

Franchisee Association and its intervention in Franchise Chains relationships

TELMO JOSÉ MAGALHÃES DA SILVA
UNIVERSIDADE PAULISTA - UNIP
rochdale@skill.com.br

PEDRO LUCAS DE RESENDE MELO
UNIVERSIDADE PAULISTA - UNIP
resendemelo@usp.br

KAREN ESTEVES
USP - Universidade de São Paulo
karenefp@gmail.com

GIANCARLO GOMES
Universidade Regional de Blumenau - FURB
giancarlo@pzo.com.br

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Abstract

The objective of this research is to understand the actions involved in Franchisee Associations (FAs), which may implicate in: (a) identifying the main roles played by FAs regarding their relationship with franchisors; (b) understanding conflict resolution procedures with franchisors (by means of FAs); and (c) identifying FA abilities to play a relevant governance role in franchisee-franchisors relationships, in order to solve conflicts. The sample of this research comprised a franchise chain of a language school (Skill Idiomas) in Brazil. To accomplish the goals of this paper, several Franchisor representatives and FA members were interviewed and, as result, some statements could be drawn up as follows: (i) there is a strong sense of trust only among some of the network members, as well as a partial cooperation among them. Regarding the FA activities, the following one became very prominent: (ii) franchisees' wishes and demands are expressed to their franchisors. With reference to the governance of FAs, one may point out that (iii) the rules and the penalties that compose their policies are well known and applied. The (iv) influence of the leaders that form the association's board of directors and the voting process in FAs are determining factors for conflict resolution.

Key-words: Franchisee Associations; Franchise Chain; Franchisee-Franchisor Relationship; Entrepreneurship.

INTRODUCTION

The basis of the franchising system is the franchisor-franchisee relationship, which is formed by agreements made by both parties. Franchising can be considered a form of cooperative strategy once its adoption enables knowledge sharing while minimizing the risks involved in this sort of business, which involves tangible and intangible resources for both franchisor and franchisee e.g. financial and marketing support, trainings and sales (products or services) (COMBS; KETCHEN, 1999; SHANE, 2005; GILLIS, 2007).

Particularly with regard to franchise chains involved in education and training, the revenue registered in 2012 was around US\$2 billion, a 10% increase compared to 2011. This increase represented a breakthrough for franchise chains involved in education and training programs, which implied in the creation of 270 chains and 19,000 units – a boost of 15 and 4% respectively. In 2013, the education and training segment achieved a growth of 16.6% compared to 2012; there was an emphasis on language teaching and vocational programs in the period (ASSOCIAÇÃO BRASILEIRA DE FRANCHISING - ABF, 2014).

Due to the significant growth of the franchising system and the emergence of conflicts between franchisors and franchisees, Franchisee Associations (FAs) became the responsible actors for promoting a sustainable relationship in the franchise system (LAWRENCE; KAUFMANN, 2010). Lawrence and Kaufmann (2010, 2012) recognize FAs as a formal structure that mediates the relationship between franchisors and franchisees. The advances in researches on franchisee associations in the franchise system are internationally known; it is, however, necessary to develop further studies regarding franchisee associations in the Brazilian franchise system. Such international studies were not developed for the Brazilian case, as it has been demonstrated by an analysis accomplished in the present decade (MELO; ANDREASSI, 2010).

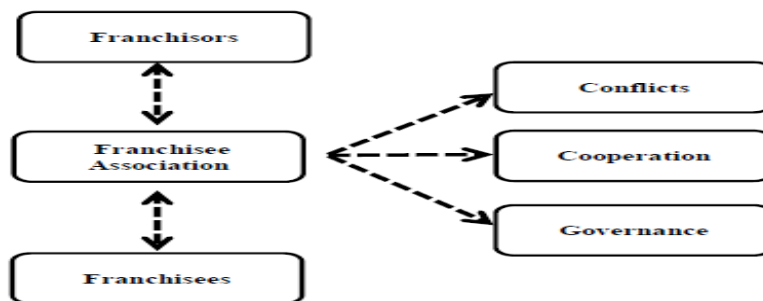
Dandridge and Falbe (1994) are the main international references regarding FAs, since they were the first ones to acknowledge the existence of a group of franchisees acting as both board and

committee in order to give advices on relevant operational issues. On the other hand, the studies of Cochet and Ehrmann (2007) provide solutions for possible conflict resolutions between franchisors and franchisees. Finally, Lawrence and Kaufmann (2010, 2012) recognize FAs as a formal structure that measures the relationship between franchisors and franchisees, highlighting the way FAs work within the franchise system.

