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Published in:
Journal of Small Business Management

DOI:
10.1111/jsbm.12327

Journal of Small Business Management 2019 57(3), pp. 845–871

doi: 10.1111/jsbm.12327

How Do Franchisees Assess Franchisor Trustworthiness?

*by Evelien P. M. Croonen and Thijs L. J. Broekhuizen**

This study investigates the antecedents of franchisees' assessments of franchisor trustworthiness. It combines multiple theoretical perspectives to develop a framework that is empirically tested with survey data from 128 franchisees of a Dutch franchise system. The results show that franchisees' perceptions of a franchisor's fulfillment of its functional duties on proactive and reactive quality assurance and strategic management positively influence franchisees' assessments of franchisor trustworthiness. Moreover, the results show that the impact of the antecedents on franchisees' trustworthiness assessments varies across franchisees: market competition attenuates the influence of strategic management and reactive quality assurance. Unit performance does not moderate the importance of the antecedents.

Introduction

Franchising is an important form of entrepreneurial wealth creation in many countries (Dant, Grünhagen, and Windsperger 2011). In business format franchising, franchisees—typically small business owners—have contractual relationships with a franchisor, and pay for the use of the franchisor's business format while agreeing to conform to set standards (Davies et al. 2011; Grünhagen and Dorsch 2003). Franchisees are part of a franchise system with units operating under the same business format for which the franchisor acts as an "umbrella organization" (Gassenheimer, Baucus, and Baucus 1996).

Franchisors and franchisees are in a long-term contractual cooperation while at the same time their economic motives are not totally aligned (Solis-Rodriguez and Gonzalez-Diaz 2012; Winsor et al. 2012). These mixed motives create potential agency problems: franchisees are residual claimants and hence are focused on their individual units' profitability, whereas franchisors typically aim to maximize system sales (Combs and Ketchen 2003; Dant and Nasr 1998). Moreover, franchise relationships are characterized by asymmetrical control, making franchisees vulnerable to franchisor opportunistic behaviors (Croonen 2010; Davies et al. 2011). Given these relational characteristics, and because cooperation is essential for success in cooperative systems (Fang et al. 2008; Mesquita 2007), franchising researchers stress the importance of franchise relationship management for franchisors to promote positive franchisee attitudes and behaviors, such as trust, compliance, intent to remain or commitment (Chiou, Hsieh,

*The authors thank Lee Barnes and the anonymous JSBM reviewers for their helpful comments on earlier versions of this article. The authors also thank Maryse Brand for her valuable cooperation during the data collection process.

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and Yang 2004; Davies et al. 2011; Grünhagen and Dorsch 2003), and suppress negative outcomes, such as franchisee exits, free riding, or conflicts (Frazer and Winzar 2005; Kidwell, Nygaard, and Silkoset 2007; Winsor et al. 2012).

Considering the mixed motives and the asymmetrical power distribution in franchise relationships, franchisee trust—a franchisee's willingness to be vulnerable to its franchisor's actions—is important (Croonen and Brand 2013; Davies et al. 2011). Franchisee trust has important consequences; it leads to higher compliance (Davies et al. 2011), satisfaction (Altinay et al. 2014; Chiou, Hsieh, and Yang 2004) and performance (Chiou and Droge 2015; White 2010), and to fewer exits (Frazer et al. 2012) and conflicts (Spinelli and Birley 1996). Given these outcomes, researchers have also studied antecedents of franchisee trust. Table 1 reflects the current state of empirical research on antecedents of franchisee trust.

Table 1 shows that researchers typically combine relational and calculative views[1] to explain franchisee trust by including antecedents reflecting the social interactions between franchisors and franchisees, such as communication, openness, and conflict (e.g., Davies et al. 2011, Frazer et al. 2012; Kashyap and Sivadas 2012), and by incorporating franchisees' perceptions of their franchisors' functional task fulfillment (e.g., Altinay et al. 2014; Chiou, Hsieh, and Yang 2004; Weaven et al. 2014b). A calculative view assumes that relationship partners consciously assess and manage the economic costs and benefits of their relationships (Williamson 1993). Following such a view, we assume that franchisees enter franchise relationships with expectations regarding future economic outcomes, and they therefore expect their franchisors to fulfill functional tasks in the franchise system. A franchisee's perception of franchisor functional task fulfillment then positively affects franchisee trust. Till date, studies have defined this concept of franchisor task fulfillment rather broadly by referring, for example, to franchisees' perceptions of franchisor "role performance" (Altinay et al. 2014) or to "expectation confirmations" (Weaven et al. 2014b). Moreover, previous franchising studies do not consider potential contingencies of franchisee characteristics in explaining franchisee trust (see Table 1), whereas other studies have clearly hinted at idiosyncratic franchisee characteristics that may affect franchisees' attitudes and behaviors (Cochet, Dormann, and Ehrmann 2008; Dant and Gundlach 1998; Kidwell, Nygaard, and Silkoset 2007). The lack of a theoretical framework regarding the impact of franchisees' perceived franchisor task fulfillment—in interaction with franchisee characteristics—on franchisee trust forms an important knowledge gap in the franchising literature. Our study's main theoretical contribution is to narrow this knowledge gap and extend the calculative view by identifying a concrete set of franchisor functional tasks or "duties" that serve as antecedents of franchisee trust while taking into account franchisee-specific contingencies. The results provide franchisors with managerial insights into how to effectively manage franchisee trust via the fulfillment of specific duties, while accounting for franchisee heterogeneity.

As franchise systems constitute a unique organizational context, the direct translation of findings on antecedents of trust in other organizational contexts is difficult or even inappropriate (Blut et al. 2011). Franchise systems form a combination of intraorganizational and interorganizational contexts, and solely relying on either intraorganizational or interorganizational literature provides an incomplete account of how franchisees evaluate their franchisors. For this reason, we integrate research findings on antecedents of trust from both contexts to do justice to the franchise context. We study antecedents of *trustworthiness*—as an important antecedent of trust—because trustworthiness focuses on the perceived characteristics of a trustee, is more stable and easier to predict than trust, and hence the interpretation of the link between a trustee's behaviors and a trustor's trustworthiness assessments is less ambiguous (Mayer, Davis, and Schoorman 1995; McEvily and Tortoriello 2011; Schilke and Cook 2015). In response to recent calls to apply new theoretical perspectives to franchising research (Combs et al. 2011), we combine a duties and a systems perspective to systematically classify the functional tasks that franchisors have to perform to be perceived as trustworthy by their franchisees. The duties perspective argues that parties have

[1]Kramer (1999) and Schilke and Cook (2015) distinguish between a relational view of trust—stressing social and relational aspects—and a calculative view which emphasizes more rational, functional or instrumental considerations of trustors and trustees.

Table 1
Key Empirical Studies on Antecedents of Franchisee Trust

Author(s)	Methodology	Theoretical perspective	Key antecedents of franchisee trust	Calculative and/or relational view	Inclusion of contingency factors
Dahlstrom and Nygaard (1995)	Survey of 285 petroleum dealers	Cross-cultural differences in managerial control.	Country of origin of franchisee, franchisor's level of formalization and centralization.	Calculative	✗
Chiou, Hsieh, and Yang (2004)	Survey of 118 convenience franchisees	Relationship marketing	Franchisor's service assistance satisfaction and communication.	Calculative and relational	✗
Croonen (2010)	Case studies in 4 drugstore franchise systems	Social exchange; fairness and justice	Distributive and procedural fairness, share of company-owned units, existence of FAC, type of fee structure, use of third parties, and franchisor return policies.	Calculative and relational	✗
White (2010)	Survey of 244 fast-food franchisees	Marketing strategy; relationship marketing	Franchisor's strategy-making mode.	Calculative and relational	✗
Davies et al. (2011)	Survey of 135 auto-repair franchisees	Relational exchange	Franchisee satisfaction and conflict with franchisor.	Calculative and relational	✗
Frazer et al. (2012)	Case studies in 11 franchise systems	Relationship marketing; relational exchange	Franchisor openness and franchisee's perceived support.	Calculative and relational	✗
Kashyap and Sivadas (2012)	Survey of 241 automobile franchisees	Fairness; relationship marketing	Distributive, procedural and interactional fairness.	Calculative and relational	✗
Altinay et al. (2014a)	Survey of 200 franchisees from different industries	Power-dependence, cross-cultural	Franchisor's role performance, cultural sensitivity and communication.	Calculative and relational	✗

