

# THE FRANCHISING RELATIONSHIP QUALITY: IS IT IMPORTANT?

**Khairol Anuar Ishak.**

College of Business, Universiti Utara Malaysia, Sintok, Kedah.

*khairol@uum.edu.my*

**Dr Muhamad Jantan**

Professor, Centre of Policy Research & International Studies, Universiti Sains Malaysia, Penang

*mjantan@usm.my*

The concept of relationship quality (RQ) evolved from relational marketing theory, and it provided the impetus for a paradigm shift from transactional relationships to more cooperative and service-centered relationships in business-to-business (B2B) processes. While RQ is a major trend in business management, considerable confusion and disagreement persist regarding what constitute the dimensions, outcomes and impacts of RQ. This paper looks at RQ from the perspectives of B2B, particularly in franchising. A meta-analysis of the literature on the subject is undertaken to ascertain how RQ has been conceptualized, in terms of its dimensions, and impact on business performance.

Field of Research: Relationship quality, franchising, organizational performance.

## 1.0 Introduction

There has been a major shift in ensuring the survival of an organisation in business life-cycle, especially in competitive markets. Companies need to change the conventional way of doing business to new modes of expanding their businesses. Nowadays, companies are looking to develop a good business model that can be replicated in different economic systems and/or geographical locations. The most popular entry mode strategy used by many companies in expanding business in international market is franchising (Burt, 1993). Hoy and Stanworth (2003) stated that franchising is a viable model for business development. Furthermore, franchising also allows for rapid and effective market penetration using franchisee sources such as financial capital, managerial talents and local market knowledge (Stanworth and Curran, 1999). For example, U.S Singer Sewing Machine Company has successfully used franchising by appointing other enterprises to distribute their product and provide continuing customer supports throughout US markets (Stanworth and Curran, 1999). The success of the franchise model has proven to be an effective business model. McDonald, one of the largest fast-food chain-restaurants in the world operates over 31,000 restaurants in more than 119 countries on six continents and employing more than 1.5 million people (McDonald's, 2007). Others chains such as Hertz Car Rental, A&W Restaurants, Ben Franklin Retailers, Maid Rite (a hamburger restaurants) and Terminix Termite & Pest Control all started franchising in the 1920s and are still franchising today (Blair and Lafontaine, 2005).

Initially the term franchising was used to refer to a variety of business activities, but contemporary franchise system refers to business format franchising. Business format franchise is defined as “the granting of a license for a predetermined financial return by a franchising company (the franchisor) to its franchisees, entitling them to make use of a complete business package, including training, support and the corporate name, thus enabling them to operate their own businesses to match exactly the same standards and format as the other units in the franchised chain” (Grant, 1985). The relationship between franchisor and franchisee is considered a mutually beneficial business arrangement (Bradach, 1998). Franchising has also been classified as a form of strategic alliance (McIntyre 1993, Hoy and Stanworth, 2003), and can be characterized by a formal franchise contract that details out the rights and obligations of both parties. The contract guides the franchisee in operating the business

operation/system (such as operating hour, menu, training, financial obligations etc) and creates a framework for their relationship. The relationship between franchisor and franchisee are interdependent and both parties need to cooperate in order to achieve their respective objectives.

The franchisor-franchisee relationship is very complex that requires the complex delineation and integration of individual roles for both franchisor and franchisee (Kaufman and Dant, 1998). This complexity in franchising partnership can potentially lead to hazards for the (Davies et al., 2009) and conflicts between franchisors and franchisee regarding priorities, timing and revenue stream (Garg and Rasheed, 2006). This happens because of the dissimilarities between franchisor and franchisee in operating the franchise business. For example, a franchisee had taken legal action against Burger King (franchisor) over the \$1 double cheeseburger promotion. The restaurant owners contend that the offer, which was launched in October 2009, forces them to sell the product at a loss (Heher, 2009). As a result, the franchisees may have their contract terminated due to non-compliance by the franchisor. The franchisees stand to lose their investments. Thus, Khan (1999) argued that the success of franchisor-franchisee relationship rests on the mutual understanding of each other and the quality of this relationship is critical for success.

The concept of RQ is embedded in the field of relational marketing (RM) (Crosby et al., 1990; Dwyer et al., 1987). RM is often referred to as a new paradigm in marketing discipline, which had previously focused on marketing mix variables such as product, price, promotion and distribution (Brodie, et al., 1997). The key aspects of RM are important not only in getting customers and creating transactions but also in maintaining and ensuring continual relationships (Gronroos, 1996). Most papers related to RQ found in the channels (e.g. Dorsh et al., 1998; Kumar et al., 1995) and sales literature (Crosby et al., 1990, Bejou et al., 1996) have measured the RQ between manufacturers-sellers and salespersons-customers. Nevertheless, the lack of focus regarding RQ in franchising literature has motivated us to better understand RQ in franchisor-franchisee relationship in determining positive outcomes for the companies.

