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*“The Effect of International Franchising on Domestic Firms in
Emerging Countries”*

By

Ani Mtvralashvili

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Abstract

Franchising has become one of the most applied business strategies for international expansion, as it provides economies of scale and flexibility to global operations. It usually offers the benefits of strong brand name, business know-how and experience that give businesses a competitive edge in overseas markets. The growth of franchising model globally and its impact on host-country firms is most noticeable in developing economies, as it forces local firms to evolve and adopt new practices to defend their market positions. This thesis, therefore, aims to examine the effect of international franchising on emerging market firms and the different ways to achieve a competitive advantage in developing economies by identifying resources, capabilities and strategies of both franchisees and local businesses.

To address the objective of this thesis, an exploratory, qualitative case study is conducted by employing semi-structured interviews with 14 case companies in Ukraine and Georgia, which helps the researcher to answer the study questions and understand the experiences and perceptions of the participants. The collected data is analysed with the use of thematic analysis and fuzzy set of qualitative comparative analysis (fsQCA) to gain an in-depth knowledge of the research phenomenon and to enhance the credibility of the results.

The findings of this study stress the importance of marketing activities, customer service development, localisation, pricing strategy and financial resources as the key conditions for businesses to gain success in developing economies. However, the analysis reveals that there are huge differences between the resources, capabilities and practices of international franchisees and emerging-market firms. Franchisees of well-established franchisors benefit from business knowledge, training support and worldwide experience but follow a rigid and formalised structure that gives them less flexibility. On the other hand, developing-country firms have the local market knowledge, autonomy, and the capacity to learn indirectly from competitors, but lack resources and technological capabilities. This thesis, therefore, suggests alternative paths and effective solutions to both to drive firm's competitiveness when particular resources and/or capabilities are present or absent.

There are several contributions made to knowledge by this thesis. The new theoretical insights are developed through identifying the most significant drivers of competitive advantage and suggesting different configurational frameworks. The results also present practical implications by providing managerially amendable options to deal with intense competition within the food industry in emerging economies. Finally, the methodological

contribution of this thesis lies in the application of fsQCA that allows researchers to see qualitative results transferred into quantitative findings with a clear and transparent way, thus, it would be beneficial not only for qualitative researchers but for scholars who follow quantitative approach.

Keywords: International franchising; emerging market; franchisee; local business; competitive advantage; resources and capabilities; business strategy; food industry.

Declaration

I, hereby declare that this doctoral thesis is my own original work and has not been submitted elsewhere in fulfilment of the requirements of this or any other award.

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LIST OF ABBREVIATIONS

DC	Dynamic capability
GDP	Gross domestic product
GNI	Gross national income
OC	Operational capability
RBV	Resource-based view
SCA	Sustainable competitive advantage
UK	United Kingdom
USA	United States of America

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CHAPTER ONE

INTRODUCTION

1.1. Introduction

In the recent decades, franchising has become one of the most dominant business forms of expansion in foreign markets and especially in emerging economies (Hoffman et al. 2016). It provides opportunities of swift worldwide expansion for firms operating in different industries and has the potential to overcome issues related to the technical, legal, linguistic, cultural and employment problems widely associated with internationalisation (Asbill and Goldman, 2001., Alon et al. 2012). As the result of franchising expansion in foreign markets, host country companies find it difficult to succeed and the competition between them keeps intensifying (Hoang et al. 2017). Therefore, this research investigates the effect of international franchising on local companies in emerging markets by considering the factors contributing to competitive advantages of both franchisees and domestic businesses.

There is extensive literature on international franchising (Altinay and Wang, 2006., Elango, 2007., Alon, 2012); however, little is done to evaluate how franchisees achieve competitive powers in emerging economies and how they impact domestic businesses. Furthermore, most of the studies that examine developing-market firms do it from the perspective of their internationalisation to foreign countries. Thus, the underlying mechanism of how domestic firms operate and compete against global multinational companies in their home markets remain unaddressed in the literature (Kumar et al. 2016, Li and Ding. 2017). This study explores the influences between international franchisees and domestic firms and examines how they achieve a competitive advantage over each other.

The aim of this chapter is to introduce the research thesis. Following the introduction, section 1.2 explains the rationale and significance of the study subject with its focus on international franchisees and local firms in developing countries. Section 1.3 outlines the underlying research problem. The aims, objectives and research questions are discussed in section 1.4. The next section 1.5 describes the selection of a suitable research methodology and highlights the importance of the chosen approaches. Section 1.6 presents the research boundaries and limitations, while section 1.7 establishes the structure of the thesis. Finally, section 1.8 summarises the entire research thesis.

1.2. Rationale and significance of the thesis

Franchising is a contractual agreement between the franchisor and franchisee in which the former transfers its firm's know-how in exchange for economic compensation. Furthermore, the franchisor offers training, support, an established brand name, already proven business concept and valuable contacts to franchisees (Lafontaine, 1992., Perrigot et al. 2013). This is the reason why it has become one of the most prevalent strategies and methods of business expansion and internationalisation for food, service, hotel, fashion and retail companies (Hoffman and Preble, 2004., Madanoglu et al. 2018).

Initially, this strategy has been seen as a local approach to growth (Lee et al. 2015). However, intense competition and domestic market saturation in developed economies, opportunities of global expansion and changing consumer demands have triggered the fast development of franchising in global markets (Hoffman and Preble, 2004). Furthermore, the decrease in trade barriers in India, China and Brazil, the collapse and decline of communism in Russia and Eastern Europe, and the growing opportunities for stability in Middle East and South Africa have driven the growth of franchising in emerging economies (Dant and Nasr, 1998., Baena, 2012).

The swift development of franchising over the last thirty years left many questions unaddressed and created gaps in academic and business literature (Alon, 2010. Rosadoserrano et al. 2018). Research related to local and global franchising has been done mostly in developed markets and explored the determinant factors of internationalisation, the principles and fundamentals of global franchising, franchisor-franchisee relationship, franchising governance modes and driving forces of international franchising (Asbill and Goldman, 2001., welsh et al. 2006., Alon 2012., Baena 2012., Davies 2015., Nyadzayo et.al. 2018). Even though, several research study the expansion of franchising, none of them identify their competitive scopes, strategies and resources/capabilities in developing economies and how their expansion affects local firms.

The number of franchise outlets in many developing markets is increasing with time, thus the competition between domestic and franchise enterprises in those countries is getting rigorous (Hoffman et al. 2016). Franchisors usually benefit from strong brand name and reputation, business know-how, knowledge sharing and their ability to provide high quality products and services that give them the opportunity to attain a competitive advantage in foreign markets (Beere, 2017). As the result, local organisations face many challenges in competing with already well-established enterprises (Welsh et al, 2006). Researchers argue

that domestic companies in developing economies lack technological capabilities, managerial skills and show slow progress (Bartlett and Ghoshal, 2000., Ramamurti, 2009).

Most research in this realm investigate international franchising and domestic market firms within developed countries and neglect the context of emerging markets that are increasingly becoming viable economic entities in global supply chain (Schoenherr et al, 2012). Furthermore, none of the researchers study the effect of international franchising on domestic companies, even though the entrance of global franchisees in developing countries highly influences how the market evolves and how local companies operate (Jindrich, 2016). The present thesis, therefore, builds the knowledge and carries out an analysis of the impact of global franchising on emerging-market companies. It examines the experiences and activities of both international franchisees and domestic businesses in the markets that have not been investigated.

The main significance of this study is the new and profound insights it provides on the franchising industry and competitive factors across the developing markets. It further expands the resource-based view and dynamic capability theories, by providing a deeper understanding of the key resources needed for a company to achieve a competitive advantage and offering an in-depth knowledge of organisational capabilities and strategic decision-making processes that are beneficial for practitioners in business and management field. This study emphasises the importance of intangible system-specific resources such as brand name, prestige, marketing knowledge and firm experience/know-how as strong contributors to successful business performances of international franchisees in Ukraine and Georgia. On the other hand, it argues that managerial and organisational capabilities of emerging-market firms to use and apply knowledge, to master technology and identify strategically important resources and capabilities of competitors help them to survive in a highly competitive environments of Eastern European markets.

This thesis, therefore, makes a contribution to the unexplored area of research related to the practices of international franchisees and emerging market firms in Eastern European region. Unlike other studies that seek to identify the principles of franchising and the internationalisation of emerging-market firms, this thesis conducts exploratory research, which examines the real-life issues related to the subject of interest. The findings of this research provide a comprehensive understanding to managers, directors and owners of both international franchisee and domestic firms in emerging markets about how competitive powers can be gained and what strategies can be used by the firms to defend their market

positions through suggesting contingent solutions and alternative pathways that drive competitiveness when particular resources and/or capabilities are present or absent.

Furthermore, this research is useful to companies that consider engaging in a franchise network, as it highlights the benefits and drawbacks of international franchise system and establishment in a foreign environment. This thesis suggests effective strategies and approaches that could be considered by the franchise enterprises when setting up their businesses overseas. In addition, this research explores the experiences and practices of local firms in emerging markets by comparing their operations and activities against well-established international companies. As domestic firms in Eastern European markets have limited examples of how similar companies compete against global franchisees and how they survive, this research will guide local businesses of how to defend their market positions and improve their business performance.

The next section presents the problem statement.

1.3. Problem statement

The focus of this study is on the growth of the international franchising and its impact on domestic firms in emerging markets, as none of the existing papers consider or highlight the growing correlation between franchise expansion and the changes in operations of local businesses. Accessing the information in developing economies is often challenging and many areas remain unexplored (Anttonen et al. 2005., Altinay and Miles, 2006., Combs et al, 2011., Baena and Cervino, 2014). Thereby, various scholars acknowledge emerging markets as a subject, which needs further investigation (Welsh et al. 2006).

To justify the selection of markets that were considered for this thesis, the study provides a definition of emerging markets. There are several classifications of emerging markets, for instance, UNCTAD categorises emerging markets based on economic and institutional criteria, development status and geographic location (UNCTAD 2006). Similarly, Luo and Tung (2007) define emerging markets as economies that have undergone vital structural transformation over the recent decades, representing countries whose national economies have developed swiftly. It includes economies where businesses and industries have experienced and are continuing to experience drastic operational changes and whose markets hold promise regardless of weak and instable legal systems.

Considering these definitions, Georgia and Ukraine are good examples of developing markets, because these two are in the process of industrialising; their economies offer greater returns to foreign investors due to the rapid economic development and accessibility; they adopt reforms seen in developed markets, to help the transition from a less developed, low income, pre-industrial economy to a modern industrial economy with a higher standard of living. More importantly, Georgian and Ukrainian markets have become the main targets for business expansion for franchise restaurants, which makes both economies suitable for this research (Peretiakko et al. 2009., Tsikolia, 2017., Franchise, 2018., International Trade Administration, 2020., Trade 2022).

For this research, only food industry has been chosen for study, as service and food sector account for more than 50% of the global franchising operations of U.S. companies and continue to be the dominant form of franchising in various markets (Paik and Choi, 2007). The prevalent usage of the franchise system in the food industry is the main reason why it has been selected for analysis (Khan, 2005., Gao et al. 2018). As Eastern European emerging markets have become the main targets for international franchise restaurants, this research compares and contrasts the experiences and attitudes of domestic food restaurants and international franchisees operating in Georgia and Ukraine.

Case companies in Georgia and Ukraine are selected based on their competitive advantage and success factors. Competitive advantage is practically identical with firm's performance and assesses company's operation, practices and effectiveness compared to competitors in a given market environment (Rubio and Aragon, 2009). In this study, organisation is considered to be competitive when its capabilities and resources are valuable, rare, inimitable and non-substitutable (Barney 1991., Sok et al. 2016). However, just having a competitive advantage does not make a company successful, as different criteria applies to its definition. Measuring organisational success is a continuous challenge for both researchers and managers (Maltz et al. 2003). For this thesis, the significant factor is how a firm responds to changing business conditions, its ability to innovate and whether it has a concise vision (Kaplan and Norton, 1996., Lee and Epstein, 2012). Nevertheless, some scholars and practitioners measure success based on firm's financial performance including sales, profits, market share and return on investment (Denton, 2002), others link organisational success with employee performance, development, training and growth level (Sims, 2002).

With the above understanding of the research significance, problem and context, the major aims, objectives, and research questions are outlined in the next section.

1.4. The aims, objectives and research questions

Formulating research aims, objectives and questions in an appropriate manner is one of the most important issues in any research, because they determine the depth, scope and the entire direction of the thesis (Ryan and Bernard, 2000). The major aim of this research is to identify the resources, capabilities and methods of international franchisees and emerging-market companies and explore how they achieve a competitive advantage in developing economies. Also, it is important to investigate how local companies can defend their market positions against already established branded firms. In order to achieve this, the study has three main objectives:

1. To examine the resources, capabilities, and strategies of international franchisees and how they achieve competitive powers in emerging markets.
2. To explore the practices and experiences of developing-market firms in relation to international franchise companies and identify how domestic businesses can defend their market positions.
3. To study the effect of international franchising on emerging-market firms and investigate if they have different resources/capabilities or use different strategies to achieve competitive edge.

In an attempt to meet these objectives, the researcher first reviewed the literature to gain an understanding of existing theories relevant to the research subject and identify the potential gaps in knowledge. The literature review established that international franchisees achieve a competitive advantage in a foreign environment based on the franchisor's brand name (Kim and Kim, 2004), knowledge transfer (Minguela-Rata et al. 2010) and high standards of providing quality products and services (Ehrmann et al. 2013). In contrast, emerging-market companies lack resources, managerial skills, technological and operational capabilities to compete at the same level as international franchisees (Bartlett and Ghoshal, 2000., Ramamurti, 2009); however, they still survive and defend their positions through the indirect learning and imitation of the best practices of competitors (Bianchi and Mena, 2004., Banerjee et al. 2015). Even though the growth of international franchising in emerging economies has received great attention from the scholars, none of them explored the factors contributing to competitive advantages of international franchisees and/or local-firms, as well as the effect of the entrance of franchising on developing-country firms. This led to the formulation of the following research questions:

1. *How do international franchisees become successful and gain a competitive advantage in emerging markets?*

The first research question refers to the operations of international franchisees in emerging markets by evaluating the success factors and how they can achieve a competitive advantage. Even though international franchisees have many benefits including tangible and intangible resources and technological and operational capabilities, one of the most serious challenges for them is learning and adapting to foreign culture, habits, ethical and legal systems (Galhanone et al. 2020). Therefore, this question has been formulated in order to evaluate if they have different strategies, practices and operations for home and host countries.

Based on the literature review, franchisees have the right to duplicate successful and worldwide proven business format with the recognisable brand name, managerial and technological capabilities, and global experience in foreign markets (Brookes and Altinay, 2017), that puts emerging-market firms at disadvantage in terms of innovation, marketing, technology, and business procedures in general (Banerjee et al. 2015). This influenced the design of the second research question:

2. How do local firms experience the effects of international franchising?

The second research question examines the experiences of domestic emerging-market firms in terms of the entrance and establishment of international franchisees in their countries. The literature around the operations, strategies and methods of developing-market companies is very limited and the topic remains unexplored. Most of the previous papers examine the internationalisation of emerging-market firms (Barkema and Drogendijk, 2007), however, how they defend and survive in their home countries, especially against well-known branded companies, needs to be studied further. This influenced the design of the third research question:

3. How do local businesses defend their market position and gain a competitive advantage in the market?

The third research question investigates the resources, capabilities and strategies of emerging-market firms facilitating competitiveness, as there are almost no studies addressing these issues. However, to successfully defend their market positions against established international franchisees, it is suggested for domestic firms to thoroughly analyse their existing strategies, as well as their competitors' business practices and activities in terms of market share, product differentiation, standardisation and/or localisation, market and customer segments (Hill and Jones, 2008 and Khan 2015).

To achieve the study aims and objectives and to answer the research questions, the thesis utilises the methodology outlined in the following section.

1.5. Research Methodology

This study uses qualitative research strategy in which the researcher follows interpretivist research paradigm. The research design is directed at gaining an in-depth understanding of the personal experiences, attitudes and opinions of research participants from international franchisees and local companies in Georgian and Ukrainian markets. A qualitative data collection and two different data analysis methods (qualitative and configurational) are utilised to facilitate the examination of the practices and activities of those companies, how they see their business operations and what strategies they employ to survive in a highly competitive environment. Semi-structured interviews are conducted with the key personnel and people at senior management positions in the case firms (fast-food restaurants) to understand their experiences and perceptions towards their business and competition within the food sector. Data collection is done in two different emerging markets Georgia and Ukraine to compare and evaluate if there are any significant differences and examine the effect of international franchising on local companies from both perspectives.

The collected data is analysed with the use of thematic analysis and fuzzy set of qualitative comparative analysis (fsQCA). The major aim of using two different data analysis methods is to gain better understanding and in-depth knowledge of the subject under investigation, as well as to enhance the credibility of the research study. At first, thematic analysis is used to determine the key themes and findings of the research questions. This method highlights similarities and differences across the data and produces new insights (Braun and Clarke, 2006). Next, fuzzy set of qualitative comparative analysis is used through the fsQCA 3.0. software program as an additional method of evaluating causal conditions that contribute to the outcome. FsQCA enables the researcher to analyse which conditions or combinations of conditions are necessary and sufficient to achieve the result (Rihoux and Ragin, 2009., Toth et al, 2017). The application of several methodological approaches to the same transcript are considered as a special type of triangulation in the data analysis. Finally, the findings are synthesised and discussed to answer the research questions.

The next section describes the boundaries of the thesis, which have been identified during the research design, data collection and the study process.

1.6. Research boundaries and limitations

Every research paper, even when carefully planned, has its limitations. The first constraint of this thesis is a relatively small sample size for the empirical research (just 14 case

companies from two emerging markets). Even though the researcher tried to access more organisations, most of the franchisees and domestic firms refused to share their experiences. Another drawback is that the qualitative nature of the study topic limits its generalisation beyond the context of international franchise and local food industry because the information is collected from only one sector. Nonetheless, food industry is the largest sector in Ukrainian and Georgian economies, as well as the main target sectors for franchise businesses.

The important issue to consider in a relation to the research findings is that the data was collected before the COVID-19 Pandemic at the end of 2019 and the war in Ukraine in the beginning of 2022. The COVID-19 pandemic has severely affected all humanity and businesses. Beyond the impact on health, this crisis has had a strong economic bearing on many sectors and countries, especially emerging markets. In addition, the war in Ukraine has affected not only Eastern Europe but also many other economies. In particular, the businesses in Georgia have felt the consequences of Russia-Ukraine conflict as all three countries have strong economic and business ties. Despite these limitations, the research is still beneficial for international franchise companies and local firms to rebuild their businesses, as this paper suggests effective approaches to establish a successful business in competitive environments by highlighting specific methods and tactics which was previously unexplored.

1.7. Structural summary of the thesis

This thesis consists of eight chapters:

- Chapter 1 provides an overview and an introductory outline of the research that serves as a foundation for further analysis and discussion in the next chapters. The following aspects are discussed in this chapter: rationale and significance of the thesis; research aims, objectives and questions; boundaries and limitations of the research; methodology utilised in this study and structural summary of the thesis.
- Chapter 2 provides the context of Georgia and Ukraine as the case countries. It suggests an overview of both countries' institutions and the stages of franchising in those markets.
- Chapter 3 reviews theoretical underpinnings in relation to the effect of international franchising on emerging-market firms. The chapter suggests the literature on

franchising and its global development, characteristics of emerging markets and local companies operating in developing economies. The review highlights the key factors of international franchise expansion and competitive advantages in foreign markets. Furthermore, conceptual framework and research questions are also discussed.

- Chapter 4 discusses the research methodology and approach of this study. It begins with a discussion of the research philosophy, which underlines the ontological and epistemological assumptions of the thesis. Then the chapter illustrates the population and sampling techniques, data collection methods and techniques for analysis. It also presents limitations of the adopted methodology and discusses research ethics.
- The results of the thematic analysis are presented in chapter 5. It starts with the overview of research participants and organisations. Then the chapter discusses each theme identified from the interviews in detail, answering the major research questions and forming the foundation for fsQCA analysis.
- Chapter 6 provides fuzzy set of qualitative comparative analysis through fsQCA 3.0 software program. It presents the possibility for researchers to see their qualitative data transferred into a quantitative framework. The chapter argues that fsQCA method offers qualitative study a technique that provides rigorous insights into problems and suggests solutions through considering different paths leading to an outcome. The chapter indicates the calibration process of qualitative data, justifies how it has been transformed into fuzzy sets and how fsQCA analysis answers the research questions.
- Chapter 7 presents the discussion and evaluation of the findings synthesised from the thematic analysis and fsQCA method by considering the research aims, objectives and questions. In this chapter the review of the prior literature is applied to check the connection between the previous research and the data findings from this study to evaluate the extent of agreement and disagreement and highlight the new insights and the contribution of this research paper.
- Finally, chapter 8 gives the reflection, overview, summary and conclusion of the thesis. The contributions of the research are underlined in this part. Also, the limitations and suggestions for further research are emphasized.

1.8. Conclusion

This chapter introduces the research thesis and the foundation of the entire study process. It begins by overviewing the competitive factors of the international franchisees and the emerging-market firms. The study argues that international franchisees possess more resources, capabilities, and competitive powers than domestic companies in developing markets. Thus, the establishment of franchising in emerging economies has increased the level of competition, however, the topic has not been explored further. This chapter, therefore, highlights the aims, objectives and the research questions that guide this study to fill the gap in the literature. The research methodology is further discussed, which presents the methods and strategies utilised for data collection and analysis. The chapter also explains the limitations of the research topic and it concludes by describing the structure of the thesis.

CHAPTER TWO

RESEARCH BACKGROUND:

GEORGIA AND UKRAINE CONTEXT

2.1. Introduction

Institutions such as property rights, political and economic processes, judicial system and law directly affect the firms' entry strategies and the growth of the foreign companies in a host country (Kafouros and Aliyev, 2016). They can be different between societies based on the economic regulations (the set of contracts available to the investor, entry barriers, security of property rights) and based on the official methods and approaches of cooperative decision-making (democracy versus dictatorship) (Acemoglu and Robinson, 2010). Hoffman et al. (2016) state that the institutional environment is mainly significant when considering developing countries, as the government and other social forces have an impact on market activities. Therefore, this chapter presents the research background by overviewing the context of Georgia and Ukraine and the operations of franchising in both markets.

Following the introduction, section 2.2 presents the country institutions of Ukraine and the section 2.3 shows the institutional characteristic in Georgia. The next section 2.4 indicates the existence and establishment of franchising in both countries and the final section 2.5 summarises the chapter.

2.2. Ukraine: country institutions

Ukraine is one of the largest countries in Europe with the population of 46.8 million people. The country has become independent state after the collapse of communism and the Soviet Union in 1991. Since then, the market economy and the entire business environment in the region has changed. This has led to the growth of private businesses, providing opportunities for domestic and overseas investors to start operations there (Peteriatko et al. 2009). Nevertheless, Ukraine had many challenges in attracting high levels of foreign direct investment (FDI) on both an absolute and per capita basis. Overseas franchisors have been uncertain whether to enter and establish the business in Ukraine, which encouraged Ukrainian firms to consider the initiative of the development of domestic franchises (Lushnycky and Riabchuk, 2009).

Lushnycky and Riabchuk (2009) claim that while there was a progress in the area of pluralism and freedom, a Soviet-style bureaucracy and mind-set still remain in various crucial areas. The country's institutions including judiciary, parliament, prosecutorial and security services still require meaningful and serious reforms. As mentioned by Peretiatko et al (2009), corruption is a widespread problem in Ukraine. It is considered as the main barrier to the growth of business in the country, especially for overseas organisations.

New policies have been introduced in Ukraine in 2013, which assisted the country to diminish the complexity and cost of regulatory procedures, launch a business easier, strengthen legal institutions, eliminate several bureaucratic processes and upgrade bank crediting systems and taxation. Even though the progress has been made in many areas, corruption perception in the country worsened considerably between 1999 and 2013 in Ukraine and the country has been ranked last among all European transformation countries (Diez et al. 2016).

Over the recent years, the country's economy has managed to develop strongly and continues its growth (Peretiatko, et al. 2009). Ukraine has managed to restore its macro-economic stability, resulting in economic growth, decrease in inflation rate, stabilisation of national currency and replenishment of National Bank reserves (Interfax-America, 2016). Based on the information provided by the Trading Economics (2018), country's economy grew by 2.5 percent in 2017 and by 3.8 percent in 2018.

Diez et al. (2016) assess the institutional levels and regional differences in Ukraine and identified that regional dissimilarities in institutional settings has become more obvious in the ongoing violent conflict with Russia and split the country in half. Politicians and businessmen in Eastern Ukraine are more linked with Russia, which is still the major trading partner of the country, while Pro-European politicians and businessmen in the capital and Western region strive for democracy, economic reforms and human rights. Based on the higher institutional quality, foreign and local investors are attracted more to Kyiv, the capital of the country, which has the highest purchasing power and a concentrated pool of consumers and suppliers.

2.3. Georgia: country institutions

Georgia is situated at the strategically important crossroads of Eastern Europe and Western Asia with the population of 4.3 million people. In 1991, Georgia like Ukraine has become an independent country after the collapse of Soviet Union (BBC, 2018). However, after independence was declared, the country encountered ethno-political wars and civil discord due to the broken economic relations, loss of the old markets, industries and suppliers. Therefore, at the beginning of the 21st century, Georgia was a typical post-Soviet country with undeveloped economic and political systems and, high level of corruption, crime, poverty and unemployment (Gabellia, 2016).

Nevertheless, in 2003, after the Rose Revolution, the country started the institutional changes, and the economy has undergone vital transformation. Georgia began the process of forming a new

republic by implementing radical changes in economic and social-institutional settings, improving the industrial environment and reducing the number of controlling bodies and limiting their authority (EI-LAT, 2012).

As the result of institutional changes in Georgia, the trade borders in the country have opened and the following procedures have taken place: tax rates and types were decreased; the processes of import-export and tariff and non-tariff regulations were simplified; free trade agreement was reached with regional and key partners and the trade relations and the investment environment were improved (EI-LAT, 2012).

As a bridge between Asia and Europe, Georgia's economy is highly integrated with global markets. The country attracts more and more investors as the tourism sector is developing. Over the last decade free and liberal market economy, stable political environment, competitively priced workforce, developed transport infrastructure and preferential trade regimes make country an attractive destination for multinational companies (Invest in Georgia, 2019).

2.4. Franchising in Ukraine and Georgia

Franchising is developing all over the world, however emerging markets have become one of the most attractive destinations for international firms for business establishment (Alon, 2004). Georgia and Ukraine have been selected as the case countries, as international franchising has become prevalent in those markets. Nevertheless, scant theoretical and empirical research has been done regarding the stages of franchising in Ukraine and Georgia. Though, several organisations and papers provide the understanding of the franchising establishment and success in those countries. The next sub-sections discuss the existence and establishment of franchising in Georgia and Ukraine more in-depth.

2.4.1. Franchising in Ukraine

Despite the challenges of operating in Ukraine, with its twin obstacles corruption and bureaucracy, franchising has succeeded to develop itself as a feasible form of doing business in the country. However, it remains a relatively new concept for the Ukrainian business community. Franchising continues to develop and expand in multiple sectors and industries in many different regions

(Peretiakko et al. 2009). One of the reasons for the franchise development is that Ukrainians consider franchising as one of the most viable methods of investment because it provides an already proven and reliable business model for local firms and entrepreneurs. Therefore, franchising is becoming a new method for Ukrainian investors to establish their businesses (Franchise, 2018).

The main challenge and complexity for franchisor firms in the country was their inability to register their franchise agreement. Nevertheless, in 2014, reforms aiming at deregulation has been introduced by the Ministry of Justice and “The New Order of Registering Franchise” has been approved. In 2015, based on the new law, confusion in the sector has been reduced and the procedure of registering a franchise firm has become more transparent (Franchise, 2018).

Despite the challenges and gaps in the Ukrainian legal system, local and global franchise companies have managed to discover applicable franchising structures or used alternative agreements to establish their companies. At present, in the Ukrainian franchise market the dominant companies are local franchisees, controlling 63 percent of market share, while, foreign franchisees control the rest 37 percent of the market, including 170 firms from different countries such as: U.S., France, Germany, Georgia, Hungary, Italy, Russia, Finland, China, Belarus, Belgium and Poland (Franchise, 2018). Some of the international well-established franchisees in Ukraine are KFC, Domino’s Pizza, Radisson, and Marriott (International Trade Administration, 2020).

Small and medium sized entrepreneurs are beginning to express greater interest in franchise system, as in such insecure macroeconomic environment like Ukraine, franchising offers less uncertainty and more security for operating business (Franchise, 2018). In addition, according to the report provided by the U.S. Commercial Service Kyiv (2015), franchising is well established and desired business strategy in Ukraine, as it is viewed as a reliable way to reduce risks related to the business operations and to improve the firm’s chance of long-term survival. Thus, Ukrainian entrepreneurs mostly prefer franchising strategy when they decide on their business expansion. The number of franchise units and network are increasing consistently every year in Ukraine. More precisely, based on the recent data, more than 504 franchisors and 19034 franchise outlets are operating in the country. Most of franchisees are established in the capital city and only small number of franchise firms operate in other large regional centres (International Trade Administration, 2020).

In Ukraine, franchisors and industry experts consider online channels to be the most efficient and commonly utilised for advertising products, brands, and services. Franchise companies mostly use

social networks like Google and Facebook to promote their brand, as well as television and industry magazines. Another effective platform to promote franchise business models and brands in Ukraine are promo seminars, conferences, and trade shows (Franchise, 2018, International Trade Administration, 2020).

Even though, many inconsistencies and difficulties exist in the franchising field, the market continues to expand rapidly. The legal foundation for franchise industry is continuously strengthening and customers increasingly demand international brands that gives an opportunity to global firms to enter the market with the potential to develop and succeed. The research conducted by U.S. Commercial Service Kyiv (2015) identified that consumer segment, which is the main driver of future retail sales growth involves middle-class Ukrainians aged 25-34, who strongly prefer Western brands due to the prestige and perceived higher quality.

2.4.2. Franchising in Georgia

Franchising has established itself in Georgia at the end of 20th century. One of the first companies that started franchising in Georgia was McDonald's. In 1995, the firm was courageous enough to enter and establish its business at a time when franchising was a new concept in the country, and no one fully understood what benefits and challenges it might bring. Nevertheless, nowadays, franchising has become one of the most adaptable business models for Georgian entrepreneurs (Tsikolia, 2017).

The retail and hospitality sectors are benefiting from franchise agreements due to the rigorous government reforms. Georgia has become a business-friendly country that attracts an increasing number of investors and already established brands, as it offers a favourable environments and investment climates. The main factor of Georgia's success in attracting well known global brands is the readiness of Georgian firms to collaborate with them and their eagerness to adopt the brand philosophy (Tsikolia, 2017).

Georgia facilitates the establishment and development of franchising by providing support mechanisms to local companies through co-financing franchising in case of franchise agreement with global brands. Furthermore, the country offers technical assistance to companies integrated with international brands such as: co-financing of installation of technology and innovation, quality management, skills development and consulting services (Invest in Georgia, 2018).

At present, one of the most penetrated sectors by franchisors in Georgia is fast food industry and the majority of companies are U.S. based, including McDonalds, KFC, Wendy's, Domino's Pizza, Dunkin' Donuts, Subway and Burger King. However, the retail sector also attracts global companies from different parts of the world, such as Carrefour (French multinational retailer), SPAR (Dutch multinational retailer) and Smart (American retailer) (Tsikolia, 2017). The franchising is also very popular in the hotel industry including global giants like InterContinental Hotels Group, Radisson Blu Hotel & Resorts and Rixos Hotels (Franchise, 2017).

2.5. Conclusion

This chapter gives an overview of the recent history and market development of Ukraine and Georgia. It presents the institutional environments of both countries and emphasises the challenges and benefits for business establishment and operation. These two countries have been selected as both give the potential to international franchisees to grow and develop rapidly. This chapter explains how Ukraine and Georgia evolved since the collapse of the Soviet Union and how they support the business expansion.

CHAPTER THREE
LITERATURE REVIEW

3.1. Introduction

This chapter presents the key literature on the effect of international franchising on local firms in emerging markets. The major aim is to summarise and critically review prior studies done on the research phenomenon under investigation in order to form the foundation for this thesis and identify the potential gaps in the literature. This chapter reviews the field of international franchising, the franchisees and the local firms in emerging markets separately, as well as in relation to each other by focusing on the food industry. The theoretical underpinning considers how the resource-based view and dynamic capabilities relate to the international franchising question and are building the underlying conceptual approach. The chapter informs readers about the activities, practices and experiences of franchisees and developing-country firms. It also presents the conceptual framework developed in this study that guides the research process.

The first section introduces the research topic and explains the content of the entire chapter. The next section 3.2 defines the strategy utilised to search for relevant publications on the research subject. Section 3.3 discusses the theoretical underpinnings that cover resource-based view and dynamic capability theories as the most suitable approaches in relation to the research topic. The following section 3.4 presents empirical studies on international franchising, which review recent papers on domestic and international franchising; different modes of expansion; the relationship between the franchisor and the franchisee; organisational and environmental factors affecting franchise expansion in overseas market; and strategic resources contributing to competitive advantages of international franchisees in foreign countries with its emphasis on system-specific knowhow, marketing and advertising, brand name and product/service quality. Section 3.5 presents empirical studies on emerging markets and developing-country firms, which discuss the impact of international franchising on emerging market companies; characteristics of emerging markets; operations of developing-country firms; the importance of competitor analysis; and strategic intension of emerging-market firms. The next section 3.6 suggests research questions and conceptual framework. The final section 3.7 concludes the literature review and summarises the whole chapter.

3.2. Paper selection and themes identification

To determine the impact of international franchising on local food companies in developing countries an extensive search for the existing literature was conducted. This literature review

contains peer-reviewed articles, which have been published in the scholarly journals. The key criteria and reasons for choosing these papers included: suitability and relevance to the research phenomenon and contribution to subject under investigation. The search was constrained to the 30 years period from 1990 to 2020, as during this time researchers started examining and evaluating the perspectives and approaches of franchisor companies towards international markets in-depth.

Both conceptual and empirical papers about domestic and international franchising, developing countries and local companies in emerging markets were reviewed for this thesis contemplating their importance to the business and academic literature. All studies were selected by considering the quality of the research, the appropriateness of the proposed and applied methodology and the applicability of their solutions to problems. More precisely, theoretical papers were chosen and discussed on the basis of rigour of their arguments and insightfulness of their ideas, while empirical papers were selected depending on the appropriateness of their methods including validity and reliability of their results. These papers were accessed from different sources such as SAGE journal Publication, Business Source Premier (EBSCO), Science Direct, Google Scholar and ProQuest SciTech Premium Collection, as they offer accounts of high-quality business research that are approved by scholars.

An examination of the selected papers and articles was performed to determine the main themes and develop the knowledge related to this study. The major themes and key words identified in this thesis are firm's tangible/intangible resources and capabilities, domestic and international franchising, franchisor, franchisee, business strategy, competitive advantage, knowledge transfer, brand name, marketing and advertising, local and international markets, emerging market, food industry, domestic fast-food restaurants, firm performance and effect of franchising. All of them are examined and discussed in this chapter.

3.3. Theoretical underpinnings: Resource based view and dynamic capability theories

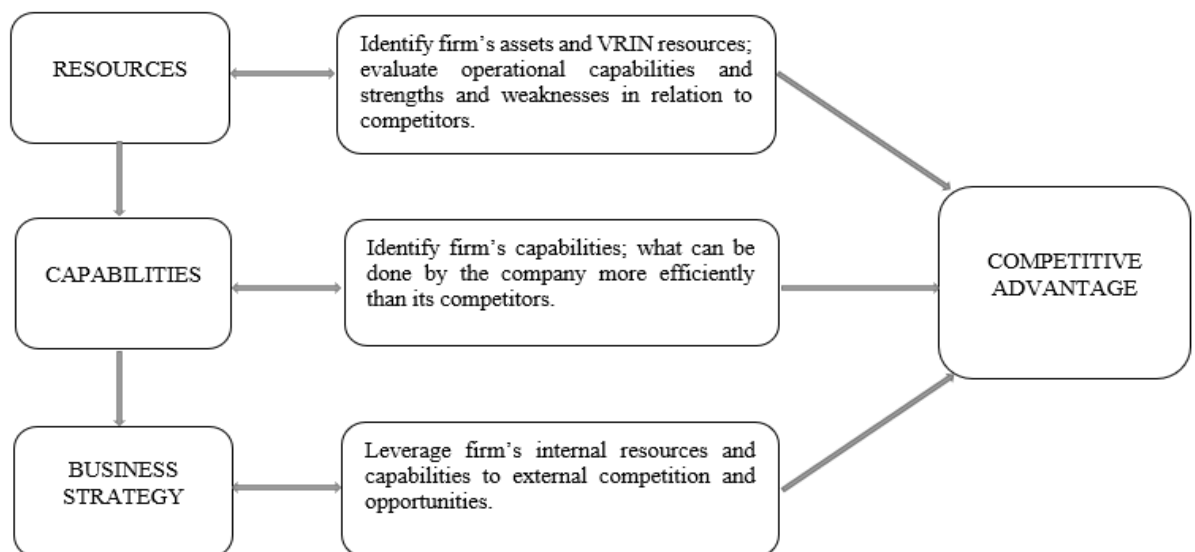
This section examines the theoretical foundation related to the impact of international franchising on domestic market firms in emerging economies. Franchising and its expansion have attracted the attention of entrepreneurship and organisational strategy scholars in the

past few decades (Alon, 2010), but evidence pertaining to how the establishment of franchising in foreign markets affects domestic companies is inconclusive. Therefore, the questions remain as to whether franchising businesses demonstrate better performance and have valuable resources and capabilities leading to competitive advantages compared to local-market firms in the same industry, and how the domestic-country businesses are affected by the establishment of franchising.

Several theories related to the global expansion of franchising provide the theoretical background that contributes to an understanding of firm's internationalisation and success in foreign markets, mostly in developed economies. However, none of them directly address the effect of international franchising on local-market firms. Thus, in order to tackle the complexity of how domestic companies in emerging countries experience the establishment of global well-known franchisees, this study applies a combination of resource-based view (RBV) and dynamic capability (DC) theories that evaluate the resources and capabilities contributing competitive advantages of both international franchisees and domestic-market firms. With the utilisation of RBV theory, it is possible to check whether theoretically the resources have the influence on the firm's effectiveness and competitiveness, while DC theory assists in identifying company's capabilities and evaluating what an organisation can do more efficiently than its rivals.

The theoretical foundation of this study is presented in figure 3.1, which focuses on the combination of resource-based view and dynamic capabilities theories as the most suitable approaches for evaluating competitive powers of companies.

Figure 3.1: Theoretical foundation based on the literature



3.3.1. Resource-based view theory

Why do some companies persistently outperform others? This question implies that there are constant differences in performance between organisations, but these differences could not be examined with the utilisation of traditional economic theories of performance. However, RBV theory has the potential to identify which resources are significant for companies to outperform competitors and gain competitive advantage (Lockett and Thompson, 2001., Lozano et al. 2015, Wu, 2015).

Over the past three decades, the theory has become the dominant paradigm in strategic management and planning. The intellectual foundations of RBV are often traced to Penrose's (1959) "The Theory of the Growth of the Firm"; however, the article by Jay Barney – "Firm resources and sustained competitive advantage" is considered as the groundwork in the emergence of the resource-based view of the firm. Based on the Barney (1991), RBV approach puts a focus on an individual asset and the systematic assessment of its strategic potential for generating a competitive advantage. More specifically, he describes resources as the assets controlled and managed by the company and summarises that they are heterogeneously allocated across organisations and are costly to transfer. The scholar also develops the framework which is widely utilised and is discussed in detail in the next sub-section.

Resource-based view theory forms the basis of this study and helps distinguish the strategic resources of both international franchisees and domestic-market firms with the potential to deliver competitive advantage (Barney, 1991., Barney et al. 2001., Lozano et al. 2015). Tangible and intangible resources; VRIN resources – operational capabilities; and strategic resources to achieve competitive advantage are discussed in the sub-sections below.

3.3.1.1. Tangible and Intangible resources

The focus of the resource-based view theory is on the relationship between resources and competitive advantage (Barney, 1991). A resource, as pointed out by Monteiro and Foss (2018), can be defined as company's knowledge, attributes or information, which allows the organisation to develop and apply strategies improving the business effectiveness and performance. According to the resource-based view theory, there are two types of resources – tangible and intangible (Sok et al. 2016).

Tangible resources are described as physical and financial assets controlled by the company. They include technology infrastructure, plant, equipment, land, capital goods and stocks and other physical facilities that can be valued, quantified and traded (Perrigot et al, 2013). Another defining feature of tangible resources is that they are transparent and relatively weak to resist duplication efforts by opponents. For instance, even though land and/or plant might be geographically immobile, both are relatively substitutable and imitable (Lozano et al, 2015).

Intangible assets lack physical substance and involve informational, organisational and marketing resources such as patents, databases, copyright and reputation that are difficult to imitate and quite resistant to duplication efforts by competitors. Those resources have relatively unlimited capacity and companies can use their value in-house, sell (e.g., brand) and/or rent them (e.g., a license) (Sok and O’Cass, 2011).

In addition to the above explanation, Barney (1991) classifies resources into three categories: *physical capital resources* that involve technology, plant, location and equipment; *human capital resources* including intelligence, training, judgment, experience, insight from staff and managers within the company; and *organisational capital resources* containing formal structure of the business, coordinating, planning and controlling systems, informal relations among groups, within the company and between external firms in the competitive environment.

However, scholars argue that only certain resources can lead to sustainable competitive advantage (SCA), because they have differential effects on actual performance. To be advantageous, the resources must be heterogeneous, immobile and hard to duplicate (Serrano et al. 2018). The fundamental concept of resource-based view approach is that the firm’s internal resources are valuable, difficult to replicate and deliver the base for an accumulation of higher profits by differentiation of its products/services (Arend and Levesque, 2010). Owning the resources and capabilities that are unique ensures business opportunities, high profits and improved performance (Serrano et al. 2018).

3.3.1.2. VRIN Resources – Operational Capabilities

Adding to the assumptions above, Barney (1991) has developed the VRIN (valuable, rare, inimitable and non-substitutable) framework that suggests that strategic resources must have unique characteristics to create competitive advantage and sustainable performance:

Valuable resources are those that have an ability to reduce cost and/or increase the price of a service or product. Thus, resources are considered valuable, if they enable a company to conceive or employ strategies, which improve its effectiveness and efficiency. A combination of valuable resources (human, organisational and physical) helps to generate revenues through exploiting opportunities and reducing costs.

Rare resources are those that are owned exclusively by a company or by few other businesses from the industry. Based on Barney (1991), an organisation enjoys a competitive advantage, when it is employing a value-creating strategy not simultaneously implemented by large numbers of other firms.

Inimitable are those resources owned by the company, which are difficult or impossible to duplicate by a competitor. A long-term strategy of an organisation must be focused on resources, competencies and methods that competitors cannot easily and quickly imitate and copy.

Non-substitutable are those resources that cannot be replaced by any other strategically equivalent valuable resources. In case two resources can be used to employ the same strategy then they are strategically equal. These kinds of resources are substitutable and therefore are not sources of continuous competitive advantage.

Nevertheless, not all resources of a business are equally, and strategically relevant and only certain resources give the company competitiveness. Additionally, owning strategic resources only is not sufficient and the assets should be actively arranged, assembled, and implemented to produce valuable services and products (Lozano et al. 2015). Considering this, resource-based view suggests that operational capabilities are exceptionally relevant, as they are the basis for a company's business strategy. Also, they are the key sources of revenue and deliver a stable foundation for distinguishing organisation's identity (Colotta et al, 2003).

Operational capability (OC) can be defined as company's capacity to combine its resource base in ways that facilitate the firm to accomplish the ongoing task of transforming inputs into outputs. Operational capabilities are therefore firm-specific sets of skills, routines and processes developed within the system of operation management, which are needed and utilised for solving firm's problems and implementing everyday activities (Nah et al, 2010). OCs are vital to a company's existence and can be a facilitator of competitiveness for a long-term, especially from emerging market perspective, as they include both explicit elements

like organisation's routines and resources and tacit elements including business know-how, leadership system and skills (Teece, 2018).

Three main operational capabilities managerial, technological and marketing have been discussed by many scholars (Wilden and Gudergan, 2015., Mikalef et al. 2020). Managerial capability is defined by Nah et al. (2010) as the manager's skills and capacity to actively take part in the company's everyday processes, as well as monitoring firm performance and activities. Similarly, Chung et al. (2016) claim that managerial capability is the ability of the managers to control and ensure that the efforts and skills of employees are directed toward achieving company's objectives, internal communication, strategies, conflict resolution and decision making.

Technological capability refers to firm's operational aspect that enables the company to become more efficient by enhancing the quality of business process execution. Well-developed technological capability, based on the innovation process, allows the firm to achieve high level of competitive advantage (Lavie et al. 2011).

Marketing capability is defined as the organisation's ability to link and focus on the particular consumer segments by using market knowledge to make advantageous relationship with them. Well-established marketing capability is needed to address consumers' demands and needs (Mikalef et al. 2020). Without the operational capabilities, resources itself do not provide superior performance. Companies require operational capabilities to allocate, deploy and coordinate adequate resources in order to achieve competitive gains (Chung et al, 2016).

3.3.1.3. RBV and competitive advantage

A central perspective of RBV theory is that resources are heterogeneously distributed among companies and due to this factor, some companies have more strategic resources than others (Grant, 1991). As resources contribute to the creation and protection of economic value, a firm which owns more strategic resources can achieve competitive advantage (Foss, 1999). The term *competitive advantage* itself is almost synonymous with performance as it is mostly utilised to evaluate firm's effectiveness and operation compared to opponents in a given product/market environment (Rubio and Aragon, 2009).

As mentioned previously, some of the examples of strategic resources are specialised knowledge, managerial skills and organisational routines including supply chain and human resource practices. However, not all resources are strategically important, thus, companies should identify key assets and find the ways to leverage and align them with company's strategic goals (Arend and Levesque, 2010). The analysis concludes that the company's most significant resources and capabilities are those which are valuable, durable, difficult to identify by the rivals and non-transferable. These resources play key role in the competitive strategy of a company (Barney et al. 2001).

Nevertheless, sustaining advantage in the face of competition and evolving consumer's demands and needs also require that businesses continually expand their assets bases. Achieving and maintaining competitive success depends significantly upon the capability of the company to permanently innovate and shift from "basic" to "advanced" factors of production. In addition, to fully exploit company's existing resources and to achieve competitive gains, the external acquisition of additional resources may be necessary. Considering this, the central point of a resource-based view theory to strategy formulation is understanding the relationship between the resources and competitive advantage, as well as profitability (Lozano et al. 2015).

While considering the benefits of this approach, it is also important to be aware of some criticism of this theory. Foss (1999) claims that organisations can hardly implement this framework as it lacks detailed examination and is unclear. The value of an asset is too vague, and the definition of resources is extremely broad and impractical. Furthermore, significant issue of how resources are obtained, developed and changed over time is neglected. Despite the limitations of RBV theory, it can assist managers in identifying and leveraging key resources to gain competitive advantage (Grant 1991). This study utilises RBV approach along with dynamic capability theory to analyse organisation's capacity to create, extend and/or change its resource base.

3.3.2. Dynamic capability theory

More recently, the dynamic capabilities perspective has extended RBV theory to the realm of evolving capabilities (Li and Liu, 2014). The value of the resource-based view lies in its ability to determine which resources are significant for company's success. DC theory adds to that by identifying which capabilities assist organisations to use their assets across diverse

and changing conditions. Therefore, in this thesis, dynamic capability theory is used along with RBV, attempting to improve and enhance resource-based view through clarifying the nature of sustainable competitive advantage, while also aiming to inform managerial practices (Ambrosini and Bowman, 2009., Wu, 2015., Sok et al, 2016).

Scholars define dynamic capabilities differently. The first definition of this approach was suggested by Teece in 1997, who states that dynamic capabilities are company's capacities to integrate, develop and reconfigure internal and external competences to adapt to swiftly changing environment and consumers' demands. Later, Helfat and Peteraf (2003) describe capabilities as a set of skills that are vested in the company or in people, which enable the organisation to deploy its resources and perform a coordinated set of activities or tasks for the purpose of improving business performance and achieving the competitive advantage. In addition, Gillis et al. (2014) define dynamic capability as the organisation's capacity to systematically solve problems, formed by its propensity to make timely decisions, sense threats and opportunities, employ strategic decisions and make adjustments effectively to ensure the right direction.

