

PROCESSUAL ANTECEDENTS OF PERCEIVED CHANNEL CONFLICT IN FRANCHISING

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Abstract. In this study, we develop and examine the network of relationships explaining perceived conflict in franchise relationships from a franchisee perspective. Our research contributes to the current knowledge of asymmetric exchange relationships through demonstrating the importance of a franchisee's expectations confirmation, relational trust and relationship satisfaction in franchisee assessments of network conflict. The goal of this paper is to empirically examine (1) the relationship between franchisee perceptions of information quality (information dissemination and information search) and the confirmation of franchisee performance expectations, (2) franchisee characterizations of their relationships with their franchisors in terms of relational sentiments such as trust and relational satisfaction, communication and conflict management, (3) the relationship between franchisee satisfaction and perceived conflict, and (4) the moderating effect of franchisee experience on the relationship between franchisee satisfaction and franchisee perceptions of conflict. Empirical results, utilizing a sample of 345 franchisees in Australia, present strong evidence for the support of nine of the ten hypotheses drawn from the conceptual model. Specifically, data reveal that in an effort to cultivate a network of cooperative and satisfied franchisees, franchisors should adopt strategies that promote the timely dissemination of relevant and meaningful pre- and post-entry information, open communication exchange, transparent conflict management systems and personalized support in accommodating individual franchisee needs.

Keywords: franchising, expectations, information dissemination, trust, relationship satisfaction, perceived conflict.

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Introduction

Franchising represents a unique and efficient form of business ownership, with success being reliant upon the ongoing collaboration between independent entrepreneurs (Baucus *et al.* 1996; Dant *et al.* 2013a). Franchisors utilise franchisee investments

to rapidly expand their geographic reach and strengthen their brand image, while franchisees gain access to a proven business concept and established brand, established clientele and ongoing training and support (Castrogiovanni *et al.* 2006). However, channel inefficiencies and resultant conflict tend to arise when relational sentiments are weakened, often through inadequate levels of communication and the opportunistic behaviours of both parties (Strutton *et al.* 1995). Given the social and economic costs associated with conflict in franchise systems (Frazer *et al.* 2012), it is surprising that, to date, there has been limited attention given to understanding the complex relationships that exist as antecedent influences upon conflict in franchise systems.

This article is presented towards filling a significant void in the literature and answers recent calls to investigate franchising from the perspective of the franchisee (Dant *et al.* 2011). Hence, the paper seeks to examine: (1) the relationship between franchisee perceptions of information quality (information dissemination and information search) and the confirmation of franchisee performance expectations, (2) franchisee characterizations of their relationships with their franchisors in terms of relational sentiments such as trust and relational satisfaction, and perceived conflict, (3) the relationship between franchisee satisfaction and perceived conflict, and (4) the moderating effect of franchisee age in the system on the relationship between franchisee satisfaction and franchisee perceptions of conflict within the system.

1. Literature and hypotheses

Within franchising arrangements, information plays a critical role in ensuring effective knowledge transfer, promoting unit efficiency and member satisfaction, and realizing competitive advantage (Darr *et al.* 1995; Mohr, Spekman 1994). The franchisor assumes an important role in collecting, synthesizing and disseminating information to the local market level (Tikoo 2002). The effective dissemination and transfer of knowledge to franchisees promotes organisational learning (Koza, Dant 2007; Weaven *et al.* 2014) and may minimize channel member misconceptions impacting upon future goal alignment and resultant performance in franchise systems (Dant, Nasr 1998; Hing 1996). Franchisees require disclosure of relevant, meaningful and timely information (e.g. contracts, policy statements, etc.) to confirm prior value assessments (Grünhagen, Dorsch 2003) of what is expected in terms of the know-how and promised benefits associated with the operation of the franchise unit (Paswan, Wittmann 2009). Any intentional or inadvertent withholding of information from franchisees will fuel uncertainty, undermine relational trust and promote conflict within franchise systems (Giddings *et al.* 2009; Harmon, Griffiths 2008). Consequently the above discussion makes it possible to deduce the following hypothesis.