This paper is structured as follows. It will address the question of how RQ construct has been measured empirically. This then entails the issues of “what are the dimensions used in operationalizing the concept” and “how valid and reliable are these measurements”. We would define the meaning of RQ and identify the dimensions of RQ. Thus, this paper seeks to compile from previous studies, the various measures used, scrutinized the various dimensions and the associated validity and reliability scores, if any. Secondly, this paper addresses the question of “what is the impact of RQ?” It therefore entails identification from past studies the outcomes of RQ in business relationship and reported strength (if any) of the relationship between RQ and the identified outcomes.

## **2.0 The concept of RQ.**

Changes in the concept and practise of business have remodelled the marketing discipline from transactional marketing to one that is relational in nature (Sin et al., 2005). Transactional marketing (TM) concept was based on traditional marketing mix approach which aimed at getting a customer rather than retaining customer. In contrast, the relationship marketing (RM) focussed on customer retention as opposed to finding customer. Berry (1983) used the term RM to refer to “attracting, maintaining, and enhancing a customer relationship “. Harker (1999) in his study of 26 definitions of RM concludes that Gronroos’s definition is the best and is widely recognized throughout the research community. According to Gronroos (1997), marketing in relational terms is “to establish, maintain and enhance relationship with customers and other partners, at a profit so that the objectives of the parties involved are met. This is achieved by mutual exchange and fulfilment of promises”.

RM was initially applied in services industries that focus on the relationship between individual consumer and service provider (Moller and Halinen, 2000). In order to retain the customer, the service provider will focus on customer satisfaction, which is considered as the main outcome of service provider-customer relationship. (Berry and Parasuram, 1993; Gronroos, 1990). Later, the concept of RM was applied in the industrial marketing and marketing channels context. Frameworks and theories

on a dyadic relationship between a buyer and a seller were mooted (Moller and Halinen, 2000). Many researches that studied the RM concept, have investigated the antecedents and outcomes from the inter-organizational relationship from a business-to-business perspective, such as the buyer-seller (Frazier, 1983; Ganesan, 1994), distribution channels relationship (Anderson and Narus, 1990, Kumar et al. , 1995), industrial relationship by Industrial Marketing and Purchasing Group (Ford, 1990) , international marketing (Lages at el., 2005) and franchisor-franchisee relationship (Brown & Dev, 1997).

Within the RM paradigm, RQ is an important concept in maintaining the relationship in business-to-business, as well as business-to-consumer setting. There is no commonly used definition of RQ in business-to-business context as shown in Table 1. The list shows that there is no consensus on the definition for RQ in business-to-business context. Different dimensions are being used to conceptualize RQ in order to align with their study objectives. However what can be concluded is that, RQ is a long term relationship between a firms (franchisor and franchisee), which is characterised by a high level of trust, commitment and satisfaction, within the dyadic relationship.

Table 1: Definition of Relationship Quality from business-to-business perspective.

Study	Definition of RQ
Dwyer and Oh (1987).	RQ is reflected in satisfaction with and trust of one's exchange partner and minimal opportunism
Crosby, Evans and Cowles (1990).	RQ is viewed as a higher-order construct - composed of at least 2 dimensions, trust and satisfaction
Kumar, Scheer and Steenkamp (1995),	RQ as encompassing conflict, trust, commitment and two construct that represent the converse disengagement – willingness to invest in the relationship and expectation of continuity.
Smith (1998).	RQ is a higher-order construct comprised of a variety of positive relationship outcomes that reflect the overall strength of a relationship and the extent to which it meets the needs and expectation of the parties.
Hewet, Money and Sharma (2002).	RQ is defined as buyer's level of trust in and commitment to a seller firm.
Walter at el. (2003).	RQ in B2B context, is believed to include customer satisfaction, trust and commitment to be the essential constructs in order to describe what RQ is, from customer's point of view
Lages at el. (2005).	RQ reflects the intensity of information sharing, communication quality, long-term orientation and satisfaction with the relationship between the exporter and importer. Focus on relational exchange
Huntley (2006).	RQ is defined as the degree to which buyers are satisfied over time with the overall relationship as manifested in product quality, service quality, and price paid for the value received and the degree to which the relationship functions as a partnership.