When considering DC theory, it is vital to identify how companies develop dynamic capabilities, thus the next section explains the process.

3.3.2.1. Sensing, Seizing and Reconfiguration

Dynamic capabilities enable companies to achieve a competitive advantage in swift technological changing markets. They also allow organisations to adapt to internal and external changes (Newbert, 2008., Gillis et al. 2014., Teece, 2018). The three main routines to develop dynamic capabilities are sensing, seizing and reconfiguration (Inan and Bititci, 2015, Teece, 2018).

Sensing refers to firm's capacity to constantly scan and identify the organisational environment, and technological and market opportunities. It involves environmental scanning that brings unstructured data and disorganised information from the external environment into organisational structure (Teece, 2009). More precisely, managers generate and test hypothesis about technological development, customer demand, market trends, potential threats and competitors' activities that influence the future of the company. Later, the relevant information is accurately assessed and handled in the internal system of the firm. To do this efficiently, intra-organisational network requires decentralised authority,

generating a shared vision and building a collaborative organisational culture. The data from internal and external sources can be utilised by the top management team to constantly examine company's environment, focus on challenges and discover new opportunities (Helfat and Peteraf, 2003).

Seizing capabilities refer to the selection and capturing of business opportunities, which fit the firm's environment and its strengths and weaknesses (Inan and Bititci, 2015). Seizing, therefore, is related to the firm's strategy for making timely decisions and absorbing and integrating assets to create value from opportunities (Inan and Bititci, 2015). Once the opportunities (market or technological) are identified, they need to be addressed through novel services, products, and processes. This involves investment in commercialisation activities and development (Teece, 2018).

Reconfiguration involves resource allocation, replication, and transformation within the company (Ambrosini and Bowman, 2009). It refers to making decisions for new business projects/models, providing the infrastructure, ensuring that the employees have the required skills and knowledge, and applying the necessary routines and structures through service/product innovation (Ambrosini and Bowman, 2009). This procedure focuses on the reconfiguration of different capabilities and resources within the organisation (Noble, 1999). Teece (2009) defines reconfiguration (transformation) as the capability to 'recombine and reconfigure' resources and organisational system as the enterprise develop and as technologies and markets change. Similar definition of reconfiguration is suggested by Li and Liu's (2014) implementation capability, that is defined as the capacity to perform and co-ordinate strategic decisions and corporate change, which contains different organisational and managerial processes based on the nature of the objective. Development comes into reality only through implementation; otherwise, new concepts, visions and information within the firm remain as theoretical inputs.

3.3.2.2. Dynamic capabilities and competitive advantage

All firms strive to create and develop internal capabilities that lead to competitive advantage; however, to maintain competitive positions, it is vital for organisations to understand the differences between dynamic and ordinary capabilities. The latter are firm's regular operating processes or routines to sell the same goods, to the same consumers and to the same scale over the long term and can be easily replicated by the competitors (Winter, 2003).

In contrast, dynamic capabilities are organisational and strategic procedures that allow the company to develop, adjust or shape ordinary capabilities, in a way that company's value-creating mechanism is continuously aligned with the dynamics of the competitive environment (Chung et al, 2016). Researchers argue that dynamic capabilities enable businesses to effectively create and revitalize assets that lie within and beyond their boundaries, reconfiguring resources if necessary to innovate and act in response to market changes (Dasgupta et al. 2016., Teece, 2018).

The approach of dynamic capabilities is especially relevant nowadays when worldwide competitive forces are changing industries' landscapes. Considering this, companies need to have flexible infrastructure, timely strategies and capabilities that are difficult to create and replicate by the competitors. Thereby, contrary to resource-based view assumptions, competitiveness is based more on capabilities than resource homogeneity across companies (Helfat and Peteraf, 2003).

3.3.3. Business strategy and competitive advantage

Rumelt (2011) defines strategy as a coherent set of concepts, analysis, actions, and arguments that respond to existing challenges. A good strategy is a guiding policy to determine the timing of market entry, to identify obstacles and to implement the changes. The major aim of the strategy is to outperform opponents through taking advantage of their mistakes and leveraging internal forces. Nadler and Tushman (1997) argue that competitiveness is determined by the effective combination of resources, capabilities, and strategy. Therefore, the three elements – resources, capabilities, and strategy, which are established in figure 3.1, are the main considerations for competitive advantages according to the literature.

To sum up, the combination of RBV and DC theories enables the researcher to determine two dimensions of business strategy useful for this research. The first deals with identifying the existing capabilities and resources of international franchisees and emerging market firms, whereas the second dimension helps with determining the resources and skills needed for the growth of those companies in developing economies (Hoskisson et al. 2000).

3.4. International franchising

This section examines empirical studies on franchising to define the system and its expansion in international markets. More precisely, this section covers topics on domestic and global franchising, governance modes, franchisor-franchisee relationship, foreign country institutions and competitive advantages of franchisees with the focus on resources and capabilities (knowledge transfer, brand name, marketing skills and product/service quality).

3.4.1. Franchising: definition and expansion internationally

Franchising is generally defined as a contractual agreement between two independent firms, whereby the franchisee pays the franchisor for the right to operate the business under the trademark and sell the franchisor's product/services for a certain period (Lafontaine, 1992., Paik and Choi, 2007., Baena 2012). The agreement and relationship between the franchisee and the franchisor involve providing not only the trademark and product/services, but the entire proven business method of operation, advice and support, marketing plan and quality control (Perrigot et al, 2013). In return, the franchisor is paid a lump-sum entrant fee and different charges for regular services including advertising fees, marketing levy and most importantly the royalty on sales (Paik and Choi, 2007).

The utilisation of franchising domestically and internationally has started in the United States in the middle of the 19th century and the country continues to be the global leader in restaurant franchising (Salar and Salar, 2014). The earliest franchising has been done by Singer Sewing Machine in U.S. in 1851 followed by Coca-Cola was in 1899. Franchising in restaurant industry has begun by KFC (Kentucky Fried Chicken) in 1930. McDonalds, which continues to be one of the most famous and successful franchise chains in the world, has established its first franchise in 1955 (Salar and Salar, 2014). Nowadays, franchising has become the main strategy for business expansion for industries such as retail, fashion, restaurants, hotels and auto care (Koh et al. 2009., Murray and Smyth, 2011., Madanoglu et al, 2018).

Initially franchising has been seen as a domestic approach to growth (Lee et al. 2015). However, local market saturation in developed markets, changing consumer preferences and demand, increased opportunities of international expansion and greater franchisor capabilities have triggered the fast growth of franchising (Preble and Hoffman, 2006). In addition, newly liberalised and industrialised markets in Eastern bloc and increased

competition and diminished profits in local markets augmented the development of franchising in emerging economies (Anttonen et al, 2005., Baena, 2012).

Hackett (1976) was the first franchising scholar who noted that home market saturation has forced franchisors to discover alternative markets overseas. Nevertheless, most of the papers on franchising expansion internationally were written in early 1990s (Lee et al. 2015). Due to the rapid expansion of franchising in recent years, many issues have not been explored by the researchers yet, thus creating gaps in business and academic literature (Forte and Carvalho, 2013). Studies around domestic and international franchising mainly consider and investigate two questions: why local companies engage or do not engage in global franchising (i.e. lack of foreign knowledge, lack of expansion and development opportunities, resource unavailability) and what are the determinants of franchising internationalisation (i.e. business growth, increased competition, profit seeking or market saturation) (Alon 1999., Elango, 2007). Most scholars of international franchising study different variables and constructs by five different streams of literature: franchisor-franchisee relationship, governance modes, driving forces, micro-perspective and macro-perspective (Davies, 2015., Rosado-Serrano et al. 2018). However, none of the researchers evaluate the effect of international franchising on domestic companies, even though the entrance of global franchisees in developing countries highly influences how the market evolves and how local companies operate (Jindrich, 2016).

Some scholars propose theoretical and conceptual frameworks for investigating the phenomenon of global franchising (Eroglu, 1990., Kacker and Aydin, 1990., Alon, 1999). Alon (1999) explores the effect of five firm-specific independent variables on the internationalisation decisions of franchisors. The scholar applies resource-based view and agency theories as the models for theoretical foundation and explores that the internal characteristics of franchising system have a substantial impact on the intention of domestic firms to find franchisees in overseas environments.

Other papers evaluate the decision-making process of international franchising and country/market choice. For instance: Baena and Cervino (2014) suggest a model for country selection through examining different market conditions and how they may drive franchise diffusion. Their research studies a sample of 63 Spanish franchisors managing their businesses with 2321 franchise networks in 20 different Latin American states. Madanoglu et al. (2015) evaluate the push and pull factors in global franchising companies by utilising the data of 151 US-based franchise organisations. They suggest that companies should not only consider host market environmental aspects (pull factors), but they also have to focus

on conditions in the home country (push factors). The paper adds value for those companies who ponder expansion worldwide.

Franchising and its growth internationally are studied mostly in developed countries. Nevertheless, emerging markets have become among the fastest growing targets for investment by international franchisors. Thus, there is a need for further exploration of franchising in those countries, which account for 80% of world's population and 60% of natural resources and have the most dynamic potential for long-term business development (Welsh et al, 2006). Hence, this study focuses on franchising as a market entry strategy in emerging markets and evaluates its impact on domestic companies. The next section reviews studies on international franchising in developing markets.

3.4.2. Papers on international franchising in emerging markets

Over the last decades, the internationalisation and expansion of franchise system has attracted the attention of scholars, as well as people involved in business throughout the world (Spinelli et al. 2004., Alon, 2010., Michael, 2014). Even though, most of the literature on franchising focuses on developed countries, the current growth of franchising businesses in emerging economies has led to increased interest from practitioners and academic scholars (Combs, et al. 2004., Welsh, et al. 2006., Baena, 2012., Baena and Cervino, 2015).

The study by Beilock et al. (1998) assess entry and control strategies of franchise companies in remote environments by utilising a case study analysis of an emerging market such as Bulgaria. Authors explore the approaches undertaken when franchisors enter Bulgarian market and the flexibility and scope of their control and monitoring practices in the face of changing business conditions. Both the limitations and benefits of managing franchise business in Bulgaria were covered in the article. Another study on international franchising in Eastern European emerging market is done by Anttonen et al. (2005), who specifically examine the business opportunities for global franchise companies in Russia through analysing its environmental factors. The article provides practical suggestions for franchise firms entering Russian market. The research by Klonowski et al. (2008) explore the challenges for both franchisors and franchisees face in Central European emerging market like Poland. The article specifically examines the opportunities and difficulties of transferring the business in Poland by considering the assumptions of economies of scale,

transferability, and franchisor's market knowledge. However, the study focuses only on the case of one company from USA and further studies are needed to make the findings rigorous.

Compared to the above-mentioned studies, which focus only on one specific country, the study by Alon (2006b) assesses the market potential, market size and environmental factors of 20 emerging markets from around the world. The findings indicate that Mexico, Brazil and Russia have the largest and greatest economic market potential for service franchising and surprisingly outranked the biggest developing markets like India and China. Similarly to the study by Alon (2006b), several emerging markets are examined by Michael (2014), who identifies the role of franchising in economic development with its emphasis on Latin American emerging markets.

The literature around international franchising in emerging markets evaluate mostly the role of franchising, environmental factors, franchise modes of operations and potential of franchise business in those markets (Kaufmann and Rangan, 1990., Welsh et al. 2006., Baena and Cervino, 2015). However, the impact and consequences of international franchising on local companies in developing countries is not considered and examined in any of the existing research, thus creating the gap in the business and academic literature. Also, there are no suggestions and recommendations available for emerging-market firms on how to survive in the market and defend their positions.

3.4.3. Foreign market environment and organisational factors affecting global franchise expansion

New environments present a new set of challenges for companies, which often requires changes in the methods and systems of operation, contractual arrangements and product/service mix (Perrigot, 2006). Thus, international franchise firms emphasise the need to plan and design when, where and how to expand their business globally and should analyse the receptivity of the franchise system in a host country (Alon, 2006c). Adapting the franchise business concept to the new country might be an obstacle for international franchisors, as differences in culture, human resource management, customer preferences, local realities, costs, raw material markets, legal system and competitive structures might affect the profitability and viability of the franchisee in a foreign environment (Klonowski et al. 2008).

The literature around global franchising expansion can be divided into internal (organisational) and external (environmental) explanations. Organisational/internal characteristics are beneficial to explain why some franchise companies within a specific industry expand globally, whereas others continue to compete in local markets only (Alon, 1999). Likewise, environmental/external explanation is useful in clarifying the choice of host country selection for international franchise expansion (Baena and Cervino, 2014). The following sub-sections therefore provide the review of environmental and organisational characteristics related to international franchise expansion and performance.

3.4.3.1. Environmental factors

Many papers examine environmental factors that contribute and/or hinder the expansion of franchising internationally (McKee, 1999., Baena and Cervino, 2014). Most scholars agree that before the global development, franchise businesses have to consider market size, demographic, cultural, commercial aspects, economic growth, local market development potential and political and legal requirements (Eroglu, 1992., Wulff, 2009., Baena and Cervino, 2014). Therefore, the following sub-sections discuss the environmental factors influencing international franchise expansion.

3.4.3.1.1. Political/legal factors

The risk and impact of political environment on franchising expansion is reviewed in the literature. Political, legal, and institutional considerations are principal in relation to franchising when considering entrance and establishment in foreign markets and should be evaluated for franchise potential (Alon, 2006b). While some scholars like Hoffman and Preble (1991) claim that political factors do not play significant role in franchisor's growth worldwide, other researchers like Anttonen et al. (2005) and Baena and Cervino (2015) argue that political uncertainty, risk and ambiguity highly influence franchisor's decision-making process to expand internationally. Political aspects including corruption level, ownership and import restrictions, monetary controls and red tape can considerably impact and upsurge the cost of implementing business in the host country (Anttonen et al. 2005).

Baena and Cervino (2015) in their study conclude that regular changes in government policies and regulations might require companies to often adjust their systems and procedures. For example, policies related to the legal protection and utilisation of overseas brand name may be changed. Furthermore, political uncertainty may impact the payments of royalties and import restrictions to the home country, which can affect the profitability of foreign operation. Political instability can lead to frequent alterations in economic and industrial environment, which increases the risk of performing and developing business operations in specific market.

The article by Aliouche and Schlenrich (2011) develops the first global index of worldwide franchise development that ranks countries based on their attractiveness to U.S franchise companies. The research suggests a quantitative model, which generates a ranking of 143 potential target countries for international expansion according to their opportunity and risk profiles. Therefore, based on the research, countries with strong legal and political systems and with large markets are the most attractive for U.S. based franchisors, while the unstable and small countries are least attractive. Moreover, countries such as: China, Russia, Brazil and India are considered to be attractive from a market opportunity perspective, however, they are not highly ranked due to their significant political risks and large geographical and cultural distances. In addition, Anttonen et al. (2005) in their research find that despite the large market size of emerging economy like Russia, the unfriendly franchising regulatory environment impeded the growth of franchise system in the country.

The study by Hoffman et al. (2016) utilises broad measures of political institutions such as the quality of public service, freedom from corruption and bribery, citizens participation and free expression with relation to franchise expansion in foreign markets. The findings suggest that effective government that is free from bribery, corruption or generally from political influence significantly lowers the cost of doing business in those markets, therefore, leading to greater expansion of international franchise companies.

As pointed out by Swartz (2000), governments in Asia such as Singapore and Malaysia encourage the entrance of franchise companies in their countries through passing laws, setting up corporations and support programs like exhibitions and conferences, as countries consider that franchising activities can be utilised to assist their economies' growth and development. Other nations are also offering improved intellectual property rights protection and increased number of tax-free facilities, which are critical factors for firms operating in franchise system. In addition, governments in Middle East have made significant changes and investment to upgrade infrastructures including telecommunications, energy, healthcare,

education and highways. Country like Egypt has created a social fund to assist small companies to operate under the single unit franchise scheme (Preble and Hoffman, 2006).

3.4.3.1.2. Economic factors

The necessity for regularly examining the economic development of overseas markets is stressed by many scholars, because it is crucial for the overall performance, future growth and success of any business (Rahman, 2006). Uncertainty in economic environment causes higher perceived risk for franchisor to enter the market and companies are less likely to start the business in countries without auspicious economic development (Hoffman et al. 2016). Thus, the level of economic growth and market size should be measured by the companies in the early stages of a decision-making process (Herrmann and Data, 2002., Rahman, 2006).

Sashi and Karuppur (2002) develop a conceptual framework through considering economic uncertainty for franchise companies in relation to global expansion, as it might result in higher inflation of interest rates and demand fluctuations. When the interest rates are high it can impact the cost of doing business in international markets and adversely affect the returns. Baena and Cervino (2014) highlight that in general, franchising system is dominated by the branded products and services, thus, companies have to consider the economic situation of consumers living in those market and whether they can afford to pay for the goods and services provided by the franchise firms.

On the other hand, Ramirez-Hurtado et al. (2018) conclude that economic variable such as unemployment rate is positively related to the internationalisation of franchising in specific countries. During the rough economic times and recession, unemployment rate is increasing in the countries and especially in emerging markets. Hence, unemployed people have a lower cost of opportunity comparing to those who have a stable job or live in nations where a strong economy enables their access to a well-paid job. As the result, the idea of doing the business in those economies becomes attractive for franchisees due to the cheap labour cost.

Based on the home country environmental factors and favourable economic situations overseas, many firms started their internationalisation through franchising. For example, Marks and Spencer decided to expand internationally in 1960s partially as a response to pressures from market labour unions in their domestic market and started their business operations in Asia in 1990s due to the economic boom in that particular market (Madanoglu et al. 2017). Countries with higher potential for economic growth usually have less exposure

to economic and political risks and thus making them more attractive for franchising. Peru is one of the best examples of this position, as the country had very few franchisor organisations in the market compared to other countries in the region, however, over the last decade, the country has experienced an exceptional economic development and political stability and thus, many international franchisors like Springfield, Mango, Women's Secret and others started entering the market (Baena and Cervicno, 2014).

3.4.3.1.3. Cultural differences and adaptability

The major issue in internationalisation of the company is the necessity to adapt to cultural characteristics. Culture is understood in its definition as the standards of behaviours, knowledge, evaluations, and beliefs shared by the members of social groups in a certain nation or region (Machackova, 2012). A cultural environment, which is considerably different from the home country of franchisor, might affect not only the contract negotiation procedure, but also issues involving entire franchise format, employees and hiring (Weiss, 1996). Thus, cultural distance often influences the decision-making process of internationalisation of franchising (Baena and Cervino, 2014).

Based on the cultural factors and perception, franchising concept and brand name can be interpreted differently in many countries. For instance, in USA, McDonald's may be seen by the locals as a source of cheap fast food, while the same network in different location like China may be perceived as a trendy and prestigious restaurant (Alon, 2004). Preble and Hoffman (2006) study the main operational aspects of franchisors in 40 different markets all over the world by focusing on social and cultural issues. The findings of their paper indicate that global franchisors need to consider the tastes, habits and price sensitivity of host country population: people in Ecuador, Canada and Columbia prefer American lifestyle and products; in Thailand, domestic population choose hot and spicy food, whereas people in Brazil prefer modern tastes; the quality has been identified as the determining factor for buyers in Germany; in U.S. fast service has been found to be crucial for consumers, while sit down service is vital in France. Therefore, modifications may be needed not only in the menus and recipes, but in the operations as well (Baena and Cervino, 2014). Each country has its specific cultural variables and when the differences are significant, companies may prefer adopting new standards and practices (Alon and McKee, 1999., Altinay and Wang, 2006).

One of the examples of failure to understand differences between home and host country' environment and culture is presented by Klonowski et al. (2008). Authors examine why the effort to transfer the business concept of one of the American restaurants (operating successfully in diverse markets involving: United Kingdom, United States, Taiwan and Mexico) to the Polish market without revising elements to fit the new market conditions have failed. Poland's culinary traditions, customer preferences and eating patterns differed substantially from those of the United States. The food portions of North American type were too large for Polish customer tastes. These bigger portions discouraged consumers from additional spending on menu's other items such as: beverages, desserts, and appetizers. In addition, franchisor's poor market knowledge, local realities and customer preferences in a Polish market caused repeated errors that led the franchisee to cancel its agreement with the franchisor (Klonowski et al. 2008).

On the other hand, the research by Lee et al. (2008), which is done in developed markets like U.S. and Korea, illustrates the success story of the American restaurant chains of Outback Steakhouse in Korean market. The key among success factors for the company is a decentralised structure and customisation, which allowed the Korean chain to respond to the country's market preferences and cultural patterns. Also, strict approach in human resource management (hiring and training the staff) led the company to success. The key dissimilarity between the Korean and American business cultures is that the former is hierarchical, meaning that there is high-level of power distance among employees and employers. As the result, the high-power distance might prohibit dynamic discussion and discourage the communication between managers and employees that often results in a decreased business performance. Outback Steakhouse Korea has executed and enabled American style of mutual communication, which encouraged closer relationship between key employers and employees, thus improving staff performance and service. In addition, based on the differences in customer tastes, the company tailored its menu items into domestic preferences whilst sustaining the essence of the original American style menu (Lee et al, 2008).

Likewise, McDonald's that is the leading global fast-food company had to modify its approach in the Chinese market, as consumers in that country are more health conscious. Usually, the company has standardised food all over the world, but decided to cut "the all-day-breakfast" menu and their traditional food items and offers and find a domestic partner to revitalise the brand in that particular country with "fast-casual" food and healthier choices in order to meet the local customers' necessities and requirements. This gave McDonald's a

competitive advantage and helped to succeed in that specific market (Rosado-Serrano and Paul, 2018).

Differences in values and culture impacts the negotiation of contracts, the hiring and managing personnel, providing an attractive service to domestic customers, daily operations, and the entire franchise system. Hence, before expanding in a foreign environment the company should consider the host country's preferences, values, methods and culture (Alon, 2006c). As mentioned by Welsh, et al. (2006) potential risks and challenges exists for franchise firms to expand the business internationally, involving: possible difficulties in repatriating royalties, policing quality standards, protecting intellectual property and copyright, understanding culture, laws, language, regulation and business norms and terminating contracts.

3.4.3.2. Organisational factors

Among the organisational factors, operating experience, key management's global experience, company size, perception of the organisation's competitive advantage and tolerance for risk have been determined as the tremendously significant aspects of international franchising expansion (Eroglu, 1992). In consistent with RBV and DC theories, organisational factors including human and financial capital, operational and relationship management are found to be franchisors key competencies that facilitate franchisees establishment in developing economies (Wong and Wickham, 2015). These competencies provide necessary support and guidance to franchisees to achieve success and competitiveness in overseas markets (Nyadzayo et al. 2018). In addition, based on the paper by Doherty (2007), organisational resources such as: brand name, company restructuring, global experience, influence of key managers and company restructuring are significant drivers for expansion.

Among different underlying determinant of the internationalisation of franchise network, Altinay (2006) specifies that company's size (containing number of franchise units, number of workers and annual volume) and operating experience (number of years being in the business) affect the top management's intention related to expansion. As pointed out by the author, larger franchise companies possess more resources to allocate and a higher ability to understand and endure failure, thus, the larger the system the less it is impacted by cost. Firm specific asset like operating experience is anticipated to correlate negatively with perceived

risk of internationalisation and positively with perceived advantages of expansion in foreign markets. Therefore, the greater the accrued experience of working in franchise system the lower the risk of establishing business overseas.

3.4.4. Different modes of international franchising

Franchisor companies use different business strategies and modes of operations when penetrating foreign economies. Even when franchisees are selected carefully, franchisors should consider and find the best option to maintain collaboration, communication and control while operating in international markets (Zietlow, 1995., Brown-Dufour, 2012). The entry mode is a significant decision in international franchising strategy as it relates to the survival and performance of a company's foreign subsidiaries (Baena and Cervino, 2015). However, in franchising and market entry literature scant theoretical explanations exist regarding governance modes of the worldwide franchise companies and most of the papers are descriptive or exploratory (Jell-Ojobor and Windsperger, 2013).

Walker and Etzel (1973) and Hackett (1976) were the first who have summarised different modes of international franchising through identifying the difficulties and motivational factors perceived by U.S. franchisor companies towards global franchising. As pointed out by Sidhpuria (2009) and Jell-Ojobor and Windsperger (2014), some of the most significant modes of international franchise companies are master international franchising, direct franchising and area development agreed that are discussed below.

3.4.4.1. Master international franchising

Various researchers agree that one of the fastest growing approaches for global franchisors to develop in overseas markets is master international franchising (Brown-Dufour, 2012). This approach is an agreement in which a master franchisor gives a master franchisee the right to start and operate several units under its brand name. The master franchisee usually gets control over certain region and has an option to hire sub-franchisees in that territory (Ryans et al. 1999, Grewal et al. 2011). Most of the master franchisees are natives to the chosen country because they have a knowledge and greater understanding of the culture, regulations, politics and market in their states, as well as networks within the industry that they can use for the benefit of the brand (Jell-Ojobor and Windsperger, 2013., Hoi et al.

2017). The utilisation of master international franchise mode of operation gives a global firm more profound knowledge and understanding of each unique marketplace and how to serve it effectively (Brown-Dufour, 2012). This specific strategy embraces minimal financial risk and a swift go-to-market approach for franchisors, as most of the up-front capital required is invested by the master franchisee, thus, making it affordable way for expansion and growth at the beginning of internationalisation procedure (Grewal et al. 2011).

3.4.4.2. Direct franchising

Based on the direct franchising, a franchisor grants the right to manage a single franchise unit to a franchisee without the intervention of a third party (Petersen and Welch, 2000). It is an alternative method of foreign direct investment, with limited financial commitment through which a franchisor can enter the overseas market (Asbill and Goldman, 2001). Direct franchising is mainly used when the target market is nearby to the franchisor's home country and distribution and travel charges are minimised (Asbill and Goldman, 2001., Sidhuria, 2009). Additionally, Melly (1995) indicates that it is also employed by the companies when foreign country's cultural and legal systems are similar to the home market.

3.4.4.3. Area development agreement

Based on the area development agreement, franchisor gives a single franchisee the right to open and develop several franchise outlets to a prearranged schedule and within a given geographical area, usually under a master agreement called a "Multiple Unit Development Rights Agreement" or "Area Development" (Zietlow, 1995., Barkoff and Selden, 2008). The area developer pays a fee for the territory to get exclusive right to operate and develop the franchise network with own units (Fitzgerald and Schott, 2008). Barkoff and Selden (2008) point out that in most cases area development agreement is employed when businesses require a single franchise owner to evade brand competitiveness, advertising and encroachment difficulties, which might occur if multiple owners develop a single market.

3.4.5. Building and developing franchisor - franchisee relationship

The system of franchising is based on a contractual relationship between two parties: a franchisor and a franchisee (Monroy and Alzola, 2005). It can be considered as a relation

exchange and a cooperative strategy that companies adopt to share expertise and reduce risk. This relationship entails transactions containing a variety of tangible and intangible resources (Gillis et al. 2014), in which a franchisor supports the establishment of a new franchisee by providing finance, training, marketing plans and product supply, while a franchisee is responsible to sell the products and services under the franchisor's brand name and abide by their rules (Watson and Johnson, 2010). In this respect, resource-based view and dynamic capability theories are suitable theoretical frameworks for assessing how franchisor and franchisee develop their relationship by sharing complementary resources and capabilities (Gillis et al. 2014).

However, before examining how the relationship evolves between the two parties, it is significant to evaluate inner beginnings from both perspectives (Kidwell et al. 2007., Rahatullah and Raeside, 2009). In the decision-making process of selecting an international partner cultural differences play a significant role, as it is crucial for franchisors and franchisees to understand each other's strategic directions and values (Vassou et al, 2017). In general, franchisor transfers its business culture to the second party, but if there is unsuitability in culture, potential partner might be rejected (Altinay and Miles, 2006). Enhancing the understanding of different cultures increases the likelihood of scanning new opportunities and reducing any prejudice and bias between the partnership of franchisor and franchisee (Rosado-Serrano and Paul, 2018).

The study by Kidwell et al. (2007) suggests that there are various strategies, methods and dynamics involved in building and developing an effective franchising relationship. The communication, information exchange and constant interactions are critical activities, which allow effective bonds to develop. Continual contact between two parties encourages development of shared incentives, complementary goals, and better understanding of each party's perspective. In addition, pressure from the franchisor, power levels and conflict are minimised through open communication creating synergies and partnership between franchisor and franchisee (Pizanti and Lerner, 2003).

Several factors are acknowledged as contributing to effective relational exchange involving commitment, trust and cooperation. To achieve superior financial performance and competitive advantage, both parties identify and develop effectiveness-enhancing portfolio of relationships (Morgan and hunt, 1994., Monroy and Alzola, 2005). The study by Choo et al. (2007) suggests that the relationship of international franchising begins with a high degree of franchisor's dependency on the domestic partner. Authors argue that global franchising

will be effectively developed if the selected companies have solid financial resources, well-proven local knowledge and business know-how.

As pointed out by Jambulingham and Nevin (1999), partner selection in franchising can be achieved from three angles: entrepreneurial traits, character evaluation and desire for personal development by the franchisee. Franchisors usually seek partners who are willing to follow instructions and are cooperative, responsible, and good performers (Rahatullah and Raeside, 2009). Before the partnership begins franchisors safeguard their interests through planning, designing, and proposing one-sided and relatively complete contracts, specifying their franchisees' responsibilities and duties before, during and after the relationship (Antia et al. 2013).

Nevertheless, some level of conflict is expected in any franchise system, as both parties might have different approaches, objectives, and behaviours (Tikoo, 2005). Kidwell et al. (2007) assert that a franchise relationship presents a potential for conflict between franchisee and franchisor, as the latter pursues standardisation and tries to control the franchisee in order to maintain brand reputation, while the former seeks to build an autonomy in operating its own entrepreneurial ventures. Rahatullah and Raeside (2009) state that in order to avoid the conflict, the partner must be selected with the right and compatible characteristics.

3.4.6. Franchisor-owned resources for competitive advantage

Intense competition and domestic market saturation force many firms to find growth opportunities abroad (Alon, 2004). However, achieving a competitive advantage in a foreign country environment might be challenging for a new entrant. Franchisors exploit different business methods and strategies to develop internationally and usually benefit from their strong brand image and recognition, skills in providing high-quality products/services and potential in gaining loyal customers. All these factors assist franchisees to attain sustainable competitive advantage and outperform their rivals (Beere, 2017). In this respect, resource-based view and dynamic capability theories are predominantly the most frequently utilised theoretical frameworks in explaining competitive advantages of firms. Specifically, RBV emphasises that company's ability to exploit resources (both tangible and intangible) can assist organisations achieve a competitive advantage, while DC theory states that organisational learning capabilities may determine the ability of the international franchise to use opportunities, develop the business and perform effectively in a foreign environment.

According to resource-based view theory in relation to international franchising, franchisors provide rare, inimitable, valuable and non-substitutable resources which are the sources of value creation. Dynamic capability theory is the theoretical development of resource-based view approach, as it highlights that the possession of those resources only is insufficient. Thus, consistent with the DC perspective, franchisors need to develop complementary capabilities to achieve and sustain high level of performance (Sun and Lee, 2019). Franchisors brand name, marketing capabilities and provision of quality products and services are some of the most valuable assets of franchisors that assists franchisees to develop business in foreign markets, while training, experience and business knowledge are parts of franchisor's capabilities to transfer its knowhow internationally (Flint-Hartle and Bruin, 2010., Nijmeijer et al. 2014). Those resources and capabilities are discussed in the following sub-sections in order to better evaluate competitive advantages of international franchise businesses.

3.4.6.1. System-specific knowhow

According to RBV theory, intangible knowledge-based resource like system-specific know-how plays significant part in the success and high performance of the franchise network (Sun and Lee, 2019). It involves the knowledge of the entire business concept related to service and product development, maintaining brand name reputation, marketing and advertising, store layout and site selection (Gorovaia and Windsperger, 2018). The process of building and transferring the knowledge from franchisor requires more cooperative effort and learning by the franchisee to successfully employ and absorb the system-specific knowledge (European Franchise Federation, 2016).

Applying DC reasoning, the first and the main capability in franchise network refers to international knowhow transfer. Minguela-Rata et al. (2010) in their research state that a franchisor should provide and transfer all the instructions, technical and commercial assistance and an updated information related to the company in order to effectively operate franchise units and gain competitiveness. This should be done in a way that allows a franchisee to reproduce the business concept, which is already established by the parent company, as well as maintain the culture and values of the entire business model (Watson et al. 2005., Minguela-Rata et al. 2010). However, transferring knowledge in global markets is

a complicated task, due to cultural, linguistic, and geographic distance (Minguela-Rata et al. 2010., Hoi et al, 2017).

Brookes and Altinay (2017) argue that in knowledge transfer two dominant factors should be considered: organisational distance and past experience, meaning that when the distance between the principal and the agent is large, knowledge barriers in terms of language, business methods and norms might occur. Sun and Lee (2019) determine that the role of prior experience in franchising plays a significant part in differentiation, success and efficiency. More experienced franchisors could better develop the knowledge and resources of franchisees and therefore enhance economies of scale. Thorough operational monitoring activities that are embedded in corporate culture, can assist franchisors to diminish the opportunistic behaviours of franchisees and thus cut the costs of monitoring. Furthermore, franchisors who have more previous experience of working in the business could more effectively incorporate franchisee's ideas into corporate processes compared to companies who have less experience. The findings further suggest that experienced franchisors might be able to enhance the quality of service and product, easier adapt to domestic marketplaces and provide more innovative practices and activities than less experienced franchisors.

3.4.6.2. Marketing and advertising

Marketing is defined as an activity, a set of institutions and organisational processes for creating, delivering, exchanging and communicating value to consumers in ways that benefit businesses and their stakeholders (Gundlach, 2007., Varadarajan, 2009). Marketing covers wide range of activities, including pricing strategy, sales, product development and promotion efforts (Silk, 2006., Sigue and Chintagunta, 2009). This research focuses on marketing as sales and communication activities through advertising that help companies to achieve a competitive advantage in building the brand name and consumer awareness.

Companies utilise different marketing communication activities (advertising, sales promotion, public relations, and direct marketing) in order to communicate with their environment (Mumel et al. 2007). Advertising is acknowledged as one of the major vehicles for increased sales and enhanced product and service recognition in any marketplace (Sophonsiri and Polyorat, 2009). Some researchers examine their role in creating and enhancing brand image (Sophonsiri and Polyorat, 2009), while others study the strategies of utilising advertising as one of the major tools for company's success and development (Sigue

and Chintagunta, 2009., Park and Jang, 2012). Extensive exploration reveals that promotion and advertising are the significant factors in differentiating the company from competitors and gaining a competitive advantage. In addition, advertising and different marketing activities are key investments in developing a brand recognition (McIntyre, 1996., Sun and Lee, 2019).

Park and Jang (2012) study advertising's intangible value and its role in increased sales in association with franchising in fast-food restaurant sector. The paper indicates that strong growth in advertising expenditure is seen in the fast-food industry, with nearly 95% of advertising budget utilised for television marketing. In general, franchise agreement between franchisor and franchisee involves the terms of advertising fees, which means that the former advertises for the brand and the latter takes advantage of the brand assets of franchisor.

Sigue and Chintagunta (2009) examine advertising strategies in franchise system by evaluating what approaches are implemented in relation to advertising and who should undertake brand-image and promotional advertising – the franchisee or the franchisor. Based on the findings, the advertising strategies are dependent on the nature of interaction and agreement between the parties. As pointed out by Garg (2013), some franchisors contractually develop systematic procedures to charge franchisees fees for advertising, which gives the possibility to franchisor to implement nation-wide marketing programs and campaigns that improve brand image and awareness, as well as differentiate from rival companies. Therefore, advertising expenses are included in franchising fees and do not occur as a separate expense (Park and Jang, 2012). On the other hand, in some cases, like Wendy's fast-food restaurant, the franchisor requires global franchisees to spend at least 4% of the net sales of their local restaurants on marketing and advertising, while it supports them in preparing and delivering marketing plans and activities (Sigue and Chintagunta, 2009).

In the fast-food restaurant sector, advertising and in general marketing are common techniques for business practitioners to gain consumer attention and build brand equity in the market. For instance: McDonald's attempts to create its brand personality to differentiate itself from competitors by positioning the company as "a kid-friendly place" and utilises global marketing strategies such as: partnership with kids' movies, providing McDonald's happy meals and use of Ronald McDonald's character, whereas, KFC, which is also one of the leading fast-food restaurants throughout the world, tries to transfer a positive brand image in foreign environments by adapting restaurant signage, menu selection, trade characters, store layouts, colour schemes and consumer service interaction in order to meet

customers requirement in domestic markets, to achieve economies of scale and to attain a competitive advantage (Sophonsiri and Polyorat, 2009).

3.4.6.3. Brand name recognition

Brand name/uniqueness is found to be one of the major factors for selection of franchising as a business strategy. It plays significant role in franchisee success, as it highly impacts consumer's attitude and perception towards the company (Alon, 2006c). A firm's brand reputation makes customers form expectations of the product/service quality and influences consumer's loyalty (Wu, 2015).

Applying resource-based reasoning, a well-established brand name leads to sustainable competitive edge for both parties: franchisor and franchisee (Kim and Kim, 2004). Gillis et al. (2014) highlight that strong and widely recognised brands more easily penetrate new/foreign countries, where customers already expect and desire them, and gain high market share and greater sales than those with unknown brand images. The study by Steenkamp et al. (2003) explores why customers prefer global companies to domestic ones and finds that brand prestige and quality plays significant role in customer attraction. The results suggest that customers prefer to purchase the items from international branded companies based on the assumptions that they are more prestigious and have higher quality compared to local firms. Buyers are usually motivated by internal desire to impress other individuals with their ability to afford high priced prestigious brands. As many consumers are concerned with the perception of their self-esteem and social status, having well-established brand name and reputation give companies a strong competitive advantage (Naik et al. 2008., Brookes, 2014).

Some researchers define brand prestige as the indicator of status or esteem that relates to the brand (Steenkamp et al, 2003), while others establish that brand prestige is more likely to be demonstrated by the interactions with individuals, symbolic values and product features (Vigneron and Johnson, 1999., Stokburger-Sauer et al, 2012). Bao and Mandrik (2004) conclude that the decision to buy the products from prestigious brand is not driven only by the perception of quality, but more likely by socio-economic status and self-image of customers who make the purchase, as well as, in general by the intrinsic social meanings that these brands convey. As the result, businesses try to build a distinctive and recognisable brand name, as it helps to position their products in the market and sustain a competitive

advantage. The reason behind international franchise success is often based on the popular and well-established brand name that is non-imitable assets for the firm (Kakkar, 2009., Michael, 2009., Sophonsiri and Polyorat, 2009).

3.4.6.4. Product and service quality – consumer’s attitude and perceived value

To achieve success, attract consumers and develop the business in highly competitive markets, many franchisees recognise that they should provide high-quality services and products that go beyond customers’ expectations (Ehrmann et al. 2013). Different researchers discover that effective franchise units are established through delivering exclusive and unique products/services that are the same quality throughout the world (Weinberg, 2008). Maintaining superior quality all over the world helps franchising businesses to gain loyal consumers resulting in increased profit and sales (Qin and Prybutok, 2008., Etemad-Sajadi and Rizzuto, 2013).

Hanaysha and Pesh (2018) focus on the food industry by evaluating the role of quality in customer satisfaction. The study reveals that food quality defines the success or failure of any fast-food company, as it highly influences customer’s purchase intention and behaviour and has a central role in forming decisions. Providing high quality products is recognised as the key factor in satisfying the needs and requirements of any consumer. According to Sherry (1996), providing high quality food is essential for franchise fast food restaurant companies, as it affects the reputation and the image of the whole organisation. Most of the franchise chain restaurants have agreement requiring that franchisees buy particular food-preparation equipment from franchisor, to protect the quality of the products made for customers and thus, maintaining the reputation of a franchisor’s name. However, it is difficult to control the quality in international franchising due to geographical distance and cultural differences. This is the reason why franchisors maintain rigorous rules and constantly monitor their franchisees (Hill and Jones, 2009).

3.5. Background: emerging countries and developing-market firms

This section focuses on emerging markets and the companies operating in those economies. The following sections provide an overview and discussion on the impact of international

franchising on emerging-market firms; characteristics of emerging markets; the importance of competitor analysis and strategic intensions of developing-country firms.

3.5.1. The impact of international franchising on domestic companies in emerging markets

During the last few decades, analysing the phenomenal development of retail and service franchising in the United States and the United Kingdom has become priority for scholars in the literature on international franchising. The growth of franchising in emerging economies especially has received a greater attention in academic and business studies. Nonetheless, accessing the information in those markets is often challenging and many areas remain unexplored (Anttonen et al. 2005). Thereby, various scholars acknowledge developing economies as a subject, which needs further investigation (Welsh et al. 2006).

Alon (2004) and Preble and Hoffman (2006) find that emerging markets have become the major targets for franchise fast-food companies and more and more organisations are seeking growth opportunities there. The acceleration of franchising in developing economies is fuelled by the following aspects: local market saturation, increased competition, and reduced revenues (Alon and McKee, 1996. Alon, 2004). Preble and Hoffman (2006) claim that franchising as an international business strategy is one of the most flexible and adaptable methods for expansion, which perfectly fits emerging countries, especially Eastern European transitional economies like Czech Republic, Hungary and Slovenia. These are the markets that lack entrepreneurship history, thus, franchising with proven business concept and established brand name provides a source of competitiveness for entrepreneurial firms.

According to Business America (1993), after the entrance of U.S. franchise firms in Hungarian market, they became very successful, as the country offers franchisors a moderately low-risk investment, meanwhile franchising system facilitates low-cost transfer of business knowledge, management skills and technology to local entrepreneurs. Also, the study by Jindrich (2016) explores the profitability and market share of retail companies in developing countries including Slovakia, Hungary, Poland and Czech Republic. Based on the paper, big international companies such as Lidl, Tesco and Schwarz have become the dominant companies with the major market share, whereas, small domestic businesses are left with only a minor market share, thus, the establishment of foreign organisations has had a negative influence on the development of local businesses.

Despite research into the expansion of international franchising in overseas markets, none of studies identify their impact on domestic companies in developing economies. It is important to explore what is the impact of franchising on the growth of local businesses; how international franchisees gain a competitive advantage and how emerging-market businesses can defend their position, in order to fill the gap in the literature and to help local businesses to survive in competitive markets. In addition, there is the need to analyse emerging-market environment and strengths and weaknesses of domestic-market players which can assist international franchisees in succeeding in those countries. Therefore, the next sections and sub-sections focus on developing market characteristics and operations/methods of local businesses.

3.5.2. Characteristics of emerging markets

The term “Emerging Markets” was introduced in 1981 by World Bank economist Antoine van Agtmael, to represent a set of countries with promising stock-markets that can develop fast with investments (Laurence, 2014). Similarly, according to Benoit Anne (head of emerging markets strategy at Societe Generale (SG)), emerging markets are defined not by common economic characteristics, but as an investment opportunity. Globalisation enabled emerging market countries to import technology, capital and knowledge and to export their produce, thus, empowering them to start widespread adoption of export-oriented industrialisation. As the result, emerging markets became a separate group to be considered by foreign investors who looked only at developed markets before (Laurence, 2014)”.

Some common characteristics of emerging markets have been illustrated by Levich (1996) and Agtmael (2007) who suggest three market features: high market volatility, high average returns and low correlation with developed countries. On the other hand, Cavusgil et al. (2002) view developing economies as markets that have the potential and capabilities of economic growth, technological innovation and integration with worldwide trade and economy. During the past few decades, the progress, liberalisation and globalisation of these emerging economies have made them tremendous source of opportunity and interest for multinational companies (Khana and Palepu, 2010).

The scope of emerging markets has expanded over the years and now involves countries with lower income but swift growth economies, which are utilising economic liberalisation as the major driver of development (Herbert, 1996., Sharma et al. 2016). Emerging markets contain two broad groups such as the transition economies like China and the Post-Soviet

states, and the developing economies in the Middle East, Latin America, Asia and Africa. Even though, many emerging markets are making significant social and economic progress, most of them continue to suffer economic slumps, financial crisis and credit defaults. Therefore, there is a high possibility that they may stay “emerging” and not gain the status as the “developed” markets (Sharma et al. 2016).

According to Ronkainen and Czinkota (1997), Welsh et al (2006) and Alon (2006b) market governance, the level of economic development and economic growth needs to be considered when entering foreign markets. Market governance is significant in evaluation of emerging markets. It includes the regulatory environment, level of government control on resources and free market activities, and the stability of market system. Regions that seek to democratise their political structure and liberalise economic and market institutions are often referred as transitional economies and/or countries (Welsh et al. 2006). As claimed by Alon and McKee (1999), market governance has a high influence on a country’s risk factors including: ownership restrictions and bribery, political stability, import and controls of capital flows.

Welsh et al. (2006) indicate that the level of economic development is measured through GDP per capita. The latter is used to analyse the wealth of population, the extent of middle class and the level of industrial growth (Alon, 2006b). World Bank (2018) illustrates that countries are divided through gross national income (GNI) per capita into the following categories: low income, lower middle income, upper middle income and high income. Countries are considered to be “emerging” when they fall into the lower and upper middle-income groups, and they have GDP growth of more than five percent. GDP growth rate is a significant factor when measuring country’s economic growth and it needs to be considered in relation to the growth of population. If the latter is higher than the former, it will have a negative effect on the standard of living over time (Welsh et al. 2006). Welsh et al (2006) and Alon (2006b) state that international franchisors need to consider adjusting to GDP and constantly measuring GNI if they expand into emerging countries.

A number of authors, both academics and industry analysts, identify emerging markets as the area that needs further research. Some researchers compare the developed and emerging markets and even though, there is no standard metric for differentiating them, there are several identifiable features to evaluate the differences (Agtmael, 2007). The study by Landau et al. (2016) suggests that there are three major distinctions between developed and developing markets and companies often require adjustment in their business operations when going from one market to another. First, developing economies present different

market segment characteristics and compositions to developed countries. Second, institutional environments in emerging markets are different to developed, which often obstruct effective market transactions. Third, the quality and number of external value creation partners in most cases do not exist to the same degree as in developed markets.

As pointed out by Ciravegna et al (2014), developed economies have mature capital markets, better infrastructure, advanced economies and higher standards of living. Even though emerging markets are in the process of growth, they have less developed infrastructure, less mature capital markets and lower household incomes. In addition, the scholars demonstrate that the most significant factor that distinguishes emerging markets from developed economies is political stability. The internal conflicts in the country and instability affects macroeconomic variables and economic performance by making it less predictable (Enderwick, 2020).

Even though there are much research on emerging markets, only few examine how the establishment of international franchising affects local economies and organisations (Hoang et al. 2017), creating the gap in the literature.

3.5.3. Local firms in emerging markets

More and more firms from developed countries have entered emerging economies to take advantages of their resource capabilities, incentives from host country governments and cheap labour costs. As the result, local firms in emerging economies encounter many challenges to compete effectively in their local markets (Hoang et al. 2017). Most of the studies examined emerging market firms from the perspective of their internationalisation to foreign countries (Kumar et al, 2016, Li and Ding, 2017). Thus, the underlying mechanism of how domestic firms operate and compete against global multinational companies locally remain unaddressed in the literature. The following sub-sections in the study provides an overview of the existing research papers done on domestic companies in developing economies and evaluates business strategies they use to improve the performance.

3.5.3.1. Studies on domestic firms in developing countries

Researchers of international business characterise emerging-market firms differently. Dunning (1993) cites that domestic firms in emerging markets lack technological

capabilities. Bartlett and Ghoshal (2000) states that emerging economy firms show slow progress and do not have managerial skills. Ramamurti (2009) indicates that local organisations in emerging economies are developing in uncompetitive markets, which are based on natural resources and utilising cheap labour.

Scant theoretical and empirical studies exist that evaluate local companies position in emerging markets in relation to international franchising and most of the research have been done in developed economies. Several studies on companies in emerging countries focus on their growth and internationalisation in developed markets (Banerjee et al. 2015., Li and Ding, 2017). For instance, Banerjee et al. (2015) examines how firms from emerging market such as India grow in developed economies and argue that indirect learning play significant role in their success. Based on their study, emerging-market companies learn indirectly about how to compete overseas and especially in developed countries by obtaining the knowledge from network members, their competitors and leader companies. However, it is not mentioned how these organisations maintain competitiveness in their home markets.

Li and Ding (2017) study the effects of home country institutional forces on the global expansion of private companies in emerging market - China. The findings indicate that support from Chinese government plays significant role in promotion of companies' internationalisation, and businesses with sufficient resources benefit more from the support of the government to expand in foreign markets. In addition, based on the study results, firms in emerging markets should actively search to develop social ties with overseas partners and companies should gain knowledge about the regulations of foreign countries, their technological standards and consumer demands. Nevertheless, it is not clear from this research how domestic firms compete in Chinese market and gain success.

