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Successful internationalization of a franchise: Learnings from Keller Williams Portugal

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Abstract

The conceptual model based on existing literature describes how franchises can successfully internationalize their business. To validate the model, the case of the real estate brokering franchise Keller Williams with a focus on Portugal is analyzed. The model has three main levels of success factors: country-specific context, organizational structure and quality, and partner choice and quality. Furthermore, values and governance mode and business model maturity are moderators. Qualitative interviews with the two Co-CEOs of KW Portugal and the COO of KW Worldwide are conducted, and the relevant information is used to analyze what made this franchise so successful, trying to validate the theoretical framework. Most of the factors can be validated and the conceptual model can be used as a high-level concept to understand how franchises can successfully internationalize their business.

Keywords

Franchising; Internationalization; Keller Williams; Real Estate

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1. Introduction

In the past, more and more companies successfully used franchising to internationalize their business. Keller Williams, the world’s largest real estate franchise by agent count, is one of those success cases. Since 2012, they’ve successfully expanded to ~50 countries using master franchising, where the franchisee gets a license to build up their business in one specific country. This master franchisee can develop her own market with own offices and/or sub-franchisees. Since 2014, the franchise also operates in the Portuguese market. The Portuguese franchisee has since shown great success and could be described as the most successful office outside of North America. Using this success story a model with specific examples is developed, that describes how franchises can successfully internationalize their business.

2. Successful franchise internationalization: literature review and conceptual model

1) Main success factors

Country-specific context

The main country-specific determinants for the success of franchise internationalization are cultural distance, political context, geographic distance, economic development and legal context (Rosado-Serrano et al., 2018). A good economic development in the franchisee country also influences success, in particular, high growth, low competition, stable and predictable demand, and currency stability (Castrogiovanni, Combs, & Justis, 2006; Fladmoe-Lindquist & Jacque, 1995; Alon, 2006). Furthermore, legal and political factors can either increase or ease the risk of a franchise (Alon, 2006; Buchan, 2014; Huszagh et al., 1992). Hence, higher political and legal stability and lower legal restrictions favor the success of international franchises. Higher legal restrictions and an unstable political environment increase the probability of firms using a low control mode of franchising, e.g. master franchising and area development (Baena & Cerviño, 2012; Jell-Ojobor and Windsperger, 2014). Moving on, geographical and cultural distance negatively affect the incentive to internationalize a franchise business (Alon, 2006; Baena, 2012). Based on this, geographic and cultural proximity between the franchisor and franchisee country seem to have a positive effect on international franchises.

Organizational structure and quality

Limited financial resources, limited (international) experience, low management capabilities, low familiarity and knowledge of foreign markets and low-risk tolerance negatively influence a firms' motivation to expand overseas, in general (Aydin & Kacker, 1990; Eroglu, 1992; Fladmoe-Lindquist & Jacque, 1995; Alon, 2006; Altinay & Wang, 2006; Grewal et al., 2011). This means, that franchises could expect to be more successful when internationalizing their business when having more financial resources. Furthermore, a higher quality of the management, including more knowledge of the foreign markets, could also make a franchise internationalization more successful. Collective learning from each other's knowledge positively influences the decision to go abroad with a franchise (Grewal et al., 2011). This means, that an open-minded organizational culture of learning could help franchises to be more successful when expanding abroad.

Partner choice and quality

For a successful franchise internationalization, the complementary of the franchisor and the franchisee is key (Perrigot, López-Fernández, & Eroglu, 2013). The franchisor should provide economies of scale and risk-minimizing commercial knowledge as the key assets to make it a successful business relationship (Choo, Mazzarol, & Soutar 2007, Merrilees, 2014). The franchisee, on the other hand, should bring local market knowledge, e.g. on customer preferences or national regulations, and an entrepreneurial spirit to minimize operational and cultural risks, to the table (Choo, Mazzarol, & Soutar 2007, Merrilees, 2014). Furthermore, improving the bargaining position towards the local government and local suppliers by the local franchisee partner is another success factor (Durand & Wrigley, 2009). When choosing a franchisee partner, important partner-related selection criteria are the franchisee management's overall quality, and more specifically their marketing and financial skills (Merrilees, 2014). This means, that the franchisee management's general quality is very important for the success of the franchise internationalization. Moreover, choosing a partner with a system-wide view that works also on system-wide goals reduces the risk for the franchisor and is another success factor (Altinay & Wang, 2006). Successfully managing cultural differences by being aware of and respecting language barriers, differences in business practices, politics, and legal environment enhance a relationship of trust, which in turn influences the long-term viability of the franchise relationship (Altinay et al., 2014a & 2014b; Altinay & Brookes, 2012). The relationship of trust could be another very important factor for success. Good chemistry between individuals of both sides enhances the international franchise's success (Brookes and Altinay, 2011; Vaishnav and Altinay, 2009). Lastly, reputation, credibility, creditworthiness and profitability are commonly used factors considered when choosing a franchise partner, meaning these factors also determine the franchise success when choosing an international partner (Brookes and Altinay, 2011; Vaishnav and Altinay, 2009).