### 3.0 Methodology

#### 3.1 Meta-analysis

Meta-analysis was used to analyse and summarise the finding of previous research in order to understand the major outcomes and consequences of relationship quality in business-to-business as well as franchising business. Meta-analysis is defined as “*type of research report in which the author integrates the finding of many research studies by evaluating the results of individual studies and deriving an overall numeric index of magnitude of results*” (Creswell, 2008). In short, the meta-analysis is about analysis and summaries of the results from many prior studies (Creswell, 2008). Meta-analysis can enhance the literature review to be more systematic and helps to answer the research question in the current study (Jitpaiboon and Roa, 2007).

#### 3.2 Sample

The sample of literature used in this meta-analysis, was obtained through a computer search of the EBSCO and ABI/INFORMS databases with key words such as relationship quality, franchise relationship and B2B relationship. The following journals in the areas of marketing, marketing management and general management were examined. The list of journals to be included in this study are Academy of Marketing Science Journal, European Journal of Marketing, Industrial Marketing Management, International Journal of Organizational Analysis, International Journal of Research of Marketing, and Journal of Business & Industrial Marketing, Journal of Business Research, Journal of Hospitality & Tourism Research, Journal of Marketing, Journal of Marketing Channel, Journal of Marketing Research, Journal of Operation Management, Journal of Services Industry, Journal of Services Marketing, Journal of Small Business Management and Journal of Strategic Marketing.

The articles were examined and those that empirically analysed the relationship between RQ and performance using perceptual data were considered. Papers that were categorized under conceptual and case study were excluded. For each study, the reliabilities of both dependent and independent variables are expected to be known. The paper looks for information pertaining to sample size, correlation between RQ and firm performance and reliability of the constructs. Because this analysis is focused on the link between RQ and organizational outcomes performance, we included only studies that report dyadic data that links RQ dimensions (trust, commitment and relationship satisfaction) to business performance, relational benefits and satisfaction with partnership venture.

Data were collected from 20 studies that appeared in 16 journals. The articles were published from 1990 to 2009 and they reported the value of alpha from archived journal articles. From the results of the articles reviewed, the overall analysis showed 69 correlations in 20 studies with cumulative sample size of 3,973 (refer Table 2). The number of articles related to RQ was found to increase drastically from decade to decade, especially from the 1990s (3 articles) to 2000 (17 articles). Another important finding was that majority of the articles were conducted in USA (9 studies) and this was followed by European countries (8 studies). Only five studies were conducted in Asia, such as China (1 study), Taiwan (1 study), Hong Kong (2 studies) and Saudi Arabia (1 study). For the type of organizational setting, a majority of the studies in RQ research dealt with buyer-seller (10 studies) and seven (7) were about the services of provider-client. Only five (5) studies were found to discuss RQ in franchise relationship empirically.

Table 2: The details of studies reviewed in RQ.

Study	Type of Organization	Sample Size	No of reliability coefficient
Abdul-Muhmin (2005).	Buyer-seller	282	2
Bordonaba-Juste & Polo-Redondo (2008a).	Franchise -franchisee	102	6
Bordonaba-Juste & Polo-Redondo (2008a).	Franchise -franchisor	107	6
Bordonaba-Juste & Polo-Redondo (2008b).	Franchise	102	1
Caceres & Paparoidamis (2007).	Services provider-client	234	2
Chiou, et al. (2004)	Franchise	118	2
Crosby et al. (1990).	Agent-client	296	4
Dickey et al., (2007).	Franchise	97	4
Ganesan (1994).	Buyer-seller-retailer	124	3
Ganesan (1994).	Buyer-seller-vendor	52	3
Gounaris (2005)	Services provider- client	127	6
Gounaris and Venetis (2002).	Services provider- client	152	2
Handfield and Bechtel (2002).	Buyer-seller	97	1
Hausman (2001).	Buyer-seller	92	6
Hewet et al. (2002).	Buyer-seller	113	2
Lages et al. (2005).	Export-import	111	2
Langerak (2001).	Buyer-seller	72	4
Liu et al. (2009).	Buyer-seller	225	1
Moorman et al. (1992).	Services provider- client	779	2
Sin et al. (2006).	Services provider- client	68	2
Ulaga and Eggert (2006).	Buyer-seller	421	6
Wong et al. (2008)	Services provider- client	202	2
<b>TOTAL</b>		<b>3973</b>	<b>69</b>