Thus, the objective of this research is to comprehend the actions undertaken by Franchisee Associations (FAs). More specifically, we aimed to: (a) identify the role played by FAs regarding their relationship with franchisors; (b) understand conflict resolution procedures alongside with franchisors (by means of FAs); (c) identify FA abilities to play a relevant governance role in franchisee-franchisors relationships, in order to solve conflicts. To accomplish such goals, a language school franchise will be analyzed, which takes part in FAs to mediate the relationship between franchisors and franchisees. In other words, this paper analyzes the role played by three main actors: FAs, franchisors and franchisees. We hope that this study contributes, therefore, to the literature concerning franchising by highlighting the importance of FAs as guiding agents to mediate the relationship between franchisors and franchisees (KNIGHT, 1986; DANDRIDGE; FALBE, 1994, COCHET; EHRMANN, 2007, LAWRENCE; KAUFMANN, 2010, 2012).

Figure 1 below shows the proposed framework of this paper.

Figure 1: Franchisee Associations Relationship



Source: Authors (2015)

2. LITERATURE REVIEW

2.1 Franchisee Associations

Albuquerque (2003) points out that some entities such as cooperatives, unions and associations are non-profitable organizations and that they differ in their main purpose: associations represent and defend member's interests, looking for better technological, professional and social development of their associated members. According to Barros (1994), associative organizations have the following characteristics: they improve the efficiency of the group, increase revenues, reduce the effort of the participants, organize the division of labor, improve integration, and encourage individual interdependence within an organization.

Cartwright and Zander (1968) define group as individuals who develop relationships with each other, becoming significantly interdependent, and having in common the characteristic of interdependence among its members. Group members engage in frequent interactions; they define themselves and are defined by others as participants of the group; they make their own rules, establish their own roles and functions and have a collective sense of perception. When groups are deliberately created, there is a clear reason and a purpose for it, which can be exemplified by the franchise system.

Franchisee Associations (FAs) become active when a franchisor demonstrates an opportunistic behavior towards their franchisees, granting the association the provision of a protective mechanism of their rights. Misleading agreements, franchise misrepresentation, termination of contracts, unfair profits distribution and use of coercive force are examples of

opportunistic behavior that can be pursued by franchisors (LAWRENCE; KAUFMANN 2010).

FAs can, therefore, consciously strengthen the identity between franchisors and franchisees while providing cooperation between their members; when FAs cannot achieve such purposes, the conflict between franchisors and franchisees can get out of control and destroy any hope of cooperative work to support the sustainability of the franchise system (Ibidem, 2012).

Lawrence and Kaufmann (2012) state that a successful FA is capable of sustaining itself over time. When FAs adapt to relationships, they do not remain in a static position of cooperation or conflict; they keep on representing the interests of franchisees, or become irrelevant when all conflicts are solved. The franchisor, when recognizing a FA, acknowledges that its power and authority will become somehow divided, which is a critical decision to be made. If the franchisor chooses to legitimize the FA, it may or may not be successful among franchisees, depending on the association's focus on the sustainability of the relationship. When the franchisor legitimates a FA focused on strategic divergences, conflicts should be reduced, and the franchisee will feel more like a real part of the franchise system. However, when the focus of an FA relies on an opportunistic behavior, conflicts will not be reduced and any franchisor's effort to legitimate the FA might become useless (LAWRENCE; KAUFMANN, 2010).

The ability to create an identity among associated franchisees is very relevant and such identity should be recognized by the members as an organization whose core values represent the collective interests of franchisees within a dynamic network (Ibidem, 2012). Considering franchisee relationships, Melo et al. (2010) highlight important aspects that should be managed, such as standardization changes made without the franchisor's authorization, the difficulty to reach franchisee's expectations, the expansion of franchisee's geographical limits, audits, and legal advices. The most common complaints made by franchisees were related to a low support offered by the franchisor, excessive fees and royalties, and the inconsistent release of data concerning investments and capital return. On the other hand, franchisors criticize the franchisees' lack of preparation, structure and sobriety (COHEN; SILVA, 2000).

Franchisee Associations, whose focus relies on the franchisor's opportunistic governance, emphasize conflicts of interest between franchisors and franchisees, strengthening the relationship among franchisees within the association. When the focus of FAs is rooted in the general sustainability of the franchising network, their main goal is to lead franchisees and franchisors to an alignment of interests and to conflict resolution (LAWRENCE; KAUFMANN 2010).

The promotion of communication to integrate FAs within the franchise system indicates a strong commitment in order to reduce the separation between the association and the franchise. Once this communication is successful, the association members shall better identify themselves alongside with the franchisor, which might reduce intergroup conflicts (Ibidem).

Franchisors are more likely to legitimize associations that significantly represent their franchisees, which occurs when franchisees, members of an association, are recognized as a distinct group within the same franchise system.

In order to strengthen the interdependence of franchisees and franchisors, partnership agreements must be developed and formally established, detailing how each member shall contribute to such relationship, in which the franchisor's and franchisees' position is established. The development of such agreements provides a mechanism through which the overall goals remain and are promoted by associations, franchisees and franchisors (TICHY, 2002).