H1: *Information dissemination will have a significant positive effect on expectations confirmation.*

While franchisee expectations are often predicated upon the extent of due diligence conducted by prospective franchisees during the initial stages of the franchise relationship (Weaven *et al.* 2010), the (dis)confirmation of a franchisee's expectations regarding

the quality and performance of the franchise relationship will be dependent upon their search for relevant information concerning issues surrounding task specialisation and the nature and application of explicit and tacit (operant and operand) (Vargo, Lusch 2004) knowledge resources within the network. In particular, franchisees seek new information to assess the quality of operating manuals, value of initial and ongoing training initiatives, accessibility of accounting support, scope of supplier rebates, flexibility afforded in design of local market initiatives and so forth. Although the search for information in organisational networks is influenced by the intrinsic motivations, absorptive capacity of individual actors and the 'richness' of available information in the channel (Knoppen *et al.* 2011; Kwok, Gao 2005), one would assume that a franchisee's information search behaviours would inform of prior expectations relating to the current and future value of franchise unit ownership. Thus, we argue that:

H2: *Information search* will have a significant positive effect on expectations *confirmation*.

The marketing literature promotes the importance of understanding performance within the context of prior expectations (Szymanski, Henard 2001). Franchisees enter franchise agreements with expectations regarding their future income and franchisor-provided support particularly within the context of marketing and promotional assistance (Grace *et al.* 2013; Morrison 1997). Therefore, the confirmation of initial expectations regarding the likely value of the franchise business concept is likely to foster greater levels of satisfaction and will assist franchisees in understanding the intentions and expected behaviour of parent franchisors (Davies *et al.* 2011). Subsequently, any uncertainty is greatly reduced, which should build relational trust in the system (Harmon, Griffiths 2008). Therefore, we hypothesize that:

H3: *Expectations confirmation* will have a significant positive effect on *trust*.

Franchising, by its very nature relies upon mechanisms to encourage the availability and sharing of information to assist franchisees to effectively complete their tasks (Mohr, Spekman 1994). Indeed successful franchise organisations are ones that encourage the free-flow of information that is fast, transparent and universally accessible (Paswan, Whittman 2009). In this way, franchisees have constant access to important formal and informal sources of information (Mohr *et al.* 1996), thus reducing the likelihood of goal divergence (resulting from misconceptions based upon asymmetric information exchange in the network) and increasing levels of trust in the network (Dant, Nasr 1998). Although trust in business relationships is said to include dimensions of credibility and benevolence (Colquitt, Rodell 2011), we argue that, given that franchisee success is predicated on the actions and motives of their franchisors, the benevolence dimension is of paramount importance. Indeed, should franchisees perceive franchisors to be honest and reliable, then these affective evaluations will frame resultant assessments of the franchisor's credibility. Moreover, as uncertainty undermines trust in business exchanges, should franchisees perceive that franchisors are (deliberately or unintentionally) withholding information from them, they would be likely to question the credibility or intentions of their franchisor, and may be more likely to engage in opportunistic

behaviours or manifest conflict (Morrison 1997). Moreover, and indifferentiation from previous research (e.g. Chiou *et al.* 2004) we define franchisor openness as incorporating perceptions of open lines of communication within the franchise system and in relation to conflict management. Thus, we hypothesize that:

H4: *Franchisor openness* will have a significant positive effect on *trust*.

Studies in communication theory show that the exchange of ‘timely, relevant and meaningful’ information is associated with an increased willingness of partner entities to effectively interact (Koza, Dant 2007), the maintenance of favourable perceptions of the quality of the relationship (Baucus *et al.* 1996) and reductions in dysfunctional conflict (Anderson, Wietz 1989). Given that a central advantage of franchising, as a business model, lies in the ability for franchisees to access and leverage the knowledge and experience of their parent franchisors through social interaction (Doherty, Alexander 1999; Paswan, Wittmann 2009), it follows that the role of communication is vitally important in demonstrating commitment to the relationship, developing trust between partner entities and fostering satisfaction with relational exchanges (Gassenheimer *et al.* 1996; Mohr, Spekman 1994). However, a central aspect of a franchisee’s assessment of communicative approaches employed within franchising involves franchisor methods of conflict management which are said to impact upon perceptions of relationship quality (Giddings *et al.* 2009). Although conflict is an inherent part of any exchange relationship (Hagel, Brown 2005; Lau, Cobb 2010) and may have functional outcomes (Pondy 1967), at some point conflict will manifest as discontent and eventually result in termination of the relationship (Pondy, Huff 1985; Schul 1987). Therefore, there is a need for channel members to display integrative conflict resolution behaviours, if they are to realise mutual gains, particularly when presented with significant problems or issues (Koza, Dant 2007). In support of this, recent research found that the level of transparency employed in conflict resolution processes (e.g. legal correspondence, mediation and litigation) contributes to franchisee satisfaction (Giddings *et al.* 2009). In particular, should channel partners become displeased with outcomes associated with previous conflict resolution processes, they are more likely to be dissatisfied with the relationship and engage in conflict, often resulting in dissolution of the relationship (Koza, Dant 2007; Pondy, Huff 1985). Therefore, we argue that:

H5: *Franchisor openness* will have a significant positive effect on *relationship satisfaction*.