Table 1
Continued

Author(s)	Methodology	Theoretical perspective	Key antecedents of franchisee trust	Calculative and/or relational view	Inclusion of contingency factors
		differences, social exchange			
Weaven et al. (2014b)	Survey of 345 franchisees from different industries	Relationship marketing; relational exchange; organizational learning; conflict	Expectation confirmations, franchisor openness and support.	Calculative and relational	✗
This study	Survey of 128 home service franchisees	Duties and systems perspective, and power-dependence.	Franchisor fulfillment of duties regarding strategic management, proactive quality assurance, reactive quality assurance, and ICT support.	Calculative	Market conditions and unit characteristics (and franchisee personal characteristics)

role-specific duties and that stakeholders assess trustworthiness according to how the parties fulfill those duties by observing their behaviors (Greenwood and Van Buren 2010; Gullett et al. 2009). It helps to explain *how* trustworthiness assessments are formed; stakeholders assess a party's trustworthiness based on their perceptions of this party's fulfillment of role-specific duties (Caldwell and Clapham 2003; Gullett et al. 2009; Hodson 2004). The systems perspective helps to identify a systematic set of relevant franchisor duties by looking at the system components that organizations should carefully manage to be perceived as trustworthy by relevant stakeholders (Gillespie and Dietz 2009; Hodson 2004). It helps to identify *which* franchisor functional duties franchisees take into account when assessing franchisor trustworthiness. We follow Gillespie and Dietz's (2009) classification of internal and external organizational system components, and consider strategic management as external and operational management as internal organizational components. Finally, in line with contingency theory, we consider franchisee heterogeneity and propose moderation hypotheses to investigate how the relationship between franchisees' perceptions of franchisor duty fulfillment and franchisee trustworthiness assessments is contingent on franchisees' contextual conditions (i.e., market competition) and franchise unit characteristics (i.e., unit performance).

Theoretical Background and Framework

Trust and Trustworthiness in Intraorganizational and Interorganizational Contexts

Studies in both intraorganizational and interorganizational contexts have pointed at positive effects of trustworthiness and trust, such as efficient governance and coordination (Gulati and Nickerson 2008; McEvily, Perrone, and Zaheer 2003), more commitment (Morgan and Hunt 1994) and fewer conflicts (Zaheer, McEvily, and Perrone 1998), and also at their antecedents (for recent reviews, see Fulmer and Gelfand 2012; McEvily and Tortoriello 2011). Since we focus on antecedents of trustworthiness, Table 2 presents an overview of key studies on antecedents of trustworthiness in intraorganizational and interorganizational contexts.

Individuals and organizations are fundamentally different types of "referents" or "trustees" in which a trustor can place its trust (Fulmer and Gelfand 2012; Schilke and Cook 2013). Franchising research has also demonstrated this difference: franchisees attach more value to franchisor trust at the *organization* level than at the *individual* (i.e., franchisor representatives) level (Croonen 2010). Table 2 shows that organizational trustworthiness researchers include both relational and calculative types of antecedents. From a relational viewpoint, researchers use, for example, fairness heuristics, psychological contracting and relational perspectives to identify fairness, communication and clan culture as antecedents (Schilke and Cook 2015; Searle et al. 2011). From a calculative viewpoint, organizational trustworthiness researchers include trustors' perceptions regarding a trustee's fulfillment of different functional tasks, such as strategy, quality assurance and legal compliance (Caldwell and Clapham 2003; Gillespie and Dietz 2009; Hodson 2004). As pointed out, we apply a calculative view to the franchising context. We do so to avoid the inherent overlap that exists between relationship management duties and trustworthiness. A relational view often includes the concept of relationship management using items that reflect fairness and justice perceptions but that also overlap strongly with trustworthiness. To make a clear distinction between duties and trustworthiness, we explicate the key *functional* duties that franchisors have to fulfill to be perceived as trustworthy.

Trustworthiness in Franchising: The Fulfillment of Strategic and Operational Duties

To identify the types of franchisor duties affecting franchisee trustworthiness assessments, we need to consider the characteristics of the franchising context. Business format franchise systems have a unique combination of intraorganizational and interorganizational characteristics that influence the franchisees' expectations of franchisor responsibilities. Although intraorganizational and interorganizational contexts feature some of these characteristics, none of them exhibits them all (Blut et al. 2011).

Figure 1 highlights the characteristics that make business format franchising distinct. First, each franchise relationship involves a long-term and contractual interorganizational relationship (solid arrows in Figure 1). Trustworthiness studies in interorganizational contexts (see Table 2) have argued that resource sharing between

Table 2
Key Studies on Antecedents of Trustworthiness in Intraorganizational and Interorganizational Contexts at Individual and Organizational Level

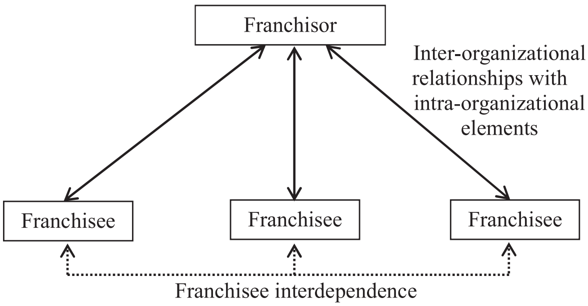
Context[b]: ↓	Referent or trustee (i.e., who is trusted?)[a]			
	Individual (peers, employees, supervisors, or representatives as entity)		Organization (the organization as entity)	
Intraorganizational contexts	Becerra and Gupta (2003): eclective approach	IVs: attitudinal predisposition, organizational tenure, autonomy, bonus intensity, MOD: communication frequency.	Hodson (2004): behavioral norms or duties	IVs: employment practices and managerial competence.
	Colquitt and Rodell (2011): fairness approach	IVs: procedural, distributive, interpersonal and informational justice	Gillespie and Dietz (2009): systems approach	IVs: leadership and management, culture and climate, strategy, structures, external governance and public reputation.
			Searle et al. (2011): HRM fairness	IVs: high-involvement work practices and procedural fairness.
Interorganizational contexts	Ferrin, Bligh, and Kohles (2008): actor-partner interdependence model	IVs: a spiral between trustworthiness and cooperation over time.	Gullett et al. (2009): psychological contracting and duties	IVs: honest communication, task competence, quality assurance, interactional courtesy, legal compliance, and financial balance.

Table 2
Continued

Context[b]: ↓	**Referent or trustee (i.e., who is trusted?)[a]**			
	Individual (peers, employees, supervisors, or representatives as entity)		**Organization (the organization as entity)**	
	Maxwell and Lévesque (2014): behavioral trust schema	IVs: trustworthiness results from a cycle of trusting behaviors and trustworthy behavior.	Schilke and Cook (2013): organizational embeddedness Schilke and Cook (2015): relational and calculative approach	IVs: prior interactions, general reputation, and institutional categories IVs: clan culture and contractual safeguards. MOD: familiarity and reputation.

[a]Fulmer and Gelfand (2012) also identify the team as a referent; for simplicity reasons we have left this out. IVs= independent variables, MOD = moderator variable.
[b]Intraorganizational contexts refer to hierarchical forms of organization involving employer-employee relationships with formal structures of authority, whereas interorganizational contexts include a wide range of networking relationships between parties that go beyond discrete market transactions (Powell 1990).