2) Moderators

Values

As mentioned in the country-specific context, the cultural proximity of the franchisor and franchisee could have a positive influence on tsuccess of the franchise. Moreover, having mutual values is used for a successful franchise partner selection (Brookes and Altinay, 2011; Vaishnav and Altinay, 2009). Cultural proximity and common values are considered not to be key determinants for success but could have an impact, nevertheless.

Governance mode and business model maturity

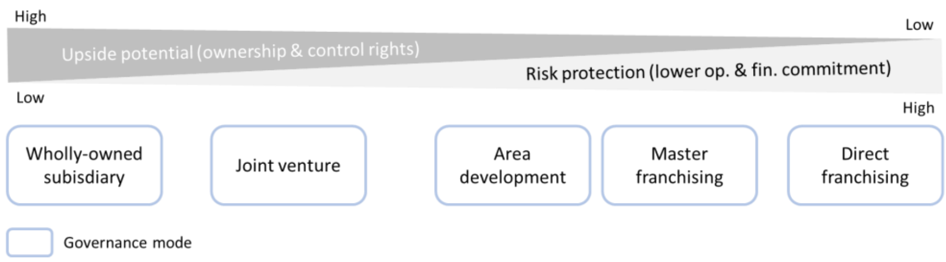

Figure 1. *Trade-off upside potential vs. risk protection for franchisor*

The three major governance forms for international franchising are direct franchising, master franchising and area development (Alon, 2006; Ryans, Lotz & Kramp, 1999). Besides these three main governance modes, plural entry forms, multi-unit franchising, a wholly-owned subsidiary or a joint venture are alternative governance modes. The wholly-owned subsidiary is the governance mode with the highest degree of control for the franchisor, followed by the joint venture, area development, master franchise, and direct franchising. The degree of control is determined by the allocation of ownership and decision rights (Jell-Ojobor and Windsperger, 2014; see *Figure 1*).

In direct franchising, the franchisee buys the whole business idea from the franchisor and can develop and steer her own network of franchises without intervention from the franchisor or any other third party (Baena & Cervino, 2014; Petersen & Welch, 2000). Besides a higher bargaining power and less commitment, franchisors could benefit from using direct franchising as a way to test markets with higher uncertainty before a bigger rollout.A master franchise contract gives the franchisee the right to own and operate franchise units in a specific area, as well as to be a sub-franchisor to other sub-franchisees (Brookes, 2014; Brookes & Roper, 2011). Hence, the beneficiary of the contract with the franchisor can be the agent to the franchisor and principal to sub-franchisees (Ni & Alon, 2010). Therefore, this type of contract is, in general, more complex. Area development allows the franchisee to autonomously govern and develop a, in cooperation with the franchisor, pre-defined area. The area developer owns the units and can act independently from the franchisor within his territory (Jell-Ojobor and Windsperger, 2014; Ni & Alon, 2010). Both master franchising and area development imply less financial and operational commitment and risk for the franchisor, on the other hand, the franchisor has less control over the franchisee and participates less in generated revenues with income for the franchisor generated primarily via initial development fees and ongoing royalty payments (Konigsberg, 2008; Jell-Ojobor and Windsperger, 2014). The master franchising gives the franchisor indirect control over sub-franchisees, the master franchisee is the intermediary (Jell-Ojobor and Windsperger, 2014). Multi-unit franchising is a form of franchising, where the franchisee owns more than one franchise outlet. It is a dominant form of franchising in some industries. Multi-unit franchisees rate the dependency on the franchisor higher, whereas they rate the financial benefits, the franchisor's experience and strategy lower than single-unit franchisors, as they can operate more independent from the franchisor, in general (Dant et al., 2011).

All in all, choosing a specific governance mode should not have a major influence of the franchise internationalization success, hence acts as a moderator in the conceptual model. Other factors might influence the governance mode decision and vice versa. Furthermore, having a mature business model is also expected to have a moderating influence on success, as a more mature business model could mean that adaption to another market is smoother or the other way around.

3) Conceptual model: how to be successful as an international franchise

Figure 2. *Conceptual model for successful franchise internationalization*

Summing up, success factors for internationalization of a franchise can be clustered in three main categories: organizational structure and quality, country-specific context and partner choice and quality. Furthermore, values and business model maturity and governance mode are moderating factors for success in this model.