#### 4.0 Findings and Discussion

Studies of RQ were found in different business-to-business settings, such as in the contexts of buyer-seller (e.g., Ganesan, 1994; Hausman, 2001), supplier-manufacturer (e.g., Langerak, 2001), manufacturer-distributor (e.g., Dwyer and Oh, 1987), franchisor-franchisee (e.g., Rodriguez et al., 2005) and salespersons-client (e.g., Crosby and Cowles, 1990). There is no consensus on the dimensions of RQ measure. All the above relationships have been derived from different inter-firm cooperation such as alliance, partnerships, joint-venture, licensing, dealership and franchising. In business-to-business relationship, the approaches are based primarily on the assumption of relational behaviour and mutual acceptance of reciprocity and guided by the nature of organisational contract (Dwyer et al., 1987, Stern, 1997). This scenario creates the intensity of interaction in organizational relationship, which is more formal and more intense, to operate the business transaction in day-to-day operation.

Many studies related to RQ (e.g. Crosby et al., 1990; Morgan et al., 1994; Ganesan, 1994; Kumar et al., 1995; Doney & Cannon, 1997; Bordonaba-Juste & Polo-Redondo, 2008; Fynes et al., 2008; Wong et al., 2008; Liu et al., 2009) use a different dimensions in various research contexts and business settings. Nevertheless, the authors agreed that the concept of RQ is a higher order construct that consisted of several distinct but related dimensions (Rauyren and Miller, 2007). These dimensions of RQ are *trust* (Crosby et al., 1990; Ganesan, 1994; Hausman, 2001; Hewet et al., 2002; Chiou, J.S. et al., 2004; Ulaga and Eggert, 2006; Dickey et al. 2007; Bordonaba-Juste & Polo-Redondo, 2008a), *commitment* (Moorman et al., 1992; Hausman, 2001; Abdul-Muhmin, 2005; Ulaga and Eggert, 2006; Skarmeas et al., 2008), *satisfaction* (Crosby et al., 1990; Langerak, 2001; Lages et al., 2005; Abdul-Muhmin, 2005; Ulaga and Eggert, 2006; Rauyruen & Miller, 2007; Caceres et al., 2007; Skarmeas et al., 2008), *cooperation* (Langerak, 2001; Fynes et al., 2004; Rodriguez et al., 2005; Fynes et al., 2008), *communication* (Fynes et al., 2004; Lages et al., 2005; Rodriguez et al., 2005; Sin et al., 2006; Fynes et al., 2008) and lastly *conflict* (Kumar et al., 1995; Brown & Dev, 1997; Skarmeas et al., 2008).

Next, we will identify the most important components of RQ that being proposed to measure the RQ in franchisor-franchisee relationship perspective. We will discuss the details of RQ's dimensions and identify their reliability and validity.

#### 4.1 Dimensions of RQ

The important dimensions to characterize RQ that have been used in the cited studies are identified as trust, commitment and satisfaction. Morgan and Hunt (1994) who developed the Commitment-Trust Theory in relationship marketing stated that trust and commitment are very important dimensions in defining RQ. We will include the selected variables that most cited in marketing relationship literatures in developing and constructing the concept of franchisor and franchisee relationship, such as:

##### 1) Trust

Trust is considered as an important construct that can contribute to a positive outcome and improves the confidence level in any relationship between two parties. However, there is no universally agreed model of trust or a common definition. Trust has been defined in various ways in the marketing literature. For example, Moorman et al. (1992) defined trust as “a willingness to rely on an exchange partner in whom one has confidence”. Anderson and Narus (1990) defined trust as “the firm’s belief that another company will perform actions that will result in positive outcomes for the firm, as well as not to take unexpected actions that would result in negative outcomes for the firm.”

Trust is identified as a feature of relationship quality (Moorman et al., 1992). Trust has generally been described through two different components namely: trust in the partner’s *credibility* (or honesty/integrity) and trust in the partner’s *benevolence* (Ganesan, 1994; Kumar et al., 1995; Mayer et al., 1995; Andaleeb, 1996). Credibility refers to the extent to which one partner believes that the other has the required expertise to perform the job effectively and reliably; while benevolence refers to the extent that one partner believes that its counterpart has intentions and motives that are beneficial to the former when new conditions arise (Monroy and Alzola, 2005).

From the franchisee’s perspective, trusting in the franchisor’s honesty is positively related to franchisee’s perceived RQ and satisfaction in their franchisor (Dickey et al., 2007). Bordonaba-Juste and Polo-Redondo (2008) also supported the importance of trust in franchisor-franchisee relationship. They found that franchisees’ trust in their franchisor affects their commitment, satisfaction and intention to continue to a greater extent in short-term relationships.