Other studies examine internal organisational factors leading local companies to competitive advantage. Hoang et al. (2017) investigate how foreign and domestic companies in Asian countries such as Vietnam and Malaysia create a favourable service climate and how external and internal factors drive it. The findings reveal that overseas service companies perform better than their domestic counterparts in relation to human resource management and work facilitation resources. The paper suggests a conceptual framework and provides a comprehensive understanding for managers of both foreign and domestic companies on how to develop organisational service climate and improve their competitiveness in the market.

The review indicates that there is a gap in the business literature regarding competitiveness, firm performance and business activities of emerging market companies, as well as the impact of international franchising on domestic firms. Therefore, further research is needed

to understand how emerging market firms defend their market position and what business strategies and practices they utilise to survive in highly competitive environments.

3.5.3.2. The importance of competitor analysis

Over the last few decades, franchising has become a proven worldwide enterprise trend within the food, retail and hotel sectors, as it provides a potential for market expansion and development (Doherty, 2006). Many global companies are using franchising as an entry mode strategy into developing countries particularly because emerging markets present half the world's population. As the result, the level of competition in those marketplaces has risen significantly and local businesses must assess a potential effect from the new entrants (Welsh et al. 2006).

In such a dynamic environment as it is nowadays, the competitive position of the companies is changing rapidly. New technological developments that facilitate increased product differentiation, the identification of new market segments and customer groups, the permanent examination of better ways and techniques to apply a business model to lower the cost constantly change the competitive position of the firm in the business sector. The useful way to help firms in the domestic industry is to thoroughly evaluate and analyse their competitors and their strategies in terms of product differentiation, market share, value creation and their positioning in the particular market (Hill and Jones, 2008,. Khan 2015., Mahajan et al. 2016).

Khan (2015) analyses the internationalisation of U.S. franchise companies in global emerging markets particularly in European Union, South America, Africa and Middle East and found that it is significant to conduct a competitor analysis to help in developing a strategy, which will assist in meeting the existing and potential competition and challenges. Every competitor with their core competences brings new tendencies and practices to the market. Thus, the first and primary analysis that should be done is to evaluate the strength and weaknesses of competitors as well as identify products and services provided by them in the market. Khan (2015) illustrates another important factor that is the market share analysis in order to understand the level of competition and the company's position in the market.

In a highly competitive industry such as the food sector, it is vital for restaurants and fast-food service companies to identify competitor's business operations, methods, and strategies

in order to understand changing marketing environment (Gao et al. 2018). Parsa and Kwansa (2010) identify competitive methods of multinational food service companies in mature environments. They find that investment in advanced and new technology, internal competency improvement, new product/service development, competitive pricing strategy and successful communication to the target market are the major methods that help multinational food companies in gaining growing demand in emerging markets.

3.5.3.3. Strategic intension

Most of the research regarding business methods and practices evaluate the operations of domestic companies in developed markets rather than developing. However, several scholars explore the activities and capabilities of domestic organisations in emerging economies. This sub-section reviews the existing research on the methods for gaining success.

Rugraff and Hansen (2011) analyses the linkage and spillovers between multinational corporations and local firms in developing economies and suggest that to develop a firm performance and increase the market share, local businesses need to assess the major strategies and characteristics of overseas competitor organisations including their weaknesses, threats, strengths and opportunities. Moreover, the findings suggest that to defend the market positions, domestic businesses should be prepared to alter their strategies, develop new marketing techniques and engage with global companies that will assist them to improve their business know-how.

Wilson and Amine (2009) evaluate the companies' resources and conclude that efficient management of resources plays an important role in the success of local firms in developing countries. The research conducted by Srivastava (2015) suggests a comparative study in emerging market India by identifying the preferences and loyalty of local consumers towards global and domestic fast-food chains. The findings indicate that Indians prefer international fast-food companies to local firms. Better quality is found as the major factor that leads to higher frequency of visits and recommendation of the brands to their colleagues and friends. Another important aspect of success of international fast-food companies in India is the promotion, which involves public relations, advertising activities and personal selling appeals.

Based on the Rashid et al. (2015), restaurant companies should make their services and products more appealing to customers, which would satisfy their expectations. High quality

products and services ensure greater customer satisfaction and a positive word-of-mouth recommendation to potential buyers. Determination of customers' interest, preference and attitude is significant factor because it impacts purchase behaviour (Srivastava, 2015).

The existing papers do not specify any strategies that are particular to the local firms in emerging markets and do not take into account the differences in resources and capabilities between local firms and international franchisees. However, the above-mentioned methods are universal and can be applicable for both parties.

3.6. Research questions and conceptual framework

This section evaluates the gaps in knowledge and provides the research questions and conceptual framework developed for this thesis. Despite different methods, assumptions, theoretical and conceptual frameworks, many researchers, who have studied franchising from different field and point of view, have made tremendous progress toward exploring the process of franchising in general. Nonetheless, from the literature review it is clear that papers on franchising do not examine the influence and effect of its establishment on local businesses and mostly assess the determinant factors and reasons for franchise diffusion in other republics and precisely in developed markets. The evidence suggests that progressively more franchise enterprises try to grow worldwide, and it has become a main concern for local businesses operating in emerging markets.

The major gaps identified in the knowledge are as follows: the investigation into the factors and conditions contributing to the competitiveness of franchisees in emerging markets remain largely unexplored; researchers failed to explore the impact of franchise establishment on local firms in emerging markets, especially within the restaurant industry where the international franchising is becoming dominant; scholars have not analysed the factors and conditions of domestic businesses in emerging markets and how they compete against franchise organisations and how they survive in a highly competitive environment.

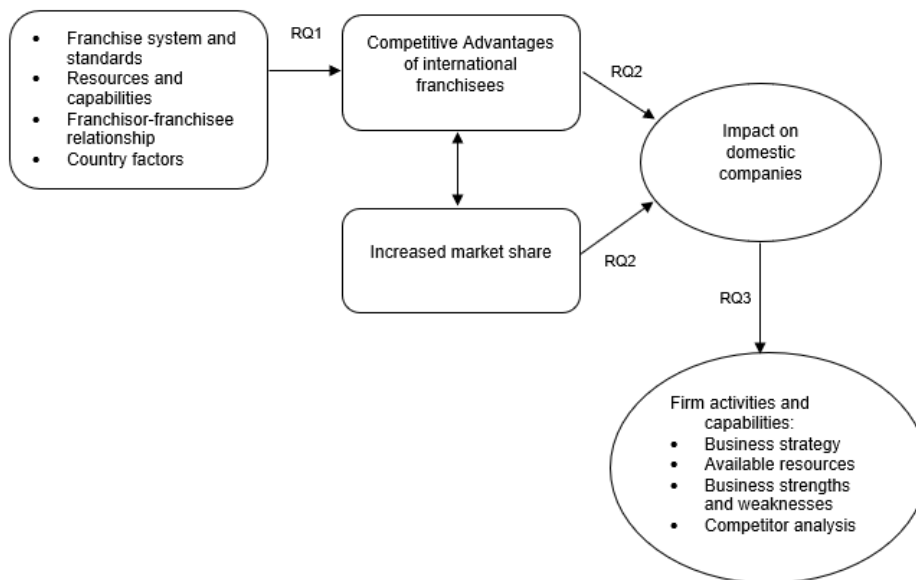
Therefore, following the literature review and the identification of research gaps, this study aims to investigate the effect of international franchise firms on local restaurant companies in emerging markets such as Georgia and Ukraine. The thesis explores the strategies and activities of international franchisees in developing countries, how domestic companies experience the entrance and existence of international franchisees in their markets and how

local companies can compete against them. The major research questions that guide the entire study are as follows:

1. *How do international franchisees become successful and gain a competitive advantage in emerging markets?*
2. *How do local firms experience the effects of international franchising?*
3. *How do local businesses defend their market position and gain a competitive advantage in the market?*

The conceptual framework (figure 3.2) is for this research, indicating the relationships of the key research questions and concepts from the literature.

Figure 3.2: Conceptual framework of the paper



This thesis seeks to fill the gap by exploring the effect of global franchising on local businesses in developing economies from the perspectives and experiences of both parties. The conceptual framework illustrates factors contributing to competitive advantages of international franchisees and domestic companies in emerging markets. It has a significant role in guiding the whole process of the research thesis. Franchise system and standards, firm's resources and capabilities, the relationship between franchisor and franchisee and country environmental factors are found to have crucial part in the competitiveness of international franchisees in foreign environments, while available resources, appropriate business strategies, internal strengths and weaknesses, as well as competitor analysis are identified as significant issues for emerging market firms to compete effectively.

3.7. Conclusion

This chapter has examined the literature on the topic “The effect of international franchising on local firms in emerging markets”. Examining the existing literature on international franchising, emerging markets and local companies operating in those countries helps the researcher to determine the key concepts that are relevant to the study and identify the potential deficit in the knowledge.

This chapter reviews the research done on the franchising, its expansion in international markets and different theories related to this phenomenon. It highlights country environmental and organisational factors influencing the internationalisation of franchising, as well as examines the factors contributing to the competitive advantages of international franchisees. The strategies, practices and operations of local companies in emerging markets are discussed to help the researcher to evaluate and compare them to franchise companies. This chapter also reviews the characteristics of emerging markets and the differences between developing and developed economies.

It concludes by demonstrating the gaps in the knowledge and formulating the major research question that is addressed in the following chapters. Finally, the conceptual framework is suggested by the researcher to guide the entire study. The next chapters try to explain the study phenomenon and answer the research questions by exploring the experiences and practices of international and domestic fast-food restaurants in Georgia and Ukraine.

CHAPTER FOUR
RESEARCH METHODOLOGY

4.1. Introduction

The purpose of this thesis is to investigate the effect of international franchising on domestic market firms in developing countries. In order to achieve this, a literature review was initially conducted to identify the significant gaps in knowledge. The identification of those gaps enabled the formulation of a set of questions. This chapter establishes the procedural rules utilised to collect, analyse and validate the knowledge acquired to answer the major research questions. It proceeds as follows:

Following the introduction, section 4.2 discusses the main research questions identified based on the literature review and explains the selection of exploratory research design. Section 4.3 evaluates philosophical assumptions that underline this thesis. Section 4.4 presents the research approach by discussing qualitative and quantitative methods, as well as inductive, abductive and deductive processes. Section 4.5 explains the selection of case study design as a research strategy. Section 4.6 discusses data collection instruments that involves an overview of semi-structured interviews, interview questions, research participants and sample size, utilisation of pilot study, data collection process and data triangulation, while the next section 4.7 reviews how the collected data is analysed. Section 4.8 illustrates how the potential biases are minimised and section 4.9 explains how the thesis achieves an acceptable level of integrity and trustworthiness. In section 4.10, ethical considerations are analysed. Section 4.11 highlights the limitations of the adopted methodology and finally, section 4.12 summarises the entire chapter.

4.2. Research questions and design

This section examines the research questions and study design selected for this thesis. The key objective of this research is to identify the effect of international franchising on emerging market organisations by evaluating the competitive advantages of both parties. To achieve this, the first step was to review the literature in order to identify the potential gaps in the knowledge. The exploration of those gaps enabled the formulation of the research questions that dictated the selection of study methods. Three major research questions have been formed in order to understand the research phenomenon:

- 1. How do franchise restaurants become successful and gain a competitive advantage in emerging markets?*
- 2. How do local firms experience the effect of franchising?*

3. *How do local fast-food restaurants defend their market positions and gain a competitive advantage in the market?*

The identification of the research questions and problems determines the type of the research design employed in this study. The research design refers to the whole study strategy chosen by the researcher to integrate the different components of the thesis in a rational and coherent way, thereby, ensuring that the research problem is addressed effectively (Mason, 2002., Grbich, 2013). Research design is a set of procedures and methods for collection, measurement and analysis of the data that suggests justification for selection of the study (O'Dwyer and Bernauer, 2014., Ritchie et al, 2014). Three major types of research design are: exploratory, descriptive and explanatory (Myers, 2013). Exploratory research design is often applied to make preliminary investigations into relatively new areas of inquiry. Descriptive study is aimed to describe phenomena accurately by making careful observations and detailed documentation of a study of interest. Explanatory design aims to explain rather than describe the phenomenon (Blanche et al. 2006).

This study uses an exploratory research design because the topic has not been previously explored and it was prudent to identify and produce new insights related to the field. Exploratory studies are designed as flexible and open investigations that adopt an inductive approach as, based on the observations, the researcher forms general but speculative hypotheses. The major objective of this design is to explore a phenomenon that was unknown before and find out the key factors and aspects relevant to answering the research questions (Blanche et al. 2006., Saunders et al. 2009). As the effect of the establishment of international franchising in emerging markets remain unidentified and there is no empirical data, the researcher considers exploratory study as the most suitable approach, which suggests new insights and facilitates a better understanding of the research problem and generates new ideas for the future studies.

However, some critics of exploratory research argue that the main disadvantage of this design is that the interpretation of qualitative data can be biased and judgmental (Babbie, 2015). Therefore, this thesis provides a step-by-step approach and structure of the selected methodology and describes the strategy used to ensure that constraints related to the exploratory research design are overcome.

4.3. Philosophical assumptions

The research philosophy and the set of philosophical assumptions underlying the design of the research and how it is conducted is important for any study. Outlining the research philosophy is significant, as it reflects the way the researcher thinks about the knowledge development and defines the ways in which a data will be collected, examined and interpreted (Saunders et al. 2009). Based on Myers (2013), the understanding of philosophical issues is beneficial for the researcher as it can assist in clarifying the research design and recognising which will work best for the study. Also, it gives the possibility to acknowledge the limitations of any particular approach, as well as helps to select and can even generate designs that may be beyond researcher's previous experience (Easterby-Smith et al. 2002). The philosophical issues relate to ontological and epistemological positions, as any research investigates the social world with its set of assumptions (Saunders et al, 2016). The following sub-sections describe how the thesis is influenced by the ontological and epistemological assumptions.

4.3.1. Ontology

Ontology is defined as the "science or study of being" and is concerned with the nature of reality and how people experience it (Blaiki, 2010). The major ontological question is whether social entities should be considered as objective or subjective (Ritchie et al, 2014). There are two opposite ontological positions that try to answer this question: objectivism and constructionism. Objectivism posits that the reality is not connected to the individual's knowledge, perception and awareness and asserts that the objects exist independently of any consciousness, while constructionism, which is also known as subjectivism, believes that social phenomena and their meanings are constantly being accomplished by the social actors. In other words, it suggests that the reality or truth is constructed by human beings as they engage with the world and try to interpret it in their own way (Grotty, 1998).

This thesis assumes a constructionist ontological approach as the most relevant, as the researcher believes that there is no pure truth in reality and that the latter is constructed inter-subjectively by the meanings and understandings acquired experientially and socially (Grotty, 1998). The central premise of this thesis is that organisational success depends on its actors shaping the field in which they are operating. Thus, these social domains are mostly constructed by organisation's and/or individual's actions and are not based on universal

truths. This research relies primarily on subjective views of participants and how they see and are engaged with building a successful business leading to competitiveness. The questions were formulated in a way to be broad and general to give opportunity to respondents to express their personal opinions, rather than imposing preconceived ideas or bringing in researchers' assumptions.

4.3.2. Epistemology

The main concern of epistemology is knowledge and how we acquire and apply it (Bryman and Bell, 2015). The central question in this context is whether the social world can and should be examined based on the same procedures, principles and philosophy as the natural sciences. Within epistemology, there are two major branches to consider positivism and interpretivism. The underlying idea of positivism is a scientific viewpoint on the world and the knowledge. Utilising a positivism approach often means that the researcher views data objectively and the research starts from a hypothesis and deduction, meaning that it is more applicable to quantitative studies (Bryman and Bell, 2015). The underlying principle of interpretivism, in contrast, is that the knowledge is not objective but rather depends on individuals. Hence, the philosophical outlook of interpretivism is more subjective and requires the researcher to grasp the subjective meaning of social actions (O'Gorman and Macintosh, 2015). As this thesis focuses on personal experiences of selected individuals, it follows interpretivism philosophy which is discussed below.

Interpretivism approach considers the significance of identifying individual's perspectives in the context of the circumstances and conditions of their lives (Ryan and Bernard, 2000., Silverman, 2011). Interpretive researchers assume that access to reality is only available through social constructions including shared meanings, language, culture and individual's consciousness (Schutt, 2006). Therefore, this paradigm asserts that the methods of natural sciences are not suitable for social investigation, as the social world is not governed by law-like regularities (Myers, 2013). Accordingly, a scholar should explore the social world through the participants, as well as their own views and perspectives, where the explanations can be done based on the meaning rather than cause (Ritchie et al. 2014).

An interpretivist philosophy is considered for this study as it facilitates an understanding of the unexplored phenomenon related to the impact of international franchising on emerging market firms. The researcher in this study constructs the meanings and interpretations based

on the study participants, as no previous empirical data exists that investigates the study interest (Ryan and Bernard, 2000., Silverman, 2011). Based on the interpretivist position, the researcher constructs knowledge as she interprets the experiences and practices of the research participants, thus the knowledge is grounded in particular experiences and is subjectively derived (Mason, 2002).

Different people of different cultural backgrounds, under different environments and circumstances are creating and experiencing different social realities (Saunders et al, 2016). The practices and experiences of international franchisees and domestic companies in developed markets are very different from emerging economies and interpretivism allows a deep understanding of the organisational interplay as it draws on the subjective views of those engaged in these institutional settings. Each participant taking part in the research was able to express their thoughts and understandings based on their personal experience in a very situational nature. This makes interpretivism approach different from positivist as it does not attempt to discover definite, universal laws that apply to everybody (Saunders et al, 2016).

Despite the ability of interpretivism approach to provide valuable and in-depth results, there are several limitations of this philosophy. One of the significant drawbacks of interpretivism is that the generalisation of findings is constrained since the data is impacted by the personal values and viewpoints (Schutt 2006). Nonetheless, Williams (2000) claims that this challenge can be overcome through utilisation of mixed methods, while Brown and Ridgers (2002) states that to ensure the generalisability in the study, researchers should provide complete, detailed, and clear description of the entire research process. Therefore, this chapter tries to achieve generalisability by providing a thorough description of the entire research and using multiple data analysis methods.

4.4. Research approach

Research approaches are plans and processes for a study, which cover the steps starting from wide-ranging assumptions to detailed techniques of data collection, analysis, and interpretation. The first and the major methodological choice is whether the study follows qualitative, quantitative or mixed method approach. Each of this research approaches applies different mix of techniques to achieve coherence in a study (Saunders et al. 2016). The

research questions and the aim of this study guides this chapter towards adopting a qualitative research approach.

Based on the literature review it is concluded that evaluating and exploring the research phenomenon requires a rich and deep understanding that is offered by qualitative data collection techniques. Semi-structured interviews are implemented for this study to gain in-depth insights. To enrich the findings a thematic approach and fuzzy set of qualitative comparative analysis are used. The following sub-sections discuss qualitative and quantitative, as well as inductive, abductive, and deductive processes.

4.4.1. Qualitative and quantitative research

The research approach and methods should be thoughtfully considered by the scholars who want to gain scientifically reliable and valid outcomes, as the techniques used in the research have direct impact on the entire study procedure from the theoretical framework, population sample, collection of data and analysis process to interpretation of findings. The selection of approach and methods is critical in any research to achieve reliable, credible and accurate results (Ofiazoglu, 2017). The three major approaches for conducting scientific study are qualitative, quantitative and mixed method research (Saunders et al, 2016). This section explains the processes of and the differences between qualitative and quantitative approaches and clarifies reasons for selection of measures undertaken by this thesis. The table 4.1 indicates fundamental differences between quantitative and qualitative research strategies.

Table 4.1: Summary of differences between qualitative and quantitative research strategies

	Qualitative research	Quantitative research
Type of Knowledge	Subjective	Objective
Major aim	Exploratory and observational	Generalisable and testing
Approach	Inductive/abductive; generation of theory	Deductive; testing of theory

Data collection	Semi-structured or unstructured	Structured
Sampling	Purposeful	Random
Analysis	Narrative description and interpretation	Statistical analysis of numeric data

Adapted from Saunders et al. 2009 and Bryman and Bell, 2015

Significant differences between qualitative and quantitative research methods are explored by many scholars (Saunders et al, 2009). Qualitative research generates textual information and is often defined as a naturalistic and interpretive approach, which investigates a particular subject from the interior and considers the perspectives and thoughts of study participants as an initial point (Bryman and Bell, 2015). On the other hand, quantitative studies are based on the creation and implementation of numbers by employing statistical evaluation and is concerned with using measurement procedures. Thus, it is statistically based and does not take into account the viewpoints, beliefs, experiences and practices of research participants (O 'Dwyer and Bernauer, 2014).

Another major difference between these two approaches is that quantitative research uses deduction, meaning that observations are utilised to test theories through examining the relationship between variables (Bryman and Bell, 2015), while qualitative study utilises induction, meaning that observations are used to generate theory rather to test it (Williams, 2000). Data collection methods are also different for both approaches (Ryan and Bernard, 2000). Quantitative data collection methods are highly structured, so that the researcher can assess the exact concepts and issues that are the focus of the research. Some of the tools for quantitative data collection methods are surveys (paper, questionnaire, mobile and kiosk), experiments and controlled observations (Saunders et al, 2016). On the other hand, qualitative data collection techniques are largely unstructured, so that the possibility of getting at participants' meanings and of concepts evolving out of data collection is increased (Silverman, 2011). The tools of qualitative data collection are individual interviews, participant observation, focus groups and textual and visual analysis from books and/or videos (Cassell and Simon, 2004).

In keeping with the interpretivist philosophy that underpins this project, a qualitative approach is adopted as the most suitable methodology. Qualitative data are collected, as it

allows the researcher for the knowledge development between the participant and researcher in a naturalistic way (Williams, 2000). The decision of following a qualitative approach is based on the following reasons: it is frequently utilised to explore a complex issue and/or a phenomenon in a particular context within the real life setting (Ritchie et al, 2014); qualitative study is usually applied to understand the diversity of public and social aspects and to identify different systems, cultures, requirements and behaviours in multiple fields (Belk, 2006); when using a qualitative study approach, a researcher and respondents have a more meaningful interaction between each other, where study participants provide comprehensive and detailed data around the specific subject that is relatively challenging when employing quantitative approach (Wengraf, 2001., Saunders et al. 2009). For that reason, the semi-structured interviews are used as a data collection method that allowed to see the research phenomenon through the eyes of the participants.

4.4.2. Inductive versus deductive and abductive processes

As pointed out by Bryman and Bell (2015), all research projects have a connection between observation and theory, and it is beneficial to evaluate the relationship between them in terms of inductive, deductive and/or abductive approaches. Qualitative research is frequently described in terms of inductive and abductive processes, whereas quantitative approach is often depicted as deductive (Blaikie, 2007).

Inductive strategy looks for patterns from observations and is a theory-building approach where the evidence is collected first, and theories and knowledge are developed after, based on the evidence (Seale et al, 2007). Similarly, abductive reasoning starts with observations and makes conclusions based on the facts with the aim to develop a theory. Even though, induction and abduction approaches have many similarities, and both are associated with the interpretive research (Bryman and Bell, 2015), there are some major differences between these two reasonings. Induction approach makes broad inferences from observations and/or cases. In this procedure, general assertions are made based on pieces of evidence that are identified before. On the other hand, abductive approach creates, and tests hypothesis based on the available information specific to the fact. Thus, the major difference between these two reasonings is that abductive approach considers cause and effect relationships, whereas induction tries to establish general rules.

On the other hand, deductive strategy is the top-down approach to knowledge acquisition and utilises observations to test existing theories. The deductive processes include using evidence in support of a conclusion – first the hypothesis is developed, and evidence is collected later to reject or confirm it (Ritchie et al. 2014). Therefore, many researchers claim that the deduction is fundamentally different from the other two forms of reasonings and is not suitable for qualitative research (Flach and Kakas, 2000).

The impact of international franchising on emerging-market firms is an unexplored topic and no existing theories can be directly applied. Thus, based on the nature of this study, the inductive reasoning is selected as the most suitable approach. The major reason is that it allows the researcher to find the connection between the research context and the phenomenon under investigation and introduces new concepts, rather than explores the known phenomenon or theory and tests if that theory is valid as suggested by the deductive approach (Schutt, 2006). Another motivation for following inductive approach is that the researcher is not restricted by structured methodology of deductive process, and it allows the exploration of alternative approaches and theories (Seale et al. 2007). Abductive reasoning is not considered for this thesis, because this research explores general assertions and not any specific cause and effect relationships (Saunders et al. 2009).

Some critics of inductive approach claim that even though this process produces and interprets data and does not test hypothesis, the questions that are asked, the information that is generated and the methods that are used for analysing the data might be affected by assumptions deductively developed from the prior studies (Blaikie 2007., Ritchie et al, 2014). Even though this research considers different theoretical lenses, conducting direct hypothesis testing is not applicable to this study. However, the limitations of inductive research still should be considered, including the generalisation of the findings, the validation of explanations and the concepts resulting from the research (Schutt, 2006., Blaikie, 2007).

4.5. Research strategy – Case study design

Research strategy is discussed by the Saunders et al. (2009) as a general plan of action that assists the researcher answer the research questions in a systematic way. The most widely utilised strategies for conducting scientific research are ethnography, experiment, grounded theory, case study, survey, archival research and action research (Glaser and Strauss, 1967.,

Cassell and Symon, 2004., Farquhar, 2012., O'Reilly, 2012). Each strategy has its benefits and disadvantages and is utilised depending on the study phenomenon, research questions and the research interest (Yin, 2009). This thesis uses a case study method as the key strategy for answering the main research questions.

The case study design is utilised to produce a detailed and rich understanding of complex issues in real-life context. It has been well-defined by Yin (1994) as an empirical inquiry that has an ability to explore a modern phenomenon and is used extensively in social sciences. Gable (1994) states that this design is focused on understanding the problem being investigated and is often utilised when the boundaries between a phenomenon and context are not apparent. Farquhar (2012) explains a case study approach as a design that is founded on knowledge and experience, where the scholar has the ability to evaluate and explore the study of interest in-depth.

Multiple case and/or single case designs can be adopted by the researchers depending on the issue investigated and the research questions. Single case study design is often employed in the situations in which there are no other cases available for replication. However, the findings might be specific to the certain company and/or situation, and the results will be limited for generalisability (Stake, 2006). On the other hand, the utilisation of multiple case approach might be more advantageous, as it explores multiple sources of evidence and can be replicated (Yin, 2009).

Based on the literature review, it is identified that there is a gap in the academic and business knowledge related to the influence of international franchising on domestic food businesses in developing marketplaces. As there are no applicable theories on the topic, the case study approach is considered as the most appropriate research design because it is based on an exploratory manner that develops insights into the areas where theory is limited (Saunders et al. 2009., Farquhar, 2012). It is mainly applied in the following circumstances: when the major research questions are “how”, “who” and “why”, when a contemporary phenomenon is the main focus of a study and when a scholar has no power and capability to manage behavioural events (Yin, 2009). Additionally, most of the prior papers related to global franchising are quantitative in nature, which makes it difficult to follow and examine the subject in-depth. The case study strategy allows to produce valuable qualitative information with the focus on discovering a certain case in natural settings (Yin, 1994., Yin, 2009).

Although more than 20 firms have been approached, this study includes 14 case companies in two different emerging markets. Based on the study questions and the aim of the research, multiple case design is the most suitable strategy because companies involved in the study

have different practices and experiences that should be compared. Multiple case study design allows to discover research phenomenon using replication strategy (Stake, 2006). The next section discusses the data collection methods in detail.

4.6. Data collection methods

This study employs qualitative semi-structured interviews as the data collection method. The interviews have been collected in two emerging markets Georgia and Ukraine. In total fourteen interviews have been conducted with the local and international franchisee companies in food industry. The following sub-sections discuss the interview method utilised for data collection; sample size and research participants; utilisation of pilot study; interview questions; data collection process and data triangulation.

4.6.1. Semi-structured interviews

There are several methods available for data collection: focus groups, observations, different kind of interviews, secondary data analysis, engagement methods and multiple forms of virtual, electronic and textual data (Cassell and Symon 2004., Belk 2006). Thus, one of the significant considerations for researcher is to choose an appropriate method for data collection (Cassell, 2015). Selection and decision regarding methods is mostly determined by the research questions, however, the former might be influenced by the timing, structure and context of the entire research (Wengraf, 2001). The main method for data collection in this study is qualitative semi structured interviews, which is one of the most commonly used techniques of data collection in qualitative papers (Silverman, 2011., Ritchie et al. 2014).

Data generated through interviews is based on the spoken narratives and verbal communication that is grounded on the assumption that study respondents are individuals who can communicate their insights and actively construct their social life (Cassell, 2015). The interview method is an effective tool for obtaining understandings and perceptions into individuals' experiences and opinions of a certain phenomenon (Wengraf, 2001). Furthermore, it provides new insights and questions for examination that have not been earlier analysed and considered (Ritchie et al. 2014). The gathered data is based on the personal history and real-life experiences, as respondents are not restricted by a closed or a

structured questionnaire, thus, offering the study a richer account of the phenomenon under investigation (Silverman, 2011., Cassell, 2015).

Considering the scope of this study that includes an exploratory element, selecting qualitative research interviews as a data collection technique is the best option. Utilisation of qualitative interviews allows the researcher to gain an understanding of the experiences, decisions and views of domestic fast-food restaurants about the impact of global franchising on their companies, as well as understand the attitude and opinions of international franchisees and emerging market firms (Saunders et al. 2016).

However, the researcher has to consider what type of research interviews to develop to achieve the best results. Three major forms of research interviews are: structured, semi-structured and in-depth or unstructured interviews (Saunders et al. 2009). The structured interviews are similar in nature to questionnaire survey and are the most widely employed tools in quantitative study (Saunders et al. 2016). In-depth/unstructured and semi-structured interviews are used to answer questions: “how”, “what” and “why”, and are most frequently used in qualitative research (Millward and Cachia, 2011). Unstructured interviews do not rely on a set of prepared questions and is more informal and conversational. Semi-structured is a mixed of both: structured and unstructured interviews with predetermined but open-ended questions (Saunders et al. 2016). More precisely, they are broadly open and allow new insights to emerge, thus, giving the opportunity to follow up on interesting aspects that may not have been previously considered and discussed by the researcher and have been raised by the respondent (Millward and Cachia, 2011). This study applies semi-structured interviews as it focusses on explaining the desired areas of discussion by utilising open-ended questions and not necessarily following the formalised questionnaire (Bryman and Bell, 2015., Saunders et al. 2016).

While discussing the potential benefits of utilising qualitative semi-structured interviews, it is also significant to evaluate the disadvantages of this approach. Semi structured interviews are sometimes criticised for lack of reliability, as interviews can be more prone to researcher bias compared to other approaches of data collection (Saunders et al. 2009). Hence, it is significant to sustain a coherent manner when questioning respondents. To help with consistency it is beneficial to use an interview guide, as possible challenges of researcher bias can be diminished (Seidman, 2015). The issues of research bias and reliability are addressed in this study by using a systematic data collection method through interview guide, which is followed by structured data analysis techniques.

4.6.2. Information about access

One of the most significant considerations when undertaking a qualitative research and case study design is the adequate access to useful data with relevant case study participants and organisations, which is often difficult and challenging for researchers (Feldman et al. 2004). Access is multidirectional and dynamic process that involves researcher's ability to build the type of relationship with participants to obtain permission to contact them and convince them to give information (Bryman and Bell, 2015). Thus, in the process of setting up a research thesis, it is significant to make use of whatever personal contacts and practical resources are available for the researcher with the consideration of ethical guidelines (Bryman and Bell, 2015).

Two major locations - Georgia and Ukraine were identified for this study, as those countries have become one of the major destinations for international franchise companies, as well as having shared culture, history and environmental factors. The researcher has selected the case organisations based on their success in Georgian and Ukrainian markets in order to better evaluate the level of competitiveness and strategies for success. In this study, success is measured based on the following factors: internal business perspective (how the firm is managing the business processes and execute them), learning and development perspective (how innovative the company is and how effective it is in developing its staff) and external environment perspective (how organisation respond and adopt to the changing business environment).

As the researcher is from Georgia and is familiar with the people, culture and surroundings, she made use of her personal contacts and family members/friends who helped to facilitate the access to the selected case companies. In Ukraine the major strategy was to contact the organisations directly. It was easy for the researcher to gain access because she is fluent in Russian that is the most spoken language after Ukrainian.

4.6.3. Sample size and overview of research participants

Data collection is a vital process in any research, as the information is meant to contribute to a better comprehension of a phenomenon (Ritchie et al, 2014). This research aimed to find

and interview people in organisations that are relevant to the research phenomenon. The identification of companies has been done through online search that formed the initial steps to the participants selection procedure.

Based on the nature of this research, a purposeful sampling technique is selected for data collection. It is a method in which a researcher uses his/her personal judgment when selecting study participants. This technique is commonly implemented in qualitative research for the recognition and selection of information-rich cases to study (Bryman and Bell, 2015). These kinds of cases include individuals or group of individuals who are competent and knowledgeable with a research phenomenon and will illuminate the inquiry question being asked (Bryman and Bell, 2015). In other words, respondents are selected due to the qualities and abilities they possess and their willingness to provide detailed information and share their opinions and practices related to the study (Bryman and Bell, 2015). In addition to experience and knowledge, participants are selected based on their availability and readiness to participate, and the capability to provide experiences and ideas in a meaningful, reflective and articulate manner.

The food sector is chosen over others because it is the richest in data as most of the global food companies use franchising as the strategy for business expansion in developing countries. The study population of this research contains owners, managers and individuals in senior positions from local and international franchise fast-food restaurants. The primary focus of interviews with these people is on identifying and discussing the effect of franchising on local companies and understanding how fast-food restaurants in Georgia and Ukraine survive and can defend their market positions. Table 4.2 demonstrates research participants positions, type of business operation, business sector, location and number of interviews done.

Table 4.2: Summary of organisations, location and participants

Organisation	Sector	Location	Number of interviews	Participants' roles
<ul style="list-style-type: none"> • 8 Local restaurant companies • 6 International Franchisee restaurant companies 	<ul style="list-style-type: none"> • Food sector 	<ul style="list-style-type: none"> • Georgia • Ukraine 	<ul style="list-style-type: none"> • 8 interviews in Georgia • 6 interviews in Ukraine 	<ul style="list-style-type: none"> • 7 General managers • 5 Company owners • 1 Head of marketing • 1 Operational director

As mentioned by Bryman and Bell (2015), it is important to determine the sample size, as this decision represents a compromise between the constraints of cost and time, the necessity

of precision and other considerations (Bryman and bell, 2015). In qualitative studies, samples are typically small, yet a scholar must ensure that they are not too small because the research might lack important constituencies and not cover all relevant variety to be applicable to wider population (Mason, 2002). At the same time, the sample should not be so large that it is challenging to undertake a deep and case-oriented analysis and evaluation (Bryman and Bell, 2015). The sample size for this study is based on the following reasons: available budget and resources, the heterogeneity of the population, data gathering methods and the nature of the whole study approach. More than 20 individuals in international franchise and domestic-market firms have been approached, but only 14 have agreed to do interviews. All the interviewees are referred as “participants” with numerical identification and are referred to in a male context to retain anonymity. All the respondents are from different companies within the food sector in Georgia and Ukraine.

Table 4.3: Summary of case companies and research participants

Participants	Code	Position	Type of business and location	Type of restaurant	Years in the business
Participant #1	GMFGe1	General Manager (GM)	International franchisee restaurant in Georgia (FGe)	Fast food restaurant	5
Participant #2	GMFGe2	General Manager (GM)	International franchisee restaurant in Georgia (FGe)	Fast food restaurant	13
Participant #3	OMFGe	Operational Manager (OM)	International franchisee restaurant in Georgia (FGe)	Fast food restaurant	6
Participant #4	HoMFGe	Head of Marketing (HoM)	International franchisee restaurant in Georgia (FGe)	Fast food restaurant	6
Participant #5	GMLGe3	General Manager (GM)	Local restaurant in Georgia (LGe)	Fast food restaurant	6
Participant #6	CoDLGe1	Company owner/director (CoD)	Local restaurant in Georgia (LGe)	Fast food restaurant	15
Participant #7	GMLGe4	General Manager (GM)	Local restaurant in Georgia (LGe)	Dining/fast food restaurant	10
Participant #8	CoDLGe2	Company owner/director (CoD)	Local restaurant in Georgia (LGe)	Quick service restaurant	7
Participant #9	CoDLUk3	Company owner/director (CoD)	Local restaurant in Ukraine (LUk)	Quick service restaurant	8

Participant #10	GMLUk5	General Manager (GM)	Local restaurant in Ukraine (LUk)	Self-service restaurant	15
Participant #11	CoDLUk4	Company owner/director (CoD)	Local restaurant in Ukraine (LUk)	Fast food restaurant	6
Participant #12	GMLUk6	General Manager (GM)	Local restaurant in Ukraine (LUk)	Fast food restaurant	18
Participant #13	GMFUK7	General Manager (GM)	International franchisee restaurant in Ukraine (FUK)	Dining/fast food Restaurant	5
Participant #14	FOFUK	Franchisee Owner (FO)	International franchisee restaurant in Ukraine (FUK)	Dining/fast food Restaurant	5

- GMFGe1 is the general manager of the international franchisee fast food restaurant operating in Georgia. He has been in this position for more than four years. The headquarter of the company (the franchisor) is based in U.S and has franchisees throughout the world. The firm has entered Georgian market in 2014 and has several branches in the capital city.
- GMFGe2 also is a general manager of another international franchisee fast food restaurant in Georgia. Participant #2 has more than 10 years of experience in operating the restaurant business. The company has entered the market in 2006 and comes from developed country (U.S) with various franchisees across the world. The firm has three franchisees in the capital and seeks to expand the business in the rest of the country by opening new outlets.
- OMFGe is the operational manager of international franchisee fast food restaurant that entered Georgian market in 2013. He has been in franchising business for more than 7 years and has been promoted to this job role three years ago. The main franchisor of the firm is in U.S and operates various franchisees in different continents. The company has more than 10 branches in different regions in Georgia.
- HoMFGe is the head of the marketing department of international franchisee fast food restaurant that has been in Georgian market from 2013. The respondent occupies this position for more than four years. The company is based in U.S. and has global franchisees throughout the world with 6 outlets in Georgian market.
- GMLGe3 is the general manager of local fast-food restaurant in Georgia that has been operating since 2013. He has been in this position from the company's establishment. The restaurant has more than 5 branches in capital city.
- CoDLGe1 is the owner of domestic fast-food restaurant in Georgia. He has established the company in 2004 and has an active role in managing the business. The firm has 2 outlets in the capital city.

- GMLGe4 is the general manager of local dining/fast food restaurant in Georgia and has been managing it for more than 5 years. The company has 3 branches, and the first branch has been opened in 2009.
- CoDLGe2 is the company owner and director of domestic quick service restaurant in Georgia. The company was founded in 2010 and has three branches in different parts of the capital city.
- CoDLUk3 is the owner and director of local quick service restaurant in Ukraine. The company has 14 restaurants including 10 in Ukraine and 4 abroad. The first branch was opened in 2011 in Ukrainian market.
- GMLUk5 is the general manager of local self-service restaurant in Ukraine. The respondent has 8 years of experience as a general manager. The company was founded in 2004 and has more than 15 outlets throughout the country.
- CoDLUk4 is the owner and director of local fast-food restaurant in Ukraine. The company has several branches in two major cities and the first branch has been opened in 2013.
- GMLUk6 is the general manager of local fast-food restaurant in Ukraine. He has been appointed to this position more than 10 years ago and operates the restaurant successfully. The company has been operating since 2011 and has more than 16 branches in different regions in Ukraine.
- GMFUK7 is the general manager of international franchisee dining/fast food restaurant in Ukrainian market who has been managing the restaurant for five years. The franchisor of the firm is based in developing country - Georgia and had started franchising in Ukraine in 2014. It operates two branches in Ukrainian market and also has international franchisees in Azerbaijan.
- FOFUk is the owner and director of the international franchise fast food and dining restaurant in Ukraine that has been operating for 5 years. The headquarter is based in Georgia and has franchisees in Ukraine and Armenia.

4.6.4. Pilot study

Before conducting the actual interviews, a pilot study was undertaken, which is a good practice in research and is beneficial for the researcher to prepare for the overall data collection process (Van Teijlingen and Hundley 2001., Malmqvist et al. 2019). A pilot study is often defined as a small study that is useful to test the tools for data collection, sample

recruitment approaches and different processes in planning and formulating larger research (Malmqvist et al, 2019).

In this thesis, a pilot study has been utilised to conduct interviews effectively, to highlight the improvisation of the study and to detect any issues with the structure and design of the techniques. During the process, demographic and open-ended questions have been asked to a small group of 6 local companies and franchisees in selected emerging markets: Georgia and Ukraine. Owing to resource constraints, the participants from these two markets were contacted by phone. These interviews have not been included in the study sample, but it helped a researcher to evaluate a set of research questions, select a study population and improve overall quality of the entire research design. After conducting pilot study and based on the respondent's answers, no major changes were required in respect of the research questions. Nevertheless, additional questions have been added to the interview questions, which covered the main aspects of the thesis, as well as some minor changes have been made to several interview questions.

One of the major benefits of implementing a pilot study is that it might provide a warning beforehand about where the study project might fail and whether the selected methods and techniques are inappropriate or too complicated for specific research (Van Teijlingen and Hundley 2001., Donald, 2018). Therefore, the researcher can evaluate whether the questions are relevant to the thesis or too vague, their significance, the potential for bias and the clarity of the language used. The early warnings enable refinements to be made by the researcher and avoid asking unnecessary questions and collecting irrelevant information. Using pilot test in any study plays important part in enhancing reliability, accuracy and validity of the measuring instruments that overall increases the research quality (Van Teijlingen and Hundley 2001., Malmqvist et al. 2019).

4.6.5. Interview questions

For this qualitative research, interview questions are formulated to allow the researcher to determine the factors contributing to success and competitive advantage of international franchise and local fast-food restaurant companies in developing countries. More precisely, these questions help the researcher to evaluate how domestic companies experience the entrance and existence of franchisees in domestic markets, how they can preserve their positions in the market and what strategies they use to survive in a highly competitive

environment. Slightly different questions are formulated for international franchisee companies, which help the researcher to identify their methods for achieving competitive advantage in foreign countries and evaluate franchise strategies.

Two interview guide sheets are created (one for local and one for international franchisee companies) for conducting qualitative research interviews, which include three general questions (to obtain a demographic information) and eleven open-ended ones (to get the data about the individuals' experiences and opinions). Each of the interview questions is clearly conveyed, so that it is easy for the participant to understand the intent behind it.

The interview has begun with the researcher introducing the study topic. Next, the opening questions have been asked that gave the researcher an opportunity to find out significant contextual information such as the interviewee's age, employment status and the duration of holding the position in the company. After collecting general information, the researcher started on topic specific questions. Separate sets of 14 interview questions were formulated for each: international franchisees and local companies. The first eight questions were similar and the following six were different for each party. Both interview questions can be seen in appendix I and appendix II.

4.6.7. Data collection process

There are three ways of conducting semi-structured interviews: face-to face, online and telephone (Ritchie et al, 2014). In this study, the researcher selects to do face-to-face interviews because this method provides a strong groundwork for good relationship and connection between the respondent and the interviewer, which assists in creation of a comfortable environment where the participant can give answers freely and the researcher has the possibility to take non-verbal communication into account (Ritchie et al, 2014). This kind of personal relationship is significant for interpretivist research because it creates the basis for collaborative interpretation of reality (Seidman, 2015).

Before the interviews, a formal invitation letter was emailed to all the potential research interviewees asking them to participate in the study. However, no responses have been received back by email, as in emerging markets like Georgia and Ukraine, emails are not the popular method for communication and negotiations. Therefore, all the participants were contacted by phone and introduced to the scope of the entire study. In addition, all the necessary information regarding the research and data collection procedures was provided.

The list of 20 potential research participants was compiled after they agreed to the interviews. However, some of the respondents from international franchise companies in Ukraine, as well as in Georgia have changed their minds later on and withdrew from the interviews without giving any specific reason. In the end, there were 14 respondents left who were happy to continue with the process and participate in the research including eight in Georgia and six in Ukraine. Prior to the interviews, all the participants were informed about the research subject and its importance. Also, all the research questions were generally discussed before the actual interview process.

Eight interviews have been done in Georgia: four with local restaurants and four with international franchisees, while six interviews have been conducted in Ukraine: four with domestic restaurants and two with international franchisees. All of the case companies have extensive knowledge and business experience in their respective fields. Even though, the concept of franchising is relatively new in both Georgia and Ukraine, all six franchise companies participating in the research have more than five years of business experience in these specific markets. Whilst all sampled domestic fast-food restaurants in both countries have been operating in the business for more than 10 years.

All the interviews have been conducted in the workplaces of the representatives/respondents based on their preferences. The process of interview was as follows. First, the major aims and objectives, as well as the purpose of the interviews have been introduced to the research participant. Then the researcher explained that the interview would be audio recorded and the information provided would only be utilised for academic purposes. Also, the researcher clarified that all the information would be confidential, and their personal details and names would not be revealed, as every respondent would be assigned a numerical identifier and referred to in the male context to retain anonymity.

According to Seidman (2015), interviewing a respondent in his/her native language is suitable if the interviewer is confident and fluent in that language. Therefore, the researcher decided to conduct interviews in either Georgian or Russian, as Georgian is researcher's native language and Russian is a common language in former Soviet countries and the researcher is fluent in it. As the research degree programme is conducted in English, the interview guide was developed in English first and then has been translated to Georgian and Russian languages for actual use. After the researcher has developed the final research questions, she asked English-Georgian and English-Russian speakers to evaluate, check and ensure that the interview guide had the same meaning and implication in Georgian and

Russian languages as it is an important practice to ensure the meaning is not lost in translation (Brislin, 1976).

The researcher recorded all the interviews for transcription, translation and analysis with the permission of the participants. The interviews with each respondent had been timed to last between one and two hours. The first 10 to 15 minutes have been utilised by the researcher to ask general questions about the individuals and firms in order to establish a friendly atmosphere and get to know the participants. The rest of the time was spent on discussing interview questions. Even though interviews were recorded, the researcher made notes during the process, writing down key facts, which were checked and confirmed by the participants at the end of the interviews.

4.6.8. Data triangulation

Triangulation is the utilisation of various sources of information or data to answer the research questions. Denzin (1970) classifies several forms of triangulation: data, methodological, theoretical and investigator. This section evaluates the triangulation of data that has been applied to increase the trustworthiness and rigour of the research and to better understand different perspectives of the investigated phenomenon. It allows the researcher to achieve a maximum of theoretical profit through using the same methods (Flick, 2018a).

The first source of data in this study is gained from the literature review that established the background of the thesis and identified the scope of the research. Secondary data such as industry and country studies, various reports and media articles are used as an additional source of information and as a benchmark for the findings from the respondents' interview. Additionally, using a case study approach gives the researcher the opportunity to utilise various resources and evidence from multiple perspectives (Yin, 2009). Studying the same phenomenon at different times, locations and with different individuals and companies help in capturing diverse dimensions of the study, strengthening conclusions and reducing the risk of false interpretations. A larger pool of relevant data obtained from multiple participants and case companies assists in discovering the areas of divergence and convergence that may not be determined in the data from a single study. Fourteen interviews are conducted in two different countries with the persons in different positions that give a deeper understanding of the impact of international franchising on emerging-

market firms and assisted in providing meaningful insights. The perspectives of all the participants are taken into consideration to describe and report the major themes of the topic.

4.7. Data analysis

Qualitative data analysis can often be seen as confusing because of its unstructured nature (Paton, 2002). Many researchers assert that it is hard to organise and handle rich and complex information to generate truthful results (Grbich, 2013). Analysing qualitative data is one of the most challenging and complex phases of the whole study process because it involves meticulous examination of a wide range of information and systematic searching for facts, concepts and ideas (Harding, 2013). Guest et al. (2012) claim that there are no clearly agreed rules and processes for analysing qualitative information, but rather multiple methods exist that represent a broad variety of theoretical, disciplinary, and epistemological perspectives. On the other hand, Miles et al. (2014) indicate that qualitative data analysis is normally a systematic process of organising, classifying, labelling, and interpreting a data set that can produce concepts, categories, codes and themes.