Franchising is a unique organisational form in that it systematically reduces uncertainty between member entities through leveraging relational trust among interdependent entrepreneurs in the business network (Davies *et al.* 2011). Therefore, from a relational exchange perspective, it is important for franchisors to develop a service framework that engenders mutual problem solving, and constructive dialogue as franchisors and franchisees represent service systems that together co-create value (Grünhagen, Dorsch 2003; Vargo *et al.* 2008). However, Morrison (1997) suggests that franchisors often overdevelop their business concept and underdevelop mechanisms necessary to ensure adequate franchisee support. Moreover, in the drive towards system uniformity and

building brand value, many franchisors may limit franchisee decision making involvement in the business development process (Whittemore 1994). Actions such as ‘quashing’ franchisee initiatives (e.g. local marketing) are commonplace and may negatively impact upon partnership trust (Morrison 1997; Watson, Johnson 2010).

From a resource dependency theoretic perspective (Frazier *et al.* 1989), a franchisee’s dependence upon their franchisor reflects the franchisee’s assessment of the value of provided resources within the context of alternative investment opportunities (Harmon, Griffiths 2008). Should franchisees view franchisor-provided services to be inadequate or ineffectual, they are less likely to trust the franchisor and more likely to engage in conflict (Chiou *et al.* 2004; Watson, Johnson 2010). Thus we argue,

H6: *Perceived support* will have a significant positive effect on *trust*.

Franchisee satisfaction is defined as an affective condition resulting from a partner entity’s reaction to a variety of interaction experiences (Crosby *et al.* 1994; Geyskens *et al.* 1999). Previous research shows that relationship satisfaction is definitively linked to the quality of franchisor support services (Gassenheimer *et al.* 1999). In particular, franchisee satisfaction is derived from assessments of the quality of franchise exchanges (between principal and agent) and resultant perceptions of fairness in the relationship (Morrison 1997). Of particular importance is in how franchisors accommodate a franchisee’s quest for autonomy in a respectful and consistent manner (Davies *et al.* 2011). Should franchisees perceive inequity in levels of control and influence exerted by their franchisor, then they would be more likely to be dissatisfied with the relationship (Spinnelli, Birley 1996) and challenge the system (Morrison 1997). Although Chiou *et al.* (2004) found that franchisor-provided service assistance did not effect overall franchisee satisfaction, on the basis of the above discussion, we present the following hypothesis.

H7: *Perceived support* will have a significant positive effect on *relationship satisfaction*.

Previous research has shown trust to be a key ingredient of relational governance and an integral determinant of cooperative behaviour in organisational relationships (for example, Morgan, Hunt 1994). Defined as ‘confidence in an exchange partner’s reliability and integrity’ (Morgan, Hunt 1994: 23), it comprises elements of credibility and benevolence (Andaleeb 1996; Bove *et al.* 2009). From an equity theory perspective, trust in franchising relationships refers to a principal’s and agent’s beliefs that each party possesses the expertise required to perform tasks in an anticipated and reliable manner, and that each partner intends to benefit the other under new (and often unexpected) circumstances (Anderson, Narus 1986). Although there is a lack of consensus in the literature (e.g. Davies *et al.* 2011) most prior research has conceptually and empirically confirmed that trust is a reliable antecedent of relationship satisfaction (Bordonaba-Juste, Polo-Redondo 2008; Chiou, Droge 2006) and the quality of franchising relationships (Harmon, Griffiths 2008). Thus, in exchange contexts satisfaction is an outcome of relational sentiments of trust and is the embodiment of cumulative assessments of each party’s efforts to maintain and improve the relationship over time (Frazier 1983;

Geyskens *et al.* 1996; Palmatier *et al.* 2006) and entails affective responses to a multitude of prior interaction experiences (Li, Dant 1997). Thus:

H8: *Trust* will have a significant positive effect on *relationship satisfaction*.