The emergence and permanence of an FA provide a valuable opportunity to investigate concurrently the franchisee, the franchisor and the franchise (the triad of the relationship) and the effects of the group relationships on the franchise system. An FA, its creation, its focus and the subsequent reaction of the franchisor towards its existence may lead to results, which can affect the whole franchise system (LAWRENCE; KAUFMANN, 2010). The franchisor instability upon the franchise business management reflects on the results and on the relationships with franchisees. Changes in franchisor's ownership or management may cause a certain instability in the franchise.

When these changes are not expected by the group, they will also be affected by the position adopted by the FA (Ibidem, 2012).

The relationship between franchisors and franchisees result in important implications for the management and research of the franchise system. The formalization of these sustainable structures such as FA implies that there might be additional actors and roles within the franchise system, which promote incentives while monitoring the behavior of both franchisor and franchisees. It also means that collective actions may become more successful than individual actions when reacting to franchisor's initiatives (Ibidem). Table 1 below shows the main international publications addressing Franchisee Associations within franchise studies.

Table 1: International Publications on Franchisee Associations

Year	Author	Titles	Journal	Contribution
1986	Knight R.	<i>Franchising from the franchisor and franchisee points of view.</i>	<i>Journal of Small Business Management</i>	Conflict perceptions between franchisor and franchisees
1994	Dandridge e Falbe	<i>The influence of franchisees beyond their local domain.</i>	<i>International Journal of Small Business</i>	Franchisee groups acting as franchise representatives when advising other franchisees
2007	Cochet e Ehrmann	<i>Preliminary Evidence on the Appointment of Institutional Solutions to Franchisor Moral Hazard - the Case of Franchisee Councils.</i>	<i>Managerial and Decision Economics</i>	Suggestions and possible resolutions of conflicts between franchisors and franchisees
2010	Lawrence e Kaufmann	<i>Franchisee Associations: Strategic Focus or Response to Franchisor Opportunism.</i>	<i>Journal of Marketing Channels</i>	The significant role of franchisee associations when mediating relationships within a franchise
2012	Lawrence e Kaufmann	<i>Identity in Franchise Systems: The Role of Franchisee Associations</i>	<i>Journal of Retailing</i>	Franchisee associations' rules

Source: Authors (2015)

2.2 Conflicts

Conflicts in a franchise chain arise from processes that cover the relationship between dependence and the desire to possess independence (OLIVER, 1996, AHUJA; POLIDORO JR.; MITCHELL, 2009). Such conflict is perceived as a declared behavior and comes within a process in which some of the parts seeks to develop its own interests in the relationship over the other parts (HABIB, 1987).

The sequence of the conflict is usually established in stages, represented by four phases: latent conflict, perceived conflict, emotional conflict and manifested conflict. In the first phase, the conflict (AHUJA; POLIDORO JR.; MITCHELL, 2009) may be considered latent due to disobedience to commands, allocation of scarce resources, incompatible goals, communication problems, and the search for independence. The conflict is perceived once a simple feeling is established and observed by one of the parts. In the third phase, the conflict is characterized as affective or emotional, which is related to factors such as stress, rivalry, tension and irritation.

The last phase is characterized by the incidence of verbal, physical and written actions (PONDY, 1967). Conflict management is one of the obstacles that a franchisor may have to face when running a franchise. The most common problem perceived is the franchisee's dissatisfaction with investments made in the business (PLA, 2001).

The most common causes for conflicts are the divergence of objectives, the lack of understanding on the business management, opportunistic behavior and the perception of inconsistencies (REVE; STERN, 1979). Zaheer, McEvily and Perrone (1998) mention that trust is

one of the main factors that could reduce the emergence of conflicts.

The franchise system has documented cases of conflicts between franchisees and franchisors, such as GNC supplements and vitamins (HAYS, 2001); Blimpie snacks (Hayes, 2004), Burger King (BERG, 1988), and Blockbuster (DEUTSCH, 1988), whose franchisors have been sued for not attending to their franchisees' rights. Such fact, however, reflects on an increasing growth in the franchise system and in franchisee associations, which represent the rights of franchisees when it comes to conflict resolution.

FAs can act as a balance power, since, when faced with the overwhelming power of franchisors, they feel motivated to constitute a positive counterforce (GALBRAITH, 1956). The compensation power might also be given through other forms, including collective lawsuits, trade union associations, pressure groups and citizens that try to balance the power advantages of the organization. In the franchise system, compensation power can be achieved or reached via multi-unit franchising, e.g. when the ownership of a significant number of stores provides a single franchisee with greater power and influence within the system (GRÜNHAGEN; MITTELSTAEDT, 2002); or through legislative measures, such as franchise statutes, enacted in several networks (BRICKLEY; MISRA; HORN, 2003). The compensation power can also be achieved by the FA that offers a potential for a coordinated resistance against the power of franchisors.