Figure 1
The Organizational Context of Franchise Systems

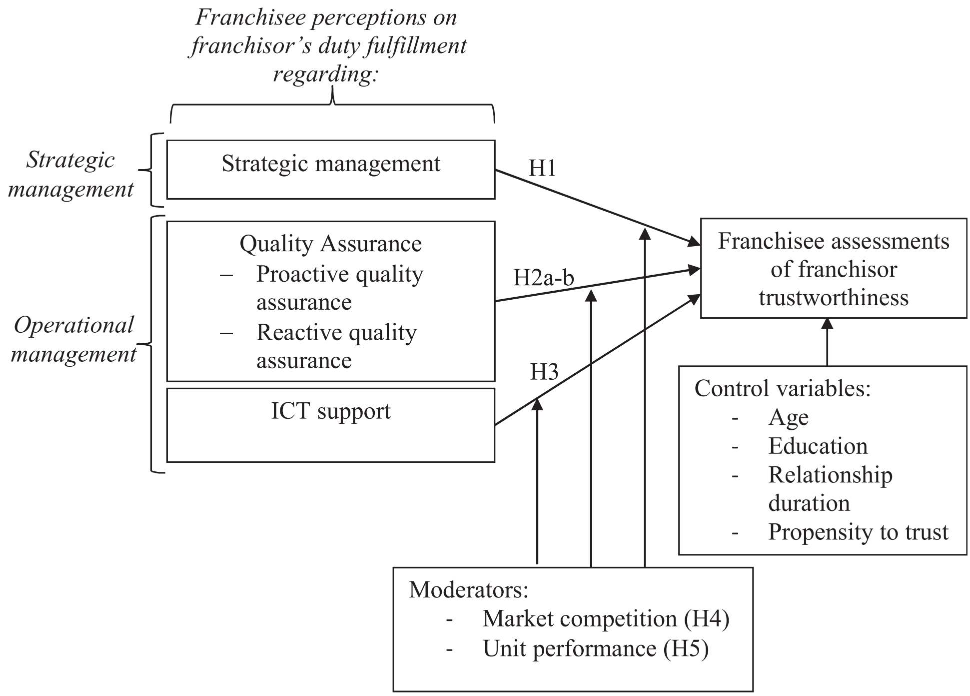


Franchise system where all units operate under the same business format

partners leads to exchange vulnerabilities and interdependencies, which causes partners to critically assess the other partner's resources (Greenwood and Van Buren 2010; Schilke and Cook 2015). Partners in interorganizational relationships thus owe the duty to manage their resources to fulfill the goals of the partners in the relationship (Gullett et al. 2009). Franchisees are legally independent small business owners who make considerable investments to adopt a franchisor's business format in their units in order to achieve economic benefits (Altinay et al. 2014; Grünhagen and Dorsch 2003). Given that the franchisor's business format is a crucial strategic resource for franchisees, the franchisees' perceptions of their franchisor's duty fulfillment regarding the format's strategic management is an important antecedent of franchisees' trustworthiness assessments. We refer to this franchisor duty as the *strategic management* duty.

Second, franchise relationships resemble hierarchical intraorganizational relationships because the franchisor imposes contractual obligations on all franchisees in the system regarding the adoption of the business format and it monitors their compliance (Kidwell, Nygaard, and Silkoset 2007; Solis-Rodriguez and Gonzalez-Diaz 2012). In contrast to purely interorganizational studies that may portray franchisees and the franchisor as disembodied organizational actors, franchisees are part of a *franchise system* with units operating under the same business format that requires a uniform presentation toward the public (Dant, Weaven, and Baker 2013; Kaufmann and Eroglu 1998). Intraorganizational trustworthiness studies (see Table 2) have stressed the importance that organizational members attach to fairness, consistency, and behavioral norms in assessing the trustworthiness of their organizational systems (Gillespie and Dietz 2009; Hodson 2004; Searle et al. 2011). Franchise systems resemble such systems since the performance of any individual franchisee depends on the performance and behaviors of other franchisees (Kidwell, Nygaard, and Silkoset 2007; Solis-Rodriguez and Gonzalez-Diaz 2012). In other words, just as colleagues in intraorganizational contexts, each franchisee also has nonhierarchical interdependencies with its fellow franchisees in the system (dashed lines in Figure 1). Franchisees must rely that fellow franchisees are willing and able to comply with the franchisor's guidelines and rely on the franchisor to consistently monitor this compliance (El Akremi et al. 2010; Weaven et al. 2014a). In franchise systems, this is an even more important and difficult challenge compared to purely intraorganizational contexts because franchise systems consist of multiple, legally independent small business owners with self-interested motives, but simultaneously demand high levels of cooperation to be successful (cf. Fang et al. 2008; Mesquita 2007). Franchisees thus expect their franchisors to manage the system's internal operations to ensure the business format's effective and efficient functioning at both the individual franchisee and system levels (Altinay et al. 2014; Kaufmann and Eroglu 1998). Here, franchisees critically reflect whether the franchisor is capable of managing the quality of the system,

Figure 2
Conceptual Model



including the mixed motives between the franchisor and franchisee and between individual franchisees. We refer to this as the franchisor's *operational management* duty.

Finally, even though franchisees are part of a single franchise system with units operating under the same business format (dashed lines in Figure 1), depending on their idiosyncrasies franchisees may differ in the importance they attach to their franchisor's duty fulfillment (cf. Cochet, Dormann, and Ehrmann 2008; Dant and Gundlach 1998; Kidwell, Nygaard, and Silkoset 2007). In line with contingency theory, we therefore investigate whether franchisees' contextual characteristics (level of market competition) and unit characteristics (unit performance) may make franchisees care more (or less) strongly about the fulfillment of these duties.

Figure 2 summarizes our theoretical framework. The overall argument is that a franchisee's trustworthiness assessment is explained by the degree to which this franchisee perceives that its franchisor fulfills its functional duties regarding strategic management and operational management. Furthermore, we hypothesize that franchisees differ in the importance they attribute to the fulfillment of each duty based on their contextual and unit characteristics.

Strategic Management

A trustee's organizational strategy sends signals to organizational members about its real values and priorities and therefore directly influences trustworthiness assessments (Gillespie and Dietz 2009). In a franchising context, the franchisor's business format reflects the franchisor's strategy. The business format typically includes a well-known brand name and unique brand positioning that serves a viable customer segment (Kaufmann and Eroglu 1998). The format is a major reason for franchisees to be part of a franchise system; franchisees see the franchisor's business format as a major resource and expect the franchisor to develop a value proposition that is able to achieve a competitive advantage (Chiou, Hsieh, and Yang 2004; Merrilees and Frazer 2013). In return for their fee payments, franchisees expect the franchisor to carefully manage the strategic brand positioning over time, for example, by introducing new products and services to adjust to market developments, and communicating the business format's unique features to customers (Kaufmann and Eroglu 1998; Merrilees and Frazer 2013). Moreover, franchisees expect their franchisors to account for the strategic trade-off between standardization and local adaptation in the system's strategic positioning; sometimes the business format may need to be adapted locally to match individual franchisees' economic interests (Altinay et al. 2014; Bradach 1998; Kaufmann and Eroglu 1998). When franchisees perceive that the franchisor fulfills its strategic management task well in terms of developing a viable positioning strategy that works at both the system and franchisees' local levels, then franchisees tend to attribute greater trustworthiness to the franchisor. Hence:

H1. A franchisee's perception of its franchisor's fulfillment of strategic management duties is positively associated with this franchisee's franchisor trustworthiness assessment.

Operational Management

The franchisor's operational management duties include quality assurance and information and communication technologies (ICT) support.

Quality Assurance. Quality assurance is an important antecedent of organizational trustworthiness because a trustee's adherence to quality standards increases the chances of achieving desired outcomes (Caldwell and Clapham 2003; Gullett et al. 2009). Trustors especially attach importance to quality assurance when they are in a cooperative entity where the outcomes depend on the quality of inputs by multiple parties that can act in their own interest rather than the interest of the cooperative system (Fang et al. 2008; Ferrin, Bligh, and Kohles 2007). Such cooperative systems need a "facilitator" that specifies and enforces "rules of engagement" to reduce trustors' perceptions of risk involved in the cooperation (Mesquita 2007). Because franchisees invest valuable resources in their franchise units, they perceive a risk of reputational damage because fellow franchisees may underperform or behave opportunistically and harm the system's brand name and positioning (Kidwell, Nygaard, and Silkoset 2007; Weaven et al. 2014a). For this reason, franchisees expect their franchisors to act as the abovementioned "facilitator" to guarantee and monitor a given level of quality and uniformity (Gassenheimer, Baucus, and Baucus 1996). In order to achieve this level of quality and uniformity, we distinguish between two franchisor duties: proactive and reactive quality assurance.

As regards *proactive* quality assurance, franchisees expect franchisors to (re)specify quality standards, to carefully select appropriate franchisees, and provide a proper training for franchisees such that they are incentivized to meet the system's standards (Castrogiovanni and Kidwell 2010; Monroy and Alzola 2005). A franchisor's fulfillment of proactive quality assurance enhances franchisees' trustworthiness assessments because the franchisor assures the quality of the system by investing the franchisees' fee payments into maintaining high-quality standards and attracting and developing high quality franchisees, rather than being driven by optimizing franchisor profitability (Spinelli and Birley 1996). Hence:

H2a. A franchisee's perception of its franchisor's fulfillment of proactive quality assurance duties is positively associated with this franchisee's franchisor trustworthiness assessment.

