the different markets where you are present?
## Appendix 5: interviewed managers of internationalized networks

<table>
<thead>
<tr>
<th>Respondent</th>
<th>Sector</th>
<th>Network’s size</th>
<th>Network’s age (in years)</th>
<th>International age</th>
</tr>
</thead>
<tbody>
<tr>
<td>International area manager</td>
<td>Hairdressing and styling</td>
<td>322</td>
<td>51</td>
<td>45</td>
</tr>
<tr>
<td>International area manager</td>
<td>Food retailing</td>
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<td>112</td>
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<tr>
<td>Export manager</td>
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<td>18</td>
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<td>General manager</td>
<td>Traditional restaurants</td>
<td>140</td>
<td>29</td>
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<tr>
<td>International marketing manager</td>
<td>Construction works</td>
<td>224</td>
<td>46</td>
<td>29</td>
</tr>
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<td>International manager</td>
<td>Cleaning services</td>
<td>1594</td>
<td>65</td>
<td>51</td>
</tr>
<tr>
<td>Business and sales development manager</td>
<td>Food retailing</td>
<td>56</td>
<td>22</td>
<td>18</td>
</tr>
<tr>
<td>Export manager</td>
<td>Food retailing</td>
<td>231</td>
<td>105</td>
<td>50</td>
</tr>
<tr>
<td>Business and sales development manager</td>
<td>Construction works</td>
<td>17</td>
<td>11</td>
<td>2</td>
</tr>
<tr>
<td>Export manager</td>
<td>Fast food restaurants</td>
<td>291</td>
<td>42</td>
<td>16</td>
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<tr>
<td>International development manager</td>
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<td>193</td>
<td>23</td>
<td>17</td>
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<tr>
<td>Export manager</td>
<td>Traditional restaurants</td>
<td>89</td>
<td>32</td>
<td>14</td>
</tr>
<tr>
<td>Counsel</td>
<td>Hairdressing and styling</td>
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<td>53</td>
<td>41</td>
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<td>Export manager</td>
<td>Personal equipment</td>
<td>468</td>
<td>27</td>
<td>18</td>
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<td>Franchising manager</td>
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<td>16</td>
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<td>General manager</td>
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<td>Export manager</td>
<td>Furniture and house equipment</td>
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<td>Export manager</td>
<td>Retailing</td>
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<td>72</td>
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<td>Export manager</td>
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<td>10</td>
</tr>
<tr>
<td>Export manager</td>
<td>Traditional restaurants</td>
<td>153</td>
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<td>35</td>
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<td>International manager</td>
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<td>International manager</td>
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<td>International area manager</td>
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<tr>
<td>International area manager</td>
<td>Retailing</td>
<td>166</td>
<td>12</td>
<td>8</td>
</tr>
<tr>
<td>General manager</td>
<td>Business services</td>
<td>13</td>
<td>8</td>
<td>5</td>
</tr>
</tbody>
</table>
Appendix 6: Interview guide with franchisees and master franchisees abroad

Can you tell us the story of your relationship with your franchisor?
Did you know the brand of the network before you began your search or before the first contact?
The fact that the franchisor is a foreign company, did that somehow influence your decision process or your final decision?
Does the foreign origin of the network play a role in your relationship with your franchisees?
How did the franchisor transfer his expertise / know-how to you?
What leeway do you have today in the transposition of the concept of your franchisor to your market?
How do you rate your relationship today with your franchisor?
### Appendix 7: Franchisees and master-franchisees interviewed abroad