Trust in the partner's credibility refers to partner's expertise and reliability and from the franchising perspective the franchisee can rely on the franchisor's word or written statement (franchise contract). This dimension consists of consistency, stability, and control over the pattern of behaviour exhibited (Ganesan, 1994). Mayer et al., (1995) defines benevolence as the extent to which a trustee (franchisor) is believed to want to do good to the trustor (franchisee) with honesty. Ganesan (1994) noted that the trust of partner's benevolence focussed on the motives and intentions of exchange partner. This dimension encompasses the qualities, intention and characteristic attributed to the partner rather than its specified behaviors (Ganesan, 1994). In franchising context, the franchisee believe that its franchisor which be able to perform effectively and reliably (credible) and with the customer's best interests (benevolence) in mind.

## 2) Commitment

Several studies have noted that commitment is an essential ingredient for successful relationships (Dwyer et al., 1987; Ganesan, 1994; Andaleeb, 1996). Commitment is important insofar as it results in cooperation, reduces the potential of attractive short-term alternatives and enhances profitability (Morgan and Hunt, 1994; Andaleeb, 1996). Meyer and Allen (1991) have conceptualized commitment at three levels, namely affective, continuance (calculative) and normative commitment. However, most researches used the two levels of organizational commitment namely: affective commitment and calculative commitment (Mathieu & Zajac, 1990; Gounaris, 2005). Ko et al., (1997) argued that the concept of normative commitment is troublesome which in that it overlapped with affective commitment. Both affective and calculative commitment have positive relate to the partner's loyalty intention to remain in the business relationships (Ruyter et al., 2001). Geyskens et al. (1996) argued that the differences in affective commitments are most commonly referred to in the literature and forms the most important type in inter-organizational relationships.

In general terms, affective commitment relates to the desire to continue a relationship due to the positive effect toward, and identification with the partner. (Kumar et al., 1995). In contrast, calculative commitment is a more instrumental type of commitment and is based on the extent to which partners perceive the need to maintain the relationship due to the significant anticipated termination or switching costs associated with leaving (Geyskens et al., 1996). The previous studies related organizational behaviour have conceptualized affective and calculative commitment as being independent whereby the affective commitment does not affect the calculative commitment and vice versa (Allen and Mayer, 1991, Geyskens, et al., 1996). Trust have a direct influence on commitment whereby, trust reduced the partner perceived risk and vulnerability in relationship and lead to a higher commitment to the relationship (Ganesan, 1994). In ensuring the successful relationship, trust has been posited as a major determinant of relationship commitment (Morgan and Hunt, 1994). Indeed, previous empirical researches have supported that trust is positively related to organizational commitment (Brockner et al., 1997; Aryee, Budhwar, & Chen, 2002).

In franchising, commitment is referring to franchisee to comply the terms and condition that legalized in franchise contract and other agreements (Williamson, 1993). The commitment of franchisors and franchisees are important in protecting specific assets invested in the relationship such as franchisee investment (franchise fees, initial investment, royalties etc) and franchisor investment (branding, trademark, manual of operations package, training etc.). In order to reduce the risk of failure in this franchising business, franchise will develop their commitment to their franchisor by following all requirements required in franchise agreement and contract. Bordonaba-Juste and Polo-Redondo (2008) found that franchisee

commitment has a positive direct effect on franchisee satisfaction. Moreover, their finding suggested that commitment has mediating effect in determining satisfaction as the organizational outcomes. Thus, in franchising, organizational commitment is shown as an essential variable for franchisor-franchisee relationship success. In this study, we will consider commitment as an antecedent of satisfaction because most studies have identified satisfaction as the foundation of commitment (Brown & Peterson, 1993; Mohr, Fisher & Nevin, 1996).

From meta-analysis, numerous studies have found that commitment is related positively to a higher performance level (Singuaw et al., 1998; Hausman, 2001), meanwhile other studies were found that commitment is positively correlate with relational benefits outcomes such as loyalty (Caceres and Paparoidamis, 2007), intention to continuance (Bordonaba-Juste and Polo-Redondo, 2008a; Gounaris, 2005) and intention to invest / expansion (Ulaga and Eggert, 2006; Gounaris, 2005).

### 3) Relationship Satisfaction

Another dimension commonly discussed with RQ is relationship satisfaction. Geyskens, Steenkamp and Kumar (1999) have defined relationship satisfaction as “a positive affective state resulting from the appraisal of all aspects of firm’s working relationship with another firm”. Satisfaction plays an important role in relationship and leading to fewer terminations of relationships (Ganesan, 1994). Moreover, Dwyer and Oh (1987) have suggested that satisfaction is a significant criterion for evaluating channel relationships.