Selection of the most appropriate methods for data analysis is determined by the research questions that are identified at the beginning of the thesis and the particular methodologies that are selected by scholar to collect the information (Guest et al, 2012., Grbich, 2013). A combination of two different methods: thematic analysis and fuzzy set of qualitative comparative analysis (fsQCA), is employed in this research to examine the data collected from the interviews. At first the data is analysed by utilising thematic method to identify the major themes and findings of the research questions and then fsQCA is employed as a configurational analysis to identify equifinal paths for competitive advantage (Ott et al. 2018). In order to calibrate the information in fsQCA, the results from 1st order concepts, 2nd order themes are translated into 3rd order aggregate dimensions which relate to conditions in fsQCA (Gioia et al. 2012). This helps to lead and guide a data analysis process from thematic approach to fuzzy set of qualitative comparative analysis. These methods are discussed in-depth in the following sub-sections.

4.7.1. Thematic analysis

Thematic analysis is a systematic examination of codes, concepts and themes that emerge from the data set as being substantial to the explanation of the phenomenon (Ritchie et al, 2014). It is one of the most utilised techniques of analysing the data, even though there is no

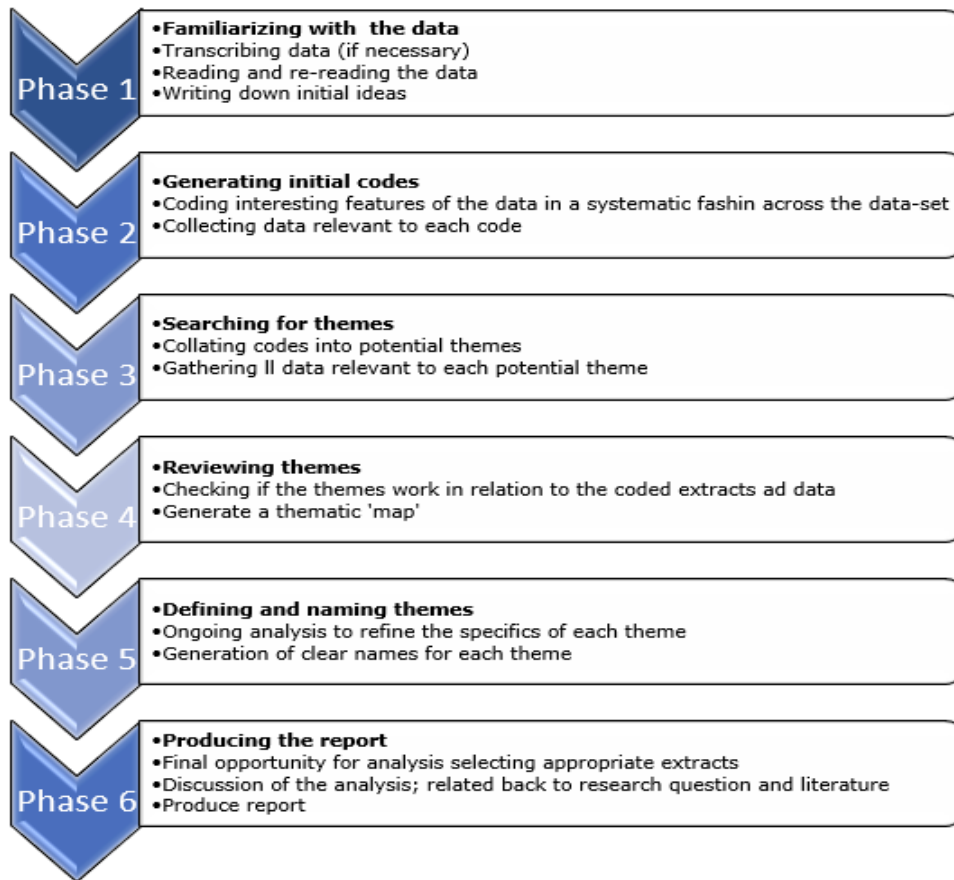
clear agreement on the procedure of applying this method and there is a debate what thematic analysis is (Ritchie et al. 2014). Most of the scholars agree that thematic analysis is a well-organised tool to manage the information that involves familiarizing with the obtained data, creating initial codes, looking for themes, reviewing them, defining and naming themes and finally producing the report (Cassel and Symon, 2004., Braun and Clarke, 2006., Bryman and Bell, 2015). Ryan and Bernard (2000) emphasise that this method allows a scholar to capture and interpret the meaning of available data, where information is treated as a window to the respondents' social world. It provides a theoretical freedom and a flexible tactic that can be adopted for the requirements of various researches and offers detailed and rich (Guest, et al. 2012), though, complex account of information (Ritchie et al, 2014). Furthermore, using thematic analysis highlights the differences and similarities across the data set and generates unanticipated insights (Braun and Clarke, 2006).

While discussing the advantages of thematic analysis, it is also important to evaluate the limitations of this method (Willig, 2013., Nowell et al, 2017). Boyatzis (1998) concludes that thematic approach does not show to the researcher how to find, categorise and analyse the codes and themes from the collected data, so, it is entirely grounded on the researcher's ability to report truthful and credible findings. Furthermore, Willig (2013) claims that this method is using a deductive process, meaning that a scholar might be affected by previous codes and themes known from prior theories and literature, and it might be difficult to provide new ideas and insights.

Nonetheless, as the literature and theories related to this thesis are scarce, the thematic analysis is utilised in an inductive way, where the categories, concepts, codes and themes are firmly based on the collected information and linked to the transcripts. This method is meticulously chosen for this research due to its benefits of providing high flexibility and interpretation of themes supported by the data, which gives insightful examination of the major research questions (Ritchie et al, 2014).

Braun and Clarke (2006) suggest a well-structured approach, consisting of six phases, to handle the entire process that help to generate an organised and clear final research. The researcher chooses to follow this approach because it helps to examine the perspectives, practices and experiences of respondents from international and domestic fast-food restaurants and facilitates to summarise the main aspects of the data. Figure 4.1 indicates the process and steps of thematic analysis used in this thesis based on the paper of Braun and Clarke (2006). The six-phase recurring procedure includes going back and forward between steps of data examination as required until the researcher is satisfied with the final themes.

Figure 4.1. Thematic analysis process – methodological choice



Source: Adapted from Braun and Clarke (2006)

The steps of applying thematic analysis method involves:

- Familiarisation: In the beginning the researcher should familiarise herself/himself with the content of the data. The initial step is to transcribe recorded interviews and start reading through the collected data while interpreting and understanding the patterns and meanings of the views expressed by the respondents. The researcher should make initial notes on each individual interview, while listening and transcribing, which is the crucial part of developing potential codes (Braun and Clarke, 2006).
- Generating initial codes: During this stage of the study, a researcher begins to generate the initial codes by conceptualising the findings, identifying key issues, and creating a list of ideas and themes. In this stage, it is significant to determine and encode all the qualitative data that are relevant to the research aims, objectives and questions (Braun and Clarke, 2006). The coding is usually done manually and is data driven. However, coding can be done with the help of using NVivo software program, as it helps to identify the patterns in the data

set. It provides a wide range of visualisation tools that are useful for the researcher to see patterns and relationships. Furthermore, NVivo allows the researcher to scan the findings for word frequency that assists in determining additional themes and categories from the information (Bazelei, 2007).

- **Search for themes:** This stage enables a scholar to begin the evaluation of potential codes by discovering the themes and evaluating what works and what does not work with them. In this stage the researcher already has a list of codes and begins to connect and differentiate them into thematic categories. The major goal is condensing a large number of codes into a smaller number of definite and distinct themes based on the interpretation of collected interviews. As the result, the researcher develops potential themes and sub-themes from all the extracts of information that have been coded in relation to them (Cassel and Symon, 2004., Braun and Clarke, 2006).
- **Reviewing themes:** This stage includes two parts: reviewing themes against the coded data and then against the whole data set. The first step is assessing all the coded data for each individual theme and ensuring that they match together and form coherent patterns. If themes are problematic or if themes do not form coherent patterns, it is significant to revise them and to develop new ones. The second step is reviewing and refining themes against the whole data set. Through reconsidering the original codes and matching them with themes, the researcher can determine which of them are suitable and consistent. It is therefore imperative to regularly return to the data set in order to re-read and re-interpret the raw information with relation to themes and sub-themes and to identify if those relate back to the data set. During this step, it is significant to code any additional information that might have been overlooked or lost in the initial coding step. This entire phase provides a thematic map that reveals the structure of meanings expressed through the data set. Researchers usually return to the data set regularly until they are confident that the thematic map is complete (Braun and Clarke, 2006).
- **Defining and naming themes:** The next stage in thematic method is defining and naming themes. In this phase it is essential to define what each theme is about and its significance, and the researcher should write a detailed analysis (Braun and Clarke, 2006). This analysis tells the story behind every theme and the significant aspect is to identify how it fits to other themes and relates to research questions, aims and objectives (Braun and Clarke, 2006). In addition, the researcher should begin thinking about the names for each theme, which will be in the final report. They should be clearly expressed and concise, as well as should provide the reader a full sense of what it is about.

- Producing the final report: After themes are well-defined and reviewed, the researcher starts to write-up the final report. During this process, a scholar should decide and select themes that make contribution to and are addressing research questions. The major aim of this stage is to write thematic analysis and provide the story of the data set in a manner that assures a reader of the merit and validity of final analysis (Braun and Clarke, 2006). The significant factor is that the analysis, write-up, and the utilisation of extracts provide a logical, straightforward and obvious overview of the story the data tells (Braun and Clarke, 2006).

4.7.2. Fuzzy set of Qualitative comparative analysis (fsQCA)

This study utilises fuzzy set of qualitative comparative analysis (fsQCA) as a configurational method, which allows researcher to produce a detailed analysis of how causal conditions contribute to an outcome in a question (Fiss, 2011). This method is used in this thesis to enhance the credibility of the study and fulfil the research objectives. Charles Ragin was the first who established qualitative comparative analysis in 1987 and the method has been developed and modified since then. QCA has become one of the most adopted methods for doing a systematic comparative case analysis in social sciences (Ott et al. 2018). Between the three variations of QCA (crisp set, multi-value and fsQCA), fuzzy-set of qualitative comparative analysis captured the most attention in terms of research quantity and number of studies using this tool has grown significantly (Roig-Tierno et al. 2017., Kraus et al, 2018). FsQCA has been initially designed for the examination of countries, nonetheless, over the last decade, this technique has been implemented many times in organisational science, marketing and strategy research (Brenes et al, 2017., Roig-Tierno et al. 2017., Kraus et al. 2018).

As demonstrated by Kvist (2007), fsQCA provides configuration of notions into ideal categories and operationalisation of theoretical concepts. It helps to determine necessary and sufficient conditions or combination of conditions leading to the same outcome (Kraus et al, 2018). This method empowers a dual examination of cases by comparing them, as well as describing the complexity of every case individually, and is mostly used on small and medium sized samples (Rihoux and Ragin, 2009). However, as claimed by Kraus et al. (2018), this method can also be applied to large data sets.

Ragin (2008) describes fsQCA as an analytical tool that combines and uses both quantitative and qualitative assessments and computes the degree in which a case belongs to a set, thus creating a bridge between qualitative and quantitative approaches. Opposed to quantitative procedures, which are based on correlation, fsQCA strives to establish logical connections between the combinations of conditions and an outcome, resulting in rules that summarise the sufficiency between subsets of all the possible combinations depending on their causal conditions and a result (Kraus et al, 2018.,). Thereby, one of the most significant characteristics of fsQCA is that this technique allows the researcher to see cases as conditions or configurations that jointly produce an outcome unlike traditional correlation-based studies that keep variables constant while examining the effect of one variable in isolation (Rihoux and Ragin, 2009., Verbeke et al. 2020).

Fuzzy set of qualitative comparative analysis is a combination of quantitative and qualitative research approaches that facilitates the grounding of theoretical and practical knowledge (Ott et al, 2018). Using fsQCA analysis for this thesis allows researcher to identify different factors contributing to the success and competitive advantages of both local and franchisee fast food restaurants in emerging markets and analyse which conditions or combinations of conditions are necessary and sufficient to achieve the result. The utilisation of this method gives an opportunity to provide useful insights to the strategic decision-making activities that are beneficial for the practitioners in international business and management studies, as well as marketing and organisational research (Greckhamer et al. 2018., Verbeke et al. 2020).

One of the benefits of this approach is that it combines a case-oriented and condition-oriented view, and the researcher can systematically discover patterns through the cases (Ragin, 2014., Greckhamer et al. 2018). It enables the researcher to develop new theoretical arguments. Also, fsQCA is more explanatory approach that gives better answers to the “Why” and “How” questions, as it offers different causal solutions to the same outcome (Toth et al, 2017). Additionally, the description, presentation and discussion of fuzzy set of qualitative comparative analysis is useful for business and management research field to generate qualitative findings and transfer them into quantitative results (Ott et al, 2018). While highlighting the benefits of using fsQCA, it is also significant to discuss some disadvantages of this approach. Critics claim that this method is not suitable for all social science inquiries. One of the limitations is that it requires information about all factors of all the cases and is therefore very sensitive to missing data (Bukow and Jun 2020).

In order to apply fsQCA, the researcher needs to define the outcome condition based on the relevant research and a deep understanding of the subject, theory and underlying research (Ragin 2008, Rihoux and Ragin, 2009., Fiss 2011) and two or more “conditions” that are necessary and/or sufficient for the outcome to happen (Ragin, 2008). Once the variables such as conditions and outcome are defined the next significant steps are to calibrate the data into fuzzy sets, constructing the truth table and actual analysis process (Ragin, 2014., Ott et al. 2018., Verbeke et al, 2019). All of these can be done by using fsQCA 3.0 software program and the procedure of the analysis is explained more in depth below.

- *Calibration – transforming data into fuzzy sets*: Calibration is a half-empirical and half-conceptual procedure when the data is transformed into fuzzy sets by utilising the empirical evidence and theoretical knowledge (Grekhamer et al. 2018). The first step in calibration process is identifying measures of the conditions and the outcome. Measuring conditions in qualitative research is knowledge and case oriented and is grounded in empirical evidence (Rihoux and Ragin, 2009). This process involves an interactive back and forth movement between evidence and ideas. For this study, the researcher starts with orienting ideas and wide-ranging concepts based on the empirical cases and thematic analysis. The next step is actual calibration process through assigning the membership scores to the cases (Kvist 2007. Kraus et al, 2018). Table 4.4 presents crisp sets versus different fuzzy set values where the researcher selects which value scale to use for calibrating the research data. The membership scores can be assigned from 0.0 = full non-membership to 1.00 = full-membership, with 0.5 as the cross-over point or point of maximum ambiguity. Scores close to 1.00 illustrate robust but not full membership in a set, while scores lower than 0.5 but greater than 0.0 shows that objects are mostly but not completely out (Rihoux and Meur, 2009., Ragin 2014).

Table 4.4: Crisp versus fuzzy sets

<i>Crisp set</i>	<i>Three-value fuzzy set</i>	<i>Four-value fuzzy set</i>	<i>Six-value fuzzy set</i>	<i>“Continuous” fuzzy set</i>
1 = fully in	1 = fully in	1 = fully in	1 = fully in	1 = fully in
			0.8 = mostly but not fully in	Degree of membership is more “in” than “out”: $0.5 < X_i < 1$
	0.5 = neither fully in nor fully out	0.67 = more in than out	0.6 = more or less in	0.5 = cross-over: neither in nor out

				(maximum ambiguity)
		0.33 = more out than in	0.4 = more or less out	Degree of membership is more "out" than "in": $0 < X_i < 0.5$
			0.2 = mostly but not fully out	
0 = fully out	0 = fully out	0 = fully out	0 = fully out	0 = fully out

Source: Table adapted from Ragin (2008)

- *Identifying necessary and/or sufficient relationship between individual characteristics and the outcome:* After the calibration of all conditions are done, the next phase is to determine the conditions or the combinations of conditions that are necessary and/or sufficient to produce the outcome. Sufficiency and necessity are two complementary concepts and in order to measure whether the conditions are sufficient or necessary within fsQCA, two indicators for evaluation of the results such as consistency and coverage are commonly utilised (Rihoux and Ragin, 2009).

Based on Ragin (2008), consistency measures how strongly sub-sets of conditions and a result are linked to each other and represents the degree to which cases share set of conditions, while coverage measures the proportion of membership in the outcome and clarifies the result (Kraus et al, 2018). As pointed out by Schneider and Wagemann (2012), the values for coverage and consistency range from "0" to "1" and the values above 0.9 indicates that the existence of a condition is vital for producing the outcome.

- *Constructing the truth table:* The next step is constructing the truth table with the aim to find explicit connections between combinations of conditions and an outcome. By utilising the truth table, the researcher can evaluate which conditions are sufficient for an outcome to happen (Kraus et al, 2018). Each condition is assessed from the perspective of its absence and presence. The fuzzy set scores are utilised to create a data matrix as a truth table with 2^k rows, where 2 indicates the presence or absence of conditions and k represents the number of conditions (Greckhamer et al, 2018). A frequency threshold needs to be selected based on consistency and it should be above 0.75 as recommended by QCA standards (Ragin 2006, 2008). Following these steps, the software analyses the truth table that leads to the three solutions: complex, intermediate and parsimonious.

4.7.3. Methodological triangulation

Triangulation is the utilisation and combination of multiple research methods to explain the same phenomenon (Denzin 1970). It has a history of promoting the quality of qualitative research but has expanded further towards generating more and better understanding of study of interest in recent decades (Salkind, 2010). Four major forms of triangulations exist: theoretical, methodological, investigator and data triangulations (Denzin, 1970). However, the strongest attention is paid to the methodological triangulation, as this approach has the potential to uncover differences or provide profound information that may have remained unexplored with the utilisation of only one method of data collection or analysis (Bryman and Bell, 2015., Flick, 2018a).

Methodological triangulation is used in this thesis to increase the integrity and trustworthiness of study findings. Combining two different methods of analysis such as fsQCA and thematic analysis helps in exploring and explaining the research phenomenon and offering a more balanced explanation to readers. Methodological triangulation enriches this study as it offers a different perspective of the same data that explains various aspects of a phenomenon of interest.

Initially, the data is examined by employing thematic analysis to establish the key themes and findings for the research questions. Thematic analysis highlights similarities and differences across the data and produces unanticipated insights (Braun and Clarke, 2006). Hence, the use of thematic analysis helps the researcher to answer the three major research questions, identifies the factors contributing to competitive advantages of international franchisees and emerging-market firms and evaluates how domestic companies can defend their market positions against well-established franchisees.

Then collected data is analysed by fuzzy set of qualitative comparative analysis as an additional method for evaluating causal conditions that contribute to the outcome (Fiss 2011). FsQCA enables the researcher to analyse which conditions or combinations of conditions are necessary and sufficient to achieve the result (Ragin, 2014). It helps in answering the major research questions from a different perspective. The use of fsQCA assists in providing valuable insights for strategic decision-making activities in achieving a competitive advantage, which is beneficial for both parties: international franchisees and local companies.

The connection of several methodological approaches to the same transcript can be considered as a special type of triangulation in the data analysis (Flick, 2018a). Employing two different methods of analysis help in providing richer and more meaningful findings than relying on a single method (Salkind, 2010). Further, the combination of qualitative and quantitative data analysis techniques promotes and improves the quality of this study and strengthens researcher's standpoint from different perspectives.

4.8. Dealing with bias

Qualitative research relies more on the judgment and experience of the researcher. The type of data collected is unique and subjective to the situation or person, that makes it tough for the researcher to be completely detached from the data (Stake, 2010). Thus, one of the major limitations of qualitative study is its susceptibility to bias and avoiding it is more difficult than in quantitative study. Biases might occur in each step of the research process, including participant recruitment, data collection, analysis procedures, and publication of the results (Galdas, 2017). Two broad types of biases have received the attention of scholars, participant and researcher, which are examined in this thesis (Willis, et al. 2007). To minimise the potential bias, this research uses different measures that are discussed below.

4.8.1. Participant bias

Participant bias refers to when the respondents present partial viewpoints, provide answers that they think are socially acceptable (rather than what they really feel) and/or construct their answers in a way to please the interviewer (Smith and Noble, 2014). For this study, participants have been selected with a range of experiences and positions to provide different views, opinions and beliefs related to the business operations of franchising and local firms within the food sector. This was done in order to reduce participant bias, as people at different positions would reveal different perspectives, experiences and understanding related to the research phenomenon studied.

Two different types of participant biases exist such as acquiescence and social desirability biases. Acquiescence bias occurs when the respondent agrees with the interviewer without regard for the meaning of the questions (Furr and Bacharach, 2014). Thus, to avoid the potential bias, the researcher has framed questions in an open-ended way, so to prevent the interviewee simply agreeing or disagreeing by responding "yes" or "no", while guiding participant to provide their viewpoint in an honest and truthful way (Smith and Noble, 2014).

Social desirability bias occurs when the respondent answers questions in a manner that would be viewed favourably or better accepted by others (Fisher, 1993). Hence, to overcome this potential bias, the questions were phrased in a manner that allowed respondents to feel accepted no matter what their answers would be.

4.8.2. Researcher bias

Researcher bias is often a challenge in qualitative studies, as they are open to interpretation and less structured than quantitative. Researcher bias in qualitative study refers to when the researcher's personal values, experiences and beliefs influence the study methodology, design, and/or results (Greene, 2014). To avoid this issue, the researcher tried to ensure that her personal attitudes and opinions were not evident during the interview process and formed the questions thoughtfully utilising literature review and theoretical concepts (Smith and Noble, 2014). Furthermore, even though the researcher has brought all past experiences and knowledge into this research, she put away her own firmly held beliefs, perceptions and ideas, and listened to the respondents very carefully without interrupting and/or adding own comments to learn their personal experiences, perspectives, and attitudes (Smith and Noble, 2014).

Qualitative research is often criticised for lacking transparency about the analytical procedures applied, which makes it difficult to assess how the researcher influenced the entire process and outcome (Monrad, 2013). Therefore, in order to minimise researcher bias, scholars should establish the rigour related to the openness, suitability of the methodology and relevance to the practice (Guest et al. 2012., Smith and Noble, 2014). In this thesis, the researcher ensured that the process of collecting data, analysing and presenting has been transparent by providing an in-depth description (Galdas, 2017).

4.9. Research integrity – trustworthiness

Research integrity is referred to as the core value in any research that indicates the trustworthiness, excellence and accountability of the study based on the accuracy of its methods and the reliability of its presentation (Nichols-Casebolt, 2012). Different criteria are used to establish integrity of the research in quantitative and qualitative studies.

Quantitative research utilises validity and reliability as the two major concepts that are concerned with the credibility, quality and robustness of the original research evidence (Muijs, 2010). Measures and statistical checks that are often employed for validity and reliability cannot be applied to qualitative investigation and would trigger confusion (Van Teijlingen and Hundley 2001., Malmqvist et al. 2019). Therefore, qualitative researchers often reject these terms and substitute them with four criteria of trustworthiness – confirmability, dependability, credibility and transferability (Ritchie et al. 2014). Considering that this study follows qualitative approach, the researcher could not apply validity and reliability checks and instead ensures that the trustworthiness is achieved. This section examines how the appropriate level of trustworthiness is accomplished.

As qualitative studies have become increasingly valued and recognised, it is crucial that they are carried out in a methodological and rigorous manner to produce useful and meaningful results (Nowell et al. 2017). Therefore, establishing trustworthiness is significant, as it refers to the degree of confidence in the data, interpretation and techniques employed to ensure the quality of the research, while the failure to do so might result in the thesis lacking rigour (Howel, 2013). There are four criteria of trustworthiness: credibility, transferability, dependability and confirmability, which are used to check the validity and reliability of the data in this research to ensure that an acceptable level of trustworthiness is achieved (Bryman and Bell, 2015). The following sub-sections discuss each criterion in detail.

4.9.1. Credibility

It is considered that credibility is the most significant criterion of establishing trustworthiness, because it requires to clearly link the findings of the research with reality to establish the truth of the study findings (Bryman and Bell, 2015). Klenke (2008) equates credibility to internal validity and describes it as a methodological procedure, which is utilised to provide a high level of coherence between the expressions of participants and the researcher's interpretations of them. Brown and Rodgers (2002) claim that credibility is improved when the researcher uses triangulation and provides detailed and complete description of the study.

Research methodologies that are well established in qualitative inquiry has been adopted for this study and different measures have been used to enhance the credibility. Pilot study has been conducted with the aim to ensure and add value to the credibility of this research (Van

Teijlingen and Hundley 2001., Malmqvist et al. 2019). All the accessible information of the case companies' cultures was gathered before the actual data collection process, which helped the researcher to interpret and understand each of the respondent's answers depending on their background. Furthermore, to ensure the credibility, data interpretation has been shared with the participants to review and provide feedback on researcher's interpretation and to confirm that the information they provided was interpreted accurately (Klenke, 2008, Nowell et al. 2017). Another method that was adopted when examining the data and evaluating the research phenomenon was theoretical triangulation through the use of two different theoretical perspectives (resource-based view and dynamic capability). Lastly, the findings were compared with the extant literature on international franchising and emerging market firms to outline the contribution and enhance the scope of this research (Nowell et al, 2017).

4.9.2. Transferability

Transferability refers to how the qualitative researcher demonstrates that the findings of the study are applicable to other context and how it can be generalised or transferred to different situations and settings (Brown and Rodgers, 2002). As qualitative study normally involves the intensive research of a relatively small groups or of individuals sharing certain characteristics, the results are usually focused on the contextual uniqueness and importance of the aspects of the social world being investigated (Bryman and Bell, 2015). The major way to ensure transferability is for a researcher to suggest a very clear, detailed and complete description of the research (Brown and Rodgers, 2002).

As the sample size in this study is relatively small, it would not be appropriate to claim that the findings are applicable to the entire population in emerging markets. However, this research thesis increases transferability by doing a thorough work of describing the process of the research and providing sufficient contextual information about the phenomenon being investigated, to ensure that readers can make their own judgment about such a transfer. The researcher produces detailed description of local market firms and international franchise expansion in developing countries, as well as major factors and issues related to the topic, to allow readers to generate an in-depth knowledge and comprehension, so that they are able to apply this practice in future studies (Bryman and Bell, 2015). Nevertheless, it should be noted that the main goal of this research is not to produce transferable results, but rather to

attain and provide insightful ideas and better understanding of international franchising and its effect on emerging market firms within the food sector.

4.9.3. Dependability

Dependability indicates the level of consistency and accuracy of the results in qualitative research and is equivalent of reliability in quantitative research (Brown and Rodgers, 2002). It is significant criterion to trustworthiness, as it presents the study findings as replicable and reliable. The researcher has to ensure that complete records of all phases of the research process are provided in a clear manner, involving problem formulation, study participant selection, data analysis process (Guba and Lincoln, 1994., Bryman and Bell, 2015).

To increase the dependability in this thesis, the detailed description of the entire research process and steps undertaken is offered. A description of research participants and an overview of their organisations are also provided to allow future researchers to repeat the work, if not necessarily get the same outcome. In addition, the researcher improves dependability by applying data triangulation through using two different approaches of analysis that gives an opportunity to look at the findings from the same material from different perspectives.

4.9.4. Confirmability

Confirmability is the last criterion of trustworthiness that the researcher needs to establish and refers to the accuracy and truth of researcher's interpretation and findings (Nowell, et al. 2017). The researcher should demonstrate that conclusion and interpretation were clearly derived from the collected data based on the participant's narratives and words rather than potential research biases (Tobin and Begley, 2004). Therefore, the researcher should secure the intersubjectivity of the data and the interpretation should not be based on the researcher's specific viewpoints and preferences (Klenke, 2008).

To enhance the confirmability of this thesis, the researcher tried to ensure that the correct set of codes that represented the major messages from the participants has been employed. At first, as the interviews were done in Georgian and Russian languages the set of codes were identified in those languages and later transformed into English to facilitate further analysis

and comparability. The researcher strived to ensure that she set aside her knowledge and experience of the study and only considered the perceptions, attitudes and opinions of research participants.

In addition, to improve the confirmability of this study, the decisions made in the research process has been clearly demonstrated by providing a detailed examination and description of data collection and analysis procedures and interpretation of the data (Tobin and Begley, 2004, Ritchie et al. 2014).

4.10. Research ethics

Ethical consideration forms a significant aspect when conducting research, as it refers to the appropriateness of the researcher's behaviour related to the rights of those who become subjects of the study or are affected by it (Saunders et al, 2016). Ethical approval for this work was sought and granted by the University's Research Ethics Committee in accordance with their set of principles and standard protocols.

The major ethical principles such as informed consent, anonymity and confidentiality of the participants have been addressed during the research process. Saunders et al. (2006) suggest that the researcher should provide sufficient information related to the aims and all aspects of the study to all respondents, especially the information that might reasonably be anticipated to affect the willingness of the respondent to participate. In this research, participants have been informed about the reasons for and purpose of the study and have been told that they were free to refuse to answer any question during the interview process. Before the actual procedure, interviewees have been informed about data collection process and their rights to withdraw from the participation and remove the data they have provided at any time. Consent forms (see appendix III) have been sent to all the potential research participants and their approval have been attained before interviewing them.

Another important ethical consideration for any research is confidentiality and anonymity of the participants that are also addressed in this thesis. All the information about or from the participants during the research has to be confidential based on the ethical requirements. Therefore, organisations and individuals must remain anonymous, and the data provided by the respondents must be processed to make it non-attributable unless there is a specific agreement (Saunders et al, 2016). In this study, all the participants are referred to by anonymous codes without names using male pronoun, so that it is impossible to identify

them, thus assisting in maintaining anonymity. All the collected information is stored securely using password protected computer that only the researcher had access to. All the participants are explained how and for how long the data will be stored and used and they have the right to remove their information at any time until it is utilised in this thesis.

4.11. Limitations of the study methodology

The researcher has planned and designed the study in line with best practices available in order to protect trustworthiness, credibility and rigour, nonetheless, every research methodology has limitations that cannot be eliminated completely. One of the major limitations of qualitative research in general is the difficulty with generalisation of the findings, specifically in circumstances when single case or unstructured designs are used (Saunders et al. 2016). In this study, the methodology is designed to control (though not eliminate) the issue of generalisability through using multiple case study approach in different samples with different perspectives (local and franchise companies in two different countries). Even though, the findings may not be perfectly generalisable, this study is able to present a thorough and rigorous representation of the research situation and context.

As the researcher utilises a case study design it should be noted that one of the main drawbacks of this strategy is that the data may not be easily replicable (Yin, 2009). Due to ethical reasons the researcher is not able to provide specific information about the participants or the organisations which makes it difficult to imitate the study. However, all efforts are made by the researcher to ensure that sufficient information is presented in all the chapters of the study to help readers understand, if not directly replicate the findings of the research.

The methods employed and the findings in this study are open to criticism, as they are mostly based on the decisions and interpretation of the researcher. Thus, the four criteria of trustworthiness – dependability, credibility, transferability, and confirmability are applied to improve the quality and make it as accurate as possible (Ryan and Bernard, 2000). Furthermore, research tools and data are checked constantly, interpretations and the conceptual work of analysis are monitored and confirmed systematically to achieve trustworthiness (Van Teijlingen and Hundley 2001., Malmqvist et al. 2019).

4.12 Conclusion

This chapter outlines the methodological framework for conducting this research. The interpretivist philosophical paradigm and an inductive approach are discussed based on the thesis purpose and the research aims and questions. The case study approach is adopted in this study because of its appropriateness for attaining a rich understanding of the phenomenon being investigated (Yin, 2009., Saunders et al, 2016).

This chapter explains the data collection and analysis methods. The data is collected through face-to-face semi-structured interviews that are adopted to gain a deep insight of the experiences of local and foreign franchisee fast food restaurants. Data analysis is conducted using a combination of thematic analysis and fuzzy set of qualitative comparative analysis in order to assess information from multiple perspectives. The connection of two different methods of analysis to the same transcript can be considered as a different type of triangulation in the data analysis. The benefits and limitations of these methods are examined in this part of the study.

This chapter also addresses the methodological limitations and ethical issues of the research. The main drawback of this research is adopting a qualitative approach, as allegedly it lacks generalisability (Saunders et al, 2016). Nevertheless, different measures are used to optimise the trustworthiness and the rigour of the thesis, involving number of checking, triangulation, and adherence to ethical obligations. The methodology covered in this chapter provides the techniques for understanding a complex phenomenon of the impact of franchisees on domestic firms in emerging markets.

CHAPTER FIVE
THEMATIC ANALYSIS

5.1. Introduction

The major aim of this chapter is to present the analysis and the outcome of the interviews with the case companies by using thematic analysis. This study examines the data based on two different methodological approaches such as: thematic method and fuzzy set of qualitative comparative analysis, with the aim to gain better understanding and in-depth knowledge of the subject under investigation.

This chapter focuses on thematic analysis and provides an overview of identified themes and evaluates how they have been developed. It analyses and interprets primary interview data collected from fourteen different fast-food restaurants operating in Georgia and Ukraine. All the respondents are referred to in a male context to preserve privacy of the interviewees and each participant is assigned the identification number and the code. Based on the thematic analysis thirteen major themes have been identified as the key contributors to understanding the research phenomenon and answering specific research questions. An in-depth analysis of each theme in relation to research questions is provided in this chapter.

The utilisation of thematic analysis assisted the researcher to identify factors contributing to competitiveness of both international franchisee and emerging-markets firms; to evaluate the impact of the establishment of foreign franchisees in developing countries; to determine how domestic businesses experience the effect of overseas competitors and how they defend their market positions. This chapter is organised according to how the categories relate to the research questions. Following the introduction, section 5.2 - data analysis presents the identification of themes by providing the table of main themes and sub-themes, as well as the table overviewing research participants. Section 5.3 provides identified themes associated with research question 1. Section 5.4 covers the themes related to research question two. Section 5.5 presents the themes concerned with research question three and the final section 5.6 summarises the chapter.

5.2. Data analysis: identifying themes

This section discusses the thematic analysis of the data collected in interviews. This approach gives the researcher a possibility to interpret data, produce an insightful analysis and answer specific research questions (Ritchie et, al. 2014). The researcher starts the data analysis by familiarising with the data that involved: transcription of the interviews, reading and re-reading collected information and writing down initial ideas and concepts. Then the researcher generates initial codes through determining key factors, issues and creates a list

of themes and ideas. Coding is done manually, with the help of NVivo software program. Applying NVivo is particularly useful at that stage of the process to identify patterns in the data, which may have been missed while coding manually. In addition, NVivo provides a range of visualisation techniques that is beneficial for the researcher to think through patterns and relationships. Also, this program allows the researcher to scan the results for words frequency that helps to identify additional categories and themes in the data set.

After generating a list of codes, the researcher starts organising codes and emergent concepts into thematic categories. As the result, sub-themes and main themes are reviewed and developed. Furthermore, the researcher assesses each of the sub-themes and the main themes in relation to the literature review and evaluates how selected themes would make a contribution to answering the major research questions such as:

1. *How do international franchisees become successful and gain a competitive advantage in emerging markets?*
2. *How do local firms experience the effect of international franchising?*
3. *How do local businesses defend their market position and gain a competitive advantage in the market?*

The table 5.1 indicates emerging concepts and codes being categorised into sub-themes and main themes.

Table 5.1: Summary of the main themes and sub-themes

Main themes	Sub-themes
1. Marketing and advertising	1.1. Marketing strategies and activities 1.2. The effect of branding 1.3. Advertising and promotion of products/services
2. Brand name power	2.1. Brand prestige 2.2. Brand recognition and awareness 2.3. The power of the brand and customer awareness 2.4. Brand value and reputation
3. Knowledge transfer	3.1. Knowledge sharing 3.2. Information exchange 3.3. Transferring business know-how

4. Firm growth and experience	<p>4.1. Firm specific assets</p> <p>4.2. Business experience</p> <p>4.3. Years of business operation</p> <p>4.4. Number of units operating</p>
5. Franchise system and partnership	<p>5.1. Franchise practices and standards</p> <p>5.2. Already proven business methods</p> <p>5.3. Standardised systems and products</p> <p>5.4. Franchise specific rules and regulations</p> <p>5.5. Level of autonomy</p> <p>5.6. Less flexibility and high control</p>
6. Increased competition and market share	<p>6.1. High level of competitiveness</p> <p>6.2. Adapting new practices to stay competitive.</p> <p>6.3. Low market share for domestic companies</p> <p>6.4. Decreased sales and profitability for local firms</p>
7. Financial and human resources	<p>7.1. Availability of financial/human resources</p> <p>7.2. Difficulty with acquiring loans and finance.</p> <p>7.3. Insufficient budget for marketing and firm performance</p> <p>7.4. Attracting and keeping knowledgeable and skilled employees</p> <p>7.5. Employee personal development and salary issue</p>
8. Employee performance	<p>8.1. Employee training and development</p> <p>8.2. Employee work ethics, behaviour, and performance</p> <p>8.3. Employee productivity, efficiency and motivation</p>
9. Customer perception	<p>9.1. Customer's personal experience</p> <p>9.2. Customer expectation</p> <p>9.3. Consumer's perceived quality</p> <p>9.4. Brand reputation, brand promise and prestige</p>

10. Product differentiation / localisation	10.1. Traditional cuisine 10.2. Local products and ingredients 10.3. Local people’s tastes and preferences 10.4. Customers eating fresh and natural products
11. Pricing strategy	11.1. Economic stagnation in Georgia and Ukraine 11.2. Decreased purchasing power of consumers. 11.3. Product/service selection based on price. 11.4. Cheaper prices attracting customers. 11.5. Price sensitive consumers.
12. Customer service	12.1. Efficient and high-quality service 12.2. Good service for customer attractiveness and retention 12.3. Standards and practices of good customer service
13. Technological development	13.1. New and advanced technology 13.2. Technology adaptation and progress 13.3. Mobile payments and online orders 13.4. Easy and convenient service for customers

Source: developed by the researcher

Thirteen main themes including: marketing and advertising, brand name power, knowledge transfer, firm experience and growth, franchise system and partnership, product differentiation, pricing strategy, customer service, technological innovation, increased competition and market share, financial and human resources, employee performance and customer perception have emerged from the interview data answering the main research questions and explaining the research phenomena.

This section also suggests a table (table 5.2: overview of research participants) that indicates research participants job roles, businesses they operate with the location of the company and firm’s country of origin. All the respondents are referred to in a male context to ensure anonymity and all of them are assigned numerical identification and codes. The table below gives the reader the overview of the companies and participants and helps understand how the answers of interviewees apply to the concepts and themes that are developed.

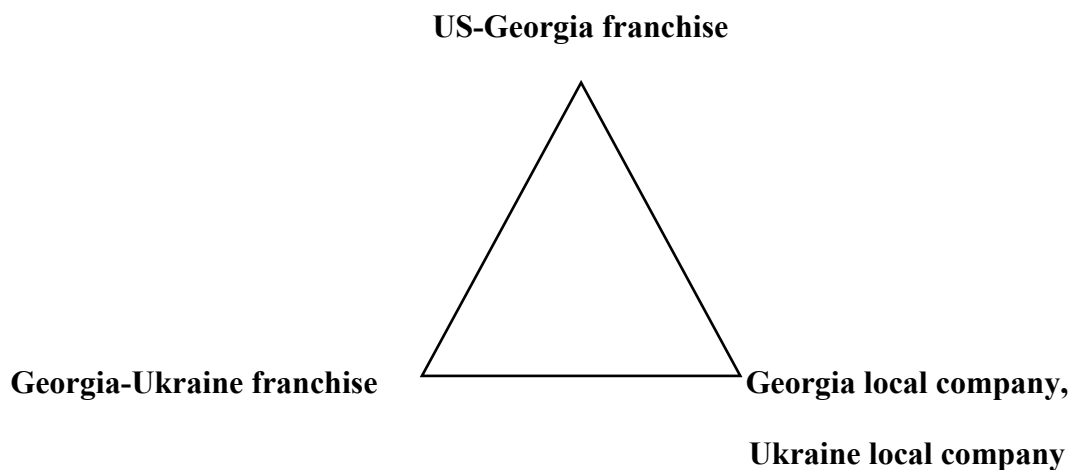
Table 5.2: Overview of research participants

Participants	Code	Job roles	Type of business and current location	Firm's country of origin
Participant #1	GMFGe1	General manager	International franchisee restaurant in Georgia	U.S.
Participant #2	GMFGe2	General manager	International franchisee restaurant in Georgia	U.S.
Participant #3	OMFGe	Operational manager	International franchisee restaurant in Georgia	U.S.
Participant #4	HoMFGe	Head of marketing	International franchisee restaurant in Georgia	U.S.
Participant #5	GMLGe3	General manager	Local restaurant in Georgia	Georgia
Participant #6	CoDLGe1	Company owner	Local restaurant in Georgia	Georgia
Participant #7	GMLGe4	General manager	Local restaurant in Georgia	Georgia
Participant #8	CoDLGe2	Company owner	Local restaurant in Georgia	Georgia
Participant #9	CoDLUk3	Company owner	Local restaurant in Ukraine	Ukraine
Participant #10	GMLUk5	General Manager	Local restaurant in Ukraine	Ukraine
Participant #11	CoDLUk4	Company owner	Local restaurant in Ukraine	Ukraine
Participant #12	GMLUk6	General Manager	Local restaurant in Ukraine	Ukraine
Participant #13	GMFuk7	General Manager	International franchisee restaurant in Ukraine	Georgia
Participant #14	FOFuk	Franchisee Owner	International franchisee restaurant in Ukraine	Georgia

Source: Developed by the student

The following result is achieved when the links are aggregated:

Georgian firm as franchisee, as local firm and franchisor



The next sections and subsections are structured based on the key research questions and emerged themes that are discussed in detail.

5.3. Research question one: How do franchisee restaurants become successful and gain a competitive advantage in emerging markets?

For the first research question the representatives of foreign franchise fast food restaurants were asked about their experiences of managing a franchise business, how they attract customers, what their business methods and resources are in a foreign environment and how they evaluate their effect on domestic companies in emerging markets. Significant differences have been found between the experiences, practices and standards of Georgian and Ukrainian international franchisees from developed and developing markets.

Developed-market franchisees in Georgia illustrate that the primary reason for their competitiveness and success in the local market is that they started operating under the well-established brand name and image, which gave them instant recognition. Another significant factor for the success of franchisees to come out from the interviews is global marketing and advertising, which has the power of attracting consumers and changing their perceptions towards the company. Furthermore, knowledge transfer has been found to give franchisees advantage over the competitors, as franchisors have established business strategies and concepts, which have been proven worldwide and shared with the franchisees.

However, based on the interview answers from Ukrainian franchisees, international franchisees from a developing country do not benefit from the brand name recognition as the main franchisors are well-known only in their home country and not internationally. Furthermore, they are unable to market their brand names as they do not have enough resources. However, they still benefit from being the part of franchise network, as franchisor provides the business knowledge, thus, giving an opportunity to operate under an established formula.

Furthermore, participants representing local emerging-market firms in both markets have agreed that established brand name, marketing activities and knowledge transfer contributes to the successful establishment of international franchisees in the domestic markets. Therefore, based on the respondents' answers, five major themes have been identified including: marketing and advertising activities, brand name power, knowledge transfer, firm

growth and experience and franchise system and partnership. All of the themes are discussed below in more detail.

5.3.1. Marketing and advertising

All respondents from international franchise companies in Georgia and Ukraine have stated the importance of branding, advertising and marketing messages the company is giving to its customers. Global franchisees utilise marketing strategies to create a recognisable brand name and awareness that build a connection between a customer and a company. Marketing activities are undertaken with the aim of changing and reinforcing consumers' mindsets, perceptions and attitudes towards a brand (OMFGe). Based on the interview answers, most of the franchisees are supported by their franchisors in terms of conducting effective marketing and advertising activities. Table 5.3 indicates research participants comments on the importance of marketing, branding and advertising.

Table 5.3: Theme development – marketing and advertising

Participant	Code	Marketing and advertising
Participant #1	GMFGe1	<p>“Social media and different advertising activities has increased the power of word-of-mouth that resulted in the increased number of consumers”.</p> <p>“We use cable network, internet and newspaper to gain more popularity”.</p>
Participant #2	GMFGe2	<p>“We are already very competitive in the market which we achieved due to the permanent staff training and global branding”</p>
Participant #3	OMFGe	<p>“We promote our products by advertising, as it brings notice to wide range of consumers about the products and services. Thus, we invest a lot in advertising and marketing, as it is directly related to customer attraction”.</p> <p>“In modern business and in fast food industry brand trademark, marketing, social media and different marketing activities are significant for a successful company. Based on our company and brand, a lot of marketing tricks are included in the name that makes customers to come and taste our products”.</p> <p>“We are extremely focused on marketing as it changes people’s minds, perceptions and their attitudes”.</p>
Participant #4	HoMFGGe	<p>“We pay huge attention on advertising, we are using mass marketing through social media, billboards, radio and different advertising activities to reach to a broad audience”.</p>
Participant #5	GMLGe3	<p>“The power of advertising and merchandising while watching TV or social media makes customers to purchase their products”.</p>

Participant #6	CoDLGe1	<p>“Word of mouth is playing an important role, as we do not advertise our company because we do not have enough resources for that”.</p> <p>“Through the use of advertising, the company can gain popularity very quickly and effectively”.</p>
Participant #7	GMLGe4	<p>“Most franchisees global presence and their logos are globally recognizable, however, we only count on our customers’ experiences and the word-of-mouth, because advertising is very expensive in this country, and we could not afford for now”.</p> <p>“Main reason for international franchisees success is their brand name that is already well known from advertising. Heavy advertising exposure to the international brand name makes consumers to buy the products from them rather from locals. This is the power of advertising and branding that influence customers mindset and change their thinking that global fast-food companies are better than locally made”.</p>
Participant #8	CoDLGe2	<p>“Branding plays an important role in customer attraction. Nowadays, buyers are getting familiar with brand companies through billboards, social media, television or movies. That is why in Georgia, it is not uncommon to see consumers buy a coffee from a well-known and branded company and then keep the branded cup the whole week as a prestige symbol”.</p>
Participant #9	CoDLUk3	<p>“Franchisees main advantage is that they are already well-known companies and they do not need advertising as much as we do”.</p>
Participant #10	GMLUk5	<p>“We advertise our products through cable network and internet which drives our business more and assist to stay competitive in the market”.</p>
Participant #11	CoDLUk4	N/A
Participant #12	GMLUk6	<p>“We are struggling related to marketing as advertising is very expensive and we have to decrease our advertising budget each year”.</p>
Participant #13	GMFUk7	<p>“We also utilise marketing strategies to get popular in the market, however lack of finance affects us, as we are unable to do mass marketing”.</p>
Participant #14	FOFUk	<p>“Even though marketing and advertising is expensive in this market, we still do it that makes us different comparing to other similar types of our restaurant”.</p> <p>“When these huge multinational companies are entering the emerging markets, they conquer the most part of the market share, which is due to their global brand name and recognition and marketing activities”.</p>

OMFGe who is operating an international franchise business in Georgia illustrated that his company is focused on advertising and marketing, as it plays significant part in attraction of customer:

“We promote our products by advertising, as it brings notice to wide range of consumers about the products and services. Thus, we invest a lot in advertising and marketing, as it is directly related to customer attraction” – (OMFGe).

Also, HoMFGGe who is the head of marketing of global franchisee in Georgia indicated that his firm utilises various advertising activities to achieve success:

“We pay huge attention to advertising; we are using mass marketing through social media, billboards, radio, and different advertising activities to reach a broad audience. It determines the success of our company” – (HoMFGe).

GMFGe1 who is the general manager of international franchisee in Georgia indicated that global marketing is not enough to make customers visit new restaurant in a foreign environment and that his company is investing in a local advertising and using local cable network, newspapers, and internet as a way of gaining popularity:

“Advertising directly influences customers minds with the objective of increased sales” - (GMFGe1).

GMFUK7 and FOFUK who operate the franchise restaurants in Ukraine also shared their views regarding the effect of marketing and advertising on business development and customer attraction. The owner of franchisee demonstrated that –

“Even though marketing and advertising is expensive in this market, we still do it. That makes us different comparing to other similar types of restaurants” – (FOFUK).

However, GMFUK7, who is the general manager of international franchisee in Ukraine, indicated that the company does not have enough financial resources to reach the broad audience by television, newspaper and/or radio that puts them at competitive disadvantage:

“We also utilise marketing strategies to get popular in the market, however lack of finance affects us, as we are unable to do mass marketing” – (GMFUK7).

The design, colour schemes, visual elements and logos have been identified to be used by the international franchisees in emerging economies as marketing strategic tools to differentiate their products and services. Brand attributes have significant importance for the franchising industry because customers differentiate across the spectrum of various brands, resulting in decisions, which eventually lead to increased sales, profits and overall company’s development and survival. HoMFGe indicated that the decor and the colour across his franchisee make it easy for customers to identify his restaurant:

“Our properties and buildings involve things like indoor and outdoor dining areas, in which décor and colour schemes tend to be significant for us in putting our company ahead of the competition. Based on the colours across our company it becomes easy for consumers to see and identify our restaurant” – (HoMFGe).