<table>
<thead>
<tr>
<th>Respondent</th>
<th>Country</th>
<th>Sector</th>
<th>Number of years with the network</th>
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<tbody>
<tr>
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<tr>
<td>Master-franchisee</td>
<td>Germany</td>
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<tr>
<td>Master-franchisee</td>
<td>Germany</td>
<td>Personal services</td>
<td>11</td>
</tr>
<tr>
<td>Master-franchisee</td>
<td>Germany</td>
<td>Hairdressing and styling</td>
<td>8</td>
</tr>
<tr>
<td>Franchisee</td>
<td>Germany</td>
<td>Hairdressing and styling</td>
<td>8</td>
</tr>
<tr>
<td>Franchisee</td>
<td>Germany</td>
<td>Hotels</td>
<td>12</td>
</tr>
<tr>
<td>Master-franchisee</td>
<td>Brazil</td>
<td>Cleaning services</td>
<td>19</td>
</tr>
<tr>
<td>Master-franchisee</td>
<td>Brazil</td>
<td>Hairdressing and styling</td>
<td>25</td>
</tr>
<tr>
<td>Master-franchisee</td>
<td>Brazil</td>
<td>Fast food restaurants</td>
<td>4</td>
</tr>
<tr>
<td>Franchisee</td>
<td>Brazil</td>
<td>Hairdressing and styling</td>
<td>8</td>
</tr>
<tr>
<td>Franchisee</td>
<td>Brazil</td>
<td>Hairdressing and styling</td>
<td>5</td>
</tr>
<tr>
<td>Franchisee</td>
<td>Brazil</td>
<td>Cleaning services</td>
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</tr>
<tr>
<td>Franchisee</td>
<td>Brazil</td>
<td>Cleaning services</td>
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<td>Franchisee</td>
<td>China</td>
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<td>China</td>
<td>Personal equipment</td>
<td>8</td>
</tr>
<tr>
<td>Franchisee</td>
<td>China</td>
<td>Hairdressing and styling</td>
<td>6</td>
</tr>
<tr>
<td>Master-franchisee</td>
<td>Switzerland</td>
<td>Hairdressing and styling</td>
<td>30</td>
</tr>
<tr>
<td>Master-franchisee</td>
<td>Switzerland</td>
<td>Hairdressing and styling</td>
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<td>Master-franchisee</td>
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<td>Franchisee</td>
<td>Singapore</td>
<td>Traditional restaurants</td>
<td>7</td>
</tr>
<tr>
<td>Franchisee</td>
<td>Portugal</td>
<td>Personal equipment</td>
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<td>Franchisee</td>
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<td>Construction works</td>
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</tr>
<tr>
<td>Franchisee</td>
<td>Greece</td>
<td>Personal equipment</td>
<td>8</td>
</tr>
<tr>
<td>Franchisee</td>
<td>Réunion/Maurice/Madagascar</td>
<td>Personal equipment</td>
<td>4</td>
</tr>
<tr>
<td>Development agent</td>
<td>Réunion/Maurice/Madagascar</td>
<td>Food retailing</td>
<td>11</td>
</tr>
</tbody>
</table>
Appendix 8: Interview guide with experts

What motivates the decision of franchise networks to expand internationally? What can be the constraints to such a decision? Can you give us some examples?
Do you think that internationalization should be a strategic goal for franchisors, and why?
How do you measure the success of a franchise network internationally? Examples?
Based on your experience, what are the key success factors in the use of this mode of development abroad?
Similarly, what do you think are the main reasons of failure of franchising as a mode of international development?
Appendix 9: Questionnaire for the non-internationalized franchisors
The internationalization of franchise networks

This questionnaire is part of a research on the internationalization of French franchise networks, conducted by researchers at the University of Aix Marseille and the French Franchising Federation. The aim is to better understand how networks operate their international development, the different constraints and risks that must be faced and factors of success or failure of the franchise internationally. It is not necessary that your network is already present outside of France to fill out this questionnaire.

Your participation in this study is very important. The data collected will be processed in an anonymous way and will only be used in this research. The response time for this questionnaire is estimated at about 10 minutes.

If you have any questions regarding this survey or the study that we are conducting, please contact the project manager, Dr. Nabil Ghantous, assistant professor of marketing at the University of Aix Marseille:
nabil.ghantous@univ-amu.fr; Tel. 06 72 07 04 51

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THE INTERNATIONAL EXPANSION OF YOUR NETWORK

1. Is your network present today outside France?
   - [ ] Yes, we have outlets outside France
   - [ ] No, we only operate on the French market

2. If your answer to the previous question is “No”, do you have the intention to expand your network abroad in the short term?
   - [ ] Yes, we are considering opening outlets abroad within the next two years
   - [ ] No, we are not considering opening outlets abroad within the next two years

---

YOUR PERCEPTION OF THE INTERNATIONAL EXPANSION OF A FRANCHISE NETWORK

In the following questions, we seek to understand your perception of the opportunities and risks related to the international expansion of a franchise network.

You choose one of the following answers:
(1) Totally disagree; (2) Disagree; (3) Neither agree nor disagree; (4) Agree; (5) Totally agree

<table>
<thead>
<tr>
<th>1 = totally disagree; 5 = totally agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>3</td>
</tr>
<tr>
<td>4</td>
</tr>
<tr>
<td>5</td>
</tr>
<tr>
<td>6</td>
</tr>
<tr>
<td>7</td>
</tr>
<tr>
<td>8</td>
</tr>
</tbody>
</table>

---

193
9. Our brand can easily develop on numerous foreign markets

10. Our concept can be easily adapted to meet the specificities of local demand on international markets

11. The internationalization of our network will probably lead us to enhance our concept

12. The internationalization of our network can bring us new ideas to better serve our customers in France

13. The internationalization of our network will probably lead us to enhance the quality of our offering

14. International franchising involves a much higher risk than in France

15. International franchising involves very important costs

16. The management of an international franchise network seems to be a very complicated task

17. The failure of our franchise internationally could harm its development in France

18. It is difficult to maintain the same level of quality throughout an international network

19. The required efforts to develop our network internationally are higher than the perspectives of benefit

20. It is difficult to find the right franchisees abroad

21. The consequences of a bad choice of partner (franchisees or master-franchisees) abroad are very important

22. The repatriation of royalties from abroad can be very complicated

23. The differences in currency rates are an important risk for the profitability of our internationalization

**THE RESOURCES AND SKILLS TO EXPAND INTERNATIONALLY**

Do you think that your network has the required resources to expand internationally?