The role of satisfaction in business-to-business context remains unclear because it acts both as antecedents and outcomes (Farrelly and Quester, 2005; Schmitz and Wagner, 2007). For example, numerous studies have examined satisfaction as an outcome of relationship process (Hausman, 2001; Selnes, 1998) and other studies have conceptualized satisfaction as either an antecedent (Langerak, 2001; Abdul-Muhmin, 2005; Lages et al., 2005) or as a mediating variable (Patterson & Spreng, 1997) that explain relationship success and longevity. Most studies have used satisfaction, trust and commitment as the main dimensions of RQ which represent important characteristic of the quality of relationship among channel members (Geyskens, Steenkamp & Kumar, 1999).

In our meta-analysis, most studies have conceptualized satisfactions as an antecedent to relational benefits (Crosby et al.,1990; Ganesan,1994; Lages et al., 2005; Langerak, 2001; Abdul-Muhmin, 2005; Ulaga and Eggert, 2006). For instance, it has been empirically found that satisfaction leads to long term relationship orientation (Ganesan, 1994), increases the intention to expand business with partner, and decreases the propensity to leave (Ulaga & Eggert, 2006), and influence on the customer’s anticipation of future interaction with the salesperson (Crosby et al., 1990).

In a franchising organization, satisfaction highlights the importance of mutual agreement between franchisor and franchisee pertaining contractual obligation, goal achievement and the franchisor fairness among franchisees (Davies et al., 2009). The evaluation of franchisee satisfaction is based on the franchisee’s experience with the sum total of products and transactions during the life span of the franchising relationship. Franchisee’s satisfaction towards franchisor will positively affect franchise performance (Dickey et al., 2007). Indeed, Morrison (1997) noted that satisfied franchisees are likely to be more profitable than dissatisfied franchisees. Furthermore, franchisees who are satisfied and profitable are likely to expand their business by opening new outlets and to promote prospective franchisees to join the franchise system (Dickey et al., 2007).



#### 4.2 Reliability coefficient of relationship quality measure.

The sample sizes of 69 reliability coefficients were obtained from our meta-analysis. This analysis was used to determine the influence of research setting attributes (journal name, year of publication, country etc.) on reliability by comparing the means value reliability coefficient. The scale reliability for reported coefficients was higher than reported than the value recommended by Nunnally (1978), which is 0.7 for preliminary research. Most of the reliability value was found to exceed the critical value of 0.7 (mean score for trust and commitment are 0.8530 and satisfaction is 0.9000). Meanwhile, the mean score for overall RQ reliability coefficient is 0.858, which exceeded from 0.70 values. Thus, the reliability of RQ dimension is acceptable for further data analysis.

Table 3: Results of Meta-analysis

RQ Dimension	Success Variable	Mean effect	Effect Size	No of effect size	Total sample size
Trust	Performance	0.306	Medium	9	1769
	Relational Benefits	0.381	Large	22	3419
	Satisfaction with partnership venture	0.583	Large	8	822
Commitment	Performance	<b>0.270</b>	Medium	2	871
	Relational Benefits	0.188	Medium	13	2482
	Satisfaction with partnership venture	0.654	Large	4	403
Relationship Satisfaction	Performance	0.370	Medium	4	551
	Relational Benefits	0.126	Medium	6	1596
	Satisfaction with partnership venture	0.730	Large	1	111

#### 4.3 Outcomes of RQ

The next agenda in this paper is to discuss the major outcomes of RQ. Research has shown that the outcomes of RQ are the results of many different factors, such as setting and type of business (service or product-related). From previous studies, the empirical results for RQ outcomes can be categorised into three (3) major categories:

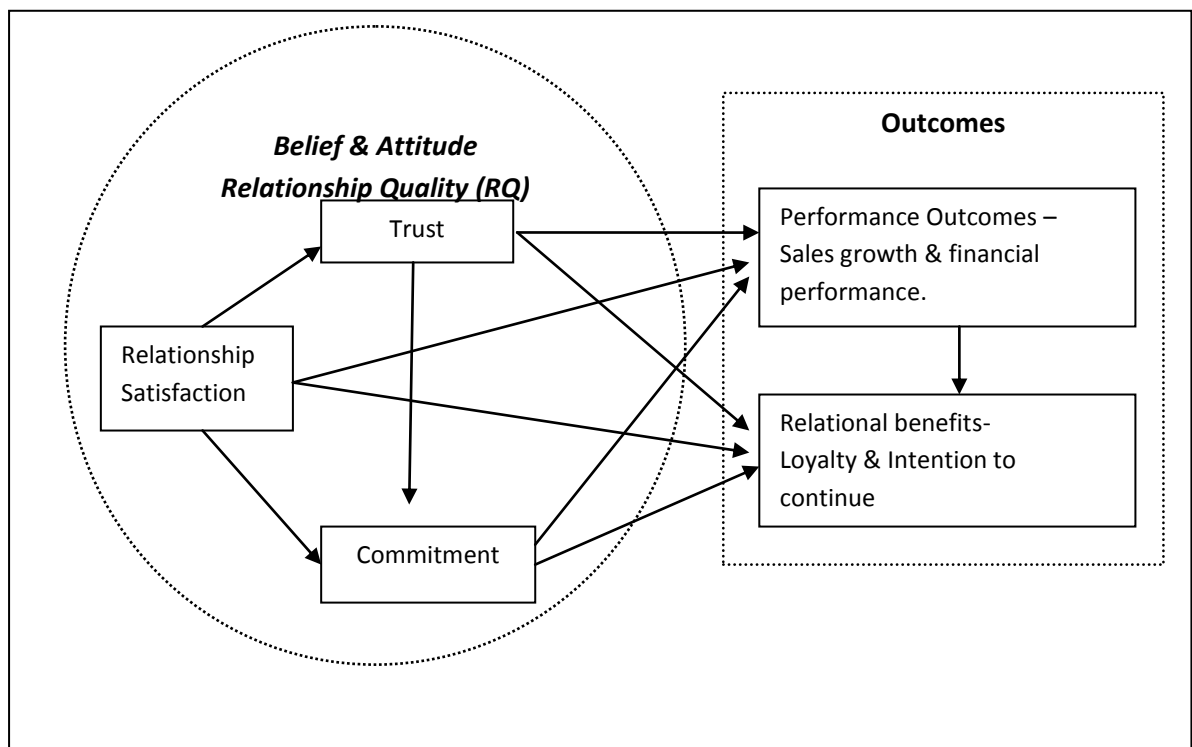
- 1) **Relationship performance:** This includes export performance (Lages et al., 2005), supply chain performance (Fynes et al., 2004; 2008), sales effectiveness (Crosby et al., 1990), financial performance (Sin et al., 2006; Langerak, 2001), marketing performance (Sin et al., 2006; Huntley, 2006), market utilization (Moorman et al., 1992); customer sales volume & sales growth (Huntley, 2005); share of purchases (Doney et al., 2007); relational performance (Liu et al., 2009).
- 2) **Relational benefits :** This includes anticipation of future interaction (Crosby et al., 1990; Doney and Cannon, 1997); relationship enhancement and continuity (Selnes, 1995); maintenance of relationship and partner investment in relationship (Gounaris and Venetis, 2002); behavioural intention (Ulaga and Eggert, 2006); propensity to terminate the relationship (Morgan and Hunt, 1994; Abdul-Muhmin, 2005; Ulaga and Eggert, 2006; ), recommendation intention (Hutley, 2005); purchase intention (Hewet et al., 2002; Rauyruen and Miller, 2007); attitudinal loyalty (Rauyruen and Miller, 2007; Caceres and Papparoidamis,

2007; Doney et al., 2007; Wong et al., 2008); perceived RQ (Dickey et al., 2007); compliance and non-compliance with franchisor directive (Dickey et al., 2007); intention to continue (Bordonaba-Juste and Polo-Redondo, 2008); vulnerability-based commitment (Wong et al., 2008); cooperation & functional conflict (Morgan and Hunt, 1994; Hausman, 2001); long term orientation (Ganesan, 1994)

- 3) **Perceptual or Attitudinal satisfaction towards performance.** The outcomes of attitudinal satisfaction including satisfaction with franchisor (Dickey et al., 2007; Bordonaba-Juste and Polo-Redondo, 2008a; Bordonaba-Juste and Polo-Redondo, 2008b), economic satisfaction and non-economic satisfaction (Farrelly and Quester, 2005; Rodriguez et al., 2005).