Operational manager of international franchisee in Georgia has stated that they are utilising “marketing tricks” such as: logo - smiling girl, colour - red that is psychologically very appealing and the company’s name itself to attract customers and achieve competitive advantage.

Based on the analysis, presenting heavy advertising of international franchisee companies in emerging markets have caused many challenges for domestic fast-food restaurants, as many customers started purchasing more fast-food products from global companies rather than domestic ones. Seven out of the eight participants from local fast-food restaurants in Georgia and Ukraine have expressed their concerns regarding the impact of mass advertising and different marketing activities of franchisees on their companies. Most of the domestic restaurants owners and managers believe that the success of franchise firms is based mostly on marketing resources the franchisees have. The domestic restaurateurs illustrated that even though their firms do marketing and advertising they have limited financial resources to enhance their marketing activities and to achieve the level that is needed to compete against the franchisees:

“The major weakness for us is the lack of capital and financial resources comparing to franchisees, as advertising is very expensive in Georgia. Many local restaurants cannot afford mass marketing and advertising because they do not have enough financial resources and capital to market their products and services” – (GMGLe4).

As mentioned by GoDLGe2, through billboards, social media, movies or television customers are getting familiar with branded companies and -

“That is why in Georgia, it is not uncommon to see consumers buy a coffee from a well-known international company and then keep the branded cup the whole week as a prestige symbol” – (GoDLGe2).

Many customers are influenced by the power of advertising and merchandising while they are watching TV or using social media, which triggers them to try and buy the products and services from franchisees. Advertisement is changing buyers’ minds, attitudes and believes in a way that they think that fast food restaurant franchisees are exceptional, and unknown or small companies could not surpass them (GMLGe3, GMLGe4 and CoDLGe2). GMLUk6, who is the general manager of a Ukrainian local restaurant, believes that the key success factor for franchisees is that they are building strong social media presence by which they gain loyal customers:

“In the world of modern business, it is difficult to be successful without good advertising. I think franchisees are successful because they build strong social media presence within their customers by which many of them are becoming loyal for the company” – (GMLUk6).

Also, similarly to the Ukrainian restaurateur, the owner of local Georgian food restaurant considers that worldwide branding is one of the most efficient tools for gaining popularity quickly and effectively throughout the world, especially in emerging markets, where people have high expectation towards global brands. The respondent indicated that after one of the foreign franchisees entered the Georgian market, customers started running to the new company, as they already knew about the restaurant, which is the outcome of global marketing and promotion of their brand image:

“The existence of franchisees in this market has triggered potential challenges for our company. We do not have enough resources to compete with them properly. They have capital for marketing that I think this is one of the key success factors for their achievements. Through the use of advertising, the company can gain popularity very quickly and effectively. For instance, after the entrance of domino’s Pizza in this market we had experienced a decline in our sales, as a lot of customers wanted to try new and western products, which is known worldwide and has enough resources to advertise their brand” – (CoDLGe1).

All respondents from local fast foods in Georgia have stated the importance of word-of-mouth as the major source of advertisement for them, because the marketing prices are too high:

“In this competitive environment it is difficult to achieve competitive advantage if you do not have enough resources. Fast-food restaurants with strong financial resources and social media presence have ability to retain brand loyalty and awareness, while for us the word-of-mouth is the key to build brand name and increase customer awareness” – (CoDLGe2).

Managers of local Georgian restaurants indicated that they strive to stimulate positive word-of-mouth from their existing consumers to strengthen their relationship with them and acquire new customers. Positive word-of-mouth is used as the main way of communication with consumers and a promotional tool for some Georgian restaurateurs. GMLGe4 illustrated that:

“We only count on our customers’ experiences and the word-of-mouth” – (GMLGe4),

In addition -

“For us it is very difficult as we do not advertise our company and are highly dependent on customer experience and word-of-mouth” - (CoDLGe1).

Some differences have been found between the Georgian and Ukrainian restaurateurs in terms of their perception and recognition of word-of-mouth as a powerful influence on the customer’s purchasing decision process for services and products.

Most of the managers in Georgian market agreed that word-of-mouth has a positive influence for their firms in customer attraction and is the major way of promoting their product and services. Even though positive word-of-mouth is identified as an effective way of communication for Georgian restaurateurs with their buyers, the major drawback of it is that companies have limited control over the “messages” consumers spread. If a customer has a negative experience with the firm’s product or service, he/she is likely to share it with others.

On the other hand, in Ukraine none of the respondents stated that it is a promotional resource for them, even though, they indicated that they have little resources for advertising. One of the four domestic restaurateurs in Ukraine utilises advertising to drive his business (GMLUk5), while another restaurateur has to reduce the budget for advertising every year (GMLUk6).

Based on the interview answers, marketing is viewed by the respondents as a way of communication and sales. Different marketing communication tools including advertising, sales promotion, word-of-mouth, social media, television have been used by the companies (both international franchise and emerging-country firms) in Georgian and Ukrainian markets to create the brand, improve and increase sales, build consumer awareness, and create competitive advantage. Advertising and promotion of the products and services attempt to attract customers and reinforce the choices they make. Global fast-food franchisees ensure that their marketing efforts work effectively towards building up brand recognition among existing and potential consumers. Well-established franchisees from developed markets with strong financial resources have the potential and opportunity to become successful and maintain competitive advantage. On the other hand, developing market franchisees in Ukraine and local fast-food companies in both markets do not have enough promotional budget to advertise their businesses and many of them are losing their customers, market share and sales to the global franchisees. The only way for them to

advertise and attract new consumers is word-of-mouth, which has been found to be an effective tool and the only cost-effective marketing communication for emerging-market companies.

5.3.2. Brand name power

All six participants working in international franchise companies in Georgia and Ukraine discussed the effectiveness of brand name recognition, brand prestige and reputation as the way to attract customers throughout the world and especially in emerging markets. Having an already established brand name and recognition assist franchisees to position themselves in their targeted markets, differentiate themselves from competitors and attract higher numbers of customers. Global fast food franchise restaurateurs in Georgia believe that brand recognition and prestige are the crucial factors for their companies to achieve success and competitive advantage, as most of the young and middle-aged consumers pay huge attention to brand name (GMFGe1), and in general, it influences the decision-making process of any customer (GMFGe2). Based on the global franchisees' experiences, consumers prefer to buy the products from already known company rather than from unknown restaurants they have never heard about before (GMFGe2). Table 5.4 indicates whether research participants discussed brand name power or not and how the theme has been developed.

Table 5.4: Theme development – brand name power

Participant	Code	Brand name power
Participant #1	GMFGe1	<p>“Brand power is the determinant for our competitiveness and maintaining high position in the market. Our brand reputation is associated with safe products and great quality. Having well defined brand concept means that we follow certain rules and regulations in everyday operations that helps us delivering brand promise to our consumers”.</p> <p>“Since the opening of our company in the local market it has been competing effectively with successful brands. I think it is because of an effective brand strategy, consistency and branding that gave us a major competitive edge in this market”.</p>
Participant #2	GMFGe2	<p>“Brand name and recognition plays an important role and is very effective for attracting customers and achieving a competitive advantage. Based on our experience, our brand name influences the decision-making process of customers”.</p> <p>“One of the benefits that we experienced in this market is brand recognition and popularity. Our brand reputation in this market gives us growth opportunity”.</p>
Participant #3	OMFGe	<p>“Brand image creates brand recognition”.</p> <p>“Brand name, awareness and reputation are a great advantage in this market for us”.</p>

		“Managing franchise business has its drawbacks and many benefits. The advantage is that this is a great experience for the brand, the brand is not created by a single person, especially in franchise system, and this is a team spirit, a bunch of people where various ideas, marketing and operational knowledge and experience are shared”.
Participant #4	HoMFGGe	“The main advantage of managing franchise business are the following: it has already established brand image and reputation [...]”. “Reputation, image, brand identity and quality food – [...] That is why the company is always successful in different targeted markets”.
Participant #5	GMLGe3	“If there were not these kinds of branded companies, we would be more popular and attractive for most of the tourists, students and local people”.
Participant #6	CoDLGe1	“Already known brands have attracted many customers”.
Participant #7	GMLGe4	N/A
Participant #8	CoDLGe2	“Based on the expansion of franchisees in this market, our sales and market share has declined. Their brand name, successful formula and great customer service differentiates them from local and small companies”.
Participant #9	CoDLUk3	“International fast-food franchisees are very popular among middle-aged and young Ukrainian consumers. In my opinion brand name and recognition attracts a lot of customers”.
Participant #10	GMLUk5	“Brand name attracts a lot of consumers. That triggers consumers to buy from them as they expect that they have the same practices everywhere”.
Participant #11	CoDLUk4	“Franchisees such as KFC, McDonald’s are having a lot of branches and because of their worldwide recognition they are already famous in our country. Based on the brand recognition they are attracting many students and foreign tourists who already have experience of visiting those restaurants in other countries. Thus, they perceive that the branded company will provide the same standards everywhere”.
Participant #12	GMLUk6	N/A
Participant #13	GMFUk7	“Even though we are popular among domestic population, we do not have recognisable brand name such as McDonald’s or KFC, so, many customers are still attracted based on the name and reputation companies have”.
Participant #14	FOFUk	“It is challenging to achieve competitive advantage within few years especially without brand name and recognition in a foreign environment”.

Developed-market franchisees in Georgia have shared their attitudes towards the power of brand image, which they associate with the sum of ideas, thoughts, emotional perceptions and symbolic attitudes that consumers relate to specific restaurants. Participant HoMFGGe, who is the head of marketing of international franchisee in Georgia, illustrated that brand image, identity and prestige tend to be substantial for his restaurant to get ahead of the competition and operational manager of another global franchisee in Georgia stated that brand image gave his firm advantage as it created brand recognition:

“Brand name, awareness and reputation are a great advantage in this market for us. We always tried to keep our promises and reputation to meet consumer’s

expectation and make them to return to our shops. Therefore, with time we have built customer loyalty and we continue to make consumers to trust in our brand and believe in us” – (OMFGe).

According to the respondent’s answers, brand name recognition in emerging markets, like Georgia, has resulted in consumer’s preference to purchase foreign products rather than local. People prefer to buy from overseas and particularly from Western companies, as they are famous, and they have good reputation for their services and products (GMFGe2 and HoMFGe) –

“Our global reputation about providing great customer service and products impacts customer perception that gives us competitive edge and loyal customers” – (GMFGe2),

“Reputation, image, brand identity and quality food - we are famous with delivering finger licking delicious fast food all over the world” – (HoMFGe).

Many franchisees use worldwide reputation to build customer loyalty in a new environment, as it is often associated with the company’s promises for delivering safe products and high-quality services (GMFGe1, GMFGe2 and OMFGe). Based on the developed-market franchisees, global reputation and prestige can give credibility to the service and product and provide an assurance of quality, letting customers know what they can experience and expect when they buy a product or get the service (GMFGe1, GMFGe2 and OMFGe). However, while, global brand reputation assists franchisees in achieving success throughout the world, it might also cause some problems for them, as any failure of franchisor, like food poisoning, can have a huge impact on the entire franchise network (OMFGe). Therefore -

“Whilst franchisees are sharing any success and advantages of franchisors, they also share their breakdown in the business” - (OMFGe).

On the other hand, while international franchisees in the Georgian market benefit from the brand recognition and awareness, emerging-country franchisees in Ukraine still have to market their brand name and make their firms popular, as they do not have global brand recognition and awareness. General manager of Ukrainian franchisee indicated that his company is facing high competition within the industry:

“Many international brands started entering Ukrainian market, which is a challenge for us. Even though we are popular among domestic population, we do not have recognisable brand name such as McDonald’s or KFC, so, many

customers are still attracted based on the name and reputation companies have”
– (GMFUk7).

International brand name recognition and its power has resulted in declined sales and profits and slow growth for local fast-food restaurants in Georgia and Ukraine. Based on the responses, international fast-food brands are very popular among young and middle-aged consumers, who love American and Western products and are influenced by the brand name. Foreign tourists also prefer to buy from franchisees, as they know what services and quality to expect (GMLGe3, CoDLGe2, CoDLUk3 and CoDLUk4). Seven out of eight respondents from local fast-food companies in both markets revealed their concerns about the issue of international brand name power. Local restaurateur in Ukraine believes that:

“The power of brand has a significant impact on consumers perceptions, as in buyer’s mind, franchisor’s brand name is equal to its reputation, and they are expecting to have a great experience related to brand promise” – (CoDLUk3).

In summary, already established brand image and reputation play significant role in companies’ success and development. Developed-market franchisees with international brand name recognition and prestige gain instant success in emerging markets, while developing-country franchisees and local fast-food restaurants in Georgia and Ukraine without brand name recognition struggle to be competitive.

5.3.3. Knowledge transfer

All six respondents from international franchise restaurants in Georgia and Ukraine stated that knowledge and information transfer are another significant contributor to their success and development. The already proven business methods gave them competitive advantage in their targeted markets, as franchisees are given the opportunity to repeat the model (HoMFGGe). Through efficient knowledge transfer mechanism franchisees can productively operate new units with the same business model that is already proven successful in multiple countries. This study found that the commitment and capability of the franchisor to engage in knowledge transfer assists franchisees to understand and gain insights into business operations, sales, and promotion tools. Training, support, permanent monitoring, and recommendations have been found to be effective ways of knowledge sharing. The table 5.5 shows whether interviewees discussed knowledge transfer in franchise network or not and how the theme has been developed based on the answers.

Table 5.5: Theme development – knowledge transfer

Participant	Code	Knowledge transfer
Participant #1	GMFGe1	<p>“When the company is a part of franchise system, the franchisor transfers marketing, technical and operational knowledge to the franchisee. Therefore, franchisee utilises franchisor’s business model that is already tested and effective”</p> <p>“We have permanent support and specific recommendations from the main franchisor that usually happens through web seminars, online meetings or phone calls”</p>
Participant #2	GMFGe2	<p>“We have support from the main franchisor, and we have trainings in order to adhere all the standards including new product and process development. Training are more often done by online activities, including video conferences, emails and other online meeting tools”</p>
Participant #3	OMFGe	<p>“I can give you my personal example, the main franchisor invited me for the second time to travel to USA for training in order to gain and develop the knowledge that is necessary to achieve effectiveness of the company. The headquarters are incredibly involved and interested in sharing new trends, experiences and key elements of the business, because they want to develop and improve the entire franchise business performance”</p>
Participant #4	HoMFGe	<p>“Franchisors offer ongoing support and training, as well as proven work practices and management, which means that franchisee has an entire business system and clearly understands the basis of the success and has the opportunity to repeat the model again. Also, franchisees have higher rate of success rather than new start-up businesses, as their franchisors have more experience in doing the business”</p> <p>“We have mandatorily required training courses to attend in order to develop our business. Also, we have computer-based eLearning programmes regularly. Through these techniques they are sharing their knowledge and new important information, which lead us to long term competitive advantage”</p>
Participant #5	GMLGe3	<p>“Franchisors are transferring all the knowledge regarding already proven business methods, standards, the whole system of business [...]. These resources make them successful”</p>
Participant #6	CoDLGe1	N/A
Participant #7	GMLGe4	<p>“They have the business knowledge how to operate and become successful. Franchisors as I know are sharing system specific knowhow, so that franchisees can replicate already established business concept”</p>
Participant #8	CoDLGe2	N/A
Participant #9	CoDLUk3	<p>“They have already proven business method, and the main franchisor can share all the knowledge to franchisee how to operate and what to focus on in order to be successful”</p>
Participant #10	GMLUk5	N/A
Participant #11	CoDLUk4	N/A
Participant #12	GMLUk6	<p>“Franchisees have already proven business concept, knowledge and understanding what really works and how to succeed in any market”</p>
Participant #13	GMFUk7	<p>“The main capability of our company is that we are part of franchising system, which gives us advantage of operating under the already developed business model”</p> <p>“We have already the knowledge of how to operate and have had guidance from the franchisor on the interior design, technical and administrative support”</p>

		<p>“The challenge is that comparing to big international franchisees, our franchisor does not provide permanent training for us or for new employees and we need to cover costs for that”</p> <p>“As I mentioned before it is a huge advantage of being part of franchise business, because the company is getting support from the franchisor who has a working experience already, as well as, we have access to the firm’s unique system. For us particularly, the main franchisor gave us business know how, technology and techniques of cooking exceptional dishes and guidance of the décor and design of the sitting area”</p> <p>“From the beginning of our business we had more support rather than now. They gave us all the training and business knowledge at the beginning, however after that we do not have close relationship with our franchisor”</p>
Participant #14	FOFUK	<p>“Knowledge transfer is one of the main advantages of franchising system. Business knowledge and operational experience of franchisor gave us many advantages comparing to other start-up companies”</p> <p>“However, comparing to international franchisees we do not have permanent training and support from the main franchisor”</p>

Based on the experiences of developed-market franchisees in Georgia, when franchisors provide technological, marketing, and operational know how to franchisees, they have an opportunity to set up a business more easily based on tested concept (GMFGe1, OMFGe and HoMFGe). General manager of international franchisee in Georgian market indicated that:

“When the company is a part of franchise system, the franchisor transfers marketing, technical and operational knowledge to the franchisee. Therefore, franchisee utilises franchisor’s business model that is already tested and effective” – (GMFGe1).

Operational manager of global franchise restaurant in Georgia specified the involvement of franchisors, as the advantage for both parties: franchisors and franchisees:

“I can give you my personal example: the main franchisor invited me for the second time to travel to USA for training in order to gain and develop the knowledge that is necessary to achieve effectiveness of the company. The headquarters are incredibly involved and interested in sharing new trends, experiences, and key elements of the business, because they want to develop and improve the entire franchise business performance” – (OMFGe).

Similarly head of marketing of international franchisee in Georgia illustrated that being in a franchise system is an advantage for his company as:

“Franchisors offer ongoing support and training, as well as proven work practices and management, which means that franchisee has an entire business system and clearly understands the basis of the success and has the opportunity to repeat the model again” – (HoMFGe).

Furthermore, OMFGe emphasised the benefit of being in a franchise system where knowledge sharing plays significant role, especially when the information flows both ways:

“The advantage is that this is a great experience for the brand, the brand is not created by a single person, especially in franchise system, and this is a team spirit, a bunch of people, where various ideas, marketing and operational knowledge and experience are shared” – (OMFGe).

Interview respondents from developed-market franchisees in Georgia highlighted that the effective knowledge transfer from the franchisor to the franchisee is facilitated by the utilisation of different transfer mechanisms including training, online meetings, computer-based programmes, web seminars, video conferences, emails, and phone calls (GMFGe1, GMFGe2 and OMFGe). Regular training courses, effective knowledge transfer and information sharing results in having long term competitive advantage for franchisees (HoMFGe). Training is beneficial for franchisees, as it helps them:

“Adhere all the standards including new product and process development. Training is more often done by online activities, including video conferences, emails, and other online meeting tools” – (GMFGe2).

Similarly, emerging-market franchisees restaurateurs from Georgia to Ukraine also emphasised the importance of knowledge transfer and the advantage of being in franchise system (GMFUk7 and FOFUk). The general manager of Ukrainian franchisee, whose firm is relatively new in the market, stated that becoming a franchisee gave his firm more opportunities through knowledge transfer and proven business concept and procedures, even though they had no benefits of brand recognition and marketing resources of developed-market franchisees:

“It is a huge advantage of being part of franchise business, because the company is getting support from the franchisor who has a working experience already, as well as, we have access to the firm’s unique system. For us particularly, the main franchisor gave us business know how, technology and techniques of cooking exceptional dishes and guidance of the décor and design of the sitting area, which

in turn is another benefit for a new company to save money for the designer and other expenses” – (GMFUK7).

The respondent from another international franchisee in Ukraine also indicated the importance of knowledge sharing and being a part of a franchising system, as it allows to establish a business easier and grow more rapidly:

“Business knowledge and operational experience of franchisor gave us many advantages comparing to other start-up companies” – (FOFUK).

Only four local fast-food restaurateurs from Georgia and Ukraine expressed their views and experiences regarding knowledge transfer. In their opinion, through effective knowledge transfer franchisees can repeat already established business concept that makes them competitive and successful in their markets (GMLGe3, GMLGe4, CoDLUK3 and GMLUK6). Comparing to franchisees, local restaurants do not have the same benefit of knowledge transfer which puts them at disadvantage. They had to set up the business with no previous experience, knowledge or assistance (GMLGe4, CoDLUK3 and GMLUK6).

To sum up, all the respondents admitted that effective knowledge transfer and sharing is crucial in establishing and running a successful organisation, as the transfer of system specific know how creates a network of prosperous outlets. Replication of the already established business concept by the franchisee is one of the main factors for achieving a competitive advantage. Comparing to the local companies, franchise restaurants offer standardised products and services, which are proven to be effective throughout the world.

5.3.4. Firm growth and experience

Company’s characteristics and specific assets such as age, experience, growth opportunities and number of units have been reported by the respondents from franchise businesses as having the influence on their companies’ growth and competitiveness. Age of the franchisor is identified as one of the key factors that has a positive effect on franchisees’ system development and success. Older companies are likely to have more experience and business know-how compared to the new franchise organisations which makes them more competitive within the industry. The table 5.6 shows whether respondents mentioned firm’s growth opportunities and experience or not.

Table 5.6: Theme development – firm growth and experience

Participant	Code	Firm growth and experience
Participant #1	GMFGe1	<p>“Personally, for us, experience is an important determinant of franchise success, which increases competitiveness in the market and creates competitive barriers for other organisations”</p> <p>“Managing several branches in the market gives us advantage in terms of cost saving, which leads us to economies of scale”</p>
Participant #2	GMFGe2	<p>“It is necessary to have several restaurants (branches) in a market to be competitive and achieve high level of competitive advantage”</p>
Participant #3	OMFGe	<p>“Some of our competitors have 20 years of working experience in this market, thus, having loyal consumers and high level of competitive advantage. Comparing to that we are only operating 6 years in this market”</p>
Participant #4	HoMFGGe	<p>“Franchisors are already experts in their fields with resources and expertise needed to manage the business effectively that of course affects other businesses. Business experience and knowledge play an important role in our success story, as our restaurant has an experience of working within the competitive markets and operating large number of branches for many years across diverse geographical locations”</p>
Participant #5	GMLGe3	N/A
Participant #6	CoDLGe1	N/A
Participant #7	GMLGe4	N/A
Participant #8	CoDLGe2	<p>“We have lost our market share as they (international franchisees) are expanding and opening more shops in different locations”</p>
Participant #9	CoDLUk3	N/A
Participant #10	GMLUk5	N/A
Participant #11	CoDLUk4	N/A
Participant #12	GMLUk6	<p>“Our strength is that we have many years of experience of operating in this market. We know already customer demands and opinions. We have market knowledge”</p>
Participant #13	GMFUk7	<p>“We have few years of experience in this market and do not have such popular name as other big franchisees, so of course, for example many tourists are visiting them rather an unknown restaurant. They think that these big franchisees will provide same standards and are expecting high quality service and experiences. Therefore, if we have had many years of experience of operating in this market my company would have been more competitive”</p>
Participant #14	FOFUk	<p>“It is challenging to achieve competitive advantage within few years especially without brand name and recognition in a foreign environment. In my opinion, operational period and durability in the market gives a company to increase its sales and profitability. Thus, after several years we will be more popular and attractive for customers”</p> <p>“With many years of working in the industry every single company will get more experience of how to improve and develop the business, change and adapt new practices, evaluate the challenges and benefits”</p>

International franchisees in the Georgian market benefit from the business experience of their franchisors. One of the general managers of global well-established franchisee in Georgian market stated that:

“Experience is an important determinant of franchise success, which increases competitiveness in the market and creates competitive barriers for other organisations” – (GMFGe1).

Similarly, participant from another global franchisee operating in Georgia demonstrated that business experience and operating for many years in the industry give them advantage over rivals especially in the franchising business:

“Franchisors are already experts in their fields with resources and expertise needed to manage the business effectively that of course affects other businesses. Business experience and knowledge play an important role in our success story, as our restaurant has an experience of working within the competitive markets and operating large number of branches for many years across diverse geographical locations” – (HoMFGe).

Even though the operational manager who runs a successful and international branded franchisee in the Georgian market, still considers that the age of the company and many years of business experience provide an edge in the competitive marketplace and plays significant role in attaining loyal customers:

“Some of our competitors have 20 years of working experience in this market, thus, having loyal consumers and high level of competitive advantage. Comparing to that we are only operating 6 years in this market” - (OMFGe).

Franchisees from Ukraine also highlighted that business experience and durability in the market assist companies to achieve a competitive advantage, increase sales and profitability. GMFUk7 and FOFUk claimed that being in the market only for few years is not sufficient for being competitive even if the company is the part of franchise business. They have added that if their franchisors have had an established brand name, they would have been more successful.

Some of the participants mentioned the importance of operating several branches in one market. For instance, GMFGe2 who manages three branches in the Georgian market highlighted that if the franchise companies operate multiple number of units, they have more opportunities for achieving a competitive advantage, thus, having branches in several locations maximises company’s potential for success:

“We have quite a lot of competitors in the local market and in my opinion, once we will introduce and open new stores in different locations in this market, our competitiveness will increase, and it will be possible to compare it with other big franchisees. Therefore, it is necessary to have several restaurants (branches) in a market to be competitive and achieve high level of competitive advantage” – (GMFGe2).

Other interviewees (HoMFGe and GMFGe1) also specified that operating several branches in one market gives financial advantage to the company and is cost effective.

The respondents from local fast-food restaurants from Georgia and Ukraine also highlighted the significance of years in the business, experience and operating many branches in the specific market. One of the local restaurateurs in Georgia is concerned about losing the market share as more and more franchisees are expanding and opening new outlets that gives them advantage (CoDLGe2), while Ukrainian domestic restaurateur stated that being part of a franchise business gives advantage to firms as they have more experience and proven business methods:

“Franchise companies have been in the business for years and they already have a strategy and experience to do things in a way that work throughout the world” – (GMLUk5).

Another Ukrainian local restaurateur demonstrated that one of the assets of his company is that they are operating in the market for long time, and they know consumers needs and requirements:

“Our strength is that we have many years of experience of operating in this market. We already know customer demands and opinions” – (GMLUk6).

However, other domestic companies did not relate their success with the experience and age of the company.

All the franchisees related their success to age and experience of their franchisors, as well as number of units as important factors for attaining market competitiveness. On the other hand, emerging-market firms with many years of experience did not consider these factors important.

5.3.5. Franchise system and partnership

Based on the participants answers, being a part of a franchise system has its advantages and disadvantages. The differences between developed and developing market franchisees have been found in terms of competitive advantage, franchisor’s support, training, financial assistance, and the level of autonomy. International franchisees from developed market in Georgia, mainly attributed their success to their franchisors, as the latter provided a global brand name, mass marketing, knowledge of providing high quality service/products and continuous staff training practices. On the other hand, developing country franchisees in Ukraine without the global recognition and brand name attributed their competitiveness and success mostly to their own contributions and commitment. This section discusses the franchise system in general and partnership with the focus on the level of autonomy. The table below indicates respondents’ answers related to the theme.

Table 5.7: Theme development – franchise system and partnership

Participant	Code	Franchise system and partnership
Participant #1	GMFGe1	<p>“As the franchisee company, we follow specific rules, standards and practices that are regulated by the franchisor”</p> <p>“We are highly dependent on our franchisor; we are unable to change the products or services that might fit more to local market demands; thus, we need freedom and autonomy. This would make us more competitive compared to local businesses”</p>
Participant #2	GMFGe2	<p>“Our success is due to the relationship we have with the main franchisor”</p> <p>“On the other hand, the main disadvantage is less flexibility, as we are completely dependent on the decisions of the franchisor. This is because, our franchisor has already established brand name and therefore is worried about not to damage the reputation and name”</p>
Participant #3	OMFGe	<p>“The advantage is that this is a great experience for the brand, the brand is not created by a single person, especially in franchise system, and this is a team spirit, a bunch of people where various ideas, marketing and operational knowledge and experience are shared. Hence, franchising business is a one whole system including franchisors and franchisees who are having one goal”</p> <p>“The negative side of being franchisee company is less creativity, less opportunity for new ideas to be developed and implemented. We are highly dependent upon the franchisor’s decisions, and we are not able to run the business independently”</p> <p>“Another drawback of franchise business is reputation, as any failure of franchisor (like food poisoning, etc.) has a great influence on its franchise network, as whilst franchisees are sharing any success and advantages of franchisors, they also share their breakdown in the business. For example, many companies in food industry have had mass poisoning in another</p>

		country, which has had a profound impact on its franchisees, fortunately, we have not experienced any failure”
Participant #4	HoMFGc	<p>“In my opinion the main advantage of managing franchise business are the following: it has already established brand image and reputation, franchisors offer ongoing support and training, as well as proven work practices and management, which means that franchisee has an entire business system and clearly understands the basis of the success and has the opportunity to repeat the model again”</p> <p>“On the other hand, it has some disadvantages regarding business operations. In our case, we are dictated from our franchisor how to operate, which products to sell and in general how to run the business, which means we have less options for creativity”</p>
Participant #5	GMLGe3	N/A
Participant #6	CoDLGe1	“I think they are more dependent on their main franchisors, thus, having less flexibility in their operations. What I mean is that they have already set menu, recipe, standards and tastes and have less possibility to change based on the customer preferences here. However, we can try and offer products with different flavors and recipes that might be more attracting and interesting for customers.”
Participant #7	GMLGe4	“We can change our menu based on the local customer’s demand, as we own our business, while franchisees have less innovative products, and they are managed by the main franchisor from the different country”
Participant #8	CoDLGe2	N/A
Participant #9	CoDLUk3	N/A
Participant #10	GMLUk5	“We are independent and that is the main advantage comparing to franchisees”
Participant #11	CoDLUk4	“We are very flexible comparing to franchisees. We can change our menu, recipes and products, but I think they are very limited in choices. As I know some of the franchisees have standardised menu and items which are not suitable for every nation and country. For instance, we always follow customer demands and based on their preferences we are changing or adding more products and come up with new and unique ideas, as well as using healthy and organic food which is gaining popularity within customers”
Participant #12	GMLUk6	“Franchisees have already proven business concept, knowledge and understanding what really works and how to succeed in any market. Another important factor is that they are following technological development, which is difficult for us because of finance”
Participant #13	GMFUk7	<p>“Comparing to big franchisees like KFC, Domino’s Pizza or other companies we are more flexible, we can change the menu, renovate the design or do other staff. So, this is an advantage because we are not completely dependent on our franchisor”</p> <p>“The main franchisor gave us business know how, technology and techniques of cooking exceptional dishes and guidance of the décor and design of the sitting area”</p> <p>“From the beginning of our business we had more support rather than now”</p>
Participant #14	FOFUk	<p>“Franchising, in general, allows companies to develop and grow more rapidly to take advantage of market opportunities. However, I would say that it works with the big and well-known franchise companies and not for franchisees from emerging markets, as for example: we still need to market our company’s name more than global franchisees do, because we do not have famous and popular brand name comparing to McDonald’s, KFC and others”</p> <p>“Our business operation differs from franchisees from developed countries, for instance: we can choose the shop locations or suppliers, as well as we can introduce or add new products to our menu and change the prices without the agreement with franchisor”</p>

The representative of a global well-established international franchise in Georgia has mentioned that even though the firm has achieved a success in emerging market, it is controlled by the franchisor, and they have less opportunity to alter their products/services to the domestic market needs:

“We are highly dependent on our franchisor; we are unable to change the products or services that might fit more to local market demands; thus, we need freedom and autonomy” – (GMFGe1).

GMFGe2 who is the general manager of a well-established international franchisee in Georgia, also stated that his company is less flexible and more dependent on the decisions of the franchisor, however:

“Our success is due to the relationship we have with the main franchisor” – (GMFGe2).

Another respondent from a successful international franchisee has highlighted the benefits and drawbacks of the franchising system and partnership. According to OMFGe, the franchisor supports them in terms of operational knowledge, marketing, new trend and ideas, on the other hand:

“The main disadvantage is less flexibility, as we are completely dependent on the decisions of the franchisor. This is because, our franchisor has already established brand name and therefore is worried about not damaging the reputation and name” – (OMFGe).

Unlike developed-market franchisees in Georgia, emerging-country franchisees in Ukraine are less controlled by the franchisors and have more flexibility to adjust to the local market demands and cope with the cultural issues. GMFUk7 who manages the franchisee in Ukraine emphasised that:

“Comparing to big franchisees like KFC, Domino’s Pizza or other companies we are more flexible, we can change the menu, renovate the design or do other staff. So, this is an advantage because we are not completely dependent on our franchisor” – (GMFUk7).

Another Ukrainian participant operating international franchisee from developing country highlighted that franchising system gives opportunity to develop easily and swiftly, however, comparing to other well-established branded franchisees:

“We still need to market our company’s name more than global franchisees do, because we do not have famous and popular brand name comparing to McDonald’s, KFC and others” – (FOFUK).

All international franchisees agree that there is a need for autonomy from the franchisor to enable adaptation to domestic market and consumers’ demand and needs. On the other hand, they emphasise the significance and advantages of being in a franchise network, as franchisors provide already proven business methods and concepts, which give them competitive edge over their rivals. All international franchisees, therefore, follow the universal guidelines to ensure that the best standards and practices are delivered, and the brand reputation is maintained. Considering this, domestic fast-food companies struggle to remain competitive against international franchisees, as the latter have successful methods, standards and practices that are utilised throughout the world.

5.4. Research question two: How do local firms experience the effect of international franchising?

For the second research question, the domestic restaurateurs were asked about the benefits and challenges they experienced after the entrance of foreign franchisees in their markets; their business strengths and weaknesses comparing to franchisees; their opinions regarding the success factors of franchisees in their markets and overall franchisees effect on domestic companies. Local restaurateurs shared their views and concerns related to the intense competition due to the entrance of franchise companies in their markets. Accustomed to leading positions in their marketplaces, local restaurants faced an unexpected competition from international franchisees rapidly entering the market having a wide range of advantages: powerful brands, marketing and management skills, significant financial resources, advanced technology and superior services and products.

Local restaurateurs expressed the importance of available resources, staff performance and training. Participants indicated that they do not have sufficient financial resources to give appropriate training to staff like the global franchisees do and employees have less opportunities for future success and career growth. As the result, highly qualified staff are not attracted by the local companies and prefer to work in well-known franchisees, because they offer more opportunities for personal development and success. Therefore, the following themes involving increased competition and market share, available financial and

human resources, franchise standards and systems, employee training and customer perception training have been identified from the interviews in relation to the second research question.

5.4.1. Increased competition and market share

Seven out of eight participants from local restaurants in Georgia and Ukraine have expressed their concerns about the increased competition and market share since the arrival and establishment of global franchisees in their markets. Five out of six respondents from international franchise fast food restaurants also mentioned increased competition as one of the major challenges for domestic restaurants in Georgia and Ukraine. Based on the interviewees' answers, local fast-food restaurants compete on the basis of being able to provide competitively priced and locally known products to the customers against advertised and branded products and services delivered by franchise companies known worldwide. The intense competition from foreign competitors and the saturation of domestic firms tend to drive both profitability and sales down for local restaurants, and as a result, global franchise brands are gaining a larger part of the market share. The table below indicates whether participants commented on increased competition and market share or not.

Table 5.8: Theme development – increased competition and market share

Participant	Code	Increased competition and market share
Participant #1	GMFGe1	<p>“The main obstacle that our company faces in the local market is the intense competition and the reduction of customer purchasing power. Based on the latter, customers prefer to visit places that have cheaper products and services”</p> <p>“In my opinion, the presence of franchising companies in the Georgian market has a negative impact on local companies. It is very difficult to establish a successful business when there are many already established brands in the market and especially franchising companies with many years of experience related to operating a successful business”</p> <p>“After the entrance of franchisees in emerging markets, the competition has increased considerably and most of the big franchisees took the market share from local companies. As the result the sales and profitability for domestic companies have decreased”</p>
Participant #2	GMFGe2	N/A
Participant #3	OMFGe	<p>“One of the main difficulties in the local market is great competition and different ways for competitors to take advantage of the marketplace is challenging for us. The food industry in Georgia is very competitive and developed, although, the market is small, and brands are striving to maintain customers and to attract new ones”</p>

		<p>“Franchising has a great impact on local restaurants, as American and European franchisor fast food companies have already a proven business method”</p> <p>“The entrance of new franchisees in the market is affecting us, as competition increases, and we must work in a highly competitive environment. On the other hand, strong competition is more interesting, since it drives us to find new ways for attracting people”</p>
Participant #4	HoMFGe	<p>“The existence of franchising companies in foreign markets and especially in emerging countries has its advantages and disadvantages. It increases competition as by introducing new customs, food and services franchise firms attract a lot of consumers and the preference and demand for foreign-made food is increasing rather than locally produced foods”</p>
Participant #5	GMLGe3	<p>“The most important obstacle for us is the high competition between fast food restaurants in the local market. McDonald's is one of the main competitors for us, as it is already established and well-known fast-food company that attracts a lot of people. If there were not these kinds of branded companies, we would be more popular and attractive for most of the tourists, students and local people”</p> <p>“More franchisees are opening their shops in this market and the competition is getting higher. For instance, McDonalds has the greatest impact on our business. We have 6 branches in this country and in each location, we have McDonalds shops operating neighbourhood. Thus, tourists and young age people often prefer to visit the fast-food restaurant they already know that means the name of brand plays significant role for them”</p> <p>“Our company is in the process of positioning its name. We need more time and recourses such as financial to achieve competitive advantage. If we had more budget or other financial benefits, we would open more branches outside of capital, thus, it would help us to become more sustainable”</p>
Participant #6	CoDLGe1	<p>“In this market it is very difficult to achieve a competitive advantage, because there is less potential for business development, especially when the company has not enough resources”</p> <p>“Increasing competition has declined some of our sales, as many foreign companies that are producing similar products are trying to establish businesses in this market. Especially already known brands have attracted many customers. Their arrival was beneficial for customers, as they can benefit from wider choices now available for them. Before their arrival, we had more customers in our shops”</p> <p>“When we first started operations, our company had sustainable competitive advantage, however, with time and with the entrance of franchise companies we have lost competitive advantage and now we are trying to focus on recipe development and come up with the unique recipes in order to remain competitive in the market”</p>
Participant #7	GMLGe4	N/A
Participant #8	CoDLGe2	<p>“We are experiencing a high pressure from franchisees and the competition is very intense. However, healthy competition can be seen as a motivation for our company to perform better and successfully. In this country the most customers of fast-food restaurants are young age consumers, and we can notice that they love American brands, so we are sensing competition by the growing popularity of McDonald’s and other international chains”</p> <p>“We have lost our market share as they (international franchisees) are expanding and opening more shops in different locations”</p>

		“Until franchisees have not been in this market, we had more customers in our restaurant”
Participant #9	CoDLUk3	<p>“This market is getting more competitive with the companies from all over the world and the competition is increasing. The government is trying to attract more international companies and does not think about local fast-food restaurants”</p> <p>“We still try to achieve a competitive edge through differentiation, which plays significant role because as I mentioned before, we have open kitchen method where guests can see how the product is made”</p>
Participant #10	GMLUk5	“High competition is the main challenge in this country and buyers have many different options to choose”
Participant #11	CoDLUk4	<p>“After the entrance of foreign companies and especially franchisees the competition has increased and now, we are trying to maintain our loyal consumers. We are fighting all the time by creating something new that is different from franchisees. On the other hand, I like the practices they brought here that is good for business development in general”</p> <p>“They are competing at a different level. In my opinion local restaurants should rise their level to be more competitive”</p>
Participant #12	GMLUk6	“In general, franchisees existence in the market affects our sales and of course development. However, we are changing our business processes and practices and try to be competitive”
Participant #13	GMFUk7	“Franchisees have huge impact on local companies. Big global brands have a negative effect on our business, as they are well known and popular, thus, many customers visit them only based on a name and perception they have”
Participant #14	FOFUk	“It is challenging to achieve competitive advantage within few years especially without brand name and recognition in a foreign environment. In my opinion, operational period and durability in the market gives a company to increase its sales and profitability. Thus, after several years we will be more popular and attractive for customers”

Nowadays, customers can benefit from wider choices of fast-food restaurants in Georgia and Ukraine (CoDLGe1 and GMLUk5), as emerging markets have become attractive for international firms and more and more companies are trying to establish their businesses in those markets (CoDLGe1 and GMLUk5). The entrance and establishment of foreign franchise restaurants in developing countries such as Georgia and Ukraine have resulted in declining numbers of customers and steady decrease in revenue for local firms (CoDLGe2 and GMLUk6).

GMLGe3, CoDLGe1 and CoDLGe2 who are operating restaurants in Georgian market illustrated that before the entrance of franchisors more consumers were buying products from local restaurants and, if there were no multinational branded companies, domestic restaurants would have been more attractive and popular among tourists and residents:

“In this country the majority of customers of fast-food restaurants are young consumers, and we can notice that they love American brands. We had a lot of buyers in their mid-20s before the arrival of big brands and now we can see that

we are losing them rapidly. We have lost our market share as well-known firms are expanding and opening more shops in different locations” – (CoDLGe2).

General manager of local restaurant in Georgia indicated that:

“More franchisees are opening their shops in this market” and “McDonald's is one of the main competitors for us, as it is already established and well-known fast-food company that attracts a lot of people. If it were not for these kinds of branded companies, we would be more popular and attractive for most of the tourists, students and local people” – (GMLGe3).

Similarly to Georgian market, domestic food restaurants in Ukraine also struggle to compete against international companies especially because the government does not support them (CoDLUk3, GMLUk5 and CoDLUk4) –

“This market is getting more competitive with the companies from all over the world and the competition is increasing. The government is trying to attract more international companies and does not think about local fast-food restaurants” – (CoDLUk3).

Local restaurateurs have stated that one of the challenges of competing with franchise businesses is governments' strong support and promotion of franchising industry in both countries Georgia and Ukraine. Two of the Georgian and two of the Ukrainian local restaurateurs expressed their concerns about the benefits which are given to franchise companies rather than to domestic ones from the government (GMLGe3, CoDLGe1, CoDLUk3 and GMLUk6). One of the Georgian restaurateurs revealed that banks and other financial institutions offer them business loans and credits at such high rates of interest that is difficult for the company to repay in the future:

“The reality is that banks are giving us some credits and loans to support our businesses, however, the repayment and interest rate is huge, and we are not able to afford it. I think, the government should monitor the banks and introduce the rules that will be beneficial for local companies” - (GMLGe3),

While local Ukrainian restaurateur indicated that banks and other financial organisations refuse to assist small local fast-food chains to get financial help:

“The main challenge for us is the limited resources, banks and other financial institutions refuse to help us by giving us enough amount of credit, while they

agree to assist foreign multinational companies. As I think, they do not want to take a risk” - (GMLUk6).

Considering that emerging-market firms lack financial resources, they try to achieve competitive edge by differentiating from international franchisees in their markets. Some domestic businesses introduced the open kitchen method where customers can see the food preparation process and be fully involved in the entire process of production (CoDLGe2 and CoDLUk3). Others are focusing on traditional food that is targeting domestic residents, as well as tourists who prefer to try local and unique products (GMLGe3, CoDLUk4 and GMLUk6), while some local restaurants attract customers through cheap and affordable products and services (GMLGe3, CoDLGe1 and GMLUk5).

The entrance and existence of foreign established companies with heavily brand-driven strategies, large financial resources, knowledgeable and experienced management teams and branded products and services in emerging markets have become the major issue for local restaurants to compete effectively and resulted in decreased market share and increased competition. On the other hand, representatives of both local and franchise fast food restaurants agreed that:

“Competition does not allow to surrender” - (CoDLUk4)

and

“Strong competition is more interesting, since it drives us to find new ways of attracting people” - (OMFGe).

5.4.2. Financial and human resources

All four local Georgian and all four Ukrainian restaurateurs expressed their concerns regarding available financial and human resources. The lack of financial strength of the company, undesirable locations of its outlets and small numbers of branches are considered to be an issue for local restaurants in Georgia (GMLGe3, CoDLGe1, GMLGe4 and CoDLGe2). Most of the Ukrainian restaurateurs shared their concerns on the issue of human and financial resources including attracting and keeping qualified and knowledgeable employees through offering career development, growth opportunities and competitive salary (CoDLUk3, GMLUk5 and CoDLUk4). Thus, emerging-market firms agreed that they

struggle to compete against foreign franchisees due to limited financial and human resources.

The table below shows respondents answers related to those resources.

Table 5.9: Theme development – financial and human resources

Participant	Code	Financial and human resources
Participant #1	GMFGe1	“In this market we can easily get financial assistance from banks”
Participant #2	GMFGe2	<p>“The main challenge for our company in this market is finding good staff in our field, because there are mostly young people and students willing to work with us who are mainly engaged in learning and the job is secondary for them. Of course, we do work with students, but the learning process affects their quality. So, the main obstacle is finding right people”</p> <p>“We have enough financial resources so that we do not need to get loans”</p>
Participant #3	OMFGe	“Government and banks provide financial assistance in case we need it, which helps us to develop more”
Participant #4	HoMFGe	N/A
Participant #5	GMLGe3	<p>“Difficulty that our company is experiencing is lack of financial support from the government, as they try to attract more multinational companies. The reality is that banks are giving us some credits and loans to support our businesses, however, the repayment and interest rate is huge, and we are not able to afford it”</p> <p>“If we had more budget or other financial benefits, we would open more branches outside of capital, thus, it would help us to become more sustainable”</p>
Participant #6	CoDLGe1	<p>“It is hard for small restaurants to take the business loan and to progress based on the financial resources. If this restaurant was in the city center, it would have more consumers, the price for rent or to buy the place for the business in the center is very expensive and we can’t afford it”</p> <p>“it is difficult in this market to find qualified and punctual staff who has a sense of responsibility”</p> <p>“We do not have enough resources to compete with them properly. They have capital for marketing that I think is one of the key success factors for their achievements. Through the use of advertising, the company can gain popularity very quickly and effectively.”</p>
Participant #7	GMLGe4	<p>“I think the secret of our success is our employees and how our company treat them”</p> <p>“The major weakness for us is the lack of capital and financial resources comparing to franchisees”</p>
Participant #8	CoDLGe2	“In terms of finance, it is difficult to get additional funds for my company because the rates of loans are quite higher”
Participant #9	CoDLUk3	“These multinational franchise companies offer more benefits and money to their employees, and they are trying to attract the best workers. In general, in this country [Ukraine] people have really bad work ethic and when you are not able to offer good money, they are not trying to be efficient and to achieve companies’ goals”
Participant #10	GMLUk5	N/A

Participant #11	CoDLUk4	“We need more financial resources for that. Furthermore, in Ukraine in general there are inefficient tax and legal system which highly impacts local businesses”
Participant #12	GMLUk6	“The main challenge for us is the limited resources, banks or other financial institutions refuse to help us by giving us enough amount of credit, while they agree to assist foreign multinational companies”
Participant #13	GMFUk7	N/A
Participant #14	FOFUk	“Hiring productive employees is really a big challenge for us”

Most of the domestic firms do not have enough capital, funds and financial support for marketing, staff development and business expansion (GMLGe3, CoDLGe1 and GMLGe4). Georgian restaurateurs found it difficult and challenging to open and operate in good locations, which are easy and convenient for customers to access (CoDLGe1 and CoDLGe2). Based on the interviewees’ experiences, location of the company has significant role in attracting more consumers involving residents and tourists:

“We have lost our market share as they [international franchisees] are expanding and opening more shops in different locations, which are convenient for many customers, as well as, easy to access. We had more customers in our restaurant, until franchisees came in this market” – (CoDLGe2).

Furthermore, CoDLGe1 stated that to buy or rent a place in the city centre is expensive and because of the company’s financial resources the company is incapable to open and operate the business in attractive locations for consumers:

“If this restaurant was in the city centre, it would have more consumers, but the price for rent or to buy the place for the business in the centre is very expensive and we can’t afford it” – (CoDLGe1).

Most of the local restaurateurs in Georgia and Ukraine stated that they are unable to get additional funds from the banks and financial institutions, because the interest rates are high:

“In terms of finance, it is difficult to get additional funds for my company because the rates of loans are quite higher” – (CoDLGe2).

Also, local companies do not have the support from the government and there are:

“Inefficient tax and legal system which highly impacts local businesses” – (CoDLUk4).

Lack of financial resources and availability to get additional funds put domestic companies in disadvantage comparing to franchisees:

“It is hard for small restaurants to take the business loan and to progress based on the financial resources. We do not have enough resources to compete with them properly. They have capital for marketing that I think is one of the key success factors for their achievements” – (CoDLGe1).