Even if a franchisor sets high-quality standards, selects the best franchisees, and trains them well, no guarantee exists that all franchisees comply with the requirements (Solis-Rodriguez and Gonzalez-Diaz 2012). *Reactive* quality assurance is needed, as franchise systems consist of franchisees that may be unable or unwilling to meet the requirements, which would harm the system's quality reputation and other franchisees (El Akremi et al. 2010; Kidwell, Nygaard, and Silkoset 2007; Weaven et al. 2014a). Therefore, to reduce the risks of franchisee underperformance and opportunism, franchisees expect their franchisors to monitor whether fellow franchisees adhere to the requirements and take corrective action if necessary (Cochet and Garg 2008; Davies et al. 2011; Kidwell, Nygaard, and Silkoset 2007). Monitoring activities reveal whether a party has deviated from set rules (Mesquita 2007), and act as control mechanisms providing information about each party's level of cooperation (Ferrin, Bligh, and Kohles 2007). Although extreme levels of monitoring may be negatively evaluated by franchisees as a form of coercive control, franchisees may find monitoring to be an essential task for the franchisor to avoid deterioration of the business format

(Kidwell, Nygaard, and Silkoset 2007; Weaven et al. 2014a). This leads to the following hypothesis:

H2b. A franchisee's perception of its franchisor's fulfillment of reactive quality assurance duties is positively associated with this franchisee's franchisor trustworthiness assessment.

ICT Support. Stakeholders assess an organization's trustworthiness by the way it organizes its operations since operational problems can largely affect stakeholders' outcomes (Caldwell and Clapham 2003; Gullett et al. 2009; Hodson 2004). The same applies to franchise systems; franchisees expect their franchisors to support them such that they are able to perform their primary activities and solve operational problems (Chiou, Hsieh, and Yang 2004; Frazer et al. 2012; Grünhagen et al. 2008; Weaven et al. 2014b). In recent decades, ICT have become crucial in franchise system operations as they facilitate exchanges between the franchisor and its franchisees, and between franchisees and their customers and suppliers. Franchisees thus expect their franchisors to take care of ICT, for example, by providing adequate website hosting, Internet services, ordering and payment services, communication systems, and customer relationship management tools (Brooks 2012; Grünhagen et al. 2008). As a franchisor's ICT support largely affects the franchisee's unit operations and ultimately performance, a franchisee's perception of the franchisor's ICT task fulfillment affects this franchisee's assessment of franchisor trustworthiness. Hence:

H3. A franchisee's perception of its franchisor's fulfillment of ICT support duties is positively associated with this franchisee's franchisor trustworthiness assessment.

Moderating Effects

In line with contingency theory, we propose that franchisees may differ in the importance they attach to specific franchisor duties in assessing franchisor trustworthiness based on idiosyncratic franchisee characteristics (cf. Cochet, Dormann, and Ehrmann 2008; Dant and Gundlach 1998). Franchisees—even within a single franchise system—may be different in terms of their *personal characteristics*, such as experience, education, and motivation (e.g., Croonen, Brand, and Huizingh 2016), *unit characteristics*, such as unit performance and unit size (e.g., Cochet, Dormann, and Ehrmann 2008), and *contextual characteristics*, such as local competition and type of location (e.g., Kidwell, Nygaard, and Silkoset 2007). These characteristics may influence how franchisees perceive the world, and, hence, may influence the importance franchisees attach to the fulfillment of each franchisor duty. In other words, the idiosyncratic franchisee characteristics may moderate the strength of the relationships between franchisees' perceptions of franchisor duty fulfillments and franchisees' trustworthiness assessments. Since we adopt a calculative view, we focus on the characteristics that relate to franchisees' expectations and assessments of economic outcomes. More specifically, we hypothesize how market competition (contextual characteristic) and unit performance (unit characteristic) act as potential moderators of the importance attributed to the franchisor's duties fulfillment based on a power-dependency perspective (Berthon, Pitt, and Bakkeland 2003; Fulmer and Gelfand 2012; Greenwood and Van Buren 2010).

Moderating Effect of Market Competition. Competitive circumstances affect franchisees' perceptions and attitudes because competition may result in financial damage and may even threaten unit survival (Cochet, Dormann, and Ehrmann 2008; Dant and Gundlach 1998; Dant and Nasr 1998). Given these economic threats, market competition may affect the importance that franchisees attach to their franchisors' duty fulfillment in assessing franchisor trustworthiness. The power-dependency perspective suggests that actors analyze relationships according to the use of and dependence on power between partners, and the resources they bring to the relationship (Berthon, Pitt, and Bakkeland 2003). This perspective suggests that actors pay more attention to trustworthiness information of partners when they feel vulnerable and more dependent on these partners (Altinay et al. 2014; Fulmer and Gelfand 2012; Greenwood and Van Buren 2010). Following this view, it can be argued that franchisees perceiving high competition feel vulnerable and dependent on their franchisors, have no alternative but to rely on franchisor trustworthiness (Greenwood and Van Buren 2010), and thus more critically reflect upon the degree to which the franchisor fulfills its functional duties. This fits the finding that franchisees facing high competition have a lower desire for autonomy and cede more control to their franchisors (Dant and Gundlach 1998; Dant and Nasr 1998), and hence are more likely to closely assess franchisor behaviors. This leads to:

H4: A franchisee's perception of competition strengthens the positive association between this franchisee's perception of franchisor duty fulfillment and its trustworthiness assessment.

Moderating Effect of Unit Performance. Franchisees pay for the right to join a franchise system and expect economic benefits in return (Grünhagen and Dorsch 2003). A unit's economic performance has therefore been shown to affect franchisees' attitudes and behaviors (Cochet, Dormann, and Ehrmann 2008; Croonen, Brand, and Huizingh 2016; Dant and Gundlach 1998). The power-dependency perspective suggests that franchisees that perform well are in a less vulnerable position, feel more in control and become less dependent on the franchisor's fulfillment of its duties than those with lower unit performance. Franchisees that perform well contribute strongly to the financial viability of the franchise system via their fees, and they gain more power relative to the franchisor. In fact, the franchisor becomes less powerful and more dependent on the high-performing franchisee, as the relative attractiveness of alternatives in the market that can act as substitutes decreases (Cronin 1994). The power-dependency perspective suggests that high-power franchisees are less vigilant toward potential violations, pay less attention to expectation-inconsistent information (Mannix 1993), and are more forgiving (Karremans and Smith 2010). As a result, these high-performing franchisees may be less observant and less critical about their franchisor's duty fulfillment. Hence:

H5: A franchisee's unit performance weakens the positive association between this franchisee's perception of franchisor duty fulfillment and its trustworthiness assessment.

Research Design

Research Context, Sample, and Data Collection

To control for industry and system differences and ensure internal validity (Davies et al. 2011), this study surveyed franchisees of a single franchise system, JFF (pseudonym). The JFF franchisees provide services to Dutch customers in the customers' homes. The JFF franchisees are small business owners that mostly work alone (very few have two or three employees). JFF provides its franchisees with a brand name and collective marketing, training, coaching, and access to services such as insurance and guarantee schemes. In addition, JFF strictly mandates uniform presentations toward customers in the form of professional uniforms, vans with the company logo, and a common website. Regarding the back-office procedures, the rules are much less strict, without any centralized purchasing or logistics department, though JFF favors certain suppliers that provide franchisees with a standard discount.

We collected the data through a questionnaire among all JFF franchisees in fall 2011. In interorganizational studies, it may be difficult to select respondents that are knowledgeable about the relational issues being researched and that can act as informants in the data collection (Dant and Schul 1992; Kumar, Stern, and Anderson 1993). However, since the JFF franchisees own and operate their businesses by themselves and hence deal directly with the franchisor, they are the right informants for this study. One hundred and thirty-five out of 209 franchisees responded to the survey, of which 128 surveys were complete. This net response rate of 61.2 percent is very high and compares favorably with other trust surveys (Seppänen, Blomqvist, and Sundqvist 2007). The high percentage can be explained because (a) the Franchise Advisory Council stressed the importance of our study, (b) we made visits to regional franchisee meetings to explain the study, (c) we provided a small incentive to respondents, and (d) we made several reminders and phone calls to persuade nonrespondents to participate.