Relationship satisfaction has been shown to reduce conflict in channel relationships (Anderson, Narus 1984; Geyskens *et al.* 1999). In this context, conflict refers to perceptions of the existence of underlying differences between involved parties that result in responses to potential or actual obstructions that impede one (or more) of the parties from realising their goals (Bradford *et al.* 2003; Dant *et al.* 2006; Gaski 1984). Within the franchising context, franchisee satisfaction is linked to quality-assessments of franchisor-provided support (Hunt, Nevin 1974) and a franchisee's appraisal of levels of imposed franchisor control (Davies *et al.* 2011) and therefore should be indicative of lower levels of 'perceived' conflict (or disagreement) in the franchise relationship. This reasoning suggests:

H9: *Relationship satisfaction* will have a significant positive effect on *perceived conflict*.

During the early stages of the franchise relationship, franchisees are highly dependent upon their franchisors to overcome 'liabilities and newness' (Aldrich, Auster 1986) and are unlikely to engage in conflict due perceptions of their constrained power position in the network (Frazier 1983). However, in transferring expertise to the unit level (Tikoo 2002), older franchisees are likely to experience a greater sense of power and some of the advantages associated with franchising may diminish with greater tenure and experience (Peterson, Dant 1990). With increasing tenure, more experienced franchisees tend to apportion their own success with their own entrepreneurial skills and effort (Buchanan 1992) leading to lower levels of cooperative intention (Stanworth 1995). For instance, they may become less satisfied with the value of franchisor-provided services (e.g. use of marketing levy) (Porter, Renforth 1978), quality control mechanisms (e.g. allocation of expansion rights) and approaches to conflict resolution (e.g. mediation, contractual termination) (Grünhagen, Dorsch 2003). Consistent with attitude theory (Fishbein, Ajzen 1975), these changes in perceptions of value inherent within their franchise business will promulgate changes in behaviour (e.g. free riding), which may negatively impact upon the relationship (Grünhagen, Dorsch 2003).

Generally, franchisors attempt to avoid conflict with franchisees though the use of non-coercive means of persuasion (including the dissemination of business information and making recommendations). However, as franchisees become more discerning and independent, the franchisor's ability to utilise non-coercive measures to ensure compliance will decline and other (more coercive) means of control will gain prominence (e.g. promises, threats, requests and legalistic pleas) (Tikoo 2002). Resultant heavy handed tactics employed to force franchisee alignment with network goals may damage the brand image of the system. Hence, we argue:

H10: *Number of years in relationship* will negatively moderate the relationship between *relationship satisfaction* and *perceived conflict*.

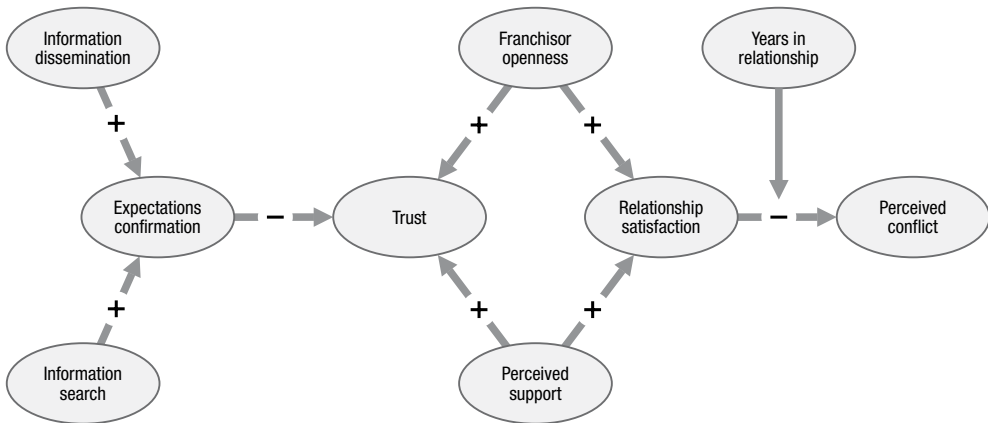


Fig. 1 Hypothesized model

For clarity, the hypothesized model is presented in the Figure 1. First, the model examines the relationship between franchisee perceptions of information quality (information dissemination and information search) and the confirmation of franchisee performance expectations (H1, H2). Second, the relationship between the confirmation of franchisee expectations and perceptions of trust in the relationship is tested (H3). Third, franchisee assessments of their relationship with franchisors in terms of relational sentiments including trust, franchisor openness, perceived support and relationship satisfaction (H4–H8) are empirically examined. Fourth, the relationship between franchisee satisfaction and perceived conflict is examined. Finally, the moderating effect of franchisee experience on the relationship between franchisee satisfaction and franchisee perceptions of conflict are examined.