In the country-specific context, a **positive economic development**, meaning high growth, stable and predictable demand, low competition, and currency stability, in the franchisee country determine success for a franchise internationalization. Moreover, **a stable political and legal environment** with low legal restrictions increase the probability of success. Lastly, **geographic and cultural proximity** potentially increase the probability of success.

One success factor regarding the organizational structure and quality is having more **financial resources** or no restrictions by limited financial resources. One important success factor is the **quality of the management**, including knowledge of the foreign market the franchise is expanding to. This is especially important for the franchisee management. Finally, an **open-minded organizational culture of learning** enhances success, so that franchisor and franchisee can learn and benefit from each other's knowledge and skills.

The partner choice and quality are another important part for the success of franchise internationalization. **The complementary of the franchisor and the franchisee** could be key. **Economies of scale** and **risk-minimizing commercial knowledge** through the franchisor could be two other important success factors. On the other hand, **local market knowledge**, an **entrepreneurial spirit** and an **improved bargaining position** towards the local government and local suppliers could be the major success factors through the franchisee. Furthermore, the **franchisee management's overall quality** and a **system-wide perspective** could play an important role in the franchise internationalization's success. The relationship should be built on trust, by successfully managing cultural differences. Next, good **chemistry** between individuals could play a minor role for the success. Finally,

reputation, credibility, creditworthiness and profitability are factors that might influence the franchise's success.

Besides these main factors, the factors **values**, **governance mode** and **business model maturity** act as a moderator on success and are considered as such in the conceptual model.

3. The development of the real estate brokering market

The real estate brokering market used to be a very fractioned market, with many locally operating single-office brokers that employ between 10 and 15 salespeople. Brokers usually had ownership over their business and ultimate responsibility for each transaction. Salespeople focused more on delivering high-quality service to home buyers and sellers. More or less two decades ago, regionalization of the real estate brokering market started. This means, that one broker now owned more than one office, which meant in total he oversees more salespeople, therefore has less control over quality. As a response, managing brokers were installed as office managers to ensure quality to the client. The client-centric business model ensured that companies delivering high-quality service to the client were more successful. Furthermore, through regionalization the companies could exploit economies of scale by spreading e.g. development cost of new services over a higher sales volume. Those regional businesses started to get hold of the idea of franchising, so they can further combine the advantages of both being a big company and a small company. Companies like RE/MAX, Keller Williams or Century 21 evolved and regional companies like Coldwell Banker started franchising by only providing the name/brand, with no ownership whatsoever over all franchisees. The franchises started to shift from being customer-centric towards being agent-centric. With higher commissions and other promises, they tried to maximize the number of agents in order to increase sales volume, the volume per agent was not important to most franchisors and a lot of agents were in the business as a side job. Nowadays the agent-centric model is the industry standard in real estate brokering and companies like Keller Williams successfully expanded their franchise overseas.

4. The Keller Williams story: from a local broker to a global giant

Keller Williams Realty is nowadays the leading international real estate brokerage franchise by agent count worldwide, before its main competitors RE/MAX, Century 21, Coldwell Banker and HSA. Furthermore, the company is market leader in terms of unit and sales volume in its core market USA. They operate in the residential and commercial housing market, with 1,000+ offices and 180,000+ associates worldwide (Keller Williams, 2019a). Keller Williams Realty was founded by Gary Keller, who is today still CEO of Keller Williams, and Joe Williams in 1983 in Austin, Texas. Within two years, Keller Williams becomes the largest single-office real estate company in the Austin metropolitan area, with over 70 associates. The crash of the U.S. housing market in the 1980s caused some trouble for Keller Williams, shrinking to around 40 associates and top agents leaving for a local competitor in 1986. This led Keller Williams to rethink their business model by asking their top agents: *"How can we run the company in such a way that you achieve everything you want and at the same time we achieve everything we want?"* The outcome is one of the main success factors for KW during the last three decades (Keller Williams, 2019b).
The Keller Williams business model is an agent-centric model. The main idea is that the company should work for the agents and that by treating their people right and build and grow them, the company will also be the most successful (Keller Williams, 2019b).

The KW business model (Keller Williams, 2019b)

The agent-centric, interdependent business model puts the agent first. Firstly, the commission split is fixed at 70% for the agent, 30% for the company. Second, the agents are treated as equal business partners and not as customers. Third, the company installed a profit-sharing system with the agents. This binds them more to the company and makes them look at the big picture, as everyone profits from overall company growth. Fourth, the open book concept gives full transparency within the company. Fifth, agents' opinions are incorporated in decision making via the Agent Leadership Council, again making the agent feel more part of the bigger picture. Lastly, the training is the best in the industry and enables all agents to thrive. Overall, the company aims to provide the best value proposition for the agents.