In addition, based on the respondents’ answers, emerging-market firms in Georgia and Ukraine face the challenge of acquiring skilled, experienced, and knowledgeable staff (CoDLGe1, GMLGe4, CoDLGe2, CoDLUk3 and GMLUk5). Depending on the lack of capital some companies are unable to provide appropriate training for their employees. Company owner of local restaurant in Georgia indicated that:

“We have just a general training, when we are hiring new people, we put them straightaway in practice, as we cannot provide training because of lack of financial resources” – (CoDLGe1).

CoDLUk3 who manages the domestic fast-food restaurant in Ukraine illustrated that international franchise companies are attracting the best employees, as they are offering more advantages including personal development and higher salary:

“These multinational franchise companies offer more benefits and money to their employees, and they are trying to attract the best workers. In general, in this country [Ukraine] people have really bad work ethic and when you are not able to offer good money, they are not trying to be efficient and to achieve companies’ goals” - (CoDLUk3).

Local Ukrainian restaurateur emphasized that substantial differences can be found between the productivity level and quality of employees working in franchise and local fast-food restaurants (GMLUk5). Based on his response, staff in franchise fast food companies provide better customer service, are polite and more friendly, which is significant for any business to attract consumers. International franchisees provide constant trainings for their staff and maintain and develop standards that are proven to be successful in various markets (GMFGE1, GMFGe2, OMFGe and HoMFGe). On the other hand, domestic fast-food restaurants with fewer financial resources are unable to train their employees and develop knowledge, thus, they operate with lower standards and compete at a different level than international franchisees (CoDLGe1 and CoDLUk4). Domestic fast-food restaurateurs in Ukraine and Georgia, which do not have career development opportunities and do not offer competitive salaries may struggle to compete for talented and highly qualified employees. This issue is further discussed in the following section.

None of international franchise restaurateurs in Georgia mentioned having issues with available financial and human resources. However, developing-country franchisees in Ukraine have the same obstacles as the local-market restaurants.

5.4.4. Employee performance

Seven out of eight domestic fast-food restaurateurs in Georgia and Ukraine shared their concerns related to the issues of employee training, performance, personal development opportunities and work ethics. Lack of training and lower salaries in domestic companies result in reduced productivity and negative work ethic that directly affects the company's performance. Based on the respondents' answers local fast foods could not compete effectively against global franchisees, as the latter have well-trained, more productive, motivated and satisfied employees compared to them. The table below indicates respondents' answers related to the theme.

Table 5.10: Theme development – Employee performance

Participant	Code	Employee performance
Participant #1	GMFGe1	“One of the main reasons for our success is highly qualified staff”
Participant #2	GMFGe2	<p>“We put a lot of emphasis on employees, because if the employee is highly qualified and does his / her job perfectly that meets the company's requirement then the firm will work very effectively and perfectly”</p> <p>“There are mostly young people and students willing to work with us who are mainly engaged in learning and the job is secondary for them. Of course, we do work with students, but the learning process affects their quality. So, the main obstacle is finding right people”</p>
Participant #3	OMFGe	N/A
Participant #4	HoMFGe	“Several years ago, when we first opened our shop, the population was used to unfriendly service and old-fashioned style restaurants. However, in recent years, with the entrance of foreign companies the situation has changed. Our company was one of the firsts who brought the nice ambience, friendly staff, good service and rich décor, and people really loved and used to this new environment and experiences”
Participant #5	GMLGe3	N/A
Participant #6	CoDLGe1	“The main weaknesses we are experiencing in this market is the work ethics, which guides the work behaviour. Negative work ethic leads to lack of productivity, consistency, trustworthiness and so on. It can be improved by providing proper training; however, we do not have enough resources for that. It is difficult in this market to find qualified and punctual staff who has a sense of responsibility”
Participant #7	GMLGe4	“I think the secret of our success is our employees and how our company treat them”

		“Employees with lower salaries are not so productive and efficient, they do not have enough motivation to do their best”
Participant #8	CoDLGe2	“The main weakness for us comparing to franchisees is that it is difficult for us to hire and maintain dedicated staff. We are small company, and it is hard to attract qualified and knowledgeable staff as there is less opportunity for progress, because our company is small. However, in big franchisees employees are more motivated as they see potential for their personal development”
Participant #9	CoDLUk3	“These multinational franchise companies offer more benefits and money to their employees, and they are trying to attract the best workers. In general, in this country people have really bad work ethic and even in the situation when you are not able to offer good money and training, they are not trying to be efficient and to achieve companies’ goals. The best workers always have option to choose”
Participant #10	GMLUk5	“The weakness is always the approach of employees; the quality and productivity of workers seems to be different. I can see that all of the employees in franchise fast foods trying to be more polite, friendly and to provide great customer service, but in local restaurants it is difficult to find the staff treating customers in the same way. This is due to the training they receive permanently and organisational culture”
Participant #11	CoDLUk4	“Customer service plays an important role for customer attraction, but the major problem for me in this business is employing good workers who are really dedicated and hardworking”
Participant #12	GMLUk6	“The work ethics needs to be improved in this market. In work ethic and improvement, I mean workers are not productive, they do not work hard, the habits should be changed, and they should be more focused on the tasks they are given. However, as it feels they are less motivated because they do not have high salary and have less opportunity for successful career”
Participant #13	GMFUk7	“Another challenge is workers attitude, which needs more training to improve productivity and service. The challenge is that comparing to big international franchisees, our franchisor does not provide permanent training for us or for new employees and we need to cover costs for that”
Participant #14	FOFUk	“Hiring productive employees is really a big challenge for us. The working attitude of Ukrainian people is completely different what we were expecting. Therefore, we try to train them and make more knowledgeable about great customer service, which is quite expensive for us”

Poor work ethics has been identified as one of the main weaknesses for domestic restaurateurs in Georgian and Ukrainian fast-food companies (CoDLGe1, CoDLUk3 and GMLUk6). Employees with solid work ethic can contribute to the achievement of the organisation’s vision and goals, while –

“Negative work ethic leads to lack of productivity, consistency and trustworthiness” – (CoDLGe1).

From the point of view of Georgian local restaurant’s owner, his company would benefit from having the staff with strong work ethic:

“The main weaknesses we are experiencing in this market is the work ethics, which guides the work behaviour. Negative work ethic leads to lack of productivity, consistency, trustworthiness and so on. It can be improved by providing proper training; however, we do not have enough resources for that. it

is difficult in this market to find qualified and punctual staff who has a sense of responsibility” – (CoDLGe1).

GMLUk6 who manages the local restaurant business in Ukraine indicated that lower salaries and less opportunities for personal development leads to lack of motivation in the workplace:

“The benefit is that you can hire low-cost workforce in this country. However, the work ethics needs to be improved in this market. In work ethic and improvement, I mean workers are not productive, they do not work hard, the habits should be changed, and they should be more focused on the tasks they are given. However, as it feels they are less motivated because they do not have high salary and have less opportunity for successful career” – (GMLUk6).

GMLGe4 who operates local Georgian restaurant also addressed similar issues such as less motivation, productivity and efficiency of an employee related to the lower salary. His company decided to provide other benefits to motivate his staff:

“Employees with lower salaries are not so productive and efficient, they do not have enough motivation to do their best. That is why our restaurant management is providing free meal to our staff and some more incentives to make our workers happy and determined” – (GMLGe4).

CoDLGe2 from Georgia and CoDLUK3 from Ukraine specified that company’s size and success play a significant role in attracting qualified and knowledgeable workforce and many skilled employees are interested in working in international franchisees:

“The main weakness for us comparing to franchisees is that it is difficult for us to hire and maintain dedicated staff. We are small company, and it is hard to attract qualified and knowledgeable staff as there is less opportunity for progress. However, in big franchisees employees are more motivated as they see potential for their personal development. They can progress from their current position, as franchisees are opening more and more branches in the market, and they need people with the experience and are progressing internal staff rather hiring new ones” – (CoDLGe2).

One of the best ways of improving work ethic and employee performance, including customer service and behaviour, is training and development (CoDLGe1, CoDLGe2, CoDLUk3, GMLUk5 and CoDLUk4). Based on the respondents’ answers, training presents a major opportunity to expand the knowledge base and skills for workforce. However, many domestic companies find development opportunities expensive and with fewer financial

resources they are not able to provide appropriate training to their staff (CoDLGe1 and CoDLUk4). Employees who receive the necessary training can perform better and be more productive, as they gain an understanding and deeper knowledge about their responsibilities, which in turn increases their confidence (CoDLGe1 and CoDLUk4). The findings show that lack of training puts company at disadvantage –

“We have just a general training, when we are hiring new people, we put them straightaway in practice, as we cannot provide training because of lack of financial resources. I think this affects our business performance, as untrained staff will lead to a bad performance “- (CoDLGe1).

Company owner of Georgian local restaurant also highlighted that training is beneficial for the entire business process, as having well-trained staff means that employees have opportunity to learn new skills and enhance knowledge, which can improve production, reduce costs, and cut time spent in creation of products and services. However, due to the fewer financial resources, his company is unable to spend money on employee training that creates a competitive barrier for his firm.

Similarly to domestic fast food restaurateurs, all the four respondents from international franchise companies in Georgia emphasized the importance of employee training as it is one of the crucial factors for company’s development and success. All the respondents indicated that franchisors are engaged in providing systematic training for franchisees in different markets. Most of them have online training courses and various computer-based programs (GMFGe1, GMFGe2 and HoMFGe), while some are invited to travel overseas to the headquarters offices to develop the knowledge and understand new trends and experiences (OMFGe). As illustrated by the franchisee respondents in Georgia, franchisors utilise ongoing training to add value and improve the job performance, which directly leads to competitive advantage (GMFGe1, OMFGe and HoMFGe).

On the other hand, comparing to international successful firms operating in Georgia, emerging-country franchisees in Ukraine struggle to get support from the franchisor related to the employee training and performance. As mentioned by the general manager and franchisee owner in Ukraine, even though the franchisor gave them business knowhow and operational knowledge, they do not have permanent training from the franchisor, and they need to cover the costs of staff development themselves:

“The challenge is that comparing to big international franchisees, our franchisor does not provide permanent training for us or for new employees and we need to cover costs for that” – (GMLUk7),

“Hiring productive employees is really a big challenge for us. The working attitude of Ukrainian people is completely different what we were expecting. Therefore, we try to train them and make more knowledgeable about great customer service, which is quite expensive for us” - (FOFUK).

To sum up, domestic fast-food restaurants, as well as developing-economy franchisees in emerging markets like Georgia and Ukraine face challenges in acquiring skilled workers who have strong work ethics. Without having enough financial resources domestic companies are not able to provide appropriate training to increase staff knowledge and improve customer service. It puts them at disadvantage comparing to the global well-established franchisees.

5.4.5. Customer perception

Customer perception summarises how consumers feel about the brand involving direct and/or indirect experience they have had with the firm. It has been found as another significant theme, which leads to a better competitive edge and impacts buyer’s decision-making process. Several factors have been identified that highly influence individual’s perception towards the company, involving personal experience, prestige, brand image and advertising. Six out of eight domestic fast-food restaurateurs were worried about customers preferring international well-established branded companies based on their perception. The table 5.11 shows respondents’ answers related to the theme.

Table 5.11: Theme development – Customer perception

Participant	Code	Customer perception
Participant #1	GMFGe1	“One of the main reasons for our success is highly qualified staff”
Participant #2	GMFGe2	“Based on our experience, our brand name influences the decision-making process of customers. We are having many customers who have heard about our brand and only after that they were willing to try our products. In my opinion, customers do not prefer to try or buy products from unknown restaurants they have never heard of before. Our global reputation of providing great customer service and products impacts customer perception that gives us competitive edge and loyal customers”
Participant #3	OMFGe	“One of the major reasons for that is brand perception and the prestige we have achieved internationally. Particularly, in this market, brand recognition has a determinant factor on our

		company's success, as young and middle-age consumers pay huge attention on brand name and also prefer to buy Western products rather locals."
Participant #4	HoMFGe	N/A
Participant #5	GMLGe3	"The power of advertising and merchandising while watching TV or social media makes customers to purchase their products. It changes their perceptions and expectations, so consumers think that franchisees have the best quality food and services."
Participant #6	CoDLGe1	"People started run to into Domino's Pizza because of their perception towards brand name"
Participant #7	GMLGe4	"In Great Britain or in The United States, McDonald's and other multinational companies may be perceived as a source of cheap fast food, while the same company and system in Georgia may be a trendy and higher-class restaurant where the visit is prestigious"
Participant #8	CoDLGe2	"Branding plays an important role in customer attraction. Nowadays, buyers are getting familiar with brand companies through billboards, social media, television or movies. That is why in Georgia, it is not uncommon to see consumers buy a coffee from a well-known and branded company and then keep the branded cup the whole week as a prestige symbol"
Participant #9	CoDLUk3	N/A
Participant #10	GMLUk5	N/A
Participant #11	CoDLUk4	"Franchisees such as KFC, McDonald's are having a lot of branches and because of their worldwide recognition they are already famous in our country. Based on the brand recognition they are attracting many students and foreign tourists who already have experience of visiting those restaurants in other countries. Thus, they perceive that the branded company will provide the same standards everywhere"
Participant #12	GMLUk6	N/A
Participant #13	GMFUk7	"Franchisees have huge impact on local companies. Big global brands have a negative effect on our business, as they are well known and popular, thus, many customers visit them only based on a name and perception they have"
Participant #14	FOFUk	N/A

CoDLUk3 who operates the local restaurant in Ukraine related the power of brand to buyer's perceptions towards brand reputation and promise:

"Franchising has a great impact on our business because of their name recognition and reputation. I believe the power of brand has a significant impact on consumers perceptions, as in buyer's mind, franchisor's brand name is equal to its reputation, and they are expecting to have a great experience related to brand promise" – (CoDLUk3).

While GMLGe3 who manages the fast-food restaurant in Georgian market pointed out that advertising has the power to change and shape customer perception on the quality of the service and products:

"The power of advertising and merchandising while watching TV or social media makes customers to purchase their products. It changes their views and

expectations, so consumers think that franchisees have the best quality food and services” – (GMLGe3).

Similarly, local restaurant owner in Georgia believed that international brands with enough resources to advertise their brand globally influences individual’s perception toward the company. After the entrance of global well-known and branded franchisee, his restaurant experienced decline in number of consumers, decreasing market share and competitive advantage. He specified that the existence of franchisees in the market increases buyers’ expectations:

“I think existence of franchisees here in this market have changed local people’s perceptions when it comes to supporting domestic companies. In my opinion people’s expectations are increasing regarding our services and they expect us to do things as franchisees” – (CoDLGe1).

Local restaurateurs in Ukraine expressed their concerns regarding perceptions of not only residents, but also tourists in their market (CoDLUk3 and CoDLUK4). Respondents highlighted that tourists especially are attracted by the international franchisees, as they are influenced by their previous experience, and they are expecting that the companies provide the same level of quality and standards they are used to:

“Tourist’s perception of having same standards in a foreign environment influences our company’s sales. Comparing to us, franchisees attract many tourists as they know that they can have the same services and products in every part of the world” – (CoDLUK3).

As pointed out by the manager of a Georgian local restaurant, the differences can be found between the perception of customers in developed and developing countries where the buyers are influenced by the prestige of the brand:

“In Great Britain or in The United States, McDonald’s and other multinational companies may be perceived as a source of cheap fast food, while the same company and system in Georgia may be a trendy and higher-class restaurant where the visit is prestigious” – (GMLGe4).

In addition, local company owner illustrated that consumer’s behaviour is highly influenced by the perception of prestige in Georgian market:

“That is why in Georgia, it is not uncommon to see consumers buy a coffee from a well-known and branded company and then keep the branded cup the whole week as a prestige symbol” - (CoDLGe2).

As mentioned by the developed-market franchisee restaurateur, one of the advantages that his franchisee has comparing to local businesses is that his company has achieved brand perception and prestige globally, thus, attracting huge percentage of young, as well as middle-aged consumers (GMFGe1). Likewise, GMFGe2 and OMFGe emphasised the role of international brand reputation and image on consumer’s perception towards the products and services of their franchisees, resulting in increased competitive edge and number of loyal consumers. General manager of international franchisee in Georgia highlighted that:

“Based on our experience, our brand name influences the decision-making process of customers. We are having many customers who have heard about our brand and only after that they were willing to try our products. In my opinion, customers do not prefer to try or buy products from unknown restaurants they have never heard of before. Our global reputation of providing great customer service and products impacts customer perception that gives us competitive edge and loyal customers” – (GMFGe2).

The findings revealed that comparing to well-established branded firms, emerging-market franchisees do not have the same advantages of positive customer perception. The reason behind it is that the brand name is not as recognisable, and they do not have the same level of prestige. Therefore, prestige has been identified as a significant predictor of consumer behaviour in Georgian and Ukrainian markets, which can motivate purchase decision, primarily when the brand can be publicly showed-off.

To sum up, brand prestige, previous experience, and perceived quality, which shape customer perception, have substantial role in attracting consumers and achieving a competitive advantage. Local fast-food restaurants in Georgia and Ukraine who do not have recognizable brand name, prestige symbol and perceived quality struggle to remain competitive against international franchisees. Even franchisees from developing country face the same challenges as local fast-food restaurants as they lack recognisability and positive customer perception.

5.5. Research question three: How do local businesses defend their market position and gain a competitive advantage in emerging market?

For the third research question, local restaurateurs in Georgia and Ukraine were asked about the business methods they use; what the key resources and capabilities of their companies are; how they attract consumers; how they achieve a competitive advantage and how they remain competitive in their markets. The domestic businesses suddenly face overseas competitors entering their markets with many benefits in terms of financial resources, powerful brand name, global marketing, superior customer service, technological innovation, and operational and management skills.

However, based on the respondent's answers, foreign multinational companies including franchisees do not hold all the advantages. Even though, local companies are experiencing various challenges, they are able to survive in the market, as they are independent and have more freedom to adjust to the local needs. In addition, they can use differentiation strategy and are able to replicate the standards and system of international franchisees. As pointed out by most of the participants, Georgian and Ukrainian customers have strong preferences toward national/traditional products. Cheaper and affordable prices have been identified as other reasons for visiting local restaurants, as international franchisees are rather expensive. On the other hand, international franchisees from developed markets have less autonomy and freedom to adjust their context, products, and prices, as they are managed by the parent companies.

Unexpectedly, the establishment of successful franchisees in emerging markets, has also brought some benefits for domestic businesses. Many local restaurants in Ukraine and Georgia started adapting higher standards of customer service and changing an existing culture. Another improvement brought by the international franchisees is technological development and innovation.

Based on the participants' answers to the third research question, four major themes have been identified: product differentiation, pricing strategy, customer service and technological innovation.

5.5.1. Product differentiation / localisation

Domestic companies in Georgian and Ukrainian markets use product differentiation to achieve a competitive edge. Most of the international franchise companies have standardised menus that they use globally, and they do not have the flexibility to adjust to the local market

needs. Domestic fast-food restaurateurs indicated that they are focusing on traditional cuisine to defend their positions in the market. They use traditional seasonings, herbs, and spices to make their products unique and appeal to the cultural preferences and tastes of Ukrainian and Georgian consumers. Furthermore, domestic companies use fresh, nutritional, and natural ingredients that are produced locally, thus, attracting consumers who prefer to visit domestic restaurants, as they believe that they have better quality. The table below indicates respondents' answers related to the theme.

Table 5.12: Theme development – product differentiation / localisation

Participant	Code	Product differentiation / localisation
Participant #1	GMFGe1	N/A
Participant #2	GMFGe2	N/A
Participant #3	OMFGe	N/A
Participant #4	HoMFGe	“In our case, we are dictated from our franchisor how to operate, which products to sell and in general how to run the business, which means we have less options for creativity”
Participant #5	GMLGe3	<p>“We also have more traditional dishes which is one of the key success factors for our restaurant, which target residents, as well as tourists”</p> <p>“We maintain our old products that are mostly traditional national dishes and try to bring and add new products, as well as details every year whether on the menu or on the exterior design. We utilize specific seasonings and ingredients to make our products authentic”</p> <p>“One of our advantages in the Georgian market is that our restaurant is focused on local national dishes, which attracts locals as well as tourists who want to taste new products that they have never tasted before. Also, the lifestyle of local population is changing, as they started outdoor dining and business meetings”</p>
Participant #6	CoDLGe1	“We have been first in this market which started producing different cuisine, thus, I think differentiation played significant role in our success”
Participant #7	GMLGe4	<p>“The main idea behind our restaurant is to make traditional, tasty, organic and fresh food. Consumer’s expectations are high towards domestic companies as they know that most of us do not utilise imported products and ingredients”</p> <p>“We can change our menu based on the local customer’s demand, as we own our business, while franchisees have less innovative products, and they are managed by the main franchisor from the different country.”</p>
Participant #8	CoDLGe2	“We are focused on the local dishes which are made by the quality ingredients. From it’s very first days, Mada is offering healthy food. Nowadays, Georgians are quite sensitive to the quality of goods they consume, and the demand is increasing on healthy and ecologically clean food. We do not use chemical ingredients and frozen food that assist us to achieve competitive advantage”
Participant #9	CoDLUk3	“The trend is changing in this market. Tastes and preferences of local people is getting different as it was before. The demand is increasing on vegetables and dairy free products, which means we need to change our menu and to develop new products and ingredients in order to maintain loyal customers and to attract new ones”

Participant #10	GMLUk5	“All our branches follow the same business format of offering traditional food items which are popular among local residents. In our restaurant, the guest can grab a tray and select their dishes from the counter, pay at the nearest till and then find an empty table”
Participant #11	CoDLUk4	<p>“The major characteristic of our restaurant is that all pelmeni and dumplings are handmade and incredibly tasted food, which attracts a lot of local, as well as foreign guests. We are following special authors recipes and have just only natural ingredients and farm products that are passing the incoming quality control every day”</p> <p>“We are very flexible comparing to franchisees. We can change our menu, recipes and products, but I think they are very limited in choices. As I know some of the franchisees have standardised menu and items which are not suitable for every nation and country. For instance, we always follow customer demands and based on their preferences we are changing or adding more products and come up with new and unique ideas, as well as using healthy and organic food which is gaining popularity within customers”</p>
Participant #12	GMLUk6	<p>“Our unique format is based on a specific dish of baked potatoes with some sandwiches and appetizing fillers. Ukrainian love potatoes and that was the main idea for us to set up a restaurant which would attract most of the residents”</p> <p>“The main capabilities are that we can provide different kind of products which are fresh and high quality at cheaper prices, also good customer service”</p>
Participant #13	GMFUk7	“We are offering just Georgian cuisine, which is the key success for our company to attract Ukrainians, as they love Georgian food”
Participant #14	FOFUk	“The main strategy is differentiation and to provide quality products. Differentiation of products makes us successful”

All of the domestic Ukrainian restaurateurs (CoDLUk3, GMLUk5, CoDLUk4 and GMLUk6) and three out of four Georgian ones (GMLGe3, GMLGe4 and CoDLGe2) illustrated that their companies are providing traditional national dishes with specific seasonings and ingredients, which attracts residents, as well as tourists who want to try local cuisine. Providing distinctive traditional products gives local fast-food companies some advantage of scale comparing to franchisees:

“There are still many customers who purchase fast food rarely and prefer to buy local, traditional, and healthy food. This makes us competitive in the market” – (GMLGe3).

The general manager of a Georgian local restaurant exemplified that one of the key success factors for his restaurant is that it offers “Georgian homemade dishes” (GMLGe4). Furthermore, most of the local restaurants utilise natural, fresh, and organic ingredients, which are not frozen or imported from overseas (GMLGe3, GMLGe4 and CoDLGe2) -

“Nowadays, Georgians are quite sensitive to the quality of goods they consume, and the demand is increasing for healthy and ecologically clean food. We do not use chemical ingredients and frozen food” – (CoDLGe2).

As pointed out by the GMLUk6, one of the success factors of his restaurants in Ukraine is that it targets specific segment of consumers (residents), who “love potatoes”. The unique format and the major idea for setting up his restaurant was based on a specific dish of baked potatoes with appetizing fillers. Also, another restaurateur in Ukraine indicated that:

“The major characteristic of our restaurant is that all pelmeni and dumplings are handmade and are incredibly tasty, which attracts a lot of local, as well as foreign guests” – (GMLUk5).

With the rising health awareness among buyers, the demand for fresh, healthy and nutritional food has increased considerably. It has made many organisations in the fast-food industry to alter their menus and introduce new items, which will meet consumer’s requirements and satisfy their demands. Domestic restaurants have adapted their strategies by changing and adding new dishes to their menus (GMLGe3, GMLGe4, GMLUk5 and CoDLUk4).

Local restaurateur in Ukraine stated that:

“We are very flexible comparing to franchisees. We can change our menu, recipes, and products, but I think they are very limited in choices. As I know some of the franchisees have standardised menu and items which are not suitable for every nation and country. For instance, we always follow customer demands and based on their preferences we are changing or adding more products and come up with new and unique ideas, as well as using healthy and organic food which is gaining popularity within customers” – (CoDLUk4).

The general manager of another domestic restaurant in Ukraine illustrated that the competitiveness of his company is based on the:

“Unique combination of fast-food concept with the ideas of healthy and nutritious food, as well as a special ingredient in the cooking process. Every consumer literally prepares her or his own meal by adding to the diet baked potatoes, which maintain maximum nutrients, fresh salads, cheese, meat, or other juicy sides to their liking. Nowadays, people prefer to eat healthy food that is why we are competitive in the market. Most of franchisees are offering junk food that is not attractive for people” – (GMLUk6).

The traditions and customer preferences are changing with time and companies need to alter their products and services to remain competitive:

“In old times, in Ukraine, fresh sandwiches and bakery was not so popular as in other European countries and people preferred to eat traditional food which is like homemade meal. However, that tradition is changing, and we need to adopt new norms” – (GMLUk5).

Local restaurants are independent and can change menu, recipe and products based on their own decisions, while most of the international franchisees have the same standardised menus worldwide, which might not be attractive to all local tastes and preferences in different regions. The head of marketing of well-established international franchisee in Georgia indicated that his company’s franchisor has high level of autonomy and control over its franchisees that affects their business performance:

“On the other hand, it has some disadvantages regarding business operations. In our case, we are dictated from our franchisor how to operate, which products to sell and in general how to run the business, which means we have less options for creativity” – (HoMFGe).

Furthermore, the general manager of a developed-country franchise restaurant in Georgia explained that his company needs more freedom to adjust their products/services to local market conditions:

“We are highly dependent on our franchisor; we are unable to change the products or services that might fit more to local market demands; thus, we need freedom and autonomy. This would make us more competitive compared to local businesses” – (GMFGe1).

Similarly, general manager of another international franchisee in Georgia claimed that:

“The main disadvantage is less flexibility, as we are completely dependent on the decisions of the franchisor. This is because, our franchisor has already established brand name and therefore is worried about not to damage the reputation and name” – (GMFGe2).

Compared to global well-known franchisees, developing-country franchise restaurants in Ukraine have more flexibility and less control from the parent company that gives them a competitive advantage:

“Comparing to big franchisees like KFC, Domino’s Pizza or other companies we are more flexible, we can change the menu, renovate the design or do other

staff. So, this is an advantage because we are not completely dependent on our franchisor” – (GMFUk7).

Likewise, another developing-market restaurateur in Ukraine indicated that the relationship between the franchisor and franchisee is different from developed-market companies that gives more benefits:

“Our business operation differs from franchisees from developed countries, for instance: we can choose the shop locations or suppliers, as well as we can introduce or add new products to our menu and change the prices without the agreement with franchisor” – (FOFUk).

Based on the findings only one international well-established franchisee has the power to alter the products and services, while all other developed-market franchisees are controlled by the parent companies that mostly follow standardisation strategy. On the other hand, nearly all the domestic firms and emerging-market franchisees utilise localisation strategy through adapting to the local needs and requirements that gives them competitive advantage.

5.5.2. Pricing strategy

The economic stagnation and lower incomes in Georgia and Ukraine have resulted in decreasing purchase power of consumers. Many domestic fast-food restaurants decided to focus on customers, who make their choices based on the price rather than quality, prestige, or brand name. Therefore, they started offering their products and services at competitive and cheaper prices than international franchisees to survive in the market and maintain competitive edge. The table below demonstrates participants’ answers related to the theme – pricing strategy

Table 5.13: Theme development – pricing strategy

Participant	Code	Pricing strategy
Participant #1	GMFGe1	“Variety of discounts also play an ever-increasing role, with many locations across the city and of course promotion of our products” “Customers prefer to visit places that have cheaper products and services”
Participant #2	GMFGe2	N/A
Participant #3	OMFGe	“The economic situation in the country greatly changes the sales of our products, as soon as, the inflation rate is high, the purchase power of consumers immediately declines. Thus, we are highly affected by the current financial situation”

Participant #4	HoMFGe	“Nowadays, major problem in this country is buyers purchasing power, which is reducing with time. Economic condition in the country affects our business significantly. The biggest obstacle in this market is the preservation of prices, because with the currency fluctuation the price on our products is increasing sometimes and many consumers decide to visit places that offer cheaper price”
Participant #5	GMLGe3	“We have lower prices comparing to franchisees, as they do not sell their products cheaply in this market comparing to as they sell in big countries like US or Great Britain and other developed ones. They are quite expensive here, so price matters for customers here”
Participant #6	CoDLGe1	“We are trying to have stable prices but sometimes we cannot regulate it”
Participant #7	GMLGe4	“We offer discounts to our regular customers that helps us to maintain the loyal ones.”
Participant #8	CoDLGe2	N/A
Participant #9	CoDLUk3	N/A
Participant #10	GMLUk5	“We have stable and low prices. Our restaurant is considered one of the most popular places to eat on a budget in the city. We offer discounts for example for student and the student card holder can get a 10% discount on the products”
Participant #11	CoDLUk4	“We have customised our menu to local tastes, and we have competitive and affordable prices”
Participant #12	GMLUk6	N/A
Participant #13	GMFuk7	“We offer products at reasonable prices” “In this market, purchase decision is made based on the price and quality”
Participant #14	FOFuk	“We have stable and low prices comparing to other international franchisees that is why we have many residents and tourist visiting our company”

All of the domestic participants from Georgian market indicated that current economic situation affected the frequency of customers visits to fast-food stores and cheaper prices have become more attractive for residents (GMLGe3, CoDLGe1, GMLGe4 and CoDLGe2)

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“People have low salaries and most of the local citizens try to prepare food at home rather to eat outside” – (CoDLGe2).

“There are a lot of customers who make purchasing decisions based only on price rather than quality or other factors” – (GMLGe4).

General manager of local firm in Georgia highlighted that one of the strategies that his company is following to maintain the position of the restaurant in the market is offering the products at lower prices:

“We have lower prices comparing to franchisees, as they do not sell their products cheaply in this market comparing to as they sell in big countries like U.S. or Great Britain and other developed ones. They are quite expensive here, so price matters for customers here” – (GMLGe3).

Meanwhile, some of the domestic restaurants in Georgia retain their regular consumers based on the discounts so they stay loyal to the company:

“We offer discounts to our regular customers that helps us to maintain the loyal ones” – (GMLGe4).

CoDLGe1 indicated that even though his restaurant was one of the most successful companies in Georgian market, after the entrance of international franchisees the company’s sales has declined significantly and to survive in the market, the restaurant started offering products at cheaper prices. As the result, pricing strategy has become significant for the restaurant to sustain competitiveness in the market:

“When we first started operations, our company had sustainable competitive advantage, however, with time and with the entrance of franchise companies we have lost competitive advantage [...] having wider variety of products and affordable and cheap prices are our main components for competitiveness” – (CoDLGe1).

Likewise, in Ukraine, currency inflation and decreased purchase power of consumer led many buyers to find food restaurants that offer affordable prices (GMLUk5 and CoDLUk4). Two out of four restaurateurs in Ukraine stated that they remain competitive, as their restaurants sell the products at cheaper prices than franchisees, as well as offer different kinds of discounts (GMLUk5 and CoDLUk4) -

“We have stable and low prices. Our restaurant is considered to be one of the most popular places to eat out on a budget in the city. We offer different discounts, for example students card holder can get a 10% discount on the products” – (GMLUk5).

“We are trying to control our prices; however sometimes it is difficult because of Ukraine’s political and economic environment that lacks stability. In general, we are focusing on low-income consumer segment, as well as providing discounts that gives us competitiveness” – (CoDLUk4).

Decline in consumer purchase power in Georgian and Ukrainian markets also affected international franchisees. One of the general managers, who operates an American franchisee in Georgia, has claimed that his company is facing a huge challenge due to the reduction of customer purchasing power:

“Customers prefer to visit places that have cheaper products and services than us” – (GMFGe1).

Based on the answer of another international franchisee, the financial instability in the country highly influences their sales:

“The economic situation in the country greatly changes the sales of our products, as soon as, the inflation rate is high, the purchase power of consumers immediately declines. Thus, we are highly affected by the current financial situation” – (OMFGe).

In addition, as mentioned by the head of marketing of another global franchisee in Georgia, one of the major obstacles for his company in the market is reduced purchasing power and preservation of prices, as with the currency fluctuation the company is forced to increase the prices, which results in losing consumers. One of the biggest obstacles that international franchisees face in Georgian market is that they do not have control over the pricing, which is dictated by the franchisor, and they cannot adapt to the local economic situation.

In contrast, emerging-market franchisees in Ukraine implemented the same pricing strategy as local fast-food restaurants. As pointed out by the general manager and owner of international franchisees in Ukraine their companies offer products at affordable prices:

“We offer products at reasonable prices” – (GMFUK7),

which attracts many local consumers, as well as tourists -

“We have stable and low prices comparing to other international franchisees, that is why we have many residents and tourist visiting our company” – (FOFUK).

To sum up, economic situation in both countries has a great impact on both local and franchise companies. Whereas domestic firms and developing-market franchisees have the flexibility to alter their prices based on the consumer segment, the developed-country franchisees are constricted by their franchisors and are not able to adapt to the market environment and economic conditions they are operating in.

5.5.3. Customer service

In an increasingly competitive fast-food industry in countries like Ukraine and Georgia, local restaurants face the challenge of providing efficient and high-quality customer service in order to maintain consumers. The local restaurateurs recognised the importance of good customer service, as one of the major contributors to customer attraction and business growth, after the establishment of international franchising. As the result, domestic fast-food restaurants started focusing on improving the quality of customer service to maintain their place in the market and achieve competitiveness. The same challenge is faced by the emerging-market franchisees, who have similar practices and experiences to local firms. The table below shows respondents' answers for theme development.

Table 5.14: Theme development – Customer service

Participant	Code	Customer service
Participant #1	GMFGe1	“There are 3 components that make us more successful and exceptional within its competitors: high quality products, best and fast service, cleanliness”
Participant #2	GMFGe2	“We attract customers by providing great-tasting, high quality service and goods with affordable prices” “Our global reputation about providing great customer service and products impacts customer perception that gives us competitive edge and loyal customers”
Participant #3	OMFGe	“From the very first day of opening our shop in the market, we have achieved a competitive advantage. Quality, service and cleanliness - this is our triangle on which this company is based” “Yes, franchising has a great impact on local restaurants, as American and European franchisor fast food companies have already a proven business method. In my opinion, this is a very good opportunity and experience for the country to import and introduce high quality services and trends. Standards in great customer service such as: style, smile, friendly staff, all the practices are introduced and developed in the country”
Participant #4	HoMFGe	“Several years ago, when we first opened our shop, the population was used to unfriendly service and old-fashioned style restaurants. However, in recent years, with the entrance of foreign companies the situation has changed. Our company was one of the firsts who brought the nice ambience, friendly staff, good service and rich décor, and people really loved and used to this new environment and experiences”
Participant #5	GMLGe3	“We have the principle that the consumer should always be satisfied, no matter how problematic the customer is, we will try our best to make them happy and satisfied. Even if your menu involves some great and unique products, or the design of your restaurant is quite attractive, the consumer will remember the bad service and might not return to the branch next time”
Participant #6	CoDLGe1	“In Georgian market there is a need of employee training, as in my opinion most of the local restaurants need to improve their customer service”
Participant #7	GMLGe4	“We are focused on customer service and try to have friendly and helpful staff who will meet and surpass customers' expectations. It is significant, because poor customer service is often a deal breaker for buyers and company's development”

Participant #8	CoDLGe2	<p>“Service and production differentiation from our competitors are the main strategy and method for us to be successful, as well as our brand name”</p> <p>“Most franchisees have internal manner and standards of great customer service; we have to learn from them how to make our workers to perform better and to attract more customers with their service”</p>
Participant #9	CoDLUk3	N/A
Participant #10	GMLUk5	<p>“Our reputation that we achieved by exceptional service, tasted food and advertising are the key for us that gave us competitive advantage”</p> <p>“I can see that all of the employees in franchise fast foods trying to be more polite, friendly and to provide great customer service, but in local restaurants it is difficult to find the staff treating customers in the same way”</p>
Participant #11	CoDLUk4	“I think, customer service plays an important role for customer attraction, but the major problem for me in this business is employing good workers who are really dedicated and hardworking”
Participant #12	GMLUk6	“The main capabilities are that we can provide different kind of products which are fresh and high quality at cheaper prices, also good customer service”
Participant #13	GMFUk7	“Another challenge is workers attitude, which needs more training to improve productivity and service”
Participant #14	FOFUk	“Hiring productive employees is really a big challenge for us. The working attitude of Ukrainian people is completely different what we were expecting. Therefore, we try to train them and make more knowledgeable about great customer service, which is quite expensive for us”

All four domestic restaurateurs in Georgia indicated that their fast-food companies consider customer service as significant contributor for buyers’ retention:

“Even if your menu involves some great and unique products, or the design of your restaurant is quite attractive, the consumer will remember the bad service and might not return to the branch next time” – (GMLGe3),

as well as, for business growth –

“Poor customer service is often a deal breaker for buyers and company’s development” – (GMLGe4).

Domestic companies struggle to provide appropriate customer service and interview participants agreed that local restaurants should change and adopt new standards, which is crucial for maintaining and attracting guests (GMLGe3, CoDLGe1, GMLGe4 and CoDLGe2). Local restaurant owner in Georgia addressed the issue of negative employee performance and attitude resulting in poor customer service:

“In Georgian market there is a need of employee training, as in my opinion most of the local restaurants need to improve their customer service. It is essential to develop the skills of every worker and to train how to engage with consumers and make them to return to your restaurant” – (CoDLGe1).

Similarly, in Ukraine delivering high quality customer service is a challenge due to employee performance, as expressed by the three local restaurateurs (GMLUk5, CoDLUk4 and GMLUk6). The owner of domestic restaurant in Ukraine indicated that his company struggles to hire good productive workers who can contribute to quality customer service:

“I think, customer service plays an important role for customer attraction, but the major problem for me in this business is employing good workers who are really dedicated and hardworking” – (CoDLUk4).

Furthermore, general manager of another local restaurant in Ukraine claimed that the employees’ work ethic in local companies need to be improved:

“In work ethic and improvement, I mean workers are not productive, they do not work hard, the habits should be changed, and they should be more focused on the tasks they are given” – (GMLUk6).

The emerging-market franchisees also claimed that customer service depends heavily on employees’ performance and approach towards buyers, thus the training and development of staff is essential (GMFUk7 and FOFUk) -

“Another challenge is workers attitude, which needs more training to improve productivity and service” – (GMFUk7).

On the other hand, while all of four interview respondents from international franchisees in Georgia expressed the significance of providing high-quality customer service, none of them mentioned poor work performance and customer service as the challenge for them, as main franchisors provide permanent training (GMFGe1, GMFGe2, OMFGe and HoMFGe).

Highly competitive environment in food industry in Georgia and Ukraine forces domestic firms to evaluate the strengths and weaknesses of theirs and competitors’ performances. Some local companies expressed that there is a benefit from the entrance and establishment of international franchisees in their markets, as they try to observe and imitate their higher standards, novel practices, and superior service (GMLGe3, CoDLGe1, GMLGe4 and CoDLGe2) -

“In my opinion the major benefit of the entrance of franchisees in this market is that they brought their superior customer service, which was unusual to this market” – (GMLGe4)

“Most franchisees have meticulous standards of great customer service; we have to learn from them how to make our workers to perform better and to attract more customers with their service” - (CoDLGe2).

The entrance of franchisees in developing countries brought new experiences and opportunities for domestic firms to improve their business performance. HoMFGe who is the head of marketing of one of the well-known international franchisees has claimed that his company has brought new culture and experiences to Georgia:

“Several years ago, when we first opened our shop, the population was used to unfriendly service and old-fashioned style restaurants. However, in recent years, with the entrance of foreign companies the situation has changed. Our company was one of the firsts who brought the nice ambience, friendly staff, good service and rich décor, and people really loved and used to this new environment and experiences” – (HoMFGe).

Similarly, operational manager of another global franchise restaurant in Georgia highlighted that international franchise companies imported new trends and standards in customer service, which was not familiar for the companies and have been the new ways for attracting consumers:

“In my opinion, this is a very good opportunity and experience for the country to import and introduce high quality services and trends. Standards in great customer service such as: style, smile, friendly staff, all the practices are introduced and developed in the country” – (OMFGe).

Therefore, after the entrance of international franchisees, many domestic fast-food restaurants started to imitate and convey the standards and practices of franchises through improving customer service to achieve competitiveness (GMLGe3, CoDLGe1, GMLUk5 and CoDLUk4).

Domestic businesses in Georgia and Ukraine experience the difficulty to employ high level of standards because huge cultural differences exist between the developing and already developed markets. Until the entrance of international franchisees in emerging countries, consumers did not have high expectation and demand for quality service and product. However, after rapid spread of franchising in Georgia and Ukraine, the consumers' attitudes

and expectations have changed. Some of the local businesses started to establish new practices by identifying the success formula of franchisees, while some do not acknowledge the value of standards or do not have enough capital for executing and maintaining standards to compete against franchisees.

5.5.4. Technological development

To survive in the highly competitive environments, fast food industry players are discovering new ways and strategies to entice their customers. In developed countries, the innovation of technology has reshaped and improved the ways fast food restaurants serve their consumers, while many developing countries are only beginning utilising advanced technology. Based on the findings, international franchisees with financial resources and innovative technologies attract huge numbers of consumers in Georgia and Ukraine. This is the reason why many domestic companies try to imitate them by adjusting their strategies and introducing new technology, even though they do not have enough resources and budget.

Table 5.15: Theme development – technological development

Participant	Code	Technological development
Participant #1	GMFGe1	“Over the past 5 years, the company has experienced numerous benefits in Georgia, such as a brand recognition, online ordering and mobile contactless payment that are relatively new practices and convenient for consumers”
Participant #2	GMFGe2	N/A
Participant #3	OMFGe	“Also, we are very focused on producing and providing high quality and fresh food, technological development like offering online payments, drive-thru facilities and etc.”
Participant #4	HoMFGe	“Increasing technology adaptation is the advantage as well, very soon we will introduce mobile payments in our shops and online ordering that means another benefit for us in terms of customer convenience”
Participant #5	GMLGe3	“Many American and European franchise companies brought their experiences and standards to this market. In experiences I mean different customer service and technical innovation. Thus, some local companies are trying to replicate their business strategies. However, technological innovation requires huge amount of money, which is the challenge for local companies to acquire, while it is not a problem for international franchisees”
Participant #6	CoDLGe1	“As the industry is developing, we also have introduced mobile payments, online orders and deliveries which are convenient for customers”
Participant #7	GMLGe4	N/A
Participant #8	CoDLGe2	“The industry is becoming more technology oriented thanks to the multinational companies”
Participant #9	CoDLUk3	N/A

Participant #10	GMLUk5	“Technological development played significant role in our success”
Participant #11	CoDLUk4	“We have added online delivery system and payments which are very convenient for buyers. Also, we have added smart phones payments which is completely new system in Ukraine and easy for customers.”
Participant #12	GMLUk6	N/A
Participant #13	GMFUk7	N/A
Participant #14	FOFUk	N/A

Three out of four Georgian and two out of four Ukrainian domestic restaurateurs have expressed that to be successful in the market, companies have to adopt technological innovations such as mobile and contactless payments, online orders, deliveries and self-service checkouts. Local restaurant owner in Ukraine demonstrated that his company implemented new customer friendly service innovations which attracted many buyers:

“We have added online delivery system and payments which are very convenient for buyers. Also, we have added smart phones payments which is completely new system in Ukraine and easy for customers” – (CoDLUk4).

The owner of a domestic business in Georgia pointed out that now his company offers mobile payments, online orders and deliveries which are convenient for customers, however, because of the financial difficulties, the company is not able to adopt other innovative technologies like:

“Kiosks where you can order your product and control your order, this service is quick and convenient for customers” – (CoDLGe1).

Similarly, the general manager of another restaurant indicated that many companies in Georgian market struggle to keep up with time because of the lack of available funds, while international franchisees do not have the same issue:

“Technological innovation requires huge amount of money, which is the challenge for local companies to acquire, while it is not a problem for international franchisees” – (GMLGe3).

“Based on our resources we cannot afford new technology like for instance McDonald’s has kiosk where you can order your product and control your order, this service is quick and convenient for customers” - (CoDLGe1).

One company’s owner in Georgia believes that there is a positive aspect to the entrance of international franchisees in Georgian market:

“The industry is becoming more technology oriented thanks to the multinational companies” – (CoDLGe2).

The general manager of local restaurant in Georgia indicates that:

“Many American and European franchise companies brought their experiences and standards to this market. In experiences I mean different customer service and technical innovation. Thus, some local companies are trying to replicate their business strategies” – (GMLGe3).

The owner of another domestic restaurant in Georgia agreed with the above by saying:

“Until franchisees have not been in this market, we had more customers in our restaurant. On the other hand, they brought new standards and practices that was not familiar for Georgian companies. Most franchisees have internal manner and standards of great customer service, we have to learn from them how to make our workers to perform better and to attract more customers with their service” – (CoDLGe2).

Technological innovation in the modern world has altered the ways in which consumers experience and employ the services and in how the companies operate. Modernisation and adaptation of new technology has attracted a bigger number of customers and increased sustainability in the market. Most of the participants from domestic companies agreed that adopting technological innovation had improved their businesses and brought more customers to their shops. In line with the resource-based view and dynamic capability theories, local market companies have high technological capabilities such as managerial and technical that allow them to use technology effectively, develop new processes and exploit market opportunities.

5.6. Summarising findings

The major focus of this study is to identify the impact of international franchising on emerging-market firms by evaluating factors contributing competitive advantages of both parties. Through considering RBV and DC theories, the interviews mostly covered the questions related to the resources, capabilities and strategies/methods of international franchisees and domestic market firms.

Based on the analysis, differences are found in the form of capabilities and resources possessed by international franchisees and emerging-market firms such as brand name and reputation, proprietary technology, operational and marketing capabilities and operational knowledge. All the companies employ different strategies and physical, human and organisational capital assets to enhance their business performance. The findings indicate that marketing strategy is utilised to strengthen and develop the brand name that leads to enhanced performance in emerging markets; customer service improvement (service quality and technological development) is another strategic step that is undertaken to achieve competitive gains; market knowledge and adjustment of business operations to the local market and consumer's need assist organisations to develop their business performance. These practices are found to be the most applied strategies by both international franchisees and emerging market firms to gain and sustain competitiveness.

Most of the identified themes are either tangible or intangible resources that explain performance heterogeneity among companies and therefore are the likely sources of competitive advantages of international franchisees and emerging-market firms. However, many scholars argue that the strengths of some capabilities and resources are dependent upon interactions or combination with other resources or skills and thus no single asset or capability becomes the most significant to success and competitiveness (Sok and O'Cass, 2011., Sok et al. 2016). Therefore, this study needs further development and evaluation to identify the most suitable combinations leading to effective business performance; thus, fuzzy set of qualitative comparative analysis (fsQCA) is utilised as a configurational technique to data analysis that is examined in the next chapter.

5.7. Conclusion

This chapter has presented the evaluation of research interviews by using thematic analysis. In total thirteen major themes have been identified that answered the three major research questions and helped to evaluate the study phenomenon. Detailed examination of each identified theme is provided in this chapter. Thematic analysis addressed shared issues of international franchisee and domestic-market firms, by providing a summary of the factors contributing the competitive advantages of both parties and evaluating how local companies defend their market positions against international franchisees.

The differences have been found between the developed and developing market franchisees operations, practices, and the level of competitiveness. As findings indicated, franchisees benefit more from being a part of a global well-established franchise network with their business know-how, constant support, brand prestige, training and development.

The interviews with domestic firms in emerging countries indicated that they struggle to compete effectively in the market against well-established international franchisees. To stay competitive, they try to learn from them indirectly through evaluating and imitating customer service practices and introducing new technology. In addition, some of the emerging-market firms try to differentiate themselves by adapting to local market needs and providing cheaper and/or unique alternatives.