2. Research design

Data for this study were collected from Australian franchisees via a mail survey in January, 2010. The sampling frame consisted of 560 franchise systems randomly selected from the population of 1 025 business format franchisors in Australia (Frazer *et al.* 2010). From these systems a total of 3000 franchisees was randomly selected from Australia's online telephone directory and mailed the survey. As an incentive, participating respondents were entered into a prize draw for a laptop computer. This resulted in 350 surveys being returned, although there were 5 surveys that were not usable due to missing data. This resulted in a final sample of 345, representing 11.5% of response rate.

2.1. Survey measurement

A review of previous studies in relation to the focal constructs of this study identified a number of pre-existing scales that had been well validated in the literature. While the scales identified were appropriate for the measurement of some of the constructs of this study, other scales were adapted in the context of franchising and some items

were developed specifically for this study. For example, *trust* was adapted from Crosby *et al.* (1990), Jap (1999), Larzelere and Huston (1980), *franchisor openness* (communication and conflict openness) was adapted from Greenbaum *et al.* (1983), Mohr and Speckman (1994), Kaufmann and Dant (1992), Smith and Barclay (1997) and *relationship satisfaction* were measured using scales adapted from Anderson and Narus (1984), Gaski and Nevin (1985), Scheer and Stern (1992). The *perceived conflict* items were adapted from Brown *et al.* (1981) and the *perceived support* measure was adapted from King and Grace (2010).

Items developed specifically for this study were those measuring *information dissemination*, *information search* and *expectations confirmation* (total of 21 items). Having generated the items, the authors approached a panel of marketing and franchising experts to assess the appropriateness of the items in relation to the definitions as outlined in Table 1. This resulted in the elimination of 9 items that were not rated as “strongly representative” of their respective constructs. The next step was to pilot test all of the items to be included in the survey with a small group of franchisees. The resulting sample was comprised of 43 respondents. Factor analysis revealed that all constructs were uni-dimensional with strong factor loadings ranging from .65 to .96 and average variance extracted (AVEs) ranging from 61% to 90%. Cronbach’s alpha was also computed to assess the internal consistency of the scales and all reliabilities were above the recommended .70 (Fornell, Larcker 1981) and these ranged from .80 to .96. Given the strong statistical results of the pilot test, there was no need for further item deletion. Thus, the final survey consisted of a total of 41 scale items and 7 demographic questions (i.e. *number of years in franchising relationship*, *gender*, *age*, *industry*, *number of units held*, *level of formal education*, and *annual turnover*). Refer to Table 2 for item wording.

Table 1. Construct definitions

Construct	Definition
Information dissemination	The degree to which the franchisee perceives that appropriate and relevant information was provided by the franchisor, prior to purchase.
Information search	The degree to which the franchisee sought out appropriate and relevant information and advice prior to purchase.
Expectations confirmation	The degree to which the franchisee’s expectations of the franchising experience is confirmed by their actual experience.
Trust	The degree to which the franchisee trusts the franchisor.
Franchisor openness	The degree to which the franchisee perceives there to be open communication and openness to conflict resolution in the relationship.
Perceived support	The degree to which the franchisee perceives that appropriate support is given by the franchisor.
Relationship satisfaction	The degree to which the franchisee is satisfied with the franchising relationship.
Perceived conflict	The degree to which the franchisee perceives conflict to exist within the relationship.

2.2. Sample description

The gender split of the franchisee sample was 66% male, 34% female and the mean age was 47 years. In terms of education, 19% had university degrees, 41% had technical qualifications and 40% were educated to secondary school level. Respondents came from a diverse range of industries that can be broadly summarised as retail trade, administrative and support services, rental and real estate services, financial and insurance services, education and training and other miscellaneous services. In terms of unit ownership, 77% of the sample were single-unit holders, while the remaining 23% were multiple-unit holders which is broadly consistent with the profile of ownership within the Australian franchising sector (Frazer *et al.* 2010). The majority of the sample had an annual turnover between \$200,000 and \$2,000,000.