In just one year, the agent count rose from around 40 to around 130 agents (Austin Business Journal, 1998). Two years after implementing this new interdependent business model, the company became No.1 in the Austin real estate market and never lost its leading position (Franchise Help, 2019).

Expansion and franchising in the US and Canada

In 1991, Keller Williams starts its franchising model with two offices each in Austin and San Antonio. Two years later, the company opens its first office outside of Texas, in Oklahoma, which became the most successful single-office real estate firm in that state since then (Austin Business Journal, 1998). In 1997's Franchise Gold 100 list, Keller Williams is ranked 84th best franchise in the US, operating in 15 states with around 60 locations and sales of around $2.2 billion (Vyas, 1997). One of the main success factors seems to be the higher commission split for the agents, as many agents switched from competitors to Keller Williams. The typical commission split in the industry at that point was 50/50, whereas Keller Williams gave 70% to the agents (Pleasant, 2003). In 1998, the franchising business expands to Canada (Keller Williams, 2019b). In the US, the franchise grew to 5,300 agents and 86 offices (Couret Jr, 1999).

Real estate crash and financial crisis in the mid-2000s plus turnaround

Gary Keller publishes "The Millionaire Real Estate Agent" in 2004, including techniques and models to be a successful real estate agent. The book became very popular amongst real estate agents and is based on the successful development of Keller Williams (Keller Williams, 2019b). The housing market in the US sees years of strong growth in the first half of the 2000s, with housing prices peaking in 2006. The burst of the housing bubble in the following two years causes the following financial crisis and one of the biggest recessions worldwide. Keller Williams used the real estate crisis as an opportunity for growth, building on its unique business model that shows its strength towards its competitors in these adverse market conditions (Keller Williams, 2019b). In 2008, they publish the book “Shift” as a reaction. The New York Times best-seller presents ways how to be successful as a real estate agent even in an adverse market. Also, this signals to the market and their agents that Keller Williams and their agents will remain successful in the future. Furthermore, the launch of “Luxury Homes by Keller Williams” in 2007 is the entry into the luxury real estate market for the company. This new sub-division includes new branding, new marketing materials, training and the introduction of an agent-to-agent referral system. The main reason for this step is that the luxury real estate market is more stable and outperforms the normal residential real estate market (Keller Williams, 2007). One year later, the company expands its business to the commercial real estate market, launching “Keller Williams Commercial” (Keller Williams, 2008). Specialized technology, marketing tools and new resources for the agents are introduced. The profit-sharing system is similar to the residential sub-division, but the commission split for agents is higher than for residential agents (Cronan, 2007). In 2008, Keller Williams became the third largest real estate agency in the US, surpassing its competitor RE/MAX. Two years later, the company surpasses Century 21 to become the second-largest real estate agency in the country, with around 78,000 agents. From 2005 to 2011, the number of offices increased by 40% in North America (Egan, 2001).

International franchising success since 2012

The launch of the new subdivision "Keller Williams Worldwide" in 2012 is the beginning of the internationalization of the franchise, with the first office in Vietnam, followed by Indonesia and Southern Africa, in particular, South Africa, Namibia, Swaziland, Lesotho, Botswana, Zimbabwe, Mauritius, and Mozambique the same year (Steele, 2012). One year later, the expansion continues to Germany, UK, Austria, Switzerland, and Turkey (Garrison, 2014). The very same year, KW becomes the largest real estate franchise in North America, with around 90,000 agents (Keller Williams Worldwide, 2013). In 2014, KW expands to UAE and Mexico, growing to over 100,000 associates (Keller Williams Worldwide, 2014a & 2014b). In the following year, the franchise expansion continues to Costa Rica, Spain, China, Colombia and Belize, and becomes the largest real estate franchise by agent count worldwide, with 112,000 agents, 700,000 units sold, $185bn sales volume and $5bn commissions earned (Keller Williams Worldwide, 2015a, 2015b, 2015c, 2015d). In 2016, KW opens offices in Israel, Nicaragua, France, Monaco, Poland, and Panama (Keller Williams Worldwide, 2016a & 2016b). The following year, the expansion continues to Jamaica, Puerto Rico, Bermuda, the Philippines, Czech Republic, Greece, Cyprus, and Romania (Keller Williams Worldwide 2017a, 2017b and 2017c). In 2018, Keller Williams further expands to seven new countries, with Argentina, Belgium, Luxembourg, Cambodia, Trinidad & Tobago, Ireland and Chile (Keller Williams Worldwide, 2018a, 2018b, 2018c, 2018d, 2018e, 2018f). In their core market North America, Keller Williams closes $332bn in sales volume, and Keller Williams Worldwide adds another $4.5bn in sales volume outside of North America (Keller Williams Worldwide, 2019a). Finally, in 2019 KW Worldwide adds Morocco, Malaysia, and Japan to their operating countries (Keller Williams Worldwide 2019b & 2019c; BusinessWire 2019).