Based on the above categorization, it is found most of the studies in business-to-business context focussed mainly on business and channel performance to measure the RQ outcomes; while in services setting, studies tend to focus more on relational benefits. On the other hand, studies on franchising organization highlight attitudinal satisfaction toward partnership venture. Surprisingly, the important outcomes of RQ in franchise organization have not been a focus in business performance. The franchisor-franchisee RQ outcome is more focused on partner's satisfaction that will determine the continuity of business in a long run ( Chiou et al., 2004; Dickey et al., 2007; Bordonaba-Juste and Polo-Redondo, 2008). This is supported by the findings in B2B studies, where partners who are satisfied will wish to maintain their relationship in the long run (Ganesan, 1994; Patterson & Spring, 1997). In the franchise field, Walker (1971) found that satisfied franchisees were more likely to earn higher annual income and/or higher total volume than dissatisfied franchisees. Even though, the finding of our meta-analysis found satisfaction as an important outcome in franchising, the role of satisfaction in business-to-business context remains unclear because it acts both as an antecedents and an outcomes (Farrelly and Quester, 2005; Schmitz and Wagner, 2007). We believe satisfaction to be an antecedent rather than the outcomes for franchising relationship which is in line with Dorsh et al., (1998) who argued that satisfaction with relationship is considered to be a key dimension of RQ between buyer-seller firms. This suggests the need to include relationship satisfaction as an RQ dimension study. The proposed framework for measuring RQ in franchise business is follows:

Figure 1: The proposed conceptual framework.



## 5.0 Conclusion

The major finding derived from this study showed that the RQ is a very broad field and no consensus was found to explain the precise meaning of RQ. Most of the studies use different dimensions in measuring RQ and the directional link between the RQ and other relationship concepts are still not clearly delineated. There is no accepted framework to be used as the main reference in explaining the antecedents, dimension and outcomes for RQ. Many researchers agreed that the concept of RQ still lacks a formal definition and receive limited attention in relationship marketing literatures (Hennig-Thurau et al., 2001; Huntley, 2006). Our meta-analysis identified three (3) major dimensions of RQ that were identified; trust, commitment, and relationship satisfaction, that have been used frequently in business-to-business setting. Meanwhile, the outcomes of RQ identified in most studies are performance, relational benefits and satisfaction toward partnership venture.

This study used meta-analysis to find the consensus on issues regarding RQ measurement reliability and the relationship between RQ constructs with business performance. By using 24 studies from 17 journals (mostly in the marketing and business research), 83 correlations were used in meta-analysis with a cumulative sample size of 3973. Most of reliability coefficients in this study were found at satisfaction level which exceeded above a recommendation value suggested by Nunnally (1978) of 0.70. Almost all coefficients value (97.5%) was reached at above 0.70 and only 2 studies (2.5%) were found less than 0.70 for RQ measurement reliability. The mean value of coefficients found in this study is 0.8583. This finding suggests that the instrument's reliability is achieved at an acceptable level, which is above 0.70. Therefore the results are much more accurate and thus the instrument's reliability in business-to-business perspective is considered as reliable.

The results of this meta-analysis show that all RQ dimensions (such as trust, commitment, relationship satisfaction) are positively related to business performance, relational benefits and satisfaction with partnership venture. From the meta-analysis results reported in **Table 3**, the mean effect size ranges from 0.126 to highest of 0.73. The results also show that all the three dimensions of RQ such as trust, commitment, and relationship satisfaction, have been found to have the highest mean effect towards satisfaction with partnership venture (0.583, 0.654 and 0.730 respectively). All three dimensions were also found to have a medium mean effect towards performance with mean effect scored at 0.306 (trust), 0.270 (commitment) and 0.370 (relationship satisfaction). For relational benefits, only two dimensions of commitment and relationship satisfaction were found to have a medium mean effect of 0.188 and 0.126 respectively, while trust was found to have a high mean effect at 0.381. The rating of mean effect in this study, as per guided by Cohen (1998) was ranged from medium to large. This result showed that, the RQ dimensions (trust, commitment and relationship satisfaction) have a larger effect size towards satisfaction with partnership venture compared to company performance and relational benefits. This finding also highlighted the important of satisfaction with dyad partner (e.g. buyer-seller, franchisor-franchisee). In a business relationship, giving one's high attention is of the utmost importance in order to ensure a long lasting and sustainable partnership.

In conclusion, the outcomes of RQ have proven to be important in the franchising. Satisfaction among franchisor-franchisee is to be important in determining the quality of franchising relationship. The development of a scale to measure the RQ in a franchisor-franchisee relationship is critical in predicting important relational outcomes from the firm's perspective. As it is inter-organizational dependency in the franchise system, one firm's success will depend on each other, achieving congruent goal results in the satisfaction of both parties for a long term business relationship.

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