A comparison of early and late respondents revealed no significant socio-demographic differences, so nonresponse bias was unlikely to be a problem. The franchisor rated all 209 franchisees on the basis of their contributions ("Franchisee X has contributed significantly to the franchise system"; "Franchisee X has harmed the franchise system"). The mean averages for respondents and nonrespondents were equal for positive ($M_{resp} = 3.05$; $M_{nonresp} = 2.88$, $t = 1.36$, $p = .18$) and negative ($M_{resp} = 2.34$; $M_{nonresp} = 2.57$, $t = 1.76$, $p = .08$) contributions; the results thus also were not biased in the sense that respondents differed from nonrespondents in terms of franchisees' contributions.

Measures and Measurement Properties

The trustworthiness measure included 15 items from Searle et al. (2011), adjusted to measure franchisee assessments of the franchisor's trustworthiness.[2] We chose this trustworthiness measure as it captures the three key dimensions (i.e., ability, benevolence, and integrity) commonly suggested by the literature when trustors assess trustees' intentions and behaviors in organizational settings (Mayer and Davis 1999; Mayer, Davis, and Schoorman 1995). Although the trust literature has reached consensus on the underlying dimensional structure of trustworthiness, empirical investigations do not always support the three-factor structure. Some studies find a two-factor structure with ability and benevolence/integrity as underlying dimensions (Searle et al. 2011), while other studies find a one-dimensional structure (Becerra and Gupta 2003; Caldwell, Hayes, and Long 2010; Ferrin, Bligh, and Kohles 2008).

Due to model complexity, we assess the underlying component structure for the dependent and independent variables separately. To investigate the underlying component structure of the dependent variable, we conducted item correlation tests, and a principal component analysis on the 15 items using the eigenvalue criterion. After dropping one item because of a low loading ($<.4$), we find that—in line with the aforementioned studies—our respondents conceive the trustworthiness construct to be unidimensional. Our trustworthiness construct, which consists of ability (5), benevolence (5), and integrity (4) items, explains 65 percent of variance. One possible explanation for our one-factor solution is that our respondents may not have had the time or possibility to develop trustworthiness beliefs in the franchisor at the posited level of granularity (cf. McKnight, Choudhury, and Kacmar 2002). It is possible that when franchisees observe their franchisor's behavior more closely and more frequently, that they develop finer-grained trusting beliefs along the three distinct dimensions. In the remainder of the study, we thus treat trustworthiness as a unidimensional construct.[3]

To assess the component structure for the independent variables, we created an initial pool of 14 Likert scale items measuring franchisees' perceptions of the franchisor's strategic management, proactive and reactive quality assurance, and ICT support. After item correlation tests and principal component analysis, 13 items remained for the four constructs, which explain 71 percent of variance. Similar to Caldwell and Clapham (2003), the items featured statements about the franchisees' perceptions of the franchisor's duty fulfillment, which the franchisees evaluated on a five-point scale (1 = strongly disagree, 5 = strongly agree). Meetings with representatives of the franchisor and members of the Franchise Advisory Council, as well as in-depth exploratory interviews with three franchisees, helped affirm the scale's face validity.

In the next step, we performed confirmatory factor analysis using Partial Least Squares (PLS) to assess the scales' validity and reliability of the five reflective constructs (trustworthiness, strategic management, proactive and reactive quality assurance, and ICT support). The choice of PLS, a variance-based Structural Equation Modeling (SEM) approach, over other covariance-based SEM approaches such as LISREL, reflected its traits: PLS does not require multivariate normality, places minimum requirements on measurement levels, and is suitable for smaller—but not too small[4]—sample sizes (Chin, Marcolin, and Newsted 2003; Goodhue, Lewis, and Thompson 2012), and allows to test moderating effects via a product-indicator approach (Chin, Marcolin, and Newsted 2003). The final measurement model in Table 3 provides evidence of convergent validity, because all estimated standardized loadings were highly significant ($p < .001$)

[2]We also collected data on franchisees' trust in their franchisor. The six-item scale shows the expected strong positive associations between trustworthiness and trust.

[3]As a robustness check, we conducted the analyses using the two-factor and three-factor measures of trustworthiness. The results are highly similar to the one-factor trustworthiness measure. The results are available upon request.

[4]Goodhue et al. (2012) argue that PLS, like regression and covariance-based SEM, suffers from increased standard deviations, decreased statistical power and reduced accuracy when sample sizes are too small. Their Monte Carlo study suggests that terms of accuracy and predictive power of PLS is similar to the two other approaches when the sample size is above 90.

Table 3
Measurement Model

Construct	Antecedents	SL (*t-value*)	CR	AVE
Strategic management	The franchise system offers customers valuable services for an attractive price.	.75 (16.55)	.80	.50
	The franchise system has effective promotional activities.	.80 (15.96)		
	The franchise system has a clear positioning strategy toward customers.	.61 (5.99)		
	The franchisor adapts the system to local circumstances and allows franchisees to do so when necessary.	.65 (8.87)		
Proactive quality assurance	New franchisees are selected in a good way.	.85 (32.17)	.92	.69
	The franchisor provides good training for new franchisees.	.84 (29.42)		
	The franchisor provides good ongoing training for extant franchisees.	.75 (14.83)		
	The franchisor understands our industry's quality standards and tries to meet them.	.87 (29.70)		
	The franchisor understands the laws that apply to our industry and complies with them.	.83 (26.01)		
Reactive quality assurance	The franchisor closely monitors whether franchisees perform according to system rules.	.86 (14.78)	.87	.78
	When franchisees do not follow the format's rules, the franchisor takes effective corrective action.	.90 (25.96)		
ICT support	The franchise system uses high-quality ICT systems	.92 (4.58)	.93	.88
	ICT-related system problems are effectively resolved.	.95 (4.53)		
Franchisee trustworthiness assessment	The franchisor has the characteristics that enable it to fulfill its tasks.	.80 (18.97)	.96	.65
	The franchisor has everything it needs to function effectively.	.73 (11.95)		
	The franchisor is capable of meeting its responsibilities.	.86 (32.93)		
	The franchisor is known to be successful at what it tries to do.	.61 (8.55)		
	The franchisor does things competently.	.86 (24.76)		
	The franchisor has genuine care for the franchisees.	.85 (29.04)		
	Within this franchise system there is a concern for the well-being of stakeholders.	.71 (15.48)		
	The interests of the franchisees are taken into account in this franchise system.	.87 (12.58)		
	The franchisor is concerned about the welfare of its franchisees.	.90 (38.30)		
		.86		

Table 3
Continued

Construct	Antecedents	SL *(t-value)*	CR	AVE
	The franchisor will go out of its way to help its franchisees.	(47.03)		
	The franchisor would never deliberately take advantage of its franchisees.	.80 (40.37)		
	This franchise system is guided by sound moral principles and codes of conduct.	.83 (20.88)		
	Power is not abused in this franchise system.	.84 (26.74)		
	This franchise system does not exploit external stakeholders.	.73 (29.87)		
Local competition	There is strong competition in my local market.	1.00		
Intra-brand competition	I experience competition from my fellow JFF franchisees.	1.00		
Subjective performance	Overall, I would rate my franchise as successful.	.87 (13.51)	.89	.66
	I am satisfied with my growth in revenues and profit.	.89 (12.24)		
	In the past time period, I have reached my financial goals	.82 (8.14)		
	Compared to other companies in the same industry, my company's performance has been higher.	.66 (5.34)		
Objective performance	Gross margin in the second half of 2010	.73 (2.42)	.88	.65
	Gross profit margin in the second half of 2010	.94 (3.36)		
	Gross margin in the first half of 2011	.54 (1.64)		
	Gross profit margin in the second half of 2011	.95 (3.49)		

Notes: Standardized loadings (SL) precede t-values in parentheses. CR = composite reliability; AVE = average variance extracted.

(Anderson and Gerbing 1982). For all five constructs, the average variance extracted (AVE) exceeded the recommended level of .50, so the latent constructs explain more variance than measurement error in the manifest items.

All latent variables showed evidence of discriminant validity: the confidence interval (±2 standard errors) for each pairwise correlation estimate did not include unity (Anderson and Gerbing 1982). As Table 4 shows, the squared correlation for each pair of constructs did not exceed the AVE for each construct (Fornell and Larcker 1981), in support of discriminant validity. The constructs were also considered reliable, as they exhibited high composite reliabilities (>.80). Multicollinearity tests revealed no serious concerns; the largest variance inflation factor was 1.8, which is much lower than the commonly suggested cutoff value of 10 (Hair et al. 1998).