5. Keller Williams Portugal: Insights from a successful franchisee

The Portuguese master franchise is one of the most successful in the history of KW Worldwide. Since its launch in 2015, it has grown from ~700 to ~2,000 associates within three years. This is the fastest growth for any region in the history of the company. In terms of consultants, it is the largest region outside the US, covering around 23% of all consultants outside the US. KW Portugal has a total of 21 representatives and more than 1,900 consultants, as of 2019. (Keller Williams Portugal, 2019a). The company outperformed the market with a CAGR of 66% compared to 25% of the market from 2015 to 2018. In order to find out what are the main success factors for Keller Williams Portugal in the last few years, two qualitative interviews with the Co-CEOs of the Portuguese master franchise, Nuno Ascensao and Eduardo Garcia e Costa, have been conducted. To get also an outside perspective, a third qualitative interview with Ellen Curtis, COO of KW Worldwide, has been conducted. In the following, the results are presented and analyzed, comparing the insights from KW Portugal with the conceptual model on success factors for a franchise internationalization. The insights are further enhanced with publicly available information on and provided by Keller Williams.

The main success factors in **the country-specific context** are a positive economic development, a stable political and legal environment and geographic and cultural proximity.

Positive economic development

In general, both agree, that favorable market conditions make it easier to succeed, especially in the launching phase. In the first phase of KW Portugal, for example, the franchise and its agents have shown great success, even without learning and applying everything provided by KW. Nevertheless, being in a strong position in terms of size and growth as a competitive advantage, independent from the market conditions, is much more important, says Eduardo. For example, in 2011 still with RE/MAX, when market conditions haven’t been great in Portugal, their office was No.1 in Portugal. Having the best agents still made them successful in worse market conditions. Furthermore, in adverse market conditions the KW training would and will be more valued, predicts Nuno. When the market shifts, it will also be the biggest opportunity to gain market share, says Nuno. The exact same happened in the US for

KW after the burst of the real estate bubble in the late 2000s.

Stable political and legal environment

The good thing about the European market is, also from a political and legal perspective, that it is ready for franchises and already has lots of experience with it, says Eduardo. Hence, there is no limitation or bigger obstacle for launching a new franchise in Europe. In general, having legal and political stability could be more important in less developed markets.

Geographic and cultural proximity

For Eduardo, the geographic proximity to his sub-franchisees in Portugal is important. Regarding the relationship with KW US the transatlantic distance is no problem with today's communication technology and travel opportunities. Cultural differences are not that important, as all parties at KW speak "the language of businesspeople", according to Eduardo, which makes it easy to get along and understand each other. Speaking the same language obviously is key for that, so master franchisees and sub-franchisees should have sufficient knowledge of English.

The main success factors regarding the **organizational structure and quality** are financial resources, the quality of management, and an open-minded organizational culture of learning.

Financial resources

In Portugal, a minimum CAPEX requirement for sub-franchisees does not exist, though an office of minimum 450sqm is required. KW as a private company is relying on own funds, compared to its main competitors who are mainly publicly listed.

Quality of the management

Both Co-CEOs of KW Portugal have a strong business background of Co-CEOs: Eduardo was CEO of the Portuguese office of a top tier strategy consultancy, and Nuno worked for many years in investment banking. Additionally, they have experience of 14 years in the real estate brokering industry in Portugal now. They have built and developed their upper management team of five people around them and have been able to take them with them from RE/MAX to KW. The team consists of two former agents, two former staff and one from real estate. Hence, they understand the agent’s problems and needs well, which is very important if your goal is to serve the agents, says Nuno. KW US is still steered by founder Gary Keller as CEO. Gary Keller has proven to be a very innovative thought leader in the industry. For example, he and his team developed the unique KW business model and focuses since a few years on transforming KW into a tech company that serves both agents and clients. Before partnering up with KW and leaving RE/MAX, Nuno and Eduardo exchanged with KW staff and other people from the industry. Throughout that screening process, both had the impression that the quality of office owners at KW is above average compared to the market. One main reason for that are the KW models and systems applied by the office owners, assumes Eduardo. Moreover, the overall quality of human resources at Keller Williams is considered one of the best in the market and one of the main advantages, says Eduardo. This means that not only the quality of the management but of all employees, especially key staff like agents and office managers, is important for the success of franchise internationalization.