<table>
<thead>
<tr>
<th>Resources</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Today, we have in our network:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>24 The financial resources to expand internationally</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>25 The required time for operations of international exploration</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>26 The relationships with the right financial partners for the good conduct of international operations</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>27 The human resources for the good conduct of international operations</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
</tbody>
</table>

To what extent would you say that the members of your team that is currently in charge of your network’s development have the following skills?

<table>
<thead>
<tr>
<th>Skills</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
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</thead>
<tbody>
<tr>
<td>Today, we have in our network:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>24 The financial resources to expand internationally</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>25 The required time for operations of international exploration</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>26 The relationships with the right financial partners for the good conduct of international operations</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
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<tr>
<td>27 The human resources for the good conduct of international operations</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
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</table>
The members of our current team have

<table>
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<th></th>
<th></th>
<th>1</th>
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<th>3</th>
<th>4</th>
<th>5</th>
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</thead>
<tbody>
<tr>
<td>28</td>
<td>A good knowledge of the opportunities for our products/services abroad</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>29</td>
<td>A good knowledge of potential export markets</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>30</td>
<td>A good knowledge of the required steps for international expansion</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>31</td>
<td>A good knowledge of franchising regulations on foreign markets</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>32</td>
<td>The ability to adapt culturally to partners of different origins</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>33</td>
<td>The ability to negotiate with partners from different cultures</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>34</td>
<td>Proficiency in business english</td>
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<tr>
<td>35</td>
<td>Proficiency in other languages that are useful for a possible international expansions</td>
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<tr>
<td>36</td>
<td>The skills to evaluate risk on foreign markets</td>
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<td></td>
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<td></td>
</tr>
<tr>
<td>37</td>
<td>The skills to manage currency rates fluctuations</td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>

Among the members of your team that are currently in charge of your network’s development, are there members who:

38. Are of foreign nationalities?
   - [ ] Yes (if Yes, to how many do you estimate their number: __________)
   - [ ] No

39. Have a working experience abroad?
   - [ ] Yes (if Yes, to how many do you estimate their number: __________)
   - [ ] No

THE FRENCH ORIGIN OF YOUR NETWORK

To what extent do you agree with the following statements relating to the role of the French origin of your network?

<table>
<thead>
<tr>
<th></th>
<th></th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>40</td>
<td>The positioning of our brand reflects its French origin</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>41</td>
<td>The products and services sold by our network are associated to the image of France</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>42</td>
<td>If we expand internationally, we can easily position our brand as a French brand</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>43</td>
<td>In our sector of activity, France has a very positive image</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>44</td>
<td>In our sector of activity, the network’s French origin is an asset to expand internationally</td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>45</td>
<td>The French origin of our network offers an advantage to attract foreign customers</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>46</td>
<td>The French origin of our network offers an advantage to attract foreign franchisees</td>
<td></td>
<td></td>
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<td></td>
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</tbody>
</table>
The French origin of our network can send a negative signal on some foreign markets

THE OPPORTUNITIES FOR INTERNATIONAL EXPANSION
When it comes to the opportunities for international expansion, to what extent do you agree with the following?

<table>
<thead>
<tr>
<th>Question</th>
<th>1= totally disagree</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5= totally agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>We often receive requests from foreign companies to develop our network in new countries</td>
<td>☐ ☐ ☐ ☐ ☐</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>We often meet foreign candidates for franchising during trade fairs in France</td>
<td>☐ ☐ ☐ ☐ ☐</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>We study systematically the requests for developing our network abroad that we receive from foreign companies</td>
<td>☐ ☐ ☐ ☐ ☐</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>We prefer to expand internationally in response to requests from potential partners instead of doing it on the basis of our own initiative</td>
<td>☐ ☐ ☐ ☐ ☐</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>We do not have a specific internationalization project, but we will penetrate a new country if we have a request from the right partner</td>
<td>☐ ☐ ☐ ☐ ☐</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>We are often informed by professional organisms (e.g. the French Franchising Federation) about the opportunities to expand abroad</td>
<td>☐ ☐ ☐ ☐ ☐</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>We are often encouraged by professional organisms (e.g. the French Franchising Federation) to explore opportunities abroad</td>
<td>☐ ☐ ☐ ☐ ☐</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Professional organisms have resources and skills to accompany us in our international expansion</td>
<td>☐ ☐ ☐ ☐ ☐</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Our financial partners (e.g. banks) encourage us to expand internationally</td>
<td>☐ ☐ ☐ ☐ ☐</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Our other partners (e.g. suppliers, consultants) encourage us to expand internationally</td>
<td>☐ ☐ ☐ ☐ ☐</td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Public organisms encourage us to expand internationally</td>
<td>☐ ☐ ☐ ☐ ☐</td>
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<td></td>
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</tr>
<tr>
<td>Our franchises encourage us to expand internationally</td>
<td>☐ ☐ ☐ ☐ ☐</td>
<td></td>
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</tr>
<tr>
<td>The specialized press offers an encouraging vision of international expansion</td>
<td>☐ ☐ ☐ ☐ ☐</td>
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</tr>
</tbody>
</table>

YOUR SITUATION ON THE FRENCH MARKET

The objective of the following questions is to evaluate your perception of the French market in your sector of activity at the moment and your network’s situation on this market.