Among the problems that arise in a franchise system and that may influence the resolution of current problems, FAs should operate based on two assumptions: (a) disagreements regarding the strategic direction of the franchise system; (b) arguments involving the perception of the franchisor, which acts in a harmful or destructive way and disregard the interests of franchisees, supporting, therefore, conflicts between franchisors and franchisees (LAWRENCE; KAUFMANN, 2010).

Franchisee Associations (FAs) have as a main purpose the representation of the rights of franchisees during the emergence of possible conflicts. FAs aim to, therefore, maintain cooperation among their members through the development of an organizational identity – different from the franchisor's –, in order to provide benefits for their members (Ibidem, 2012).

2.3 Cooperation

The social approach is responsible for the investigation of several relationships that characterize networks, especially cooperation. Studies on cooperation among networks has received particular attention over the past three decades (NOHRIA; ECCLES, 1992). Cooperation networks are a current phenomenon in organizational theory and have been studied in different theoretical approaches (GRANDORI; SODA, 1995). According to Granovetter (1981), both behavior and institutions are affected by social relationships. In his studies, Granovetter investigates the extent to which economic action is embedded in social relationship structures.

Zawislak (2000) explored some useful variables regarding the issue. When cooperation is present among the actors, one may find as result learning and creation of collective skills. Then, it would also be possible to infer the existence of tangible and intangible assets exchanges, which is responsible for the generation of new skills, contributing for actors to perform their functions in a better way while developing other virtues.

In agreement with Morgan and Hunt (1994), trust and commitment are key factors to ensure the success of an alliance, since they create the conditions for cooperation while preventing opportunistic behavior. The variables commitment, confidence and power contribute strongly to make things either easier or harder regarding the complementarity of resources through cooperation relationships, especially with reference to intangible resources (REED; DEFILLIPPI, 1990).

The existence of reliable relationships can provide considerable benefits to both parties within a franchise chain. The cooperative effort between franchises and franchisees results in the creation of associations, which can generate better supplies of raw materials and/or other goods.

2.4 Governance

To make correct statements regarding the governance of networks, it is necessary to distinguish the concept of corporate governance from other concepts usually related to it. Corporate governance is strongly associated with power relationships within corporations according to the agency dilemma (or theory of agency, as it is also known) (JENSEN; MECKLING, 1976).

The term governance may have different meanings. Williamson (1979, 1998) adds an economic perspective to the term governance while emphasizing social aspects, in which, according to Gulati (1998), social relationships, organizations and individuals come together. In line with Wegner and Padula (2010), governance, on an organizational perspective, can be translated into the rules of structure, coordination and internal organization of network elements. The procedures for cooperation, decision-making and conflict resolution can be found within the rules.

A network control structure shall present a bilateral or trilateral governance and has as a main feature the behavior management and monitoring of autonomous entities in which the collective decision process is made (PARK, 1996). Several scholars, considering the *vox populi*, argue that unions can, in fact, be beneficial for the company, once they can increase motivation, cooperative behavior and, concurrently, productivity and management (BOK; DUNLOP, 1970, SLICHTER, 1960).

Governance is one of the most essential mechanisms in a scenario in which there is complexity of tasks and union between partners is sought (JONES; HESTERLY; BORGATTI, 1997). However, in a business network, governance is not always visible and can be manifested either implicitly or explicit, once it involves independent companies (ZACARELI *et al.*, 2008).

Governance, according to Das and Teng (2001), is a set of guiding rules that control behaviors due to some conflicts of interest arising from the relationships among actors in a network. One can perceive this governance by analyzing the following factors: (i) Rules regarding admission and exclusion of actors from a selected group; (ii) Penalties; (iii) Equality among actors; (iv) Purchase of goods and services with partners; (v) Distribution or delivery of produced or purchased goods; (vi) Control by authority or reputation of a more powerful actor; and (vii) social control (blogs, community websites). Lui and Ngo (2004) point out that the adoption of contracts can anticipate opportunistic behavior by adopting fines or penalties and reducing costs.

When a franchisor uses its power either to punish franchisees that have formed an association or to reward franchisees that have left the group, one can infer that both are coercive attitudes and may be taken as abuse of power. These actions are the ones that contribute to increase dissatisfaction (DWYER, 1980, HUNT; NEVIN, 1972, WILKINSON, 1979). As a compensatory way of governance, FAs are sometimes very similar to unions, since they have the task of negotiating with franchisors in order to protect the interests of all franchisees.

3. METHODOLOGY

This study can be characterized as exploratory and descriptive, since there is still a lack in literature regarding the themes analyzed herein (FREITAS *et al.*, 2000, FORZA, 2002). Regarding the approach of this paper, the study can be considered qualitative. To fulfill the objectives proposed by us, a content analysis and a data triangulation were accomplished.