Open-minded organizational culture of learning

According to Eduardo, all agents are involved in decisions of the market center by incorporating their opinion via the Agent Leadership Council, hence the offices are no one-man show. This gives everyone a feeling of belonging to this real estate broker, and they do not see KW only as their employer. “Great leaders are great followers”, says Nuno, “and we are great followers”. This means being humble enough to recognize the work of Keller Williams and aiming to run business in Portugal as they run it in the US. And even before partnering up with KW, both Co-CEOs always tried to be great learners from other real estate people outside of Portugal and RE/MAX, so looking above the own horizon helped them become better in their actions. "We are both willing to ask and follow the best”, says Nuno. Inside the whole KW Worldwide organization, there are frequent calls with the possibility for all franchisees to participate in calls of the core market North America. Furthermore, frequent training and new content provided by the headquarter are a very central part of KW. According to Training Magazine, KW has the best real estate training in the industry worldwide. The most important programs are the following: Ignite, the on-boarding training to learn fundamentals and habits of successful agent, KW Connect, a platform where all associates worldwide can share content, interact and exchange ideas, Keller Williams University, a platform that provides online education for agents, and MAPS Coaching on how to use the KW systems like mindset techniques, business-building strategies, language techniques, and live lead generation activities. Frequent growth calls inside KW Worldwide have been started to open up to the whole staff of all market centers, showing the open and transparent culture of learning at Keller Williams. In general, inside the organization exists lots of communication, transparency, and exchange, even with the CEO of KW Worldwide, for example, says Nuno. He states that usually he talks to people who have the same problems as him to solve it, e.g. by first asking a colleague from another country. Respecting and sharing ideas on how to implement the provided models and systems is very vital from their perspective. Overall, the company mindset states people first, business second. This strong culture is not easy to copy and one of the main competitive advantages KW has.

The main success factors regarding the **partner choice and quality** are complementary of the franchisor and the franchisee, economies of scale and risk-minimizing commercial knowledge through the franchisor, local market knowledge, entrepreneurial spirit, and an improved bargaining position through the franchisee, the franchisee management's overall quality and a system-wide perspective, chemistry between individuals, reputation, credibility, creditworthiness, and profitability.

Complementary of the franchisor and the franchisee

For Eduardo, it is important that all KW members speak the same language, the language of business. The strategy for choosing sub-franchisees/office managers is to go after the right leaders with strong business knowledge, often from outside real estate. In the first phase, KW Portugal has been able to attract the most talented businesspeople to the organization. The current challenge is to get and develop the best agents in the market by showing them the growth opportunities at Keller Williams, says Eduardo. The recipe for success according to him is providing talent with opportunities and having a strong willingness to learn.

Economies of scale

One important competitive advantage and success factor for KW, and also for the Portuguese franchisee, is the exploitation of economies of scale. The average agents per market center ratio for KW Portugal is ~80, compared to ~25 at their biggest competitor RE/MAX. For Eduardo, the target for 2020 is ~200 agents per office on average, to even further exploit economies of scale and increase profitability. The biggest market center outside the US is in Portugal with 200+ consultants at the end of 2018. For KW Worldwide, the average is ~150 agents per market center compared to 30-40 at competitors. This increases profitability, as revenue from commissions is divided across a lower fixed-cost base (Larcker & Tayan, 2015). To conclude, this is a strong competitive advantage, but not necessarily a sustainable one, as other companies could follow the same strategy to catch up.

Risk-minimizing commercial knowledge (systems and models)

For Eduardo, the KW business model is an evolution of franchising. Whereas competitors like RE/MAX rather do brand franchising and focus on having a strong sales organization, the KW entrepreneurial model provides systems for agents and franchisees to have a large business inside KW by looking at the agent as a businessperson and partner, not a customer.

Local market knowledge

For Nuno and Eduardo, the experience and success from previous years at RE/MAX were crucial at the beginning of KW in Portugal. Moreover, they see it as a challenge to adapt the given models and systems to the Portuguese market, even though having local market knowledge is not considered to be crucial by both. For Ellen Curtis, COO of KW Worldwide, having local leadership in an industry like real estate, which always operates rather on a local level, is very important. Their local influence, network, and experience are key for their success, according to Ellen.