<table>
<thead>
<tr>
<th>Question</th>
<th>1= totally disagree</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5= totally agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>The French market in our sector of activity is more and more saturated</td>
<td>☐ ☐ ☐ ☐ ☐</td>
<td></td>
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<tr>
<td>We see only few possibilities of expanding on the French market in the middle-run</td>
<td>☐ ☐ ☐ ☐ ☐</td>
<td></td>
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</tr>
<tr>
<td>Competition is very intense in our sector of activity in France</td>
<td>☐ ☐ ☐ ☐ ☐</td>
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</tr>
<tr>
<td>Our industry is marked with a strong price war on the French market</td>
<td>☐ ☐ ☐ ☐ ☐</td>
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</tbody>
</table>
In comparison to our competitors, our network has a good brand image.

In comparison to our competitors, our network has a good reputation in terms of products and services quality.

In comparison to our competitors, our brand has a strong level of brand awareness.

Our brand name is one of our most precious sources of competitive advantage.

Thanks to our know-how, we have a good competitive position on the French market.

Our know-how allows us to satisfy the expectations of our clients.

Our know-how allows us to respond to the evolutions of the market more quickly than our competitors.

We have a lasting competitive advantage vis-à-vis the other networks in the industry.

For each of the following criteria, the performance of our network over the last three years on the French market is:

(1) much lower than our competitors; (2) rather lower; (3) equal to that of our competitors; (4) rather higher; (5) much higher than our competitors.

The performance of our network in comparison to our competitors in France

| The performance of our network in comparison to our competitors in France | 1 = much lower; 2 = lower; 3 = equal; 4 = higher; 5 = much higher |
|---|---|---|---|---|---|
| 73 In terms of turnover | | | | | |
| 74 In terms of market shares | | | | | |
| 75 In terms of growth rate | | | | | |
| 76 In terms of profitability | | | | | |

THE KNOW-HOW DEVELOPED AND MASTERED BY YOUR NETWORK

This part seeks to evaluate your perception of the know-how developed by your network on the French market.

| The know-how developed by your network on the French market | 1 = totally disagree; 2 = disagree; 3 = neutral; 4 = agree; 5 = totally agree |
|---|---|---|---|---|---|
| 77 Our network has a truly unique concept | | | | | |
| 78 Our network operates with a very different concept from our competitors | | | | | |
| 79 Our concept is not specific per se; other competitors have close concepts even if they operate them differently | | | | | |
| 80 Few competing networks have a concept that is close to ours | | | | | |
| 81 Many constituting elements of our concept already exist in other networks | | | | | |
| 82 Our competitors would need a lot of time to copy our concept | | | | | |
| 83 Even if they wanted, our competitors would have a hard time duplicating our concept | | | | | |
| 84 Our competitors could easily have a concept equivalent to ours | | | | | |
| 85 It would be difficult and costly for our competitors to imitate our concept | | | | | |
| 86 In our network, the development of innovations is a priority | | | | | |
87 Nous actively search for new ideas to develop
88 We encourage innovation inside our network
89 We invest in R&D to develop new concepts

To what extent do you think that your network currently masters the following know-how and skills?

<table>
<thead>
<tr>
<th>Statement</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Continuous adaptation and enhancement of the products/services</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Renewing of the range of products/services</td>
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</tr>
<tr>
<td>Quick change of the prices of the offered products/services</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Enhancement and development of new concepts</td>
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<tr>
<td>Responsiveness to the evolutions of the demand</td>
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<tr>
<td>Codification of the network’s know-how</td>
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</tr>
<tr>
<td>Faithful transmission of the know-how to the franchisees</td>
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<tr>
<td>Formalizing the concepts and methods in franchise “bibles” and/or manuals</td>
<td></td>
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</tr>
<tr>
<td>Continuous training of the franchisees</td>
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<tr>
<td>Replication of the know-how in different contexts</td>
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</tr>
<tr>
<td>Verifying the faithful application of the know-how by the franchises</td>
<td></td>
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</tr>
<tr>
<td>Control of the faithful application of the know-how in all the outlets</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Auditing of the outlets</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Follow-up and monitoring of the franchisees by the network managers</td>
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</tbody>
</table>

THE CURRENT ORIENTATIONS OF YOUR NETWORK

To what extent do you agree with the following statements to describe your current growth orientations?