Moderating Variables

Market Competition. We measured competition using two separate measures (see Table 3). The first measure is a single-item local competition measure based on Kidwell, Nygaard, and Silkoset (2007). The second single-item measure reflects the intrabrand competition, which indicates the perceived competition originating

Table 4
Descriptives and Correlation Table

	Min./Max	Mean (SD)	TW	SM	ICT	PQA	RQA	IC	LC	SP	OP	AGE	EDU	PT	RD
TW	1.0/5.0	3.14 (.88)	**.81**												
SM	1.0/5.0	3.45 (.70)	.63	**.71**											
ICT	1.0/5.0	2.84 (.95)	.07	.01	**.94**										
PQA	1.0/5.0	3.13 (.86)	.78	.54	.11	**.83**									
RQA	1.0/5.0	3.27 (.89)	.53	.48	.05	.49	**.88**								
IC	1.0/5.0	2.83 (1.44)	−.34	−.19	.04	−.27	−.04	**n.a.**							
LC	2.0/5.0	4.09 (.84)	−.14	.04	.14	−.04	.17	.25	**n.a.**						
SP	1.0/4.8	3.51 (.84)	.27	.36	.05	.16	.24	−.18	.03	**.81**					
OP	4994/93472	23,419 (10,664)	−.12	−.02	−.15	−.25	−.01	−.10	.10	.31	**.81**				
AGE	27/62	44.95 (7.73)	−.01	.02	.08	.05	.15	.00	.06	−.07	.11	**n.a.**			
EDU	1.0/4.0	2.47 (.69)	.12	.08	.04	.11	.16	.00	−.02	−.03	−.16	−.07	**n.a.**		
PT	1.0/5.0	3.63 (.85)	.28	.13	.04	.20	.05	−.16	.16	.07	.20	−.12	.05	**n.a.**	
RD	0.2/7.9	3.10 (1.90)	−.21	−.07	−.04	−.27	.04	−.01	.03	.14	.33	.19	.04	.02	**n.a.**

Notes: The minimum, maximum, means and standard deviations are based on unweighted composite scores. For education the mean is shown, but the variable is on an ordinal scale. Correlations between latent constructs are shown below the diagonal. TW = trustworthiness; SM = strategic management; ICT = ICT support; PQA = proactive quality assurance; RQA = reactive quality assurance; IC = intra-brand competition, LC = local competition, SP = subjective performance, OP = objective performance, AGE = age (years); EDU = education; PT = propensity to trust; RD = relationship duration (years). The diagonal displays the square root of the AVE of the corresponding construct; n.a. = not applicable. Evidence for discriminant validity exists if the square root of the AVE exceeds the correlations with all other constructs. The bold values represent the square root of the AVE of the corresponding construct.

from franchisees of the JFF system (Cochet, Dormann, and Ehrmann 2008). The use of single items for these constructs can be justified as they can be easily and uniformly imagined (Bergkvist and Rossiter 2007).

Unit Performance. As indicated in Table 3, four self-report items measure the subjective performance of the unit, combining items from Dant and Gundlach (1998) and Cochet, Dormann, and Ehrmann (2008). Next, to measure franchisee's objective performance, we received four objective measures from the franchisor that include each franchisee's gross margin and gross profit margin in two half-year periods prior to the study.

Control Variables

As control variables, we included the duration of the franchisee's relationship with the franchisor, the franchisee's age, education and propensity to trust. Franchising researchers have argued for both positive and negative associations between franchise relationship duration and franchisees' relationship assessments (Blut et al. 2011; Cochet, Dormann, and Ehrmann 2008; Davies et al. 2011). The relation may be positive because franchisees in a long relationship have a higher mutual understanding with the franchisor. The relation may be negative since franchisees in a long relationship become more critical as they gain experience and develop their own beliefs about what it takes to run a business in their industry. The franchisee's age and education may have similar effects; older and/or highly educated franchisees may have an elevated belief in their own capabilities, which may make them more critical, and this may negatively affect their trustworthiness assessments (Davies et al. 2011; Jambulingam and Nevin 1999). Finally, many trust and trustworthiness studies have included propensity to trust as an individual-level trait, reflecting general expectancies, and acting as a filter by which a person assesses another party's trustworthiness (Becerra and Gupta 2003; Fulmer and Gelfand 2012).

We do not only control for these variables in our main analyses, but we also perform several additional analyses to check for the moderating effects of these control variables and the robustness of our results. These franchisee personal characteristics may influence how franchisees perceive the world, and thereby affect the importance they attach to specific franchisor duties.

Common Method Variance

Using a single survey may increase concerns of common method variance (CMV). To limit these effects, this study followed Podsakoff et al.'s (2003) recommendations; respondents were guaranteed anonymity, there was ample variation in measurement items, and the questionnaire design prevented funneling, by which respondents might assume a presence of relationships between variables. As a first check for potential method bias, Harman's single-factor test (Podsakoff et al. 2003) showed the poor fit of the one-factor model (GFI = .64; CFI = .76; RMSEA = .12). A second test examined the degree to which an unmeasured latent common method factor could explain item variance (Podsakoff et al. 2003), using PLS (Liang et al. 2007). Of the 27 paths from CMV to single-indicator constructs, none was significant, suggesting a low amount of CMV.

Results

Direct Effects of Antecedents on Trustworthiness

To test of the statistical significance of each path coefficient, scholars recommend to use a bootstrapping procedure with 5,000 subsamples (Hair, Ringle, and Sarstedt 2011; Ringle, Wende, and Will 2005). Using SmartPLS 3.0, we find at a significance level of .05, that three of the four hypothesized direct relationships were significant and in the hypothesized direction (Table 5).[5,6] The franchisees' perceptions of the franchisor's fulfillment of strategic and operational management positively relate to franchisees' assessments of franchisor trustworthiness; the antecedents explain a substantial proportion of variance in trustworthiness (adjusted $R^2 = .72$). In particular, in support of H1, franchisee perceptions of the franchisor's strategic management behaviors contribute to higher trustworthiness perceptions ($\beta = .22$, $p < .01$). In line with H2a and H2b, proactive quality assurance ($\beta = .47$; $p < .001$) and reactive quality assurance ($\beta = .20$; $p < .001$) both enhance trustworthiness. However, in contrast with H3, franchisor's ICT support did not increase franchisee trustworthiness assessments ($\beta = .02$, $p > .10$). From the moderating variables, local

[5]A Durbin-Watson test revealed that the error term of the DV (trustworthiness) is correlated with its regressors. The lack of a valid instrumental variable does not allow us to consistently estimate the causal effect. Therefore, we need to interpret our results with caution, and cannot assume a theoretical causation between the IVs and DV, as it is well possible that we have an omitted variable bias or reverse causality. Although we have tried to be exhaustive in our model by a systematic analysis of the franchisor's duties, omitted variables may cause the regressors to be correlated with the error term. Reverse causation could also exist such that the franchisee's trustworthiness in the franchisor may act as a perceptual lens that influences how the franchisee looks at the franchisor's behaviors. Despite the fact that we cannot claim causality between the IVs and DV, the findings remain relevant, as the associations between the antecedents and trustworthiness still indicate that improvements in either of them may stimulate the other.

[6]Using OLS with composite scores, we find highly similar results with regard to the direction and significance of the proposed direct effects and moderation effects, which adds to the robustness of our findings

Table 5
PLS Structural Results

IV	DV: Franchisee trustworthiness assessment
Strategic management	.22***
Proactive quality assurance	.47****
Reactive quality assurance	.20****
ICT support	.02
Intra-brand competition	−.08
Local competition	−.17***
Subjective performance	.06
Objective performance	.00
Control variables	
Age (in years)	−.02
Education	.01
Propensity to trust	.15***
Relationship duration (in years)	−.08
Adjusted R^2	.72

*$p < .10$
**$p < .05$
***$p < 01$
****$p < .001$

competition is the only direct influencer ($\beta = -.17$, $p < .01$) of franchisee trustworthiness assessments. From the control variables, propensity to trust is positively associated ($\beta = .15$, $p < .01$) with trustworthiness assessments.

Whereas PLS lacks formal testing procedures to assess the validity of global model fit (Tenenhaus et al. 2005), the goodness-of-fit or GoF can offer a diagnostic value (Wetzels, Odekerken-Schröder, and van Oppen 2009). The GoF measure represents the geometric mean of the average communality and average *R*-square for endogenous constructs (Wetzels, Odekerken-Schröder, and van Oppen 2009). The study's GoF value is .54, which exceeds the baseline for large effect sizes ($GoF_{small} = .1$, $GoF_{medium} = .25$, and $GoF_{large} = .36$), suggesting that our model performs well against baseline models.