Lincoln and Guba (1985) emphasize that triangulation is a way of increasing the credibility and trust through observation and document analysis. Azevedo *et al.* (2013) assert that triangulation can combine different methods of analysis and qualitative and quantitative data, thus contributing to the observation of a phenomenon from multiple perspectives with different point of views, which enables the development of new theories while updating the obsolete ones. Data triangulation avoids biased analyses and helps to build more complete and accurate analysis through the

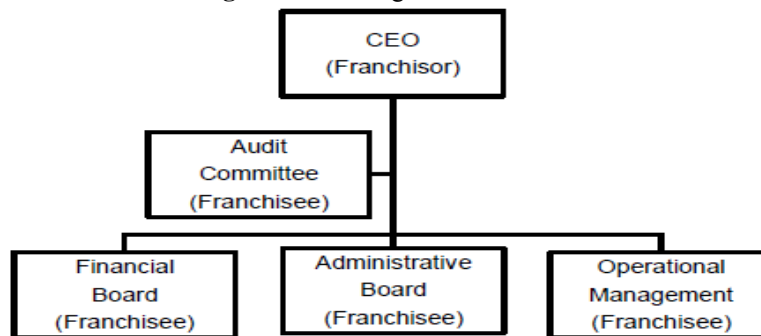
convergence of sources (EISENHARDT, 1989; YIN, 2005).

3.1 Object of study: characterization and profile

The object of study of this paper is the franchise chain *Skill Idiomas* (language school), which belongs to the Pearson Group. Information regarding the FA was collected and provided by the directors of the association. The association *Skill Idiomas São Paulo Capital e Grande São Paulo* was created in 2005 in the city of São Paulo, Brazil, by its franchisor and franchisees. The main purpose of the association is the creation of networking by turning associated members' ideas into a real knowledge management; and to promote the discussion about the allocation of regional advertising funds according to advertising campaigns approved by the national council of Skill franchises.

Figure 2 highlights the FA's organization chart, which consists of three parts: CEO, Administrative and Financial Board, Operational Management and Audit Committee. All positions are elected at a general assembly; the term of office is two years and a renewal is allowed, except for the CEO, who holds a lifetime position.

Figure 2: FA's organizational chart



Source: Authors (2015)

3.2 Data Collection

The sample of this study comprised the franchise chain *Skill Idiomas* (language school), located in the city of São Paulo and in its Metropolitan and ABC Region (encompassing the cities Santo André, São Bernardo do Campo and São Caetano). Table 2 indicates more details of the sample.

Table 2: Sample Facts

Group	Sample collection
Franchisee Association	4 Directors
São Paulo City (Franchisee)	2 Franchisees
Metropolitan Region of São Paulo (Franchisee)	2 Franchisees
ABC Region of São Paulo (Franchisee)	2 Franchisees
Franchisor	Brand Manager

Source: Authors (2015)

The franchise was divided into regions: two (2) operate in the City of São Paulo (capital), two (2) in the Metropolitan Region of São Paulo, and the other two (2) in the ABC Region. The choice of splitting the sample by regions occurred because there could be differences between and within the regions. Table 3 bellow demonstrates the units represented by the FA analyzed in the sample.

Table 3: Units represented by the association

Region	Represented Units (Quantity)
São Paulo city	36
Metropolitan São Paulo	04
ABC São Paulo	11
TOTAL	55

Source: Authors (2015)

Interviews were conducted in the headquarters of each franchisee in the City of São Paulo. To collect data, we used a semi-structured interview guide consisting of open questions, which provided responses that are more detailed, greater participation and a better understanding of the interviewee's perception of reality. The interview guide was based on indicators and variables exposed in Table 4. The interviews were previously scheduled, recorded, and transcribed with the proper authorization of each interviewee. The interviews were scheduled with six franchisees represented by the FA, with a brief description of the research proposal.

3.3 Construction of the variables

This section presents the variables that set this research. The description of the variables is as follows: (i) the role of the FA regarding the relationship with franchisors; (ii) relationship practices and conflict resolution between franchisees and franchisors; (iii) cooperation in relationships between franchisors and franchisees; and (iv) governance in the relationships and conflict resolution between franchisees and franchisors. Table 4 describes these variables with more details.