<table>
<thead>
<tr>
<th>Statement</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>We regularly seek new growth paths for our network</td>
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<tr>
<td>We seek new ways of promoting/developing our brand</td>
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<tr>
<td>Our network needs a re-boost</td>
<td></td>
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<tr>
<td>We are currently seeking a way to enhance our profits</td>
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</tr>
<tr>
<td>We are ready to take important risks to generate higher than average</td>
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</tr>
<tr>
<td>We seek to limitate the risk in our choices of network development</td>
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<td></td>
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</tr>
<tr>
<td>We prefer avoiding growth paths with high potential if they involve</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>We are ready to take risks to explore new growth paths for our network</td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>
CARACTERISTICS OF YOUR NETWORK

Name of the network: 

<table>
<thead>
<tr>
<th>Year of creation of the network:</th>
<th>Year of the first franchised operation:</th>
</tr>
</thead>
</table>

Contract’s duration:

<table>
<thead>
<tr>
<th>Number of franchised outlets:</th>
<th>Number of company-owned outlets:</th>
</tr>
</thead>
</table>

Entry fees: 

Number of persons in the “network development” department:

<table>
<thead>
<tr>
<th>Is your network part of a larger group:</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>☐ Yes, our network belongs to a larger group</td>
<td>☐ No, our network is independent</td>
<td></td>
</tr>
</tbody>
</table>

E-commerce:

| ☐ Yes, we have an e-commerce website | ☐ No, we only have physical outlets |

What is the main sector of activity of your network?

<table>
<thead>
<tr>
<th>☐ Furniture and house equipment</th>
<th>☐ Personal equipment</th>
<th>☐ Food retailer</th>
<th>☐ Diverse retail</th>
</tr>
</thead>
<tbody>
<tr>
<td>☐ Hairdressing and styling</td>
<td>☐ Other personal services</td>
<td>☐ Cleaning services</td>
<td>☐ Auto services</td>
</tr>
<tr>
<td>☐ Business services</td>
<td>☐ Education/training</td>
<td>☐ Hotels</td>
<td>☐ Construction</td>
</tr>
<tr>
<td>☐ Fast food restaurants</td>
<td>☐ Traditional restaurants</td>
<td>☐ Real estate</td>
<td>☐ Traveling</td>
</tr>
</tbody>
</table>

If you wish, we can send you the results of our study while still keeping your responses confidential. Please clearly indicate your contact details:

- Name of the network: …………………………………………………………………
- Your position: ………………………………………………………………………
- Your name: ………………………………………………………………………
- Email address: ………………………………………………………………………

Thank you for your participation!
Appendix 10: Questionnaire for the internationalized franchisors
The internationalization of franchise networks

This questionnaire is part of a research on the internationalization of French franchise networks, conducted by researchers at the University of Aix Marseille and the French Franchising Federation. The aim is to better understand how networks operate their international development, the different constraints and risks that must be faced and factors of success or failure of the franchise internationally.

Your participation in this study is very important. The data collected will be processed in an anonymous way and will only be used in this research. The response time for this questionnaire is estimated at about 10 minutes.

If you have any questions regarding this survey or the study that we are conducting, please contact the project manager, Dr. Nabil Ghantous, assistant professor of marketing at the University of Aix Marseille: nabil.ghantous@univ-amu.fr; Tel. 06 72 07 04 51

THE INTERNATIONAL EXPANSION OF YOUR NETWORK

1. What year did your network start operating outside France? ___ ___ ___ ___

2. Did you directly start your international operations through franchising?
   - Yes, we started operating abroad under a franchise mode
   - No, we started operating abroad under other forms of presence
     ⇒ In this case, what year did you start franchising outside France? ___ ___ ___ ___

3. Among the following modes of presence abroad, which ones are used currently by your network? (several possible answers)
   - Master-franchising
   - Direct franchising
   - Subsidiaries
   - Concessions
   - Joint-ventures
   - Agents
   - Other forms: ___________________

4. Among the aforementioned modes of presence abroad, is there a dominant mode that you have chosen so far?
   - Yes
   - No
     ⇒ If Yes, which one: __________________

5. The share of franchised outlets in your network outside France is:
   - < 25%
   - between 25 and 50%
   - between 50 and 75%
   - > 75%
   - We do not franchise outside France

6. In how many countries outside France is your network present today? (if you do not have the exact figure, please give an approximate answer) Number of countries: ________________

7. In how many countries outside France is your network present today under a franchised form? (Consider all forms of franchising, e.g. direct franchising, master-franchising, etc.) Number of countries: ________________

8. On average, over the last three years, the share of your overall turnover that is due to your presence abroad is close to:
9. Over the last three years, you have introduced your network on:
   - No new foreign markets
   - One new foreign market
   - Two new foreign markets
   - Three new foreign markets
   - More than three new foreign markets

10. Do you have the intention to continue the international expansion of your network in the short term?
   - Yes, we are considering new outlets’ openings abroad in the two coming years
   - No, we are not considering new outlets’ openings abroad in the two coming years

---

**THE INTERNATIONAL PERFORMANCE OF YOUR NETWORK**

To what extent are you **satisfied with the international performance of your network over the last three years** on the following criteria?