Moderation Effects

The moderation effects are tested in isolation with 5,000 bootstraps, using the product indicator approach (Chin, Marcolin, and Newsted 2003). This approach gives more accurate estimates of interaction effects by accounting for the measurement error which generally attenuates the estimated relationships. In contrast to Hypothesis 4—hypothesizing that competition strengthens the associations—the results in Table 6 show that local competition attenuates the effect of strategic management ($\beta = -.19$, $p < .05$), and of reactive quality assurance ($\beta = -.22$, $p < .01$), while intrabrand competition attenuates the effect of reactive quality assurance ($\beta = -.23$, $p < .01$). These results suggest that franchisees that experience greater competition, at the local or intrabrand level, consider the franchisor's fulfillment of the strategic management or reactive quality assurance duties to contribute less to trustworthiness. Figures 3A–3C plot the significant moderation effects.

Regarding unit performance (H5), we do not find any evidence that unit performance—measured objectively or subjectively—influences the relative importance of the antecedents of franchisor trustworthiness, thereby rejecting Hypothesis 5. This implies that the franchisees judge the franchisor using the same determinants, to the same degree, irrespective of their unit performance.

Additional Analyses

As an additional check, we analyzed how a franchisee's personal characteristics—our original control variables—moderate the relationships (see Table 7A). We find one significant interaction effect, namely between ICT support and

Table 6
Moderating Effects of Market Competition and Unit Performance

DV: Franchisee trustworthiness assessment	Contextual characteristics: Market competition H4		Franchise unit characteristics: Unit performance H5	
Moderators (reflected in columns):	**Local competition**	**Intrabrand competition**	**Objective performance**	**Subjective performance**
Strategic	−.19*	−.14	−.19	−.08
ICT	.14	.08	.10	−.05
Proactive	−.10	−.07	−.04	.02
Reactive	−.22***	−.23***	−.12	.01

Notes: Standardized betas of the interaction terms are displayed. Product-term generation and interaction term and regression handling use standardized scores (5,000 bootstraps).
*$p < .10$
**$p < .05$
***$p < .01$
****$p < .001$

education: more highly educated franchisees attach less importance to, and even negatively evaluate, higher scores on ICT support (Figure 3D). A possible explanation is that highly educated franchisees have a higher self-efficacy and are more critical (Davies et al. 2011) and more likely to perceive ICT support as a monitoring and control mechanism of the franchisor (Grünhagen et al. 2008).

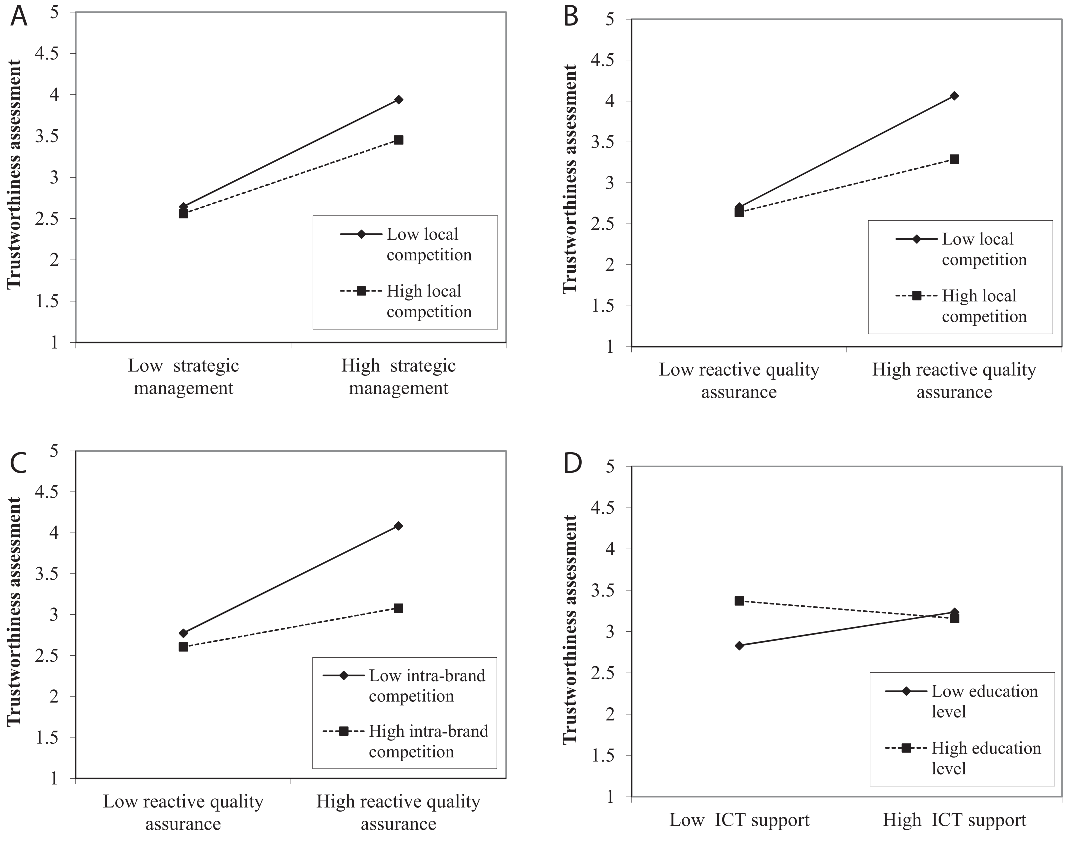
Finally, we investigated the potential moderation effects between antecedents (Table 7B), as previous research suggested that high scores on one antecedent or duty may compensate for low scores on others, or congruence on all duties could strongly affect franchisees' trust perceptions (Gillespie and Dietz 2009). The six moderation tests using the product indicator approach (Chin, Marcolin, and Newsted 2003; Ringle, Wende, and Will 2005), show that none of the product terms were significant, suggesting that the antecedents have distinctive main effects but not strong joint effects.

Conclusion and Discussion

By integrating a duties and systems perspective and acknowledging the intraorganizational and interorganizational characteristics of franchise systems, our study identifies a set of concrete franchisor duties that serve as antecedents of franchisees' trustworthiness assessments. More specifically, the degree to which franchisees perceive their franchisor to fulfill these duties determines their assessments of franchisor trustworthiness. The theoretical framework, which is grounded in a calculative approach, also incorporates a contingency perspective to explore how heterogeneity in franchisee characteristics (i.e., franchisees' market competition and unit performance) moderate the importance of these antecedents. Overall, our study contributes to a better understanding of the drivers of franchisee trustworthiness assessments, and how the importance of these drivers may differ across franchisees based on their idiosyncratic characteristics. Heterogeneity in franchisee characteristics (e.g., education, relationship duration, market competition, unit performance) reflects differences in franchisees' abilities, motivations, and experiences, which in turn may influence the franchisees' perceptions of their franchisor's behaviors when forming trustworthiness assessments.

The results provide strong support for our framework, which signals the relevance of using the aforementioned theoretical perspectives. Our findings show that franchisees consider

Figure 3
(A) Interaction Between Strategic Management and Local Competition. (B) Interaction Between Reactive Quality Assurance and Local Competition. (C) Interaction Between Reactive Quality Assurance and Intrabrand Competition. (D) Interaction Between ICT Support and Education Level



proactive quality assurance, reactive quality assurance, and strategic management as important franchisor duties in assessing franchisor trustworthiness, whereas they do not consider ICT support. Although extant trust studies have already established the relevance of quality assurance in intraorganizational and interorganizational contexts (Caldwell and Clapham 2003; Gullett et al. 2009; Mesquita 2007), our study shows that it is important to distinguish between *proactive* and *reactive* quality assurance given their differential impact on trustworthiness. The strong importance of proactive quality assurance shows that franchisees demand the franchisor to provide high system's overall quality and functioning through setting high-quality standards for the entire franchise system and via attracting and developing franchisees. Franchisees also consider both strategic management and reactive quality assurance to be important duties as they help in formulating an attractive business format and protecting the

Table 7A
Additional Analyses: Control Variables as Moderators

DV: Franchisee trustworthiness assessment	Franchise personal characteristics (control variables)			
Moderators (reflected in columns)	**Age**	**Education**	**Relationship duration**	**Propensity to trust**
Strategic	.02	−.04	−.04	−.05
ICT	−.15	−.21**	.03	−.11
Proactive	.03	.04	−.02	−.04
Reactive	−.06	.02	−.03	.01