Table 4: Research Variables

	Variables	Variables Composition	Purpose	Authors
I	Franchisee Association	Franchisor's perception; Franchisee's perception	Main role of the FA	Lawrence; Kaufmann (2010, 2013)
II	Conflicts	Conflicts; problems arising from disparities; solution forms of conflicts originated by asymmetries	Relationship and conflict Resolution Practices	Pody (1967), Reve (1979), Stern 1979), Zaheer; McEvily; Perrone (1998), Steven (2000).
III	Cooperation	Combined solution of problems of any kind; sharing; labor sharing and coordinated actions	Cooperation in the relationship between franchisors and franchisees	Nohria; Eccles (1992), Grandori; Soda (1995), Granovetter (1981)
IV	Governance	Rules on admission and exclusion of franchisees; penalties; hierarchy; equality between franchisees; leadership and operation; control by authority or reputation of a more powerful actor	Governance in the relationship and conflict resolution	Gulati (1998), Larson (1992), Balestrin; Vargas (2004), Zaccarelli (2008)

Source: Authors elaboration (2015)

4. INTRA-CASE ANALYSIS

4.1. FAs Actions

Directors 1, 3, and 4 highlighted the representation provided by the franchisor. According to what has been reported, *"The key issue is to represent franchisees under any circumstances."*

Regarding the administration of funds for marketing, *"The association's role is to represent and to take actions when it comes to funds."* Director 2, however, highlights conflict resolution and representation provided by the franchisor as important issues: *"I think this is the main point of the association, the discussion and the meeting of franchisees' ideas."*

For franchisees operating in the ABC region, the main action of the association as franchisees representatives, *"[...] is to be responsible for taking care of the interests of each one in a unique way"*. Regarding brand marketing and standardization, *"[...] The main function of the association is to have a standardization of processes while interconnecting the franchisees."*

Franchisees operating in the City of São Paulo showed that the main responsibility of the association is to represent franchisees: *"I really think it has to represent the franchisee"*, and the standardization of processes is seen *"as the gathering of a group of franchisees; this is the role of union, ideas gathering."*

Regarding the Metropolitan São Paulo region, franchisees believe that the main action taken by the association should be the representation of franchisees by the franchisor: *"The main function of the association is to be a representative agent alongside with the franchisor"*. With respect to the strengthening of the brand: *"I think the Association purpose is [...] to work towards the common wealth of all franchisees."* On the other hand, the franchisor stated that the main action taken by the association should be the representation of franchisees: *"That also gives us the opportunity to meet the franchisor. The desires, difficulties, new ideas from the group of franchisees."* The strengthening of regional brand is also very relevant: *"[...] the brand has to have a greater goal, which is the growth and strengthening of the regional brand"*. Regarding the dissemination of good practices and the negotiation with suppliers: *"[...] it is important to have as a central matter the brand strategy, regional urges and also to share knowledge, disseminating good practices and obtaining new deals with suppliers"*.

4.2. Conflicts

When it comes to rivalry, the board of the association admits the existence of conflicts. *"There is conflict, but also a great deal of respect [...] I think our conflicts have been very positive"* (Director 2). *"Yes, there are conflicts regarding ideas and operation"* (Director 4). In relation to the ABC franchisees, the following conflicts were observed: *"It's possible that [...] the reality of a franchisee doesn't allow the practice of ideas that may correspond to another franchisee's reality"*. According to Habib (1987), the conflict is seen as an outspoken behavior and comes within a process in which an individual seeks to develop its own interests in the relationship disregarding other individuals' needs.

In some São Paulo City franchisees, some conflicts occur regularly: *"Yes, there are disagreements [...] and some people take them personally [...]"* (Franchisee São Paulo Capital 1). *"Suddenly something that might be obvious for you might not really be that obvious for other people [...] Because each of us is different"* (Franchisee São Paulo City 2).

For franchisees operating in the Metropolitan Region of São Paulo, conflicts seem to be related to manifestations of jealousy: *"Yes, there are conflicts, especially when somebody starts to observe other co-workers who may be having greater success as he or she is; this co-worker isn't seen a competitor, but there is a strong sense of jealousy, discomfort"* (Metropolitan Franchisee São Paulo 1).

According to the franchisor's point of view, conflicts are more perceived in the relationship with franchisees that express their dissatisfaction more often. *"The people who express themselves frequently in meetings, then I see that there is nothing really that generates conflicts [...] I believe that there is no reason for conflicts because there is no preference, there is no kind of exclusive benefits [...]"* (Franchisor).

4.2.2. Conflict Resolution

In the answers regarding conflict resolution, the board has identified the influence of the leaders in this process: *"I see that the solution is usually given by one or two people [...] When we try to promote a discussion or approval, one leader makes a statement and affirms his or her point of view, then everyone else follows him or she"* (Director 2). Regarding the voting process during meetings: *"When there's a conflict in which someone is against the rules of the association, we just show that all the clauses are there and they all have been voted in assembly [...]"*. As reported by the franchisees operating in the ABC region, the exchange of ideas can become a relevant conflict: *"Solutions do arise with the exchange of ideas and exchange of opinions"*.