(1. Very unsatisfied with our performance; 2. Rather unsatisfied; 3. Neither satisfied nor unsatisfied; 4. Rather satisfied; 5. Very satisfied with our performance)

<table>
<thead>
<tr>
<th>The international performance of our network over the last three years</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>11. In terms of the number of new countries of presence</td>
<td></td>
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<tr>
<td>12. In terms of market share on foreign markets</td>
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<tr>
<td>13. In terms of the networks development on foreign markets</td>
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<tr>
<td>14. In terms of profitability of our international operations</td>
<td></td>
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<td></td>
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<tr>
<td>15. In terms of visibility of our brand internationally</td>
<td></td>
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</tr>
</tbody>
</table>

**In comparison with your main competitors**, how would you evaluate the international performance of your network over the last three years on the following criteria?

(1. Much lower than our competitors; 2. Rather lower; 3. Equivalent to our competitors; 4. Rather higher; 5. Much higher than our competitors)

<table>
<thead>
<tr>
<th>The international performance of our network compared to our competitors</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>16. In terms of market share on foreign markets</td>
<td></td>
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<tr>
<td>17. In terms of international turnover</td>
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<tr>
<td>18. In terms of growth rate</td>
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<tr>
<td>19. In terms of visibility of our brand internationally</td>
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</tbody>
</table>

To what extent do you agree with the following statements regarding **your relationships with your franchisees and master-franchisees abroad**?

(1. Totally disagree; 2. Disagree; 3. Neither agree nor disagree; 4. Agree; 5. Totally agree)

<table>
<thead>
<tr>
<th></th>
<th>1</th>
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<th>3</th>
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</thead>
</table>
Overall, we are satisfied with the relationships we have established with our franchisees and master-franchisees abroad.

Our relationships with our franchisees and master-franchisees abroad are as satisfactory as those we have with our franchisees in France.

In comparison with the French market, we do not have more conflict situations with our franchisees and master-franchisees abroad.

We are satisfied with the communication that we were able to establish with our franchisees and master-franchisees abroad.

We are satisfied with the respect of franchise contracts by our franchisees and master-franchisees abroad.

We are satisfied with the efforts of our franchisees and master-franchisees abroad to develop our brand on their home-market.

We are satisfied with the repatriation of royalties from our franchisees and master-franchisees abroad.

---

**THE ADAPTATION OF YOUR OFFERING TO INTERNATIONAL MARKETS**

We seek to understand here to what extent you modify your offering to adapt it to foreign markets.

For each of the following points, please indicate if your offering on foreign markets is:

1. Not at all adapted; 2. Very weakly adapted; 3. Weakly adapted;
   4. Strongly adapted; 5. Very strongly adapted.

<table>
<thead>
<tr>
<th>The level of adaptation of our offering on foreign markets in terms of</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>27 The brand name</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>28 The brand’s logo</td>
<td></td>
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<tr>
<td>29 The other elements of visual identity (e.g. colour, typographie)</td>
<td></td>
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<tr>
<td>30 The brand identity</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>31 The target segment of our offering</td>
<td></td>
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<tr>
<td>32 The positioning of our offering</td>
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<tr>
<td>33 The central product/service of the network</td>
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<tr>
<td>34 The peripheral or supplementary products/services</td>
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<tr>
<td>35 The price of the central product/service</td>
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</tr>
<tr>
<td>36 The price of the peripheral products/services</td>
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<td></td>
</tr>
<tr>
<td>37 Communication channels with the consumers</td>
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<tr>
<td>38 Communication content (e.g advertising) with the consumers</td>
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<tr>
<td>39 Distribution strategy</td>
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<tr>
<td>40 The duration of the franchise contract</td>
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<tr>
<td>41 The amount of entry fees</td>
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<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>42 The percentage of royalties</td>
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</tbody>
</table>

1 = not at all adapted; 5 = very strongly adapted
### THE FRENCH ORIGIN OF YOUR NETWORK

To what extent do you agree with the following statements relating to **the role of the French origin of your network**?

*1 = totally disagree; 5 = totally agree*

<p>| | | | | | |</p>
<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>50</td>
<td>The positioning of our brand reflects its French origin</td>
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<tr>
<td>51</td>
<td>The products and services sold by our network are associated to the image of France</td>
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<tr>
<td>52</td>
<td>If we expand internationally, we can easily position our brand as a French brand</td>
<td></td>
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</tr>
<tr>
<td>53</td>
<td>In our sector of activity, France has a very positive image</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>54</td>
<td>In our sector of activity, the network’s French origin is an asset to expand internationally</td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>55</td>
<td>The French origin of our network offers an advantage to attract foreign customers</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>56</td>
<td>The French origin of our network offers an advantage to attract foreign franchisees</td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>57</td>
<td>The French origin of our network can send a negative signal on some foreign markets</td>
<td></td>
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</tbody>
</table>

### THE INTANGIBLE ASSETS OF YOUR NETWORK

To what extent would you say that **your network currently has the following assets**?