In the next chapter fuzzy set of qualitative comparative analysis is utilised to further evaluate the conditions or the configurations of conditions leading to the competitive advantages of companies from perspectives of both international franchisees and emerging market firms.

CHAPTER SIX

**FUZZY SET OF QUALITATIVE
COMPARATIVE ANALYSIS**

6.1. Introduction

This chapter presents the fuzzy set of qualitative comparative analysis (fsQCA) as an additional approach to the thematic analysis of the cases. The research questions dealt with in this section are:

- *Research question 1: “How do international franchisees become successful and gain a competitive advantage in emerging markets?”*
- *Research question 3: “How do local businesses defend their market position and gain a competitive advantage?”*

The focus, therefore, is to identify conditions leading to the competitive advantages of international franchisees and emerging-market firms.

Based on the thematic analysis, five factors (marketing activities, localisation, customer service development, pricing strategy and financial resources) have been identified as most utilised for competitiveness for both parties international franchisees and local-market firms. FsQCA is suitable for this study, as it helps to detect the condition or configurations contributing to competitive advantages of international franchisees and local market firms. This chapter suggests a detailed explanation of the entire process through providing a step-by-step approach from data transformation, calibration, construction of truth table and examination of necessary and sufficient conditions or combinations of conditions leading to the outcome. Besides the fsQCA software developed by Ragin (2008), it also uses the Tosmana software program to provide the robustness and visualisation of the findings.

The section 6.1 introduces the chosen data analysis technique and gives the overview of the sections. The next section 6.2 presents data calibration process involving concept development, transforming data into fuzzy sets, identifying conditions and the outcome, and calibrating the data for fsQCA and Tosmana software programmes. Section 6.3 shows the summary of descriptive statistics. Section 6.4 analyses necessary conditions when the outcome is present, as well as absent. Section 6.5 suggests subset/superset analysis that indicates sufficient conditions and/or configurations leading to the positive outcome. Section 6.6 examines and constructs truth tables in fsQCA and analyses the results. Section 6.7 presents the truth tables and Venn diagrams with the use of Tosmana software programme. Section 6.8 presents XY – Plots that are the graphical representations of the findings. Section 6.9 highlights configurational findings by interpreting the results and the final section 6.10 summarises the chapter.

6.2. Calibration

This section provides an overview of the calibration process through fsQCA and Tosmana software programmes. It highlights how the conditions, and the outcome are selected and suggests transformation of qualitative data into quantitative.

6.2.1. Process – concept development

Calibration is a process of assigning membership scores of abstract concepts to cases such as companies, individuals, countries, or events based on the theoretical knowledge and empirical data. It is the first step of analysing data through fsQCA (Fiss 2011., Greckhamer et al. 2018). This thesis provides a transparent and clear structure of how the calibration process has been performed.

Calibrating qualitative data and assigning membership scores is difficult process and requires an in-depth and rich understanding of the cases (Ragin 2014., Verbeke et al, 2019). The process requires the researcher to engage in a broad interpretation of the information that is usually difficult to capture in clear, mechanistic procedures. Unlike with quantitative data where researchers have to assign three qualitative thresholds to calibrate measurement (fully in, crossover point and fully out), when calibrating qualitative information into fuzzy sets researchers are required to present the process of how they code the qualitative data (Misangyi et al. 2017). Also, working with qualitative data is challenging due to the potentially unknown cases and lack of theoretical certainty (Jopke and Gerrits, 2019). Therefore, in this thesis, the researcher follows a framework developed in the study of Gioia et al (2012), which helps in developing concepts entirely from the empirical data with no or little previous theoretical basis. The consideration of Gioia's method assists in identifying the orders and dimensions useful for a step-by-step calibration process.

Gioia et al. (2012) suggest a data structuring procedure of qualitative research, summarising a systematic approach to new concept development. According to their research, the data goes through 1st and then 2nd order categories to aggregate dimension. The 1st order is the concepts developed from the empirical data. The 2nd order is themes which are based on the concepts that are formed in order 1, while the aggregate dimension (3rd order) is the assembly of 1st and 2nd order categories into a more structured form.

Significant emphasis is placed on allowing concepts and theory to emerge empirically from the data set. The researcher concentrates on setting aside previous preconceptions and theoretical ideas that in turn contribute to the emergence of theoretical constructs by a permanent interplay between the empirical data and the researcher. Based on the constant

comparison of the data, new perspectives and insights have emerged from the collected information helping the researcher to develop the framework (Glaser and Strauss, 1967).

Based on the thematic analysis, the information is transferred into the 1st order concepts. These concepts are developed depending on the different key codes, terms, dimensions, and categories that occurred early in the research process and later in the interviews with study participants. The following concepts emerged from the identified themes.

- International franchisees benefit from global marketing and brand recognition, while emerging-market firms have less capacity to advertise and build brand name.
- There are significant differences between the customer service quality provided by the local market firms (poor customer service) and global franchisees (high quality customer service).
- Emerging-market consumers are price sensitive and prefer traditional food over quality.
- Local firms struggle to get enough capital and funds from financial institutions, while international franchisees have easy access to additional finances.
- Tangible and intangible resources such as finances, business knowledge, marketing and branding capabilities, skilled employees, local market knowledge and technological development have been found to impact the competitive advantages of companies in emerging markets.

In the 2nd order, the researcher focuses more on the theoretical scope, evaluating whether the themes developed based on the concepts, assist the researcher to explain and describe the research phenomenon. The themes developed for the 2nd order are:

- Enhancing brand name
- Increasing customer awareness
- Imitating and learning indirectly from well-established companies
- Improving customer service quality
- Cultural sensitivity
- Adjusting and differentiating products
- Reduced purchasing power and price sensitive customers
- Existing funds and ability to get or increase funds
- Tangible and intangible resources and differentiation strategy

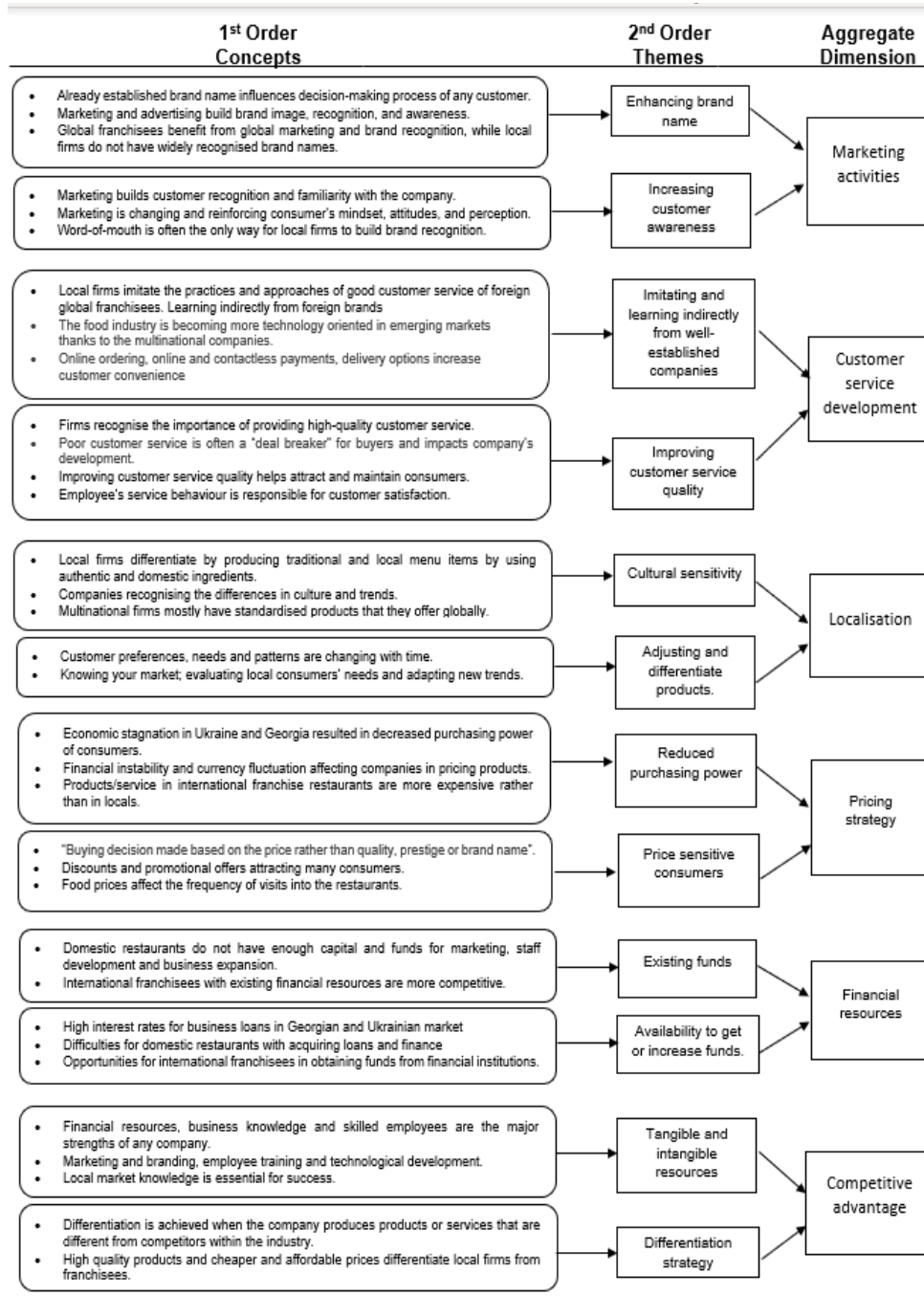
The aggregate dimensions (3rd order) include the final conditions and the outcome for this research developed based on the determined concepts and themes:

- Marketing activities

- Customer service development
- Localisation
- Pricing strategy
- Financial resources
- Competitive advantage

The figure 6.1 summarises the identification of the conditions in an iterated process and helps in the calibration of the conditions and cases.

Figure 6.1: Data structure



Source: Developed by the researcher based on the interviews and aligned to Gioia et al. (2012)

6.2.2. Process – transforming data into fuzzy sets

In this research, the process of calibration is done in five phases. The first step is the evaluation and analysis of the data collected from the interviews. The second stage is the comparison of the collected data to the findings based on the thematic analysis. The third step in the calibration process is the comparison of the obtained data with the reviewed literature/theories. The fourth phase is developing concepts and themes leading to the formulation of final conditions and outcome, and the final step is the actual calibration process by assigning the membership scores to the cases. The table 6.1 indicates the calibration process that is done using combination of existing literature, theories and conceptual knowledge.

Based on the thematic analysis, this thesis develops five final conditions and one outcome. The final conditions, which are: localisation, marketing activities, customer service development, pricing strategy and financial resources are identified as factors leading to the outcome - competitive advantage for both local and international franchisee fast food restaurants in Georgian and Ukrainian markets.

By utilising fsQCA, this research examines the above identified conditions affecting the competitiveness in emerging markets, thus, answering two main research questions. Each of the conditions and how they are transformed from qualitative data into fuzzy sets and how the membership scores are assigned are discussed in the following sub-sections in more detail.

Table 6.1: Summary of data calibration process

Conditions	The role of variables in the theory/literature	Membership criteria	Membership scores
Marketing activities	<ul style="list-style-type: none"> Marketing refers to activities a firm uses to promote the selling or buying a product and service. It includes advertising and delivering products to customers and/or other businesses among other things (Silk, 2006). Company's marketing activities have a positive effect on brand recognition, brand image development, corporate profit growth, and firm longevity (Jung et al, 2020). 	<ul style="list-style-type: none"> Companies using digital and social media marketing activities to advertise, promote, and brand its products and services. 	<ul style="list-style-type: none"> Fully in 0.7 – 1
		<ul style="list-style-type: none"> Firms utilising marketing activities but struggling to do strong advertising and brand promotion due to lack of capability. 	<ul style="list-style-type: none"> More in than out 0.5 – 0.7
		<ul style="list-style-type: none"> Businesses focused on word-of-mouth advertising as the only way of marketing for them to enhance brand recognition and customer awareness. 	<ul style="list-style-type: none"> More out than in 0.3 – 0.5
		<ul style="list-style-type: none"> Firms not using marketing as a strategy to enhance brand name and customer awareness 	<ul style="list-style-type: none"> Fully out 0 – 0.3
	<ul style="list-style-type: none"> Customer service development is a process of improving and/or launching a service to be sold to customers. Technological development and service 	<ul style="list-style-type: none"> Companies having and providing high-quality customer service and advanced technology to improve customer convenience. 	<ul style="list-style-type: none"> Fully in 0.8 – 1

Customer service development	<p>quality improvement are central for providing better customer service and improve consumer convenience (Jha et al, 2019).</p> <ul style="list-style-type: none"> Delivering high quality service is crucial for consumer satisfaction that provides the company a sustainable competitive advantage within the intense competition in the market (Roy et al, 2011). 	<ul style="list-style-type: none"> Firms developing customer service quality and improving technology to enhance consumer satisfaction and convenience. 	<ul style="list-style-type: none"> More in than out 0.5 – 0.8
		<ul style="list-style-type: none"> Companies having difficulties with developing and introducing new technology, as well as improving customer service quality. 	<ul style="list-style-type: none"> More out than in 0.3 – 0.5
		<ul style="list-style-type: none"> Businesses with poor customer service and without focus on technology development. 	<ul style="list-style-type: none"> Fully out 0 – 0.3
Localisation	<ul style="list-style-type: none"> Localisation is an approach a firm takes to address customer behaviours, purchasing habits and cultural differences in each country it operates in (Hill, 2009., Mallikarjun, 2020., Shin et al, 2020). Every country has its specific cultural variables and firms should consider adopting new standards, practices and trends to fit the market (Alon and McKee, 1999). Standardisation has been viewed as opposite strategy to localisation (Hill, 2009). 	<ul style="list-style-type: none"> Businesses using localisation strategy by considering national cultures and behaviours in the country it operates. 	<ul style="list-style-type: none"> Fully in 0.8 – 1
		<ul style="list-style-type: none"> Both strategies: standardisation and localisation are used by the companies in a specific market. 	<ul style="list-style-type: none"> More in than out 0.5 – 0.8
		<ul style="list-style-type: none"> Companies using standardised products/services in each region it operates in. 	<ul style="list-style-type: none"> More out than in 0.2 – 0.5
		<ul style="list-style-type: none"> Businesses not considering any particular strategy and the values, behaviours, and culture of the nation it operates in. 	<ul style="list-style-type: none"> Fully out 0 – 0.2
Pricing strategy	<ul style="list-style-type: none"> Pricing strategies involve various pricing methods used to set product/service prices and to maximise firm's profit by considering the following factors: consumer segments, market conditions, ability to pay and competitors' actions (Berends, 2004). Emerging market customers are price sensitive and have lower spending power (levy et al, 2004., Kubler et al, 2018). 	<ul style="list-style-type: none"> Firms focusing on market conditions and low-income consumers by providing products/services at lowest prices and with discounts and promotional offers. 	<ul style="list-style-type: none"> Fully in 0.7 – 1
		<ul style="list-style-type: none"> Businesses offering products/services at regular prices and/or with promotional offers and discounts. 	<ul style="list-style-type: none"> More in than out 0.4 – 0.7
		<ul style="list-style-type: none"> Companies not considering market conditions and consumers ability to pay. 	<ul style="list-style-type: none"> More out than in 0.2 – 0.4
		<ul style="list-style-type: none"> Companies providing products/services at Inflated prices based on brand and quality with no focus on low-income consumers. 	<ul style="list-style-type: none"> Fully out 0 – 0.2
Financial resources	<ul style="list-style-type: none"> Financial resources refer to firm's ability to "finance" its chosen strategy. It considers the resources from which the organisations acquire the funds they need to finance their current activities, capital, and investments (Akkucuk, 2015). Firm's financial resources can be assessed based on the two broad factors: existing financial funds and ability to gain new funds (Shaferi et al, 2018). 	<ul style="list-style-type: none"> Companies having existing financial resources, without the need to seek new funds. 	<ul style="list-style-type: none"> Fully in 0.8 – 1
		<ul style="list-style-type: none"> Firms having easy access to finance (through government support scheme, financial institutions, banks). 	<ul style="list-style-type: none"> More in than out 0.5 - 0.8
		<ul style="list-style-type: none"> Companies having difficulties with getting external financial resources. 	<ul style="list-style-type: none"> More out than in 0.2 – 0.5
		<ul style="list-style-type: none"> Firms with lack of financial resources and availability to get new funds. 	<ul style="list-style-type: none"> Fully out 0 – 0.2
Competitive advantage	<ul style="list-style-type: none"> Competitive advantage refers to a company's ability having internal resources that are valuable, rare, and difficult to imitate by the competitor (Lozano et al. 2015). Based on the resource-based view (RBV) theory, a firm owns an exceptional and unique set of resources, some of which form the basis of capabilities and can employ those resources proficiently in a way that are often tough to imitate by other firms (Serrano et al. 2018). 	<ul style="list-style-type: none"> Companies having sustainable competitive advantage in the market based on their tangible and intangible resources, capabilities and differentiation strategy. 	<ul style="list-style-type: none"> Fully in 0.7 – 1
		<ul style="list-style-type: none"> Firms developing and trying to achieve a competitive advantage through their resources and capabilities. 	<ul style="list-style-type: none"> More in than out 0.4 – 0.7
		<ul style="list-style-type: none"> Businesses with lack of resources and capabilities to achieve a competitive advantage. 	<ul style="list-style-type: none"> More out than in 0.2 – 0.4
		<ul style="list-style-type: none"> Companies without competitive advantage in the market. 	<ul style="list-style-type: none"> Fully out 0 – 0.2

6.2.2.1. Marketing activities – Based on the literature, marketing is defined as organisational procedure for communicating, creating, delivering and exchanging offers that have value (Silk, 2006., Varadarajan, 2009). It covers a broad range of activities a business utilises to promote the selling or buying of a product and/or service and to communicate with consumers through advertising and sales promotion (Silk, 2006). In this research, for the use of abstraction in fsQCA, the researcher utilises marketing activities as condition that only focuses on sales and communication activities.

Company's marketing activities have a positive effect on corporate profit growth, brand image development, brand recognition and firm longevity (Jung et al, 2020). Advertising and marketing play significant role in differentiating firms from competitors and are some of the main techniques for firm's growth and success (Sigue and Chintagunta, 2009., Park and Jang, 2012., Sun and Lee, 2019). Well organised marketing activities are beneficial for organisation's long-term development through building consumer loyalty to the brand rather than just being effective for short-term profit. Therefore, they create strong brand name image and increase consumers' awareness that ultimately leads a firm to competitive advantage (Jung et al, 2020).

Based on the interviews and the findings from thematic analysis, marketing activities are strongly linked to the enhanced brand name/recognition and increased customer awareness in emerging markets. According to respondents, the international franchisees use multiple ways of marketing and advertising (social platform, television, newspaper) for branding, that make their restaurants popular, whereas word-of-mouth is the main source of marketing and ultimate driver for name recognition for local restaurants in developing markets. This is due to the domestic companies not having enough financial resources compared to global franchisees that puts them at competitive disadvantage.

In this study, the marketing activities condition is measured by a strong brand name and increased customer awareness in the market. Figure 6.1 shows 1st order concepts and two main themes developed (enhancing brand name and increasing customer awareness) that eventually form a marketing activities condition that needs to be examined. Interviews with the participants reveal that brand name recognition and prestige are highly associated with buyers' purchase intention. For instance, in Georgia the consumption of prestigious brand is seen as a sign of status and/or wealth. This is one of the reasons for success of global franchisee firms in emerging markets. On the other hand, local restaurants do not have widely established brand name that would impact consumers buying behaviour and they struggle to attract buyers compared to well-established franchises.

Four major criteria are used to measure the utilisation of marketing activities and different scores are assigned to measure the membership degree. The score from 0.7 to 1 (fully in) is allocated to the companies using digital and social media marketing activities to advertise, promote and brand its products and services. The membership score between 0.5 and 0.7 (more in than out) is given to firms utilising marketing activities but struggling to do strong advertising and brand promotion due to lack of capability. The score from 0.3 to 0.5 (more out than in) is assigned to businesses focused on word-of-mouth advertising as the only way of marketing for them to enhance brand recognition and customer awareness and finally the score between 0 to 0.3 (fully out) is allocated to firms, which do not use marketing as a strategy to enhance brand name and customer awareness.

6.2.2.2. Customer service development – In the literature, customer service is defined as a direct interaction between a customer making a purchase and a firm selling products. In any activity (warehousing, delivering, selling, billing, advertising and public relations, employee relations and data processing) made by the company there is a service element performed by an employee that impacts perceived or real quality of the service or product purchased by the customer (Tschohl, 1996).

Customer service development is selected as a condition in this thesis, as it is a process of improving and introducing a new service to be sold to consumers. Technological development and service quality improvement are key to providing better customer service and enhancing customer's convenience (Jha et al. 2019). This dimension includes employee's behaviour, service quality and technological development to attract more customers. Delivering high quality service is crucial for consumer satisfaction that gives the company a sustainable competitive advantage within the intense competition in the industry (Roy et al, 2011). In the literature, service quality has been defined as a form of attitude and perceived judgment by the customer, resulting from an overall evaluation process of service delivery (Apostolos et al, 2015).

While, customer service behaviour and service quality are central for consumer loyalty and satisfaction, the role of service technology is found to be significant to develop and provide better customer service (Jha et al, 2019). Service technology is a tangible resource that includes different techniques, tools and technology-based systems that are used by the

company. Technological development is the overall process of invention, innovation and diffusion of technology or processes to improve a firm performance (Jha et al, 2019).

Figure 6.1 demonstrates the concepts and two major themes (imitating and learning indirectly from well-established companies and improving customer service quality) developed from the research interviews that lead to the formation of a condition (customer services development). The findings from the interviews reveal that global franchise companies have advanced technology and high-quality customer service, which they brought to both emerging markets that gives them competitive edge. After the entrance of international fast-food franchisees local restaurants started recognising the importance of quality service and technological development and how it affects consumers' satisfaction and loyalty. As mentioned by the participants from domestic food restaurants, poor quality service has resulted in losing consumers. As the result, many of the domestic firms started focusing on improving customer service quality and employee's behaviour towards the service. Furthermore, domestic companies started adapting new technologies by introducing online ordering, payments and delivery system that enhance customer convenience.

Therefore, customer service development condition measures the degree of whether the firm has high quality service and advanced technology to attract consumers and differentiate itself from competitors. Four key criteria are identified that measure the degree of condition. The membership score from 0.8 to 1 (fully in) is assigned to companies having and providing both high-quality customer service and advanced technology to improve customer convenience. The score between 0.5 to 0.8 (more in than out) is given to firms developing customer service quality and/or improving technology to enhance consumer satisfaction and convenience. The score between 0.3 to 0.5 (more out than in) is given to companies having difficulties with developing and introducing new technology and/or improving customer service quality. Lastly the score from 0 to 0.3 (fully out) is allocated to businesses with poor customer service and without focus on technological development.

6.2.2.3. Localisation – This term refers to when a firm takes into consideration the values, behaviours, and culture of a country it operates. Localisation strategy is considered as one of the key competitive tools for multinational organisations, as they compete not only against other global firms but also against national competitors with superior knowledge of domestic behaviours and customs (Hill, 2009). Every country has its specific cultural variables, and

the differences are significant (Alon and McFee, 1999), thus, adjusting and adapting products/services and content to suit a specific market has become crucial for any company, especially for international firms, to be competitive (Mallikarjun, 2020., Shin et al. 2020). However, many global organisations choose to standardise most of their already proven practices and strategies, as they already have been proven successful (Hill, 2009).

Figure 6.1 illustrates how the condition – localisation is developed from the research interviews and what concepts and themes are applied to measure it. Two major themes – cultural sensitivity and adjusting and differentiating products/services are identified as leading to localisation. As demonstrated by the participants, culture and cultural sensitivity often affect buyers' decisions in Georgian and Ukrainian markets, as they prefer to purchase traditional and healthy/nutritious foods. Based on the collected data, domestic restaurants in both countries are focused on localisation by producing traditional food and adjusting to consumers preferences and needs through introducing healthier options to their menus, whereas most international franchise restaurants from developed markets do not have flexibility to adjust to the local market needs and produce the traditional food that is so popular in these countries, putting them at disadvantage. However, developing-market franchisees are still focused on localisation and use this strategy as one of the main methods for competitiveness.

Therefore, the localisation condition measures the degree of whether the company fits to the local market environment and consumers' needs through localisation or not. The membership score from 0.8 to 1 (fully in) is given to businesses using localisation strategy by considering national cultures and behaviours of the country it operates in. The membership score between 0.5 and 0.8 (more in than out) is assigned to companies using both localisation and standardisation strategies. The score between 0.2 and 0.5 (more out than in) is allocated to companies using standardised products/services in each region it operates in. Finally, the score from 0 to 0.2 (fully out) is given to businesses not considering any particular strategy or values, behaviours and culture of the nation it operates in.

6.2.2.4. Pricing strategy – It involves various pricing methods used to set product/service prices and to maximise firm's profit by considering the following factors: consumer segments, market conditions, buyer's ability to pay and competitors' actions (Berends, 2004). Pricing can be challenging in developing countries for multinational organisations, as it is often affected by fluctuating inflation rates and economic stagnation (Danzon et al, 2013., Ernst et al, 2015). Price sensitivity and consumers' purchasing power likely depend

on country's economic factors. Customers in richer economies have more disposable income on average, meaning that any given price represents a lower relative cost in their budget, while emerging market customers have lower spending power and are more likely focus on price rather than value, prestige and quality of the service or product (Levy et al. 2004., Ernst et al. 2015., Kubler et al. 2018).

In this research, the pricing strategy dimension evaluates whether companies adjust their pricing strategies to fit to the price sensitive consumers in emerging markets. Figure 6.1 demonstrates the concepts and themes developed from the research interviews. Two major themes: reduced purchasing power and price sensitive consumers emerge from the data that formed pricing strategy condition. As mentioned by the interview participants, economic stagnation, higher inflation, and slower economic growth in Georgian and Ukrainian markets result in decreased consumers' purchasing power that affect their spending ability and willingness to pay. As the result, buying decision in those markets are mostly based on the price rather than quality or brand name. However, there are other consumer segments who prefer to purchase product/service based on the brand image and prestige and they prefer to pay more for the perceived added value.

The researcher identifies that international franchisee offers products using relatively high prices as it comes from developed economies where the buyer purchasing power is high. On the other hand, many local restaurants consider the ability and power of emerging market consumers and focus on price sensitive buyers by providing products/services at affordable prices and/or offering discounts and promotional offers. As the result, segment-based pricing strategy is determined to be one of the major resources for domestic companies to survive in the market and differentiate from multinational organisations.

Pricing strategy condition measures the degree in which companies consider the local market conditions and consumers economic situation. The highest membership score from 0.7 – 1 (fully in) is assigned to the firms focusing on market conditions and low-income consumer segment by providing product/services at lowest prices and offering discounts and promotional offers. The score between 0.4 – 0.7 (more in than out) is allocated to the companies providing products/services at regular prices and with or without promotional offers. The membership score from 0.2 to 0.4 (more out than in) is given to the companies which do not consider market conditions and consumers ability to pay. Finally, the score between 0 to 0.2 (fully out) is allocated to firms providing product/services at inflated prices based on brand name and quality with no focus on low-income consumers.

6.2.2.5. Financial resources - This term focuses on firm's ability to "finance" its chosen strategy and considers the sources from which the organisations acquire the funds they need to finance their current activities, capital, and investments (Akkucuk, 2015). Company's financial resources can be assessed based on the following factors: existing financial funds (cash balances, bank overdrafts and loans, creditors such as suppliers and government, working capital already invested in the business and shareholders capital) and the ability to raise new funds (type of the organisation, strength of relationship with the government, lenders and existing investors, attractiveness of the market in which the company operates and overall strength and reputation of the business) (Shaferi et al. 2018). In general, a firm obtains finance from either internal or external sources (Akkucuk, 2015). Internal sources of finance refer to money, which comes from within a business such as retained profit, owner's capital and selling assets, whereas external sources of finance refer to money that comes from outside of an organisation such as government grants, trade credit, bank loans, new partners, and overdrafts (BBC, 2021).

Figure 6.1 illustrates concepts and themes that emerge from the research interviews related to the available financial resources. As mentioned by the respondents from the emerging market firms, local businesses would make more investment in staff training, marketing, technology innovation and business growth if they could access sufficient finance at a reasonable cost from the creditors (government, financial institutions). On the other hand, international franchisees from developed markets have enough financial resources, as well as significant support from the government and creditors. All the research participants agree that Georgian and Ukrainian governments' economic strategies are focusing on attracting international franchise companies through providing business friendly policies such as favourable business loans and investments, while charging high interest rates to local companies. Thus, the lack of financial resources is identified as the element that limits the level of competitive advantage of local restaurants.

Financial resources condition measures the degree of companies' existing internal/external financial resources and whether they have easy access to obtaining new funds for their businesses. The membership score from 0.8 – 1 (fully in) is given to organisations having existing financial resources, without the need to seek new funds. The score between 0.5 – 0.8 (more in than out) is allocated to the firms with some financial resources and easy access to finance from banks, governments, or other financial institutions. The score from 0.2 – 0.5 (more out than in) is assigned to the companies with some financial resources but having

difficulties with accessing extra funds. Finally, the score between 0 and 0.2 (fully out) is given to firms with lack of financial resources and inability to get new funds.

6.2.2.6. Competitive advantage – This term refers to the strategy utilised by a company to achieve and sustain an edge over its competitors. Company's internal resources that are valuable, rare and difficult to imitate provide the potential to achieve a competitive advantage (Lozano et al. 2015). Organisations utilise tangible and intangible resources and capabilities to accomplish their goals: tangible resources are companies controlled physical and financial assets including equipment, technology infrastructure, plant and other physical facilities that can be traded, valued, and quantified, while intangible are informational and marketing resources such as reputation, patents, etc (Sok and O'Cass. 2011). Achieving competitive advantage depends on how companies utilise existing resources and capabilities and how they adapt to the local market needs (Sok et al. 2016).

Figure 6.1 shows the concepts developed from the interview responses that form two major themes (tangible and intangible resources and differentiation strategy), which finally led to the formation of an outcome variable - competitive advantage. The findings from the research interviews show that global franchise companies have high level of competitive advantage over domestic firms, as former have more resources, business knowledge and experience to successfully position themselves in foreign markets, whereas domestic restaurants lack human and financial resources. Nonetheless, one of the advantages of local firms is that they have independence and can apply differentiation strategy through considering local consumer's needs, providing different kind of foods and offering relatively cheaper prices compared to global franchisees. These strategies help them to survive and defend their market positions in Georgia and Ukraine.

Competitive advantage is selected as the outcome of interest, as one of the major objectives of this research is how international franchisees and domestic companies can survive and achieve a competitive advantage in a highly competitive environment. Hence, this condition measures the degree of whether the company has tangible and intangible resources and/or uses differentiation strategy that facilitate competitiveness in the market. The membership score from 0.7 to 1 (fully in) is allocated when the company has tangible and intangible resources and capabilities and/or uses differentiation strategy leading to sustainable competitive advantage. The score between 0.4 to 0.7 (more in than out) is given to firms developing their resources and capabilities and/or focusing on differentiation strategy in order to achieve a competitive advantage. The score from 0.2 to 0.4 (more out than in) is

assigned to businesses with lack of resources and capabilities to achieve a competitive advantage. Consequently, the score between 0 to 0.2 (fully out) is allocated to companies without necessary resources and no differentiation strategy to achieve a competitive advantage in the market.

6.2.3. Calibrating the data for fsQCA software

The next step in the data analysis is the calibration of information through assigning the membership scores to each case company in fsQCA software. The reason for calibration is to analyse a necessary and/or sufficient conditions for producing an outcome (Rihoux and Ragin, 2009., Grekhamer et al. 2018). The figure 6.2 below indicates the generation of the table in which the qualitative data is transformed into sets of memberships. This figure illustrates the participants and the conditions, where MarkAct stands for marketing activities, Localis is for localisation, CustSer stands for customer service development, PricingSt illustrates pricing strategy, FinanRes is for financial resources and CompAdv stands for competitive advantage of the companies.

Figure 6.2: Calibration of fuzzy set data in fsQCA

Participant	MarkAct	Localis	CustSer	PricingSt	FinanRes	CompAdv
GMFGe1	1	0.1	0.9	0.5	0.8	0.9
GMFGe2	0.8	0.2	0.7	0.4	0.9	0.6
OMFGe	1	0.1	0.9	0.2	0.8	0.8
HoMFGe	0.8	0.5	0.7	0.2	0.9	0.8
GMLGe3	0.2	0.9	0.7	0.8	0.3	0.6
CoDLGe1	0	0.4	0.3	0.7	0.3	0.4
GMLGe4	0.3	1	0.7	0.7	0.4	0.6
CoDLGe2	0.5	0.7	0.8	0.5	0.7	0.8
CoDLUk3	0	0.8	0.1	0.6	0.6	0.4
GMLUk5	0.7	0.8	0.9	0.9	0.5	0.9
CoDLUk4	0.4	1	0.9	0.8	0.4	0.7
GMLUk6	0.6	0.8	0.4	0.7	0.3	0.8
GMFUK7	0.3	0.1	0	0.7	0.1	0.4
FOFUK	0.6	0.1	0.2	0.6	0.7	0.6

Source: Proceeded by the author with the fsQCA 3.0. software.

This table allows to distinguish between the conditions that are necessary for achieving competitive advantage and those that are sufficient, by utilising two factors consistency and coverage (Rihoux and Ragin, 2009., Misangyi et al, 2016). As mentioned in the previous chapter (Research methodology), consistency is classified as the measure of the degree to

which there is a relation of sufficiency and necessity between conditions and the outcome presented in a data, while, coverage is defined as the degree to which the solution clarifies the outcome (Ragin, 2008). However, before analysing necessary conditions, the researcher suggests data calibration in Tosmana software, which is the useful way to produce a graphic representation and visualisation of the cases, conditions and the outcome. The utilisation of Tosmana software allows readers to better understand the cases and which configurations they fall in (Aluko et al. 2022).

6.2.4. Calibrating the data in Tosmana software for Venn Diagram and Truth tables with cases

Tosmana software is a useful programme that helps to derive a truth table and a Venn diagram, presenting data in a visual way. Venn Diagram (Tosmana) identifies the results and clusters the cases in the sections where the joint sets are positioned (Aluko et al. 2022). However, in order to visualise the results in Venn Diagrams and provide truth tables with cases, the researcher must convert the fuzzy set calibration into crisp sets, in which case membership in sets is either “fully in” (1) or “fully out” (0). In this thesis, the researcher assigns the membership score 1 (fully in) to the cases that had more than 0.5 membership scores in fsQCA, while 0 (fully out) is allocated to the cases which had the membership scores 0.5 and lower (see figure 6.3).

Figure 6.3: Calibration of crisp set data in Tosmana.

Participant	MarkAct	Localis	CustSer	PricingSt	FinanRes	CompAdv
GMFGe1	1	0	1	0	1	1
GMFGe2	1	0	1	0	1	1
OMFGe	1	0	1	0	1	1
HoMFGe	1	0	1	0	1	1
GMLGe3	0	1	1	1	0	1
CoDLGe1	0	0	0	1	0	0
GMLGe4	0	1	1	1	0	1
CoDLGe2	0	1	1	0	1	1
CoDLUk3	0	1	0	1	1	0
GMLUk5	1	1	1	1	0	1
CoDLUk4	0	1	1	1	0	1
GMLUk6	1	1	0	1	0	1
GMFUk7	0	0	0	1	0	0
FOFUk	1	0	0	1	1	1

Source: Processed by the author with Tosmana software.

Once the values are allocated to each case on the conditions and the outcome, the attained data is converted into truth table, which involves a row for every possible combination of conditions that has two possible outcomes: [0] and [1] (Rihoux and Meur, 2009). Utilisation of Tosmana software is beneficial because it provides a Venn diagram, which is a graphical way of displaying all logically possible combinations between dichotomous conditions (Rihoux and Meur, 2009). It illustrates where the joint sets are and what cases have similar configurations and memberships (Aluko et al. 2022). The software has been developed specifically for visualising the truth table, which identifies sets (conditions), set intersections (truth table rows), associated observations and automatically color-codes intersections by outcome value, involving contradictions and remainders (Rubinson, 2019).

In this thesis, alternative set of conditions are examined to identify possible solutions that lead to an outcome – competitive advantage. Thus, different truth tables and Venn diagrams are produced that are explained in section 6.7 to identify the sufficient conditions and/or combinations of conditions leading to competitiveness. However, before identifying sufficiency, this thesis suggests the analysis of necessary conditions for the presence and absence of an outcome.

6.3. Descriptive statistics

FsQCA software program offers the descriptive statistics (see table 6.2), which displays univariate summary statistics for specified conditions (Ott et al. 2018).

Table 6.2: Descriptive statistics

Condition	Mean	Std.Dev	Minimum	Maximum	N Cases	Missing
MarkAct	0.5071429	0.3172747	0	1	14	0
Localis	0.5357143	0.3476598	0.1	1	14	0
CustSer	0.5857143	0.3090473	0	0.9	14	0
PricingSt	0.5928571	0.205163	0.2	0.9	14	0
FinanRes	0.5428571	0.2470231	0.1	0.9	14	0
CompAdv	0.6642857	0.1715773	0.4	0.9	14	0

The columns in the table above show the following:

1. The condition chosen (Condition)
2. The mean value (Mean)
3. The standard deviation (Std. Dev.)
4. The lowest value of the condition (Minimum)
5. The highest value of the condition (Maximum)
6. The number of cases (N Cases)
7. The number of missing cases (Missing)

The descriptive statistics function in fsQCA is a tool to gain a quick overview over a data set's conditions and the outcome category. It is useful mainly to gather first impressions of a data set. These impressions help to reflect upon how fuzzy membership scores are assigned, to implement changes if warranted, and to track these changes in the data (Thiem, 2014).

6.4. Analysing necessary conditions

At first, the necessity of each condition is tested (table 6.2). As pointed out by Schneider and Wagemann (2012), conditions should only be considered necessary for producing the outcome if the consistency values are 0.9 or higher. Through using fsQCA software, the researcher analyses the necessary conditions for the presence and absence of an outcome. The table 6.3 indicates that none of the conditions meet this standard when the competitive advantage is present and all of them suffer from inconsistencies. On the other hand, when the competitive advantage is absent, there is one condition that meets the criteria - pricing strategy, meaning it is a necessary condition when the outcome is absent (table 6.3).

Table 6.3: Analysis of Necessary Conditions for the Presence and Absence of an Outcome

Outcome Conditions	Competitive advantage		~Competitive advantage	
	Consistency	Coverage	Consistency	Coverage
Marketing Activities	0.709677	0.929577	0.617021	0.404851
~Marketing Activities	0.548387	0.739130	0.893617	0.608696
Localisation	0.655914	0.813333	0.723404	0.453333
~Localisation	0.559140	0.800000	0.702128	0.507692
Customer Service	0.817204	0.926829	0.659574	0.378049
~Customer Service	0.451613	0.724138	0.872341	0.706897
Pricing Strategy	0.763441	0.855422	1.000000	0.566265
~Pricing Strategy	0.612903	1.000000	0.744681	0.614035
Financial Resources	0.752688	0.921053	0.787234	0.486842

Note: Tilde sign (~) indicates negated conditions

Source: Processed by the author with the fsQCA 3.0. software

6.5. Subset/Superset analysis

The subset/superset analysis examines the sufficiency of a specific combination of conditions. This analysis suggests scores of consistency and raw coverage for conditions and/or combinations of conditions and also a combined score.

Figure 6.4: Subset/superset analysis

	consistency	raw coverage	combined
MarkAct*Localis*CustSer*PricingSt*FinanRes	1.000000	0.311828	0.555616
MarkAct*Localis*PricingSt*FinanRes	1.000000	0.322581	0.565115
MarkAct*CustSer*PricingSt*FinanRes	1.000000	0.397849	0.627591
Localis*CustSer*PricingSt*FinanRes	1.000000	0.376344	0.610394
MarkAct*Localis*CustSer*PricingSt	1.000000	0.344086	0.583648
MarkAct*Localis*CustSer*FinanRes	1.000000	0.344086	0.583648
MarkAct*PricingSt*FinanRes	1.000000	0.440860	0.660645
Localis*PricingSt*FinanRes	0.975000	0.419355	0.644330
CustSer*PricingSt*FinanRes	1.000000	0.462366	0.676566
MarkAct*Localis*PricingSt	1.000000	0.376344	0.610394
MarkAct*CustSer*PricingSt	1.000000	0.430108	0.652538
Localis*CustSer*PricingSt	0.940000	0.505376	0.703753
MarkAct*Localis*FinanRes	1.000000	0.354839	0.592698
MarkAct*CustSer*FinanRes	0.981481	0.569892	0.751128
Localis*CustSer*FinanRes	1.000000	0.430108	0.652538
MarkAct*Localis*CustSer	1.000000	0.376344	0.610394
PricingSt*FinanRes	0.980769	0.548387	0.736820
MarkAct*PricingSt	1.000000	0.516129	0.714820
Localis*PricingSt	0.901639	0.591398	0.753486
CustSer*PricingSt	0.949153	0.602150	0.768185
MarkAct*FinanRes	0.966667	0.623656	0.785760
Localis*FinanRes	0.977778	0.473118	0.684388
CustSer*FinanRes	0.983871	0.655914	0.805826
MarkAct*Localis	1.000000	0.408602	0.636016
MarkAct*CustSer	0.966102	0.612903	0.778957
Localis*CustSer	0.928571	0.559140	0.736455
PricingSt	0.855422	0.763441	0.833505
FinanRes	0.921053	0.752688	0.854463
MarkAct	0.929577	0.709677	0.829691
Localis	0.813333	0.655914	0.737840
CustSer	0.926829	0.817204	0.890330

Source: Processed by the author with the fsQCA 3.0 software

6.6. Truthtable analysis in fsQCA – identifying sufficient conditions

This section identifies sufficient conditions and/or combination of conditions to achieve the outcome based on the fuzzy set of qualitative comparative analysis. A condition and/or

combinations of conditions are considered sufficient if the outcome always occurs when they are present. The analysis of sufficiency is the major purpose of fsQCA methodology, which finds the minimal configuration of conditions leading to an outcome (Schneider and Wagemann, 2012).

The key consideration when using fsQCA for sufficiency analysis is the number of included conditions and study's sample size. Analysing increasing number of conditions raises the number of logically possible configurations, in which some are likely to show no cases (Ragin, 1987). Configurational models with many conditions may complicate the interpretation of the findings. In this research, in which the sample size is relatively small, the good practice is to reduce the number of conditions to a manageable amount by considering hypothesis, all existing theories, explanations and prior findings related to the research questions and the outcome (Ragin, 1987). Based on the findings from thematic analysis, the researcher has found five conditions (marketing activities, customer service development, localisation, pricing strategy and financial resources) that are most likely to lead to and affect the outcome (competitive advantage), but due to the study's sample size all five conditions cannot be used in one configuration, as it will not give reliable findings. Therefore, the researcher has decided to create and examine sets of three different conditions to find out which configurations lead to the outcome.

In order to conduct the sufficiency analysis, it is vital to construct a truth table, which lists all logically possible combinations of conditions (Ott et al. 2018). As mentioned above, this study suggests different truth tables that include different sets of conditions:

1. The first combination of conditions that is examined in this study through the truth table analysis is:

- *Marketing activities*
- *Customer service development*
- *Pricing strategy*

The truth table presented below illustrates three conditions - marketing activities, customer service development and pricing strategy either leading to the outcome or not.

Table 6.4: Truth table (marketing activities, customer service development and pricing strategy) fsQCA

MarkAct	CustSer	PricingSt	number	CompAdv	raw consist.	PRI consist.	SYM consist
1	1	0	3 (27%)	1			
0	0	1	3 (54%)	0	0.813954	0.272727	0.333333
0	1	1	3 (81%)	1	0.952381	0.875	1
1	0	1	1 (90%)	1	1	1	1
1	1	1	1 (100%)	1	1	1	1
0	0	0	0 (100%)	0			
1	0	0	0 (100%)	0			
0	1	0	0 (100%)	0			

Table 6.4 represents 2k rows, where k indicates the number of causal conditions (Ott et al. 2018). The column “raw consistency” demonstrates the degree to which membership in that corner of the vector space is a consistent subset of membership in the outcome. The alternative measure of consistency is represented in column “PRI consistency” and the final column – “SYM consistency” shows the multiplicative product of PRI and raw consistency (Fiss, 2011).

The scores need to be assigned by the researcher to the outcome condition (competitive advantage), as when employing truth table analysis the column is usually blank and the researcher selects the frequency threshold depending on the raw consistency and PRI consistency. QCA standards recommend the use of a consistency threshold of 0.75 and higher to exclude inconsistent rows in the truth table analysis (Ragin 2006, 2008). For this study, the researcher has selected the lowest acceptable consistency score of 0.9 for solutions. As the result, 1 is positioned in the outcome column of CompAdv for configurations with 0.9 consistency and greater, and 0 is placed for cases with lower consistency. After the truth table is constructed, the result leads to the provision of complex, parsimonious, and intermediate solutions. The table below indicates the results for the first truth table analysis.

Table 6.5: Truth table analysis - Solution 1 for the outcome – competitive advantage

	Consistency	Raw coverage	Unique coverage
MarkAct*CustSer	0.96	0.61	0.18
MarkAct*PricingSt	1	0.51	0.08
CustSer*PricingSt	0.94	0.6	0.17
Solution consistency/coverage	0.94	0.87	

The table above shows the intermediate solutions with the calculation of consistency, raw coverage and unique coverage for each combination, as well as solution coverage and

solution consistency. Consistency as mentioned in sections above is classified as the measure of the degree to which there is a relation of sufficiency between conditions and the outcome presented. Raw coverage measures the proportion of memberships in the outcome that is clarified by each term of the solution. Unique coverage measures the proportion of memberships in the outcome justified solely by each individual solution term. Solution coverage measures the proportion of memberships in the outcome that is explained by the complete solution and solution consistency covers how consistent the results are overall (Ragin, 2008., Greckhamer et al. 2018). Consistency and coverage help the interpretation of result (Ott and Kimura, 2016).

To improve the presentation of the findings, the researcher transforms the solutions from fsQCA output into a table, which is easier to read and understand. Therefore, each solution table presents sufficient configurations of conditions (solutions) leading to the presence and absence of competitive advantage. The presence of a condition is indicated with a black circle (•), the absence with a crossed circle (⊗) and the blank space means “don’t care”. Each set of solutions is discussed in-depths:

Solution 1 suggests three different configurations for the presence of competitive advantage, which achieved the minimum threshold of 0.9 of consistency, meaning all are sufficient for competitive advantage. The solution coverage for the presence of the outcome is 0.87 meaning that about 87% of the case companies that possess the outcome are explained by the solution formula.

Table 6.6: Overview of solution 1 for Competitive Advantage

	Competitive Advantage			
	CompAdv			~CompAdv
	1a	1b	1c	1d
Marketing Activities	•	•		
Customer Service Development	•		•	⊗
Pricing Strategy		•	•	•
Consistency	0.96	1	0.94	0.83
Raw Coverage	0.61	0.51	0.6	0.87
Unique Coverage	0.18	0.08	0.17	0.87
Solution Coverage		0.87		0.87

Legend:

- - Black circle indicates the presence of a condition;
- ⊗ - Circle with “x” shows the absence of a condition;
- ___ Blank space indicates “don’t care”.

Based on the first truth table analysis, three configurations have been found to lead competitive advantage, though one configuration has been identified while the outcome is absent:

Configuration 1a - indicates that competitiveness can be achieved with the presence of marketing activities and customer service development, while the third condition pricing strategy has minor role in this configuration as indicated by the blank space in the table. This result is compared with the Venn diagram (see below figure 6.5), which shows that the combination of marketing activities and customer service development is successfully applied by the international franchisees from developed markets (GMFGe1, GMFGe2, OMFGe, HoMFGe).

Configuration 1b - presents that companies utilising marketing activities and pricing strategies are able to achieve competitiveness, regardless the presence and absence of customer service development strategy. However, this configuration only contains two case companies (GMLUk6, FOFUk), while other configurations involve at least three case firms in this set.

Configuration 1c - indicates that the positive outcome is achieved when the conditions customer service development and pricing strategy are present, while marketing activities has no role in this configuration. Three local companies (GMLGe3, GMLGe4, CoDLUk4) utilise this configuration that helped them in putting their firms ahead of the competition. To compare the results of thematic analysis and fsQCA, these companies cannot utilise marketing activities as they do not have enough financial resources, however, focusing on consumer’s demand and ability in emerging markets, these companies managed to achieve competitive edge.