São Paulo Capital franchisees presented forms of conflict resolution based on dialogue and voting: *"I often see these conflicts being collectively dealt with, being discussed and voted"*.

Conforming to franchisees operating in the Metropolitan region, conflict resolution is influenced by the leaders: *"Nowadays everything is somehow divided into groups, our network is subdivided: there is a group formed by the smallest ones, and they live in their own world, then there is the medium-sized group, which is in a better position [...]"* (1 Metropolitan São Paulo Franchisee 1). Regarding the of policies and the voting process: *"Look, we know that nowadays there is a voting process for everything, and I think that's fair [...]"* (Metropolitan São Paulo Franchisee 2).

For the franchisor, forms of conflict resolution are supported by the association's policies, through a voting process: *"Voting is a legal instrument and also our policy rule [...]"* (Franchisor). Lawrence and Kaufmann (2012) affirm that the FAs aim to promote solidarity among the members through the development of a distinct organizational identity, in order to provide benefits for all members.

4.3. Cooperation

The board has identified the partial existence of cooperation among all board members: *"I think we've improved a lot in this aspect, but the whole association isn't participating yet [...]"* (Director 2). *"There are some cooperation difficulties, and the cooperation itself does not correspond to a very high percentage, maybe fifty percent tops"* (Director 3).

For the ABC region franchisees, there is only a partial sense of cooperation: *"It is on the hands of some people, not everyone, it is not one hundred percent"* (ABC Franchisee 1). *"Actually, we do trust people, but there are always some people distrusting other ones"* (ABC Franchisee 2).

São Paulo City franchisees were also unanimous in mentioning that cooperation is only partial: *"It exists, but only partially, I would say, I do not see it happening from everybody"* (São Paulo City Franchisee 1). *"I have been through several situations [...] I see that a franchisee sometimes looks at the other ones as competitors and it should not be like that"* (São Paulo Capital City 2).

There are some differences among São Paulo City franchisees, since franchisee 1 stated that there is no sense of cooperation: *"Unfortunately there is no group cohesion, problems are solved by a minority"* (Metropolitan São Paulo Franchisee 1). On the other hand, franchisee 2 states that there is cooperation in a partial way: *"I do not think that people are unwilling to do things or that there is a lack of interest, but we have leaders within the association and these leaders take the control"* (Metropolitan São Paulo Franchisee 2). For the franchisor, the existence of cooperation is also partial: *"I think there is some cooperation, but I think we can still improve our sense of cooperation"* (Franchisor). Once there is cooperation between the actors, there might be a stronger knowledge exchange, as well as a collective competencies promotion. The exchange of tangible and

intangible assets generate new skills contributing to the actors to better perform their duties and improve their qualifications (ZAWISLAK, 2000).

4.4. Governance

According to the board of directors, the different ways of governance are supported by policies and rules: "*There is a voting process to constitute the association*" (Director 1). "*The ones who run for a position are elected by a majority of the valid votes*" (Director 3). Governance can also be exercised by penalties, which is the main kind of governance exercised by the FA: "*There are penalties and they are applied*" (Director 4). "*If someone misses a day, he is penalized with a fine*" (Director 2). The adoption of contracts can anticipate opportunistic behavior by applying fines or penalties and reducing costs when defining transparently items to be controlled (LUI; NGO, 2004).

ABC region franchisees highlight the participation of leaders as a way of governance: "*Yes, I know there is a leadership in each action taken in a group*" (ABC Region Franchisee 1). Franchisee 2, operating in the ABC region, highlights the application of penalties as means of governance: "*Well, the only rule I know is related to absences, I do not know if there is any other sort of punishment*" (ABC Region Franchisee 2).

São Paulo City franchisees pointed out the existence of rules, but they ignore their applicability: "*I know there are rules, but I can't say that they are applied a hundred percent*" (São Paulo City Franchisee 1). These franchisees also emphasized the governance based on the application of penalties: "*Nowadays I don't participate in the association anymore... the ones who don't attend their meetings get punished and I want to avoid paying fines*" (São Paulo City Franchisee 2).

According to Metropolitan franchisees, governance methods are settled through the application of penalties established in the policy: "[...] *We do have a regulation, we have a number of annual meetings and the franchisee is obligated to attend these meetings*".

The franchisor points out that the different types of governance are based on the policies: "*There are levels [...] there is a president who is elected by the group, there is also a managing director, some councilors, the franchisor I represent. [...] It is all structured in a democratic way, everyone can join it if they want to, and those who run for a position are elected by the majority of votes*" (Franchisor).