*1 = totally disagree; 5 = totally agree*

<p>| | | | | | |</p>
<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td>58</td>
<td>In comparison to our competitors, our network has a good brand image</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>59</td>
<td>In comparison to our competitors, our network has a good reputation in terms of products and services quality</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>60</td>
<td>In comparison to our competitors, our brand has a strong level of brand awareness</td>
<td></td>
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</tr>
</tbody>
</table>
Our brand name is one of our most precious sources of competitive advantage.

Our network has a truly unique concept.

Our network operates with a very different concept from our competitors.

Our concept is not specific per se; other competitors have close concepts even if they operate them differently.

Few competing networks have a concept that is close to ours.

Many constituting elements of our concept already exist in other networks.

Our competitors would need a lot of time to copy our concept.

Even if they wanted, our competitors would have a hard time duplicating our concept.

Our competitors could easily have a concept equivalent to ours.

It would be difficult and costly for our competitors to imitate our concept.

In our network, the development of innovations is a priority.

We actively search for new ideas to develop.

We encourage innovation inside our network.

We invest in R&D to develop new concepts.

We continuous adapt and enhance our products/services.

We regularly renew the range of products/services.

We can quickly change the prices of our products/services.

We are responsive to the evolutions of the demand.

---

**THE MASTERY OF THE KNOW-HOW INTERNATIONALLY**

To what extent do you think that your network masters currently the following skills in its relationship with its foreign franchisees and master-franchisees?

<table>
<thead>
<tr>
<th>1= not at all mastered;</th>
<th>5 = perfectly mastered</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mastery of the following skills and know-how</td>
<td>1</td>
</tr>
<tr>
<td>79 Codification of the network’s know-how</td>
<td></td>
</tr>
<tr>
<td>80 Faithful transmission of the know-how to the franchisees and master-franchisees abroad</td>
<td></td>
</tr>
<tr>
<td>81 Formalizing the concepts and methods in franchise “bibles” and/or manuals</td>
<td></td>
</tr>
<tr>
<td>82 Continuous training of the franchisees and master-franchisees abroad</td>
<td></td>
</tr>
<tr>
<td>83 Replication of the know-how in different national contexts</td>
<td></td>
</tr>
<tr>
<td>84 Verifying the faithful application of the know-how by the franchises and master-franchisees abroad</td>
<td></td>
</tr>
<tr>
<td>85 Control of the faithful application of the know-how in all the outlets abroad</td>
<td></td>
</tr>
</tbody>
</table>
Auditing of the outlets abroad

Follow-up and monitoring of the franchisees and master-franchisees abroad by the network managers

THE RESOURCES AND SKILLS TO EXPAND INTERNATIONALLY

Do you think that your network has the required resources to expand internationally?

<table>
<thead>
<tr>
<th></th>
<th>1 = totally disagree;</th>
<th>5 = totally agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Today, we have in our network</td>
<td>1 2 3 4 5</td>
<td></td>
</tr>
<tr>
<td>88 The financial resources to expand internationally</td>
<td>☐ ☐ ☐ ☐ ☐</td>
<td></td>
</tr>
<tr>
<td>89 The required time for operations of international exploration</td>
<td>☐ ☐ ☐ ☐ ☐</td>
<td></td>
</tr>
<tr>
<td>90 The relationships with the right financial partners for the good conduct of international operations</td>
<td>☐ ☐ ☐ ☐ ☐</td>
<td></td>
</tr>
<tr>
<td>91 The human resources for the good conduct of international operations</td>
<td>☐ ☐ ☐ ☐ ☐</td>
<td></td>
</tr>
</tbody>
</table>

92. Does your network have a specific department dedicated to international expansion?
   ☐ Yes  ☐ No
   ⇒ If Yes, how many people work in that department? ____________

Among the members of your team that are currently in charge of your network’s development, are there members who:

93. Are of foreign nationalities?
   ☐ Yes (if Yes, to how many do you estimate their number: ________ )  
   ☐ No

94. Have a working experience abroad?
   ☐ Yes (if Yes, to how many do you estimate their number: ________ )  
   ☐ No

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?