Entrepreneurial spirit

The entrepreneurial model makes the franchisee a business owner, hence an entrepreneurial spirit is required. The agents are seen as business partners with a defined cap on what you charge them, but no cap on what you provide them in terms of available knowledge, systems, and models, and how much commission they can make. For both Nuno and Eduardo, the decision to go into real estate came from the necessity to start something new. Eduardo knew that he wants to be the one in power, by becoming an entrepreneur and not being employed by anyone anymore. For KW Worldwide, choosing a true business leader as a master franchisee is, very important, says Ellen. The so-called career visioning process for choosing the right partner looks at people that can show entrepreneurial success, are leaders of leaders, and have a strong business plan. The two entrepreneurs Nuno and Eduardo follow a strong strategy: in the first phase, it was all about showing the market they are powerful and can be a big company by growing fast. Now in the second phase, the goal is to get the best agents in the Portuguese market and teach them to be strong businessmen. This plan of fast growth, then become more sustainable in the long-term, shows the entrepreneurial spirit that is necessary to succeed when starting a new franchise overseas.

Improved bargaining position

This is not so relevant in this specific case, even though a good reputation from running the

RE/MAX office successfully put them in a good place in the market and towards agents and home buyers and sellers. This would've been probably more difficult for KW in Portugal without having the local master franchisee. The local leaders are important for KW Worldwide, as they can use their local influence and network, says Ellen Curtis.

Franchisee management's overall quality and a system-wide perspective

The quality of the franchisee management has already been analyzed above. Having a system-wide perspective is important, as agents feel like not only working for the company but feel part of it. This is ensured by giving them a saying via the Agent Leadership Council and via profit sharing. All parties share the same values, not only the same business. One aspect of this is to learn from each other and everyone is aware that in order to be more successful they need the whole system and network.

Chemistry between individuals

One of the keys to the success of KW Portugal is the great chemistry and complementary between the Co-CEOs. Nuno and Eduardo share the same values, the same way of thinking and the same vision, which is to change the real estate brokering market in Portugal with the KW models. Also, they are complementary in functions: Nuno focuses more on the operations, is decisive and in Eduardo's words a "make it happen guy". Eduardo, on the other hand, focuses more on the overall strategy, is more analytical, and the "big decisions guy". Complete trust, respect, transparency, and confidence in each other's actions and decisions is key to their relationship. Decisions are always mutually, and both know when to involve the other one. Furthermore, both have a strong awareness of each other's strengths and weaknesses. Before going into business together they have been friends already and the launch of RE/MAX came from a similar position in life, as they both unexpectedly were looking for a new challenge and opportunity and decided to become entrepreneurs. The relationship and chemistry between the KW Worldwide HQ in Austin and Portugal are based on a high level of trust, achieved by sharing the same belief systems and culture on how to do business, which is people first, business second. Compared to other real estate franchises, KW cares about maintaining a continuous relationship between them and their franchisees, and to continuously learn from each other, says the KW Worldwide COO. Personally, Ellen Curtis describes Nuno and Eduardo as two of her greatest teachers about business and working and dealing with people the right way.

Reputation, credibility, creditworthiness, and profitability

Eduardo views the results, credibility, and reputation from the successful RE/MAX phase as a success factor in the beginning phase of KW Portugal. It can be a good baseline to start with, nevertheless, it should be built and further developed in the process. Besides the three main layers, factors like values, governance mode, and business model maturity play a moderating role when analyzing successful franchise internationalization.

Values

For Eduardo, it is important to surround yourself with people that have the same mindset and values. For example, when a colleague from the Turkey franchise visited, both Co-CEOs freed up all day to spend time with him. Having the same values and the same business helps overcome cultural differences. Furthermore, the mission of KW is to build businesses and people's lives, and everyone at KW knows that. The shared belief system "WI4C2TS" at Keller Williams incorporates the following: win-win, integrity, customers always come first, commitment in all things, communication, creativity, teamwork, trust and success defined as results through people.

Governance mode and business model maturity

From founder Gary Keller's perspective, the master franchise contract is the biggest asset for him. This makes sense, as it incorporates the main source of revenue for the franchisor via royalties. From a franchisee perspective, the type of contract does not play a crucial role, but rather the agreements and disagreements between all parties. Results give you freedom, not the contract itself, states Eduardo. Hence, for the franchisee the contract itself is not too important, but rather what the franchisor can provide them with. Regarding the business model, Nuno and Eduardo both recognized the KW business model as a clear evolution in the industry and different from RE/MAX, which was one of the main reasons to switch to KW. Moreover, it is always good to see proof of concept of the business model and a track record over a long period of time in North America, which ensures the partners to go with KW.