5. INTERCASE STUDIES

As the main action of the association, all the interviewees (Directors, franchisees in the ABC region, São Paulo City franchisees, franchisees and franchisor of the Metropolitan region of São Paulo) emphasized the representation of the franchisees' wishes and demands alongside the franchisor. They admitted, however, the existence of conflicts, which have been identified and justified by the heterogeneity of the group. Regarding the conflict resolution, the influence of the leaders within the association's board of directors by the Board of the Association, ABC franchisees and franchisees in the City of São Paulo, was very relevant. In consonance with the Metropolitan region of São Paulo region's franchisees and franchisor, conflicts are solved as result of the voting processes that occur in the meetings held in the association.

Considering cooperation, all interviewees (Directors, franchisees in the ABC region, São Paulo Capital franchisees, franchisees and franchisor of the Metropolitan region of São Paulo) affirmed there is only a partial cooperation between all network components. They have, nevertheless, identified the rules and penalties that are the basis of the association's policy as the way of governance. After analyzing the data, we have presented in Table 5 the results of the interviews, which enabled us to analyze our research object.

Table 5: Research Results

	Interviewee	Main Actions	Conflicts	Conflict Resolution	Cooperation	Governance
1	Directors	Represent Franchisees	<ul style="list-style-type: none"> • Existent • heterogeneous group 	Leaders Influence	Partial	<ul style="list-style-type: none"> • Rules • Penalties
2	Franchisees ABC	Represent Franchisees	<ul style="list-style-type: none"> • Existent • heterogeneous group 	Leaders Influence	Partial	<ul style="list-style-type: none"> • Rules • Penalties
3	Franchisees SP City	Represent Franchisees	<ul style="list-style-type: none"> • Existent • heterogeneous group 	Leaders Influence	Partial	<ul style="list-style-type: none"> • Rules • Penalties
4	Franchisees Metropolitan SP	Represent Franchisees	<ul style="list-style-type: none"> • Existent • heterogeneous group 	Vote	Partial	<ul style="list-style-type: none"> • Rules • Penalties
5	Franchisor	Represent Franchisees	<ul style="list-style-type: none"> • Existent • heterogeneous group 	Vote	Partial	<ul style="list-style-type: none"> • Rules • Penalties

Source: Authors (2015)

CONCLUSION

This research has explored the components of a franchise network represented by a Franchisee Association (FA), which consists of several members, directors and the representative of the franchisor. Table 5 presented above sums up the main research results. Three secondary objectives were proposed herein to implement the study regarding the association management of the franchisees.

The first objective was to identify the role played by the FA regarding the franchisor. The result indicated that the main purpose of the FA was to represent the wishes and demands from franchisees alongside with their franchisor. According to Lawrence and Kaufmann (2012), the success of a FA relies on the ability to create an identity for the associated franchisee, whose main values represent the collective interests of franchisees.

The second objective was to investigate the relationship and conflict resolution practices mediated by franchisee associations and franchisors. The result indicates that there is only a full trust among the association's board, the franchisees of the ABC region and the franchisor's representative.

The lack of trust represented by the other part of the association board and the franchisees of Sao Paulo Capital region and the Metropolitan São Paulo indicates that most part of the involved actors does not trust the network of the association, a factor that influences cooperation, which was rated as partial by all interviewees. According to Granovetter (1985) and Perrow (1992), the absence of the variable cooperation can contribute to the generation of conflicts in network information and distribution aspect in the network.

Regarding conflict resolution, the Board of the Association, franchisees in the ABC region, and franchisees of São Paulo Capital region identify the influence of leaders, who compose the membership of the Board, as a determining factor in conflict resolution. Franchisees operating in the Metropolitan region and the franchisor's representative identified the voting process in association meetings as a determining factor for conflict resolution. In accordance with Lawrence and Kaufmann (2010), when the focus of franchisee associations is grounded on the general sustainability of the franchise network, its goal is to lead franchisees and the franchisor to align interests while solving conflicts.

The third objective was to identify the franchisee association's ability to play a governance role in the relationship, solving conflicts between franchisees and franchisors. The results herein indicated that the way of governance exercised by the FA is based on the rules that create their

policies and the penalties that are known and applied for all members when rules are inflicted. Tichy (2002) highlights a partnership agreement in the relationship between franchisors and franchisees, in which governance rules are formally established.

The **academic contribution** of this research complements the international researches of Dandridge and Falbe (1994), Cochet and Ehrmann (2007), Lawrence and Kaufmann (2010, 2012), bringing up other perspectives regarding practices in managing relationships, and ways of governance exercised by the FA, which are aspects not deeply analyzed in studies of franchisee associations.

The **limitation** of this research was the superficial analysis regarding corporate governance issues. Once this issue is deepened, it can contribute for a better understanding of the formal and informal instruments set by the FA when sharing a franchise network management. As a **suggestion for future studies**, we affirm that one can better investigate the limitations of this research, exploring the corporate governance functions regarding franchises. We believe that the FA has a key influence in this matter. A second suggestion consists in comparing associations of franchise networks that develop different franchise generations, in order to find practical determinants in the development and management of franchise chains.

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