3. Analysis and results

The measurement and structural parameters of our structural equation model were estimated via partial least squares (PLS). PLS is a general technique for estimating paths involving latent constructs indirectly observed by multiple indicators (Bontis 1998). The objective in PLS is to maximise the explanation variance, thus the model is said to perform well if the R^2 and the relationships among constructs are significant (Bontis 1998).

3.1. Measure validation

Reflective indicators were specified for all constructs contained within the model. Table 2 provides a summary of the standardised loadings (SL), composite reliabilities (CR) and AVE for the respective items and constructs. Standardised loadings are all strong and range from .67 to .95. The CRs are all well in excess of the .70 cut-off value and all AVEs exceed .50, as recommended by Fornell, Larcker (1981).

Table 2. Results of the measurement model

Construct	Item (abbreviated)	SL	CR	AVE
Information dissemination	Information given was satisfactory	.67	.71	.53
	Franchisor withheld information from me (r)	.67		
	Wish franchisor had given more information	.91		
	Prior, I had all the information I needed	.91		
Information search	I was proactive in seeking out information	.64	.83	.57
	I should have been more diligent in gathering information (r)	.81		
	I gathered lots of information	.81		
	I relied heavily on my gut feeling (r)	.64		
Expectations confirmation	I had no idea what I was getting into (r)	.80	.91	.70
	My expectations were accurate	.85		
	There were no surprises	.83		
	My experience matched my expectations	.87		
Trust	I can count on my franchisor to be honest	.92	.96	.88
	My franchisor stands by its commitments	.93		
	I can rely on my franchisor's promises	.94		
	My franchisor can be counted on to do what is right	.95		

End of Table 2

Construct	Item (abbreviated)	SL	CR	AVE
Franchisor openness	Communications are prompt and timely	.84	.95	.71
	Information is relevant to decision-making	.80		
	Communications are complete	.91		
	Communications are accurate	.91		
	Information is available as needed	.89		
	Conflict is dealt with openly	.84		
	Alternative opinions are encouraged	.83		
	Disputes are handled to bring parties closer together	.85		
Know how to deal with conflict to brings us closer	.72			
Perceived support	Franchisor vales my contribution	.86	.97	.81
	Franchisor strongly considers my goals and values	.91		
	Help is readily available from my franchisor	.89		
	Franchisor understands and accommodates my needs	.93		
	Franchisor supports me whenever possible	.92		
	Franchisor helps me no matter what	.91		
	Franchisor is always concerned about my well-being	.90		
Whenever in trouble, I know franchisor will help out	.90			
Relationship satisfaction	I consider my relationship with franchisor satisfactory	.95	.95	.82
	I consider my relationship with franchisor to be fair	.93		
	I consider my relationship with franchisor to be healthy	.95		
	I consider my relationship with franchisor to be cordial	.79		
Perceived conflict	There is a lot of conflict in our relationship	.82	.91	.71
	I frequently disagree with my franchisor	.82		
	Disagreements are usually intense	.88		
	My franchisor and I constantly argue	.86		

Notes: SL= Standardized Loadings; CR = Composite Reliability; AVE = Average Variance Explained.

Prior to conducting hypotheses testing of the structural model, it was important to ensure that the measures were assessed for discriminant validity. In order to ensure that each construct shared more variance with its own measures than with other constructs in the model, the square root of the AVE of the constructs was compared to the inter-correlations between constructs. As shown in Table 3, in each case the square root of the

Table 3. Assessment of discriminant validity

	1	2	3	4	5	6	7	8
Information dissemination	.73							
Information search	.53	.76						
Expectations confirmation	.72	.54	.83					
Trust	.61	.38	.67	.94				
Franchisor openness	.61	.38	.66	.82	.84			
Perceived support	.58	.34	.69	.86	.82	.90		
Relationship satisfaction	.56	.36	.69	.85	.82	.87	.91	
Perceived conflict	-.41	-.24	-.50	-.64	-.66	-.65	-.66	.84

Diagonal: Square Root of AVE.

AVE was greater than the inter-correlations between constructs, thus providing evidence of discriminant validity (Chin 1998; Fornell, Larcker 1981). Furthermore, item cross-loadings were examined and we found that none of the items cross-loaded higher on another construct than they did on their own construct. This result further validated the discriminant nature of the data (Chin 1998).