Notes: Standardized betas of the interaction terms are displayed. Product-term generation and interaction term and regression handling use standardized scores (5,000 bootstraps).
*$p < .10$
**$p < .05$
***$p < .01$
****$p < .001$

quality through monitoring. Prior studies have related such monitoring behaviors mostly to relational outcomes, such as cooperation (Ferrin, Bligh, and Kohles 2007) and fairness (Ishida and Brown 2013), but not yet to trustworthiness assessments. Although excessive monitoring can be perceived negatively (Kidwell, Nygaard, and Silkoset 2007; Williamson 1993), the current study shows that a franchisor's effective monitoring of franchisees uniformly instills trustworthiness, though to a moderate extent. Finally, we do not find an impact of franchisees' perceptions of franchisor duty fulfillment regarding ICT support on franchisee trustworthiness assessments. These insignificant results may be explained by a "dual role" of ICT in franchise system operations; some franchisees may positively interpret ICT support as an *operational facilitator* (as hypothesized earlier); yet, others may negatively interpret franchisor ICT support as an additional *control instrument* that decreases franchisee decision rights and increases monitoring (Grünhagen et al. 2008; Kidwell, Nygaard, and Silkoset 2007).

Table 7B
Additional Analyses: Moderating Effects of Independent Variables

Moderation effects:	β
Strategic × ICT	−.11
Strategic × Proactive	.03
Strategic × Reactive	−.05
ICT × Proactive	.01
ICT × Reactive	−.07
Proactive × Reactive	−.05

Notes: Standardized betas are displayed. Product term generation and interaction term and regression handling use standardized scores.
*$p < .10$
**$p < .05$
***$p < .01$
****$p < .001$

Our study augments the contingency perspective in franchising literature by demonstrating that the links between franchisees' perceptions of franchisor duty fulfillment and their trustworthiness assessments differ in strength across franchisees—even within the same franchise system. The results show that the relative importance that franchisees attribute to the franchisor's fulfillment of duties varies according to the degree of franchisees' perceived market competition, but is equal in terms of their unit performance. In contrast to what a power-dependency perspective hypothesizes, we find that franchisees confronted with high competition less strongly consider the franchisor's fulfillment of strategic management and reactive quality assurance duties. This overall result can, however, be well explained by an entrepreneurial perspective on franchising (Brand and Croonen 2010; Kaufmann and Eroglu 1998; Sorenson and Sørensen 2001), which assumes that franchisees—due to their residual claimant status—may have strong incentives to act entrepreneurially and autonomously. Franchisees who experience higher local competition are more prone to engage in entrepreneurial behaviors (Croonen, Brand, and Huizingh 2016), especially when they feel that their franchisors cannot help them in overcoming competitive pressures (Dant and Gundlach 1998). Franchisees in competitive markets may then shift their attention focus toward fighting their market competitors, and away from analyzing franchisor behaviors. The entrepreneurial perspective also proves to be helpful in explaining why the specific duties of reactive quality assurance and strategic management become less important in the evaluation of franchisor trustworthiness. Reactive quality assurance may be perceived as less important by franchisees in highly competitive circumstances because less monitoring generally allows franchisees more freedom to act entrepreneurially and make local adjustments. Next, a franchisor's strategic management becomes less important in competitive local markets as there is a higher likelihood that a business format's competitive advantage will become obsolete at a franchisee's local level (Bradach 1998; Kaufmann and Eroglu 1998). Finally, our results show that a franchisee's unit performance does not moderate any relationships. A possible explanation is that franchisees may differ in their level of self-efficacy and attributions of the franchisor's contribution to their unit performance (cf. Dant and Gundlach 1998; Davies et al. 2011), and that this variability weakens the significance of the moderation effect. Franchisees who perceive unit performance to result from the franchisor's efforts likely pay more attention to franchisor duty fulfillment compared to franchisees who contribute their entrepreneurial success more to their own efforts.

Our study yields several practical implications for franchisors. First, our findings demonstrate the relative importance of the antecedents, such that franchisors can enact management initiatives to more effectively influence franchisees' trustworthiness perceptions. By dedicating investments and communication efforts to improve the perceived fulfillment of its duties regarding proactive quality assurance, strategic management, and reactive quality assurance, the franchisor can strongly increase franchisees' trustworthiness assessments; improvements in ICT support are less effective in realizing trustworthiness improvements (especially for highly educated franchisees, who may perceive ICT as a control instrument rather than an operational facilitator). Second, the attenuating moderation effects of market competition (and the negative direct effect of local competition) are important to consider. Higher levels of competition are detrimental for franchise relationships, because despite the perceived fulfillment of their duties on strategic management or reactive quality assurance, franchisors will receive lower trustworthiness assessments when franchisees perceive stronger competition. In an attempt to increase the returns on the fulfillment of its duties, a franchisor may try to reduce franchisees' perceptions regarding the threats of market competition. One option for franchisors is to enhance franchisee "collective efficacy" (Jung and Sosik 2002) or "franchisee cohesion" (El Akremi et al. 2010), which potentially lower franchisees' perceptions of competitive threats because they may feel stronger as a group. Such collective efficacy and cohesion may increase franchisees' inclination to follow system norms and positively value franchisor duty fulfillment. Another option for franchisors is to reduce intrabrand competition—as a specific form of market competition—by assigning larger exclusive territories to franchisees. This decision should not be taken lightly as the size of exclusive territories reflects an important strategic trade-off for franchisors (Cochet, Dormann, and Ehrmann 2008).

Finally, some limitations of this study require further research attention. Even though studying a single system allowed us to control for country, industry, and franchise system differences and thus to improve internal validity (Davies et al. 2011), this benefit has consequences for the generalizability of our findings. There are no reasons to expect radically different findings in other contexts; however, there may be additional contextual characteristics affecting franchisees' trustworthiness assessments. First, the empirical setting for this study is the Netherlands, a society with low power-distance levels and franchise system standardization levels (Croonen, Brand, and Huizingh 2016). Dutch franchisees may perceive lower dependence on their franchisors and have more room for entrepreneurial behaviors, compared to, for example, U.S.-based franchisees. This may not only impact conflict resolution processes (cf. Dant and Schul 1992), but it may also attenuate the impact of franchisees' perceived franchisor duty fulfillment on franchisee trustworthiness assessments.

A second limitation refers to the fact that our focal system consists of only single-unit franchisees and no multiunit franchisees, whereas multiunit franchisees may have different strategic orientations and hence attach different values to their franchise relationships (Grünhagen and Mittelstaedt 2005). In sum, a logical follow-up to our present study would be to replicate it in multiple countries and franchise systems.

Third, this study incorporated a limited set of franchisee *personal* characteristics (as control variables) to account for the heterogeneity of franchisees within a franchise system. Future research could incorporate additional personal characteristics that reflect franchisees' entrepreneurial characteristics. Such characteristics may affect franchisees' perceptions and attitudes regarding their businesses and franchise relationships, such as a franchisee's entrepreneurial experience and market knowledge (Jambulingam and Nevin 1999), entrepreneurship and investment motivations (Grünhagen and Mittelstaedt 2005), desire for entrepreneurial autonomy (Croonen, Brand, and Huizingh 2016), locus of control (cf. Dant and Gundlach 1998), or self-efficacy (cf. Davies et al. 2011). Future studies need to incorporate such franchisees' entrepreneurial characteristics and market competition simultaneously in order to investigate how they jointly shape the importance of trustworthiness antecedents. In doing so, future studies can explore when and why the power dependency or entrepreneurial perspective prevails in franchise contexts.

Finally, from a methodological stance, this study tried to use multiple item scales for each construct, though not all constructs have the required minimum of three items, and may therefore appear weak or unstable. Next, we did not find empirical support for the commonly suggested three-factor solution for trustworthiness. Future studies should assess the conceptualization of trustworthiness more closely in franchise contexts and investigate whether franchisees make finer-grained assessments (i.e., distinguish between the three trustworthiness dimensions) in other franchise contexts. If so, future research can investigate how franchisee characteristics may moderate the importance of the separate dimensions differently. Also, this study uses a cross-sectional survey and cannot claim causality of the model's relationships. Future research using longitudinal or experimental data is needed to assess the causality of the relationships.

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