<table>
<thead>
<tr>
<th></th>
<th>1 = totally disagree;</th>
<th>5 = totally agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>The members of our current team have</td>
<td>1 2 3 4 5</td>
<td></td>
</tr>
<tr>
<td>95 A good knowledge of the opportunities for our products/services abroad</td>
<td>☐ ☐ ☐ ☐ ☐</td>
<td></td>
</tr>
<tr>
<td>96 A good knowledge of potential export markets</td>
<td>☐ ☐ ☐ ☐ ☐</td>
<td></td>
</tr>
<tr>
<td>97 A good knowledge of the required steps for international expansion</td>
<td>☐ ☐ ☐ ☐ ☐</td>
<td></td>
</tr>
<tr>
<td>98 A good knowledge of franchising regulations on foreign markets</td>
<td>☐ ☐ ☐ ☐ ☐</td>
<td></td>
</tr>
<tr>
<td>99 The ability to adapt culturally to partners of different origins</td>
<td>☐ ☐ ☐ ☐ ☐</td>
<td></td>
</tr>
</tbody>
</table>
The ability to negotiate with partners from different cultures
Proficiency in business English
Proficiency in other languages that are useful for a possible international expansions
The skills to evaluate risk on foreign markets
The skills to manage currency rates fluctuations

THE CHOICE OF FOREIGN MARKETS

We seek in this section to understand the approach of your network in selecting foreign markets to serve.

To what extent do you agree with the following statements?

(1. Totally disagree; 2. Disagree; 3. Neither agree nor disagree; 4. Agree; 5. Totally agree)

<table>
<thead>
<tr>
<th>Statement</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
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</thead>
<tbody>
<tr>
<td>We prefer to expand internationally in response to requests from potential partners instead of doing it on the basis of our own initiative</td>
<td></td>
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<tr>
<td>We participate in fairs in France and abroad with the objective of meeting new foreign partners</td>
<td></td>
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<tr>
<td>We do not have a specific internationalization project, but we will penetrate a new country if we have a request from the right partner</td>
<td></td>
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<tr>
<td>We have a precise idea about the countries that we wish to target in the 5 coming years</td>
<td></td>
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<tr>
<td>We dedicate human and financial resources to international exploration to find new opportunities abroad</td>
<td></td>
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<tr>
<td>We have established a real international market surveillance procedure to watch for expansion opportunities abroad</td>
<td></td>
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</tbody>
</table>

To what extent do you consider the following elements to be important in your selection of a new target country?

(1. Not important at all; 2. Not important; 3. Neutral; 4. Important; 5. Very important)

<table>
<thead>
<tr>
<th>Element</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
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<tbody>
<tr>
<td>It is important that the countries we select</td>
<td></td>
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<tr>
<td>Are geographically close to France</td>
<td></td>
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<tr>
<td>Are geographically close to other countries where we are already present</td>
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<tr>
<td>Are French speaking</td>
<td></td>
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<td>Have a developed access to ICT, mainly internet</td>
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<tr>
<td>Are easy to access from France</td>
<td></td>
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<tr>
<td>Have the same currency as France</td>
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<tr>
<td>Are of a similar size as France</td>
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<tr>
<td>Use a language that is mastered by members of our personnel</td>
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<tr>
<td>Have habits and social norms that are close to France</td>
<td></td>
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<tr>
<td>Have a culture that is known by members of our personnel</td>
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<td></td>
</tr>
<tr>
<td>121</td>
<td>Are old French colonies or have historical ties to France</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>122</td>
<td>Are members of the European Union</td>
<td></td>
<td></td>
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<tr>
<td>123</td>
<td>Have an institutional environment similar to that of France</td>
<td></td>
<td></td>
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<tr>
<td>124</td>
<td>Have a very large population</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>125</td>
<td>Have a clear and solid regulation for franchising</td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>126</td>
<td>Have an economic development level close to that of France</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>127</td>
<td>Have strong economic growth</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>128</td>
<td>Present very weak political risk</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>129</td>
<td>Present very weak economic risk</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**CARACTERISTICS OF YOUR NETWORK**

Name of the network: __________________________

Year of creation of the network: _______ Year of the first franchised operation: _______

Contract’s duration: __________________________

Number of franchised outlets: __________________________ Number of company-owned outlets: __________________________

Entry fees: __________________________ Average investment: __________________________

Number of persons in the “network development” department: __________________________

Is your network part of a larger group: 
☐ Yes, our network belongs to a larger group
☐ No, our network is independent

E-commerce: 
☐ Yes, we have an e-commerce website
☐ No, we only have physical outlets

**What is the main sector of activity of your network?**

☐ Furniture and house equipment ☐ Personal equipment ☐ Food retailer ☐ Diverse retail  
☐ Hairdressing and styling ☐ Other personal services ☐ Cleaning services ☐ Auto services  
☐ Business services ☐ Education/training ☐ Hotels ☐ Construction  
☐ Fast food restaurants ☐ Traditional restaurants ☐ Real estate ☐ Traveling

If you wish, we can send you the results of our study while still keeping your responses confidential. Please clearly indicate your contact details:

Name of the network: __________________________________________________________

Your position: _______________________________________________________________

Your name: _________________________________________________________________

Email address: ______________________________________________________________

Thank you for your participation!
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   2.2. The nature of the international approach
      2.2.1. The passive opportunistic approach
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