3.2. Hypotheses testing

Table 4 shows the path coefficients between the exogenous and endogenous variables, critical ratios, R² and average variance accounted for (AVA), which are the focus of the hypotheses. As the individual R²s are greater than the recommended level of .10 (Falk, Miller 1992), an examination of the paths' significance associated with these variables is undertaken. All path coefficients were significant (with the exception of H3) as the bootstrap critical ratios were greater than ±1.64 (one-tailed test). Furthermore, the predictive relevance of the structural model was assessed. Disregarding the measurement model, the AVA represents the predictive power of the structural model (Fornell, Bookstein 1982) and a model is said to have predictive power if the AVA is above .10. The AVA for our model was .66 indicating that the predictive power of the individual paths and structural model provide evidence of the theoretical soundness of the conceptual model.

Table 4. PLS inner model results – overall model

Predicted variables	Predictor variables	Hypoth	Path (CR)	R ²	Q ²
Expectations confirmation	Information dissemination	H1	.63 (17.38)	.55	.31
	Information search	H2	.21 (5.23)		
Trust	Expectations confirm	H3	.10 (2.70)	.82	.71
	Franchisor openness	H4	.43 (9.49)		
	Perceived support	H6	.37 (6.77)		
Relationship satisfaction	Trust	H8	.17 (3.96)	.85	.70
	Franchisor openness	H5	.16 (3.51)		
	Perceived support	H7	.77 (17.65)		
Perceived conflict	Relationship satisfaction	H9	-.66 (-18.24)	.44	.23
Goodness of fit	= .69				
AVA	= .66				

Notes: Path = Path Coefficient; CR = Critical Ratio; Bold = Significant; * = Not Significant.

3.3. Moderating effect

The final analysis (to address H10) involved testing if *number of years in relationship* moderated the relationship between *relationship satisfaction* and *perceived conflict*. The moderation effect (or interaction effect) was tested via multiple regression analysis. In order to assess if *number of years in relationship* acts as a moderator, a product term (*relationship satisfaction x number of years in relationship*) was used to assess if the interaction is significant. In this particular case, number of years in relationship and the interaction term were not significant predictors ($p > 0.01$), thus, H10 was not supported.

4. Discussions and implications

Empirical testing of the proposed model clearly validates the important finding that a franchisee's confirmation of expectations is predicated upon the extent of their personal information search, and more importantly, on the information dissemination strategies employed by franchisors. This suggests that whilst the conduct of pre-entry due diligence on the part of franchisees (e.g. review of disclosure documentation, consultation with external advisors) is an important ingredient of a franchisee's post-purchase evaluation, it is the franchisor's provision of relevant, meaningful and timely information that is deemed to have a greater influence upon a franchisee's assessment of the franchise offering. This may reflect a franchisee's recognition that they lack the experience (or ability) to acquire needed information, instead of relying upon the actions of their franchisor to procure and distribute factual franchise-relevant information. Indeed, recent research investigating information processing in the identification of new business venture opportunities, suggests that such dialogue increases information 'richness' and assists individuals in making sense of otherwise ambiguous information (Vaghely, Julien 2010).

In examining a franchisee's trust in their franchisor, the confirmation of a franchisee's expectations is important, however, stronger paths are evident in the model in relation to the association between trust and franchisor openness and perceived support. Therefore, although the (dis)confirmation of prior expectations regarding the franchise venture influences perceptions of trust in the relationship, it appears that franchisees place greater emphasis on the degree of inclusiveness and interactivity that they enjoy within the franchise relationship. In particular, approaches to collaboration, communication, information exchange and conflict management strongly influence a franchisee's confidence in the franchisor's 'reliability and integrity' (Morgan, Hunt 1994: 23). Moreover, franchisor-provided assistance in problem solving and in accommodating individual franchisee needs is similarly important in formulating impressions of trust in franchisor's management practices. These findings resonate with the adage that franchise ownership allows individual entrepreneurs to be in business 'for themselves, not by themselves', a sentiment accentuated in many past and current franchisee recruitment promotional campaigns.