6. Conclusion

The conceptual model on success factors for franchise internationalization, based on existing literature, focuses on three main levels: country-specific context, organizational structure and quality, and partner choice and quality. Furthermore, values, governance mode, and business model maturity act as moderators. The analysis of the qualitative interviews with the two Co-CEOs of Keller Williams Portugal, as well as, the KW Worldwide COO demonstrates that many of these success factors can be found in the story of KW Portugal.

Success factors in the country-specific context have a minor influence and are not key determinants for success. A good economic development helps every business, especially at the beginning, establish a strong market position. Additionally, a stable political and legal environment from the beginning is a solid baseline for the franchisee, however, from a franchisor perspective it is less relevant as the business risk is more on the franchisee site anyways. Geographic and cultural proximity is of no big importance, as it can be easily overcome with technology, fast travel and making sure all stakeholders share the same set of values.

Success factors on organizational structure and quality are of more importance. Financial resources can be a limiting factor, but again, rather act as a minimum requirement for success with limited potential to further enhance success. The quality of the management, both on the franchisor and franchisee side is very important for the franchise success. This holds true even more for the franchisee management quality when internationalizing the business, as the franchise relies more on their ability to be successful in their local market, and as the case of KW Portugal shows, it is one of the key elements for success. Furthermore, the open-minded organizational culture of learning is one of the key elements of Keller Williams success. The reason is that knowledge transfers in both directions and having many sources of knowledge from all franchisees will enrich the whole organization when everyone has access to it and makes use of these opportunities.

The partner choice and quality also plays a bigger role in the franchise internationalization success. Together, the roles and expertise of the franchisor and franchisee are complementary to one another at Keller Williams and have potential for creating success within the company. Economies of scale are a major competitive advantage for KW and play an important role in the franchise success. This is reached through 1) using central knowledge, models, systems, and brand provided by KW Worldwide and 2) a high agent per market center ratio. Moreover, the risk-minimizing commercial knowledge in the form of models and systems of Keller Williams are crucial for success. Local market knowledge of the franchisee is important from both the franchisor and franchisee perspective, and it played a role in KW Portugal’s success but is not a central element. On the other hand, the entrepreneurial spirit and the franchisee’s overall management quality with a system-wide perspective are very important. In some industries, a better bargaining position by using a local franchisee helps, in real estate brokering and, in the case of KW Portugal, it played an insignificant role. To the contrary, chemistry between individuals, especially between the two Co-CEOs, but also between franchisor and master franchisee, are a vital element and can play a big role in the franchise internationalization's success. Reputation, credibility, creditworthiness, and profitability are factors to be considered when choosing the right partner, nevertheless, they are a minimum requirement to be successful in doing business. Values and culture play a bigger role than expected for Keller Williams and, do not only act as a moderating factor, but are just one piece of the puzzle that made this company so successful. Looking at the conceptual model, this means that values have a bigger role than just as a moderator. The governance mode acting as a moderator on franchise internationalization success can be validated by the case of Keller Williams. The master franchising as the governance mode has several implications for all involved parties but are not key to success. Finally, the business model maturity can be a factor when choosing a franchisor, even though the solidness and strength of the business model are more important than a long track record as proof. Also, in a dynamic environment, holding on to a business model for too long could be potentially bad with the risk of being disrupted before putting the business model in place as the franchisee. Overall, the conceptual model can be used to analyze a certain franchise on its success factors when going overseas and can, to some extent, explain a franchise's success. Nevertheless, the case of Keller Williams has many unique elements and further analysis of additional successful franchise internationalizations would be necessary to further sharpen and specify the model.

7. Outlook

Since 2015, Gary Keller started the transformation of Keller Williams into a tech company. Already four years earlier, in 2011, KW launched eEdge, the first integrated software solution in a top real estate franchise. Five years later, KW Connect is launched. It acts as a platform to share and create content and interact with each other, hence it is the central knowledge platform for the whole organization. In 2017, KW Labs is launched. The new R&D business unit focuses on the technology disruption in the industry and will become a central part of Keller Williams.

For KW Portugal, the next phase, after showing the market they can be a big company that makes their agents very successful, focuses on getting and developing the best agents in the

Portuguese market and to become the No.1 real estate broker in Portugal. Moreover, looking at potential market turbulences, Eduardo sees them in a position to “create the perfect storm in our favor”. KW already has and further develops the technology to disrupt the real estate brokering business worldwide. When the market shifts, this new tech disruption together with providing the best value proposition for agents with the KW models and systems are the two main pillars of future success for Keller Williams worldwide and in Portugal, says Eduardo. It will be very interesting to see if they can continue to build on their success and fulfill their vision, to change the real estate brokering market in Portugal with the KW models.

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