In direct association with relationship satisfaction is trust, franchisor openness and perceived support. However, it is interesting to note that perceived support exerts significantly stronger influence upon franchisee satisfaction than trust and franchisor openness. This indicates that a franchisee's affective appraisal of the franchise relationship is more strongly influenced by the assistance that franchisors provide (e.g. supporting local market initiatives, financial assistance) rather than franchisee perceptions of the trustworthiness of franchisors (i.e. not to act opportunistically) or franchisor approaches to communication and conflict management. While franchisee satisfaction has been widely linked to the quality of franchisor-provided support (e.g. Hunt, Nevin 1974; Morrison 1997), more recent research has determined that a franchisee's satisfaction with franchisor-provided assistance did not directly affect a franchisee's overall satisfaction with the relationship (Chiou *et al.* 2004). Our contrary findings may be on account

of the nature of our measures of perceived support that extend beyond rudimentary (and expected) franchisor service provision (e.g. training and operational guidelines) to capture the essence of franchisor initiatives to facilitate relational exchange.

The model also confirms that relationship satisfaction has a high influence upon perceived conflict. The results confirm that satisfied franchisees are more likely to cooperate with their franchisors, and are less likely to engage in conflict. Conversely, those franchisees that are less satisfied with the quality of the franchise relationship (e.g. support, training, franchisor-imposed restrictions, etc.) are more likely to be in disagreement with their franchisors. This finding is consistent with a number of studies conducted in the channel literature which shows that satisfied franchisees are more likely to possess cooperative intentions with their franchisor, thus lessening the potential for conflict (Davies *et al.* 2011; Geyskens 1999).

One surprising finding was the lack of support for the moderating effect of the number of years in the franchising relationship between relationship satisfaction and perceived conflict. Extant literature confirms that more experienced franchisees tend to claim credit for their successes and are generally less satisfied with the value of franchisor-provided services (Peterson, Dant 1990; Grünhagen, Dorsch 2003). Moreover, less dependent franchisees are likely to perceive any franchisor requests as coercive in nature (Tikoo 2002). Our findings suggest that relationship satisfaction is not inherently determined by a franchisee's tenure in the system. Thus it appears that franchisees extract relational value from different sources (e.g. initial training may be important to inexperienced franchisees, while assistance in negotiating with suppliers may be important to more experienced franchisees) and satisfaction is influenced by franchisee perceptions of the nature of the franchising relationship (i.e. support, openness and franchisor credibility).

5. Future research

An interesting line of future research enquiry would be to conduct a multi-unit analysis comprised of groups of franchisees within different stages of the franchise development process (e.g. early entrants, experienced and mature) as franchisee experience has been found to influence perceptions of quality and behaviour in franchise relationships (Peterson, Dant 1990). This will enable the effective tracking of differences in franchisee perceptions of the value of franchisor-provided services and interactions, and corresponding influences upon relationship satisfaction and perceived conflict. Moreover, similar analyses could be extended to compare franchisees involved in different ownership arrangements (e.g. single unit and multi-unit), given that previous research suggests that multi-unit franchisees exhibit markedly different operational approaches to single unit franchisees (Dant, Gundlach 1999; Grace, Weaven 2011; Dant *et al.* 2013a).

6. Limitations

The survey methodology used to collect the data for this study is acknowledged as a limitation. This method is reliant on respondents being able to accurately report their level of agreement with statements that delve into their attitudes, feelings and

perceptions, and, as a result, measurement error is unavoidable. However, data analysis of the measurement model suggests that measurement error was not problematic and this is reflected in the reliability analysis and other validity checks. Finally, as data were collected from Australia the generalizability of the results may be limited beyond this region. However, given the similarities between the Australian franchising landscape and that of the UK and the USA, the results of this study could well be applied in a much broader context.

Conclusions

Although franchising is a dominant form of retailing throughout the world (Dant *et al.* 2013b), to date, there has been limited research investigating how the motives and actions of franchisors influence levels of conflict and relationship satisfaction in franchising arrangements. Our research demonstrates conceptually (through relationship marketing, relational exchange theory, organizational learning theory and conflict theory) and empirically (through our model and measures) the nature and importance of franchisee expectations confirmation, trust and relationship satisfaction in effective conflict management in franchise networks. In this way, we have extended current knowledge concerning the operation of channel relationships through examining the factors facilitating or inhibiting ongoing collaboration in franchise networks. Overall, we recommend that franchisors, in an effort to cultivate a network of cooperative and satisfied franchisees, utilise approaches that promote the timely dissemination of relevant and meaningful information, open communication exchange, transparent conflict management systems that focus on beneficial outcomes for both parties, and personalised support accommodating individual franchisee needs.

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