Configuration 1d - indicates the negation of the outcome. It shows that competitive advantage can be absent even when the pricing strategy is present. In this configuration, marketing activities has minor role and customer service development is absent.

2. The second combination involves the following conditions:

- *Marketing activities*
- *Localisation*
- *Customer service development*

Table 6.7 demonstrates the truth table analysis with three conditions - marketing activities, localisation and customer service development either leading or not to the outcome – competitive advantage.

Table 6.7: Truth table (marketing activities, localisation and customer service development)

MarkAct	Localis	CustSer	number	CompAdv	raw consist.	PRI consist.	SYM consist
1	0	1	3 (27%)	1	0.95	0.913044	1
0	1	1	3 (54%)	1	0.95122	0.875	1
0	0	0	2 (72%)	0	0.833333	0.166667	0.2
0	1	0	1 (81%)	0	0.875	0.333334	0.5
1	1	0	1 (90%)	1	1	1	1
1	1	1	1 (100%)	1	1	1	1
1	0	0	0 (100%)	0			
0	0	1	0 (100%)	0			

The outcome of the second truth table analysis is presented in table 6.8 which is further discussed below.

Table 6.8: Truth table analysis - Solution 2 for the outcome – competitive advantage

	Consistency	Raw coverage	Unique coverage
MarkAct*Localis	1	0.4	0.03
MarkAct*CustSer	0.96	0.61	0.23
Localis*CustSer	0.92	0.55	0.18
Solution consistency/coverage	0.92	0.82	

Solution 2 - According to the results, three sufficient and consistent models describe the conditions leading to high score of competitive advantage (coverage = 0.82, consistency = 0.92). All three different combinations of conditions can be applied to achieve the outcome, as all of them have the minimum threshold of 0.9 of consistency.

Table 6.9: Overview of solution 2 for Competitive Advantage

	Competitive Advantage			
	CompAdv			~CompAdv
	2a	2b	2c	2d
Marketing Activities	●	●		⊗
Customer Service Development		●	●	⊗
Localisation	●		●	⊗
Consistency	1	0.96	0.92	0.93
Raw Coverage	0.4	0.61	0.55	0.59
Unique Coverage	0.03	0.23	0.18	0.59
Solution Coverage		0.82		0.59
Solution Consistency		0.92		0.93

Legend:

- - Black circle indicates the presence of a condition;
- ⊗ - Circle with “x” shows the absence of a condition;
- Blank space indicates “don’t care”.

Each configuration is explained separately:

Configuration 2a - suggests that competitive advantage can be achieved when marketing activities and localisation are present. In this case, customer service development has no role for the positive result. Based on the Venn diagram (figure 6.6), only one Ukrainian local company (GMLUk6) follows this combination resulting in positive outcome, while the configurations 2b and 2c cover more case companies.

Configuration 2b - is the same as the combination 1a, which shows that the presence of marketing activities and customer service development lead to the competitiveness and includes all international franchisees from developed markets (GMFGe1, GMFGe2, OMFGe, HoMFGe). In this configuration, localisation has no role, meaning this condition does not contribute to the positive outcome in this setting.

Configuration 2c - suggests that competitive advantage is achieved with the combination and the presence of customer service development and localisation strategies. To compare the result with the Venn diagram (figure 6.6), we can see that only local emerging market companies (GMLGe3, GMLGe4, CoDLGe2, CoDLUk4) follow these models successfully. In this case, marketing activities has minor role for the companies to be used as the condition for reaching the positive result.

Configuration 2d - shows the negation of the outcome when all three conditions are absent.

3. The third combination of conditions are:

- *Localisation*
- *Pricing strategy*
- *Financial resources*

The table 6.10 examines localisation, pricing strategy and financial resources as the conditions either leading or not to ompetitiveness.

Table 6.10: Truth table (localisation, pricing strategy and financial resources)

Localis	PricingSt	FinanRes	number	CompAdv	raw consist.	PRI consist.	SYM consist
1	1	0	4 (44%)	1	0.959184	0.894737	0.944444
0	1	0	2 (66%)	0	0.84375	0.375	0.428572
0	0	1	2 (88%)	1	1	1	1
0	1	1	1 (100%)	1	1	1	1
0	0	0	0 (100%)	0			
1	0	0	0 (100%)	0			
1	0	1	0 (100%)	0			
1	1	1	0 (100%)	0			

Source: Proceeded by the researcher with the fsQCA 3.0. software

The result of the third truth table analysis indicates 2 different combinations of conditions leading to the outcome:

Table 6.11: Truth table analysis - Solution 3 for the outcome – competitive advantage

	Consistency	Raw coverage	Unique coverage
Localis*FinanRes	0.94	0.5	0.3
Localis*PricingSt*~FinanRes	0.95	0.5	0.3
Solution consistency/coverage	0.93	0.8	

Solution 3 – indicates two sufficient configurations of conditions leading to the positive outcome that has 0.93 solution consistency and 0.8 solution coverage scores, while one configuration leads to the negative outcome with 0.87 solution consistency and 0.59 solution coverage.

Table 6.12: Overview of solution 3 for Competitive Advantage

	Competitive Advantage		
	CompAdv		~CompAdv
	3a	3b	3c
Localisation	●	●	⊗
Pricing strategy		●	●
Financial resources	●	⊗	⊗
Consistency	0.94	0.95	0.87
Raw Coverage	0.5	0.5	0.59
Unique Coverage	0.3	0.3	0.59
Solution Coverage	0.8		0.59
Solution Consistency	0.93		0.87

Legend:

- - Black circle indicates the presence of a condition;
- ⊗ - Circle with “x” shows the absence of a condition;
- Blank space indicates “don’t care”.

Based on the analysis:

Configuration 3a – shows that companies focusing on localisation strategy and with sufficient financial resources can achieve competitiveness in emerging markets. In this

configuration, the positive outcome was reached regardless the presence and absence of pricing strategy. Based on the Venn diagram and truth table analysis through Tosmana, this configuration only involves one case company (CoDLGe2).

Configuration 3b – this configuration indicates that the positive outcome is achieved with the combination of localisation and pricing strategy and the absence of financial resources, meaning that firms that do not possess enough finance and do not have access to get additional funds, but focus on localisation and prices of their products/services have the capacity to achieve competitiveness. Compared to other configurations in this study, this set contains most of the case firms. Based on the analysis five local companies in both markets: Georgia and Ukraine (GMLGe3, GMLGe4, GMLUk5, CoDLUk4, GMLUk6) utilise this combination that positively affect their business performances.

Configuration 3c – shows the negation of the outcome. It indicates that competitive advantage can be absent even when the condition – pricing strategy is present. In this configuration, two other conditions – localisation and financial resources are absent.

4. The fourth set of conditions is as follows:

- *Marketing activities*
- *Customer service development*
- *Financial resources*

The table 6.13 examines marketing activities, customer service development and financial resources as the conditions either leading or not to competitiveness.

Table 6.13: Truth table (marketing activities, customer service development and financial resources)

MarkAct	CustSer	FinanRes	number	CompAdv	raw consist.	PRI consist.	SYM consist
1	1	1	4 (40%)	1	0.981481	0.966667	1
0	1	0	3 (70%)	1	0.972973	0.923077	1
0	0	0	2 (90%)	0	0.815789	0.222222	0.285714
1	0	0	1 (100%)	1	1	1	1
1	1	0	0 (100%)	0			
0	0	1	0 (100%)	0			
1	0	1	0 (100%)	0			
0	1	1	0 (100%)	0			

Source: Proceeded by the researcher with the fsQCA 3.0. software

The solutions for the fourth truth table analysis is presented in table 6.14.

Table 6.14: Truth table analysis - Solution 4 for the outcome – competitive advantage

	Consistency	Raw coverage	Unique coverage
MarkAct*~CustSer*~FinanRes	1	0.26	0.06
~MarkAct*CustSer*~FinanRes	0.97	0.38	0.13
MarkAct*CustSer*FinanRes	0.98	0.56	0.31
Solution consistency/coverage	0.97	0.78	

Solution 4 – Indicates three configurations leading to the positive outcome with the solution consistency of 0.97 and solution coverage of 0.78. The overall solution consistency reveals that the identified combinations represent highly consistent solutions to explain competitive advantages of companies in emerging markets.

Table 6.15: Overview of solution 4 for Competitive Advantage

	Competitive Advantage			
	CompAdv			~CompAdv
	4a	4b	4c	4d
Marketing Activities	●	⊗	●	⊗
Customer Service Development	⊗	●	●	⊗
Financial resources	⊗	⊗	●	⊗
Consistency	1	0.97	0.98	0.89
Raw Coverage	0.26	0.38	0.56	0.72
Unique Coverage	0.06	0.13	0.31	0.72
Solution Coverage	0.78			0.72
Solution Consistency	0.97			0.89

Legend:

- - Black circle indicates the presence of a condition;
- ⊗ - Circle with “x” shows the absence of a condition;
- _____ Blank space indicates “don’t care”.

Configuration 4a – shows that with the presence of marketing activities and the absence of customer service development and financial resources the positive outcome – competitive

advantage can be achieved. However, this configuration only involves one local firm operating in Ukrainian market (GMLUk6), while other configuration in this solution contains more case companies that achieved the positive result.

Configuration 4b – similarly to configuration 4a, this setting shows the presence of only one condition – customer service development and the absence of marketing activities and financial resources. Nevertheless, compared to the above configuration, this model involves three local case companies (GMLGe3, GMLGe4, CoDLUk4) that have achieved competitiveness with the focus on customer service development.

Configuration 4c - consists of the presence of all three conditions: marketing activities, customer service development and financial resources. This is the only configuration in this study that contains all conditions together. Based on the analysis, all international franchisees from developed markets (GMFGe1, GMFGe2, OMFGe, HoMFGe) utilise the combination of marketing activities, customer service development and financial resources that lead them to competitiveness in emerging countries.

Configuration 4d – shows that with the absence of all conditions – marketing activities, customer service development and the financial resources the positive result cannot be achieved.

The researcher suggests additional presentational form for fsQCA using Tosmana 1.6 software to allow readers to better understand the cases and which configuration they fall in.

6.7. Constructing truth tables and Venn diagrams using crisp sets in Tosmana

This section suggests the analysis of truth tables and Venn Diagrams with the use of Tosmana. Venn diagram determines the outcomes and clusters the cases in the section where the joint sets are positioned (Aluko et al. 2022). The researcher examines four different sets of conditions consistent with the above analysis through Tosmana, to support the findings of fsQCA. Examining alternative combinations allows the researcher to get a deep understanding of the data and provides more holistic views on the study phenomenon (Schneider and Wagemann, 2012). Therefore, different configurations of conditions are compared and analysed to explore possible solutions that explain the outcome of the interest – competitive advantages of emerging-market firms and international franchisees operating in developing countries.

1. The first set of conditions that is examined in this study is the following:

- *Marketing activities*
- *Customer service development*
- *Pricing strategy*

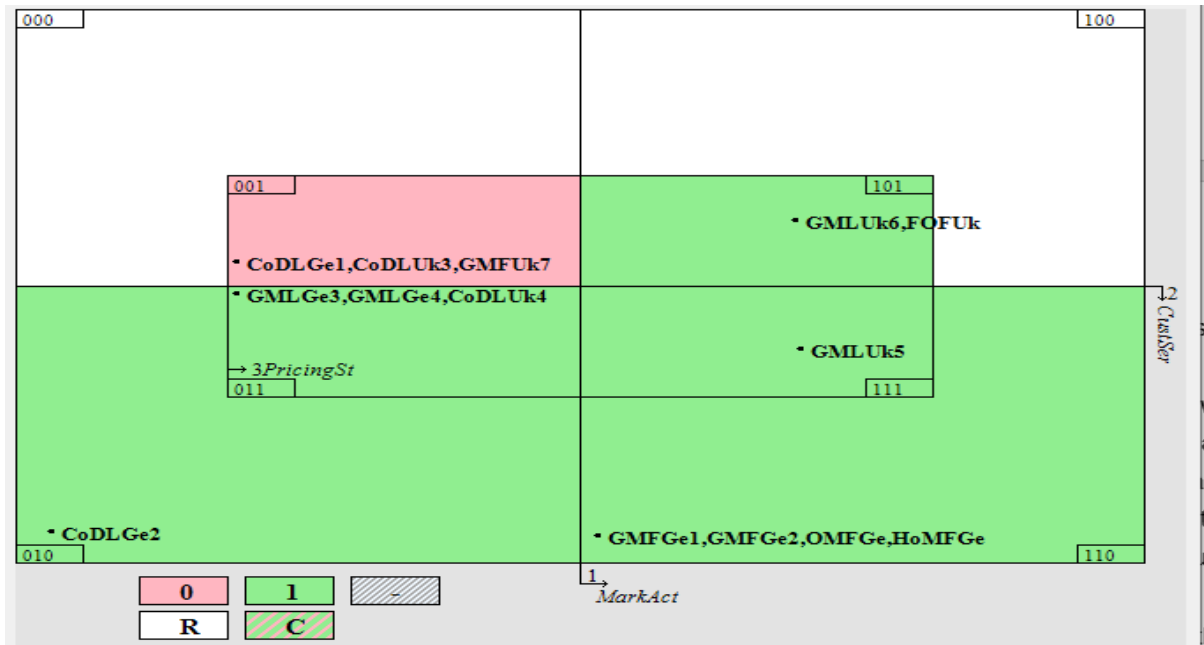
The truth table analysis identifies which combinations lead to the outcome and where the cases belong that is represented in the table below. In this set marketing activities, customer service development and pricing strategy are examined.

Table 6.16: Truth table analysis (marketing activities, customer service development and pricing strategy conditions)

MarkAct	CustSer	PricingSt	CompAdv	Case ID
0	0	1	0	CoDLGe1, CoDLUk3, GMFUk7
0	1	0	1	CoDLGe2
0	1	1	1	GMLGe3, GMLGe4, CoDLUk4
1	0	1	1	GMLUk6, FOFUk
1	1	0	1	GMFGe1, GMFGe2, OMFGe, HoMFGe
1	1	1	1	GMLUk5

The results indicate five combinations of conditions leading to [1] competitive advantage and [0] no competitive advantage. The same data is represented in a visual way through the Venn diagram (figure 6.5).

Figure 6.5: Venn diagram (marketing activities, customer service development and pricing strategy conditions)



Generally a Venn diagram provides five types of configurations:

- Configurations with a [0] outcome
- Configurations with a [1] outcome
- Configurations with a “_” (“don’t care”) outcome
- Configurations with a “R” (logical remainder) outcome
- Configurations with a “C” (contradiction) outcome.

The Venn diagram above indicates possible configurations that lead to two possible outcomes: [1] competitive advantage is achieved and [0] competitive advantage is not achieved. The diagram illustrates the distribution of participants and where each case company is located. The three conditions formed 8 basic zones in which:

- Condition [MarkAct - Marketing activities] cuts the space vertically on the x-axis meaning that all participants on the right-hand side of the vertical line have a (1) value for this condition, while all cases on the left-hand side of this line have a (0) value for this condition.
- Condition [CustSer – Customer service development] cuts the space horizontally on the y-axis that means all case companies below the line have a (1) value for this

condition, while all the case companies above this line have a (0) value for this condition.

- Condition [PricingSt – Pricing strategy] is a horizontal rectangle in the middle of the diagram. All cases inside the rectangle have the value of 1 for this condition, whereas, all cases outside the rectangle have 0 value for this condition.

The findings are discussed below in detail:

The Full Set (1,1,1) involves only one case company (the local Ukrainian respondent - GMLUk5) and shows that the conditions marketing activities, customer service development and pricing strategy are joint together to achieve competitive advantage.

The results of the analysis on the diagram shows that the configurations (1,1,0), (0,1,1) and (1,0,1) have two conditions present leading to competitiveness:

(1,1,0) – the joint set of marketing activities and customer service development is leading to competitive advantage for all international franchisees in Georgia (GMFGe1, GMFGe2, OMFGe, HoMFGE), even though, these companies do not focus on pricing strategy, they are still competitive in the market they operate in. This configuration shows that all the cases presented in this set are franchisees of developed-market franchisors.

(0,1,1) – shows the cluster of local companies from both markets (GMLGe3, GMLGe4, CoDLUk4) that utilise customer service development and pricing strategy together, which leads to competitive powers. In this configuration the condition marketing activity is absent; however, it has no influence on producing the positive result. Similarly to the above, it shows case companies in this configuration are sharing the same concepts and methods of operations.

(1,0,1) – marketing activities together with pricing strategy also lead to the positive outcome for one Ukrainian local restaurant (GMLUk6) and one international franchisee (FOFUk). In this analysis, it is the only configuration that shows no similarities between the case companies, as one of the companies is domestic restaurant and another is international franchisee. Based on the interview data, both firms have different structure, business practices and experiences, however, in this case they share the same strategies that are effective for them to achieve competitive advantage.

The positive outcome has also been achieved in case of *(0,1,0)* configuration, in which only one condition - customer service development is present. Only one local Georgian restaurant (CoDLGe2) is involved in this pattern.

Last configuration $(0,0,1)$ shows the negative outcome for three companies (CoDLGe1, CoDLUk3, GMFUk7) in which pricing strategy is the only condition present but still not sufficient for achieving competitive edge in the market. This configuration includes dissimilar case companies (two local Georgian and one international franchisee operating in Ukraine), which employ the same strategy, but the outcome is absent.

2. The second combination of conditions that is analysed in this study is:

- *Marketing activities*
- *Localisation*
- *Customer service development*

The same process of analysis is followed as when examining the first data set. This combination contains three major conditions: marketing activities, localisation and customer service development either leading to competitive advantage or not.

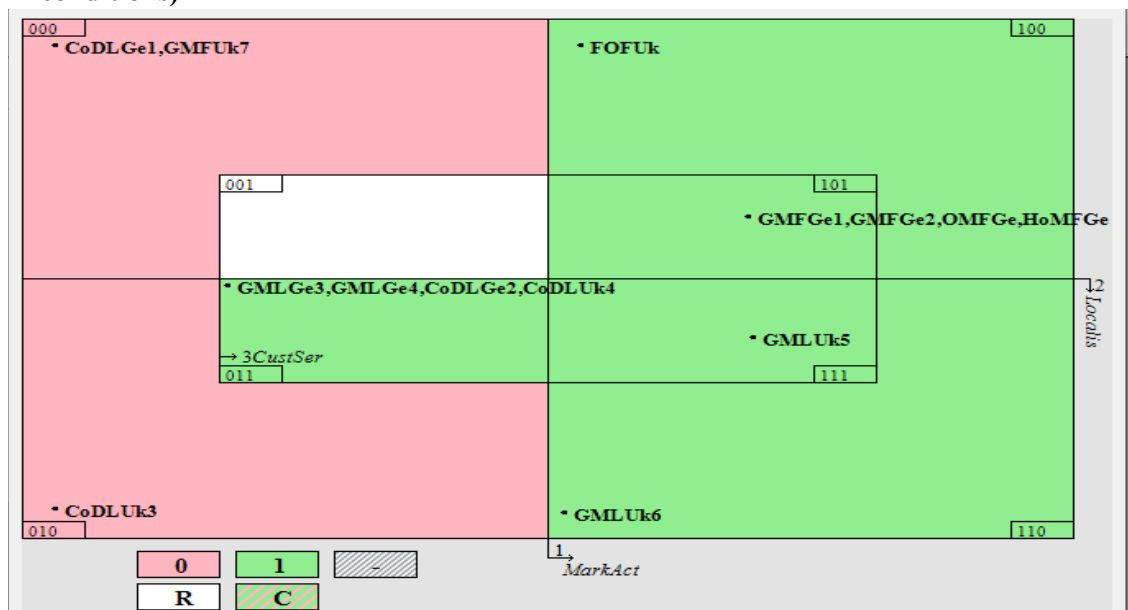
Table 6.17: Truth table analysis (marketing activities, localisation and customer service development conditions)

MarkAct	Localis	CustSer	CompAdv	Case ID
0	0	0	0	CoDLGe1, GMFUk7
0	1	0	0	CoDLUk3
0	1	1	1	GMLGe3, GMLGe4, CoDLGe2, CoDLUk4
1	0	0	1	FOFUk
1	0	1	1	GMFGe1, GMFGe2, OMFGe, HoMFGe
1	1	0	1	GMLUk6

1	1	1	1	GMLUk5
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The table above shows that there are 7 different configurations, in which five lead to positive result and two to negative. The analysis is also presented in a visual way through the Venn diagram (figure 6.6).

Figure 6.6: Venn diagram (marketing activities, localisation, customer service development conditions)



The graph illustrates different configurations of conditions and indicates where each case company is located based on the crisp set data. All possible combinations and results are explained further below:

The Full Set (1,1,1) involves the Ukrainian respondent (GMLUk5) from local restaurant and includes the combination of marketing activities, localisation and customer service development that leads to competitiveness. This is the only case company that uses all the three conditions together, while all other companies use one or two conditions that lead to positive outcome.

The configurations - $(1,1,0)$, $(1,0,1)$ and $(0,1,1)$ have two conditions present leading to competitive advantage:

$(1,1,0)$ - marketing activities and localisation are present, but customer service development is absent for GMLUk6 and still leads to competitive advantage.

$(1,0,1)$ – in this set marketing activity together with customer service development are leading to competitive advantage of all international franchisees operating in Georgia (GMFGe1, GMFGe2, OMFGe, HoMFGE). The results of the analysis on the diagram indicate that this cluster involves companies that are similar to each other representing the well-established franchise businesses who have strong marketing campaigns and ability to provide high-quality customer service compared to emerging-market firms.

$(0,1,1)$ – localisation and customer service development are joint sets for competitive advantage in the case of three Georgian (GMLGe3, GMLGe4, CoDLGe2) and one Ukrainian (CoDLUk4) local restaurants. Similarly to the above configuration, the relationship between the cases can be seen as all of them are domestic companies with local market knowledge focusing on improving customer service.

The three configurations with only one condition are showing the following outcomes:

$(1,0,0)$ indicates that only marketing activity leads to competitive advantage for international franchisee in Ukraine (FOFUk).

$(0,1,0)$ shows that one of the Ukrainian local restaurant (CoDLUk3) only uses localisation by producing local-traditional food without considering the development of customer service quality and marketing campaigns, which does not lead to the competitive advantage.

$(0,0,1)$ - is a logical remainder which means none of the cases are found in this cell.

$(0,0,0)$ indicates that not using marketing activities, localisation and/or customer service development lead to the negative outcome. The diagram shows only two companies one Georgian local restaurant (CoDLGe1) and one international franchise restaurant in Ukraine (GMFUk7) falling in this set.

3. The third combination of conditions that is analysed in this research is as follows:

- *Localisation*
- *Pricing strategy*
- *Financial resources*

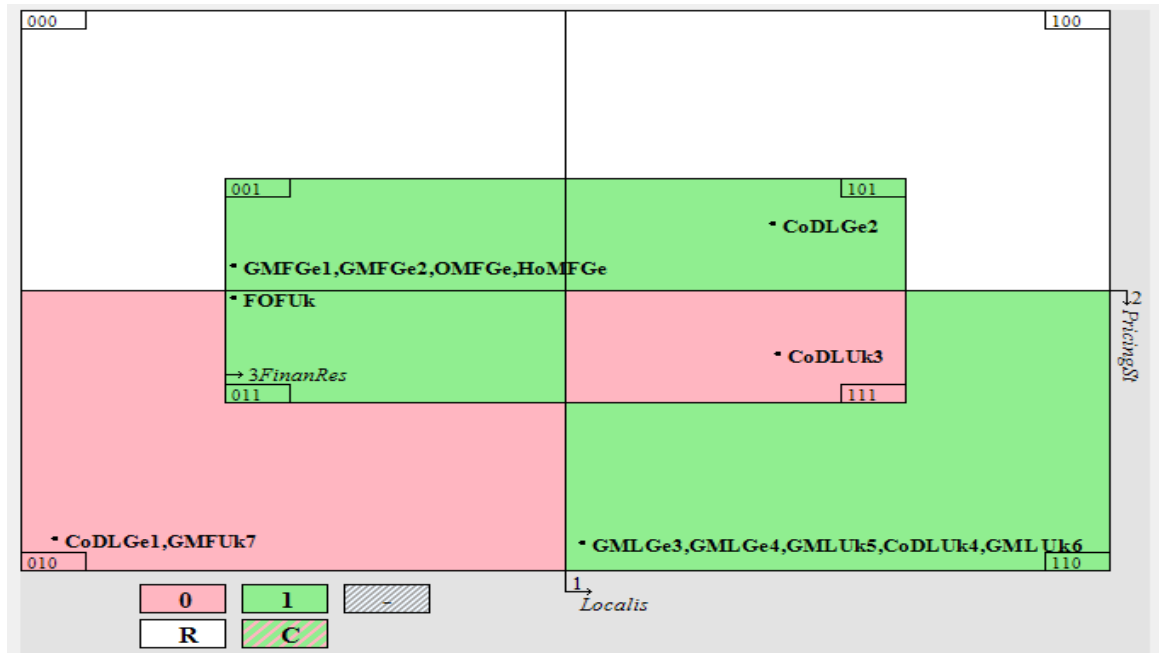
In this case, three different conditions localisation, pricing strategy and financial resources are tested to identify which combinations of conditions lead to competitiveness.

Table 6.18: Truth table analysis (localisation, pricing strategy and financial resources conditions)

Localis	PricingSt	FinanRes	CompAdv	Case ID
1	1	1	0	CoDLUk3
0	1	0	0	CoDLGe1, GMFUk7
0	1	1	1	FOFUk
1	0	1	1	CoDLGe2
1	1	0	1	GMLGe3, GMLGe4, GMLUk5, CoDLUk4, GMLUk6
0	0	1	1	GMFGe1, GMFGe2, OMFGe, HoMFGe

Based on the analysis, the truth table indicates six different configurations that lead to two different outcomes. The results are also illustrated in a visual way through the Venn diagram (figure 6.7).

Figure 6.7: Venn diagram (localisation, pricing strategy and financial resources conditions)



The figure 6.7 illustrates the distribution of participants and where each case company is located.

The results show that configurations $(1,1,0)$, $(1,0,1)$ and $(0,1,1)$ have two conditions present that lead to competitiveness of the company:

$(1,1,0)$ – in this configuration the positive outcome is achieved with the presence of localisation and pricing strategy and the absence of financial resources. This cluster involves five local companies: two Georgian (GMLGe3, GMLGe4) and three Ukrainian restaurants (GMLUk5, CoDLUk4, GMLUk6) and shows the managerial capabilities of domestic companies in selecting suitable strategies to attract consumers which are focused on local/traditional food and cheaper prices.

$(1,0,1)$ – in this case, the competitiveness is achieved with the combination of localisation strategy and financial resources, but it is only applicable to one Georgian local company (CoDLGe2).

$(0,1,1)$ – pricing strategy and financial resources are in this set and similarly to the above this configuration involves only one Ukrainian franchise restaurant (FOFuk).

The two configurations with only one condition are showing the following results:

$(0,1,0)$ – pricing strategy is the only condition present for two local companies (CoDLGe1, GMFUk7) and, according to the result, it is not sufficient to achieve competitive advantage.

(0,0,1) – financial resources is the only condition present for all of international franchisees operating in Georgia (GMFGe1, GMFGe2, OMFGe, HoMFGe) that leads to the positive outcome.

The full set (1,1,1) does not lead to competitiveness, even though it contains all three conditions: localisation, pricing strategy and financial resources. It is applicable to only one Ukrainian local company (CoDLUk3).

4. The final combination of three conditions that is examined in this thesis is:

- *Marketing activities*
- *Customer service development*
- *Financial resources*

This combination of conditions examines the following: marketing activities, customer service development and financial resources.

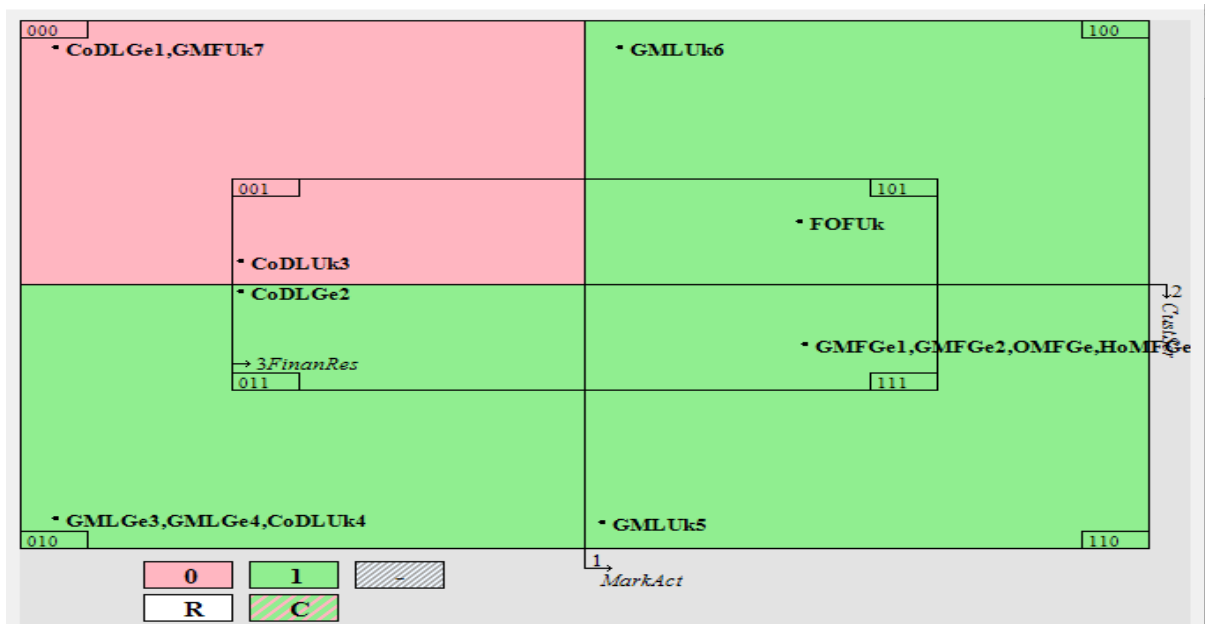
Table 6.19: Truth table analysis (marketing activities, customer service development and financial resources conditions)

MarkAct	CustSer	FinanRes	CompAdv	Case ID
0	0	0	0	CoDLGe1, GMFUk7
0	0	1	0	CoDLUk3
0	1	0	1	GMLGe3, GMLGe4, CoDLUk4
0	1	1	1	CoDLGe2
1	0	0	1	GMLUk6
1	0	1	1	FOFUk
1	1	0	1	GMLUk5

1	1	1	1	GMFGe1, GMFGe2, OMFGe, HoMFGe
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The truth table shows that there are eight different configurations in which six lead to competitive advantage and two lead to negative result. To visualise the analysis the Venn diagram shows cases either individually or as clusters.

Figure 6.8: Venn diagram (marketing activities, customer service development and financial resources conditions)



The Full Set (1,1,1) contains all three conditions – marketing activities, customer service development and financial resources that lead to the positive outcome and is used by four international franchisees operating in Georgia (GMFGe1, GMFGe2, OMFGe, HoMFGe). All these companies have similar characteristics, such as being franchisees of well-established franchisors from developed countries and having access to their business experience and knowledge.

Compared to the full set, the configurations - (1,1,0), (1,0,1) and (0,1,1) have only two conditions present leading to competitive advantage:

$(1,1,0)$ - marketing activities and customer service development are present, but financial resources are absent for only one local Ukrainian restaurant GMLUk5, however the company has still achieved competitiveness.

$(1,0,1)$ – this configuration shows that only one international franchisee operating in Ukraine (FOFUk) has achieved competitive advantage by having sufficient financial resources and doing different marketing activities.

$(0,1,1)$ – as shown in the diagram, only one local Georgian restaurant (CoDLG2) has achieved competitiveness with the combination of providing high-quality customer service and owning financial resources.

The three configurations with only one condition are showing the following outcomes:

$(1,0,0)$ indicates that only marketing activity leads to competitive advantage for local Ukrainian restaurant (GMLUk6).

$(0,1,0)$ shows that three companies two local Georgian restaurants (GMLGe3, GMLGe34) and one local Ukrainian company (CoDLUk4) have gained competitiveness by using only one strategy – customer service development.

$(0,0,1)$ - the result shows that only owning sufficient financial resources without implementing suitable strategies, such as marketing activities and/or customer service development, is not enough for gaining success for local Georgian company (CoDLUk3).

$(0,0,0)$ – this configuration involves two companies - one Georgian local restaurant (CoDLGe1) and one international franchise restaurant in Ukraine (GMFUk7). Based on the diagram, none of them have achieved a competitive advantage, as they do not employ marketing and customer service development strategies and nor do they have enough financial resources for further growth.

The Tosmana software helps in evaluating possible combinations of conditions leading to either positive or negative result. According to the fsQCA results (solution 1, solution 2, solution 3, solution 4) and Venn diagrams, international franchisees and emerging-market firms utilise different strategies and capabilities to achieve competitiveness. Based on the analysis, solution 3 is considered as the most applicable configuration for local firms to put themselves ahead of the competition, while solution 4 is assumed as the most suitable strategic direction for international franchisees to achieve competitiveness in developing markets. The next section provides the examination of sufficient configurations of conditions based on fsQCA analysis through the XY plot.

6.8. XY - Plot

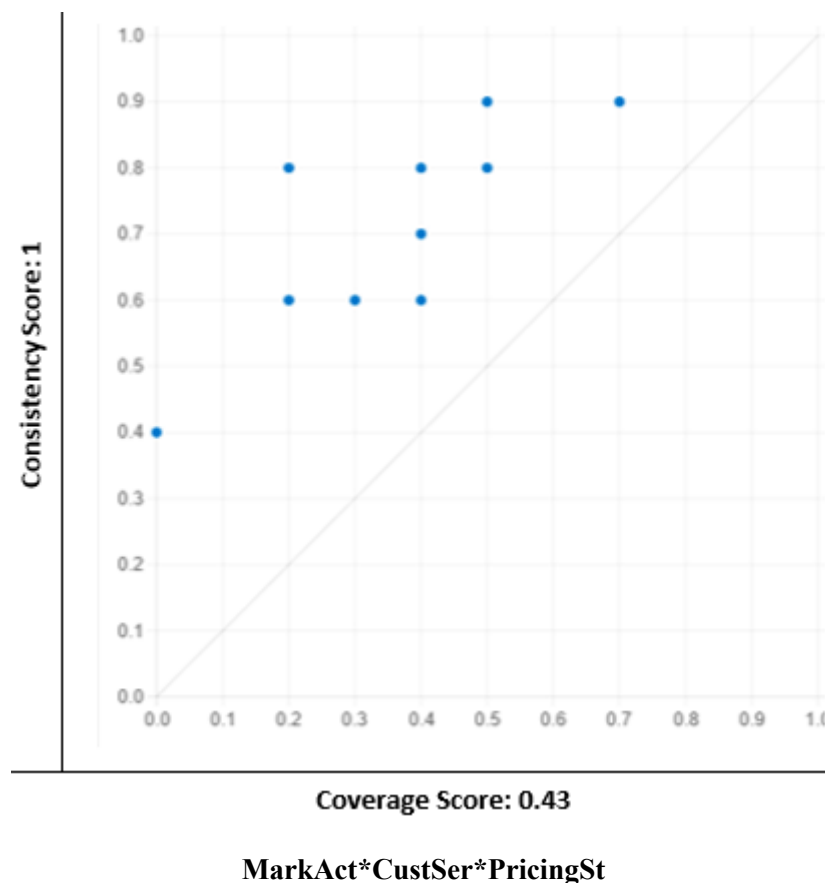
The empirical relevance can be identified in an XY-plot, which is a graphical representation for sufficiency and necessity that helps to position the joint sets of the conditions (x-axis) in relation to the outcome (y-axis). In this study, the researcher is testing the most sufficient configurations and not a single condition. Thus, all four solutions identified above in fsQCA and Tosmana programmes are examined separately through the XP plot.

To produce the XY plot it is necessary to compute the specific configuration and transform it into a diagram. The first solution that is examined includes marketing activities, customer service development and pricing strategy. To produce the result, the joint set of conditions is plotted against the outcome of research interest (competitive advantage) using the XY-plot in fsQCA software programme (figure 6.9).

Figure 6.9: Distribution of cases within the XY Plot graph – Solution 1

Competitive advantage

1



The plot demonstrates any conditions that may tend towards necessity and/or sufficiency. The major diagonal cuts the square into two triangles. The area above the main diagonal

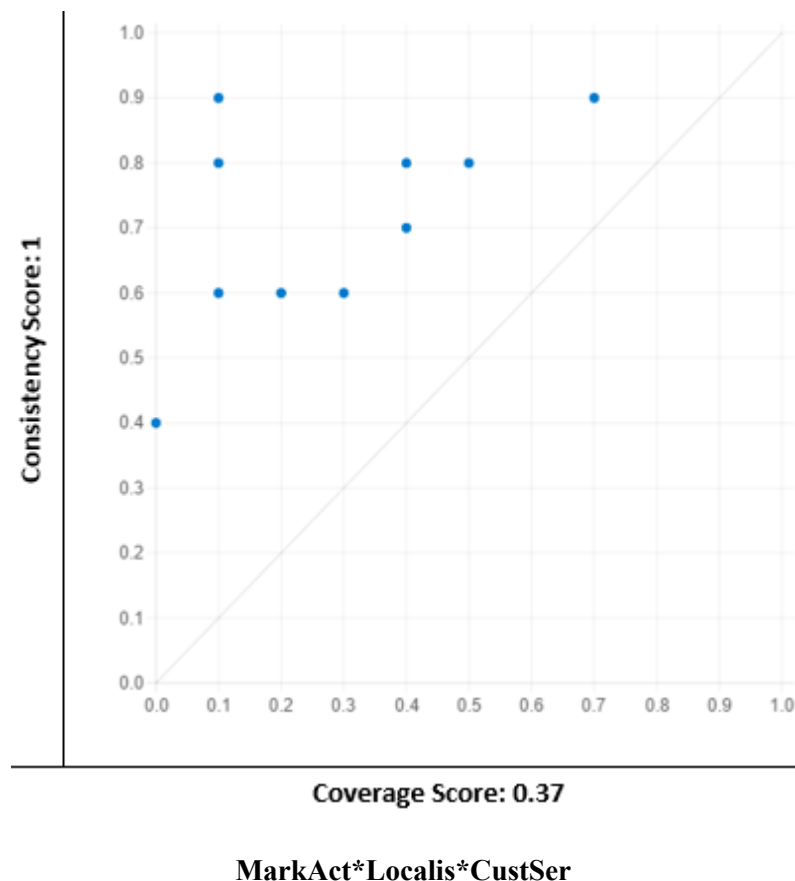
illustrates a relation to sufficiency and the lower area demonstrates a relation to necessity. The coverage and consistency values presented in the figure 6.9 indicate two-dimensional plot of membership scores for each case company for the outcome, and for either a single condition or a causal configuration. This plot indicates the consistency score 1 and the coverage score 0.43. The fact that most of the cases are above the main diagonal shows a relation of sufficiency. However, as none of the cases are located in the lower triangle, there is no relation of necessity.

The second solution that is tested involves marketing activities, localisation and customer service development as the joint set.

Figure 6.10: Distribution of cases within the XY Plot graph – Solution 2

Competitive advantage

1



The analysis shows the joint set of marketing activities, localisation and customer service development is sufficient for the outcome, but not necessary and/or sufficient to achieve the

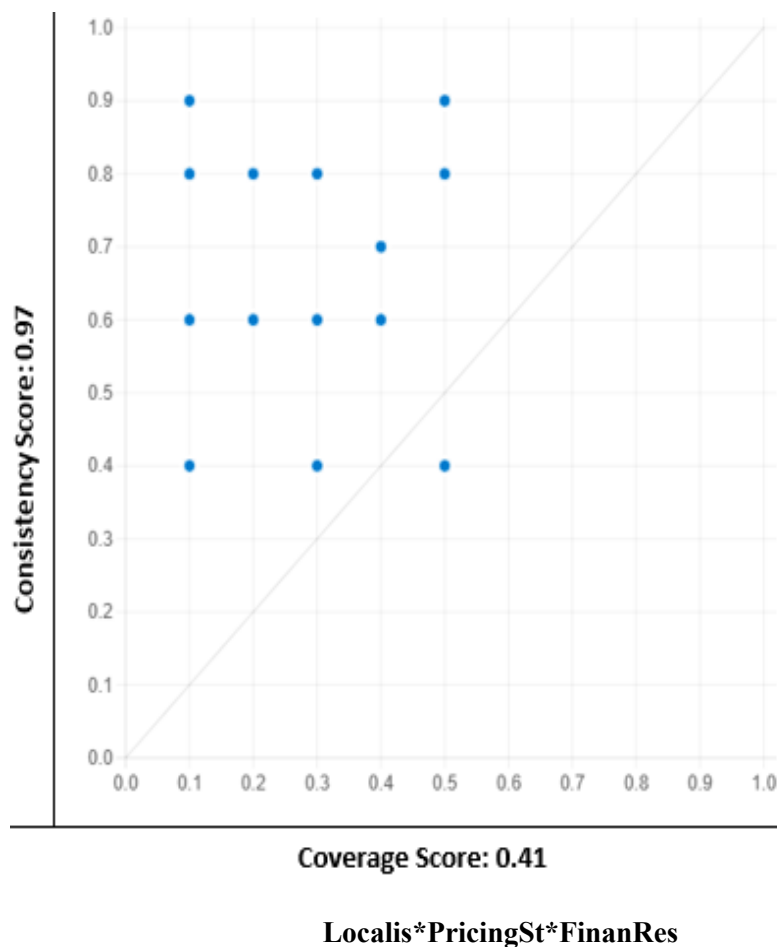
positive outcome – competitive advantage. The findings demonstrate the positive relationship to sufficiency with the consistency score of 1 and the coverage - 0.37.

The third combination of conditions involves localisation, pricing strategy and financial resources. This configuration has been identified as one of the most appropriate sets that leads to the positive outcome.

Figure 6.11: Distribution of cases within the XY Plot graph – Solution 3

Competitive advantage

0.97



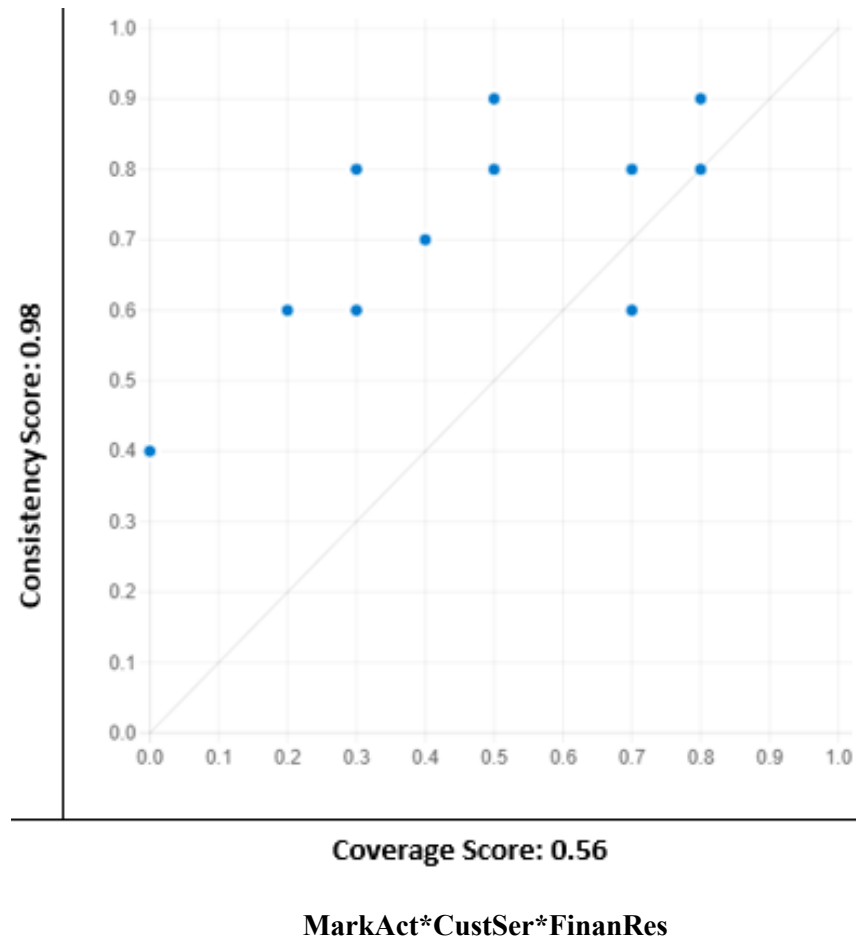
This plot indicates the consistency score 0.97 and the coverage score 0.41. The fact that most of the cases are above the main diagonal shows a relation of sufficiency, while only one case under the main diagonal indicates a relation of necessity.

The fourth solution that is tested involves marketing activities, customer service development and financial resources.

Figure 6.12: Distribution of cases within the XY Plot graph – Solution 4

Competitive advantage

0.98



The analysis of XY plot shows that the fourth configuration, which includes marketing activities, customer service development and financial resources, provides unique result. The result indicates that similarly to the above plot, most of the cases fall in the upper triangle, while only one is located in the lower triangle showing the relation to sufficiency. However, compared to the above plots, one case is situated on the main diagonal, which represents the ideal case where the conditions are sufficient and necessary.

6.9. Configurational findings

This section provides the findings of fuzzy set of qualitative comparative analysis by emphasising the most applicable configurations leading to the positive outcome. The results from fsQCA and Venn diagrams are combined in order to better understand the subject of

interest. The researcher suggests four different solutions that are equifinally linked to competitive advantage. The findings are beneficial for businesses to understand the main methods and strategic assets that facilitate company's ability to compete. All four solutions are explained below:

Solution 1 – Competitive Advantage is a function of marketing activities, customer service development and pricing strategy conditions.

The full joint set of the three conditions is achieved for the GMLUk5 which is a local Ukrainian company, whereas the joint set for marketing activities and customer service development is relevant for Georgian franchise companies (GMFGe1, GMFGe2, OMFGe and HoMFGe). The importance of customer service development leading to competitive advantage is relevant for both franchising and local companies. The focus on pricing strategy on its own will not lead to competitive advantage. The equifinal path is relevant for Ukrainian and Georgian local firms. The combination of marketing activity and pricing strategy leading to competitive advantage is found in the local and franchising company in the Ukraine. Customer service development and pricing strategy occurs in local Georgian and Ukrainian companies.

Sufficiency for the result is given through the XY plot analysis (figure 6.9) and shows that all cases are part of the sufficiency of competitive advantage in this solution.

Solution 2 Competitive Advantage is a function of marketing activities, localisation and customer service development conditions.

The full joint set for this solution is relevant for the Ukrainian local firm leading to competitive advantage. Marketing activities is an important condition in this configuration along with localisation for Ukrainian local and franchising firms. The joint set of marketing activities and customer service development is relevant for Georgian franchising and local firms, whereas customer service development and localisation is essential for Georgian and Ukrainian local firms to achieve competitive advantage. The figure 6.10 – XY plot indicates the relation to sufficiency towards the positive outcome.

Solution 3 Competitive Advantage is a function of localisation, pricing strategy and financial resources conditions

The joint set of localisation, pricing strategy and financial resources does not lead to competitive advantage for the Ukrainian local firm. The best result when a competitive advantage is achieved is with the combination of localisation and pricing strategies for local Ukrainian and Georgian companies. The condition financial resources with pricing strategy only leads to competitive advantage for the Ukrainian franchise firm, and financial resources with localisation are relevant for the local Georgian company. Financial resources as the only condition leading to competitive advantage can be found in the Georgian franchisees. The figure 6.10 demonstrates the relation to sufficiency.

Solution 4 Competitive Advantage is a function of marketing activities, customer service development and financial resources conditions.

The full joint set of marketing activities, customer service development and financial resources lead to competitive advantage in the Georgian franchising relationship. The joint set of marketing activities and customer service development is relevant for the Ukrainian local firm, whereas the Ukrainian franchisee benefits from the joint set of marketing activities and financial resources leading to competitive advantage. Customer service and financial resources leading to competitive advantage is also relevant for local Georgian companies. Both local Ukrainian and Georgian companies benefit from customer service regarding their competitive advantage.

6.10. Conclusion

This chapter presents the application of fsQCA method through providing detailed analysis of necessary and sufficient conditions and/ or combinations of conditions contributing to the outcome. It highlights the relevance of this method and indicates its applicability to different organisational contexts. This chapter offers a step-by-step guide for transformation of qualitative data into quantitative, calibration process, construction of truth table and identification of necessary and/or sufficient conditions and/or combinations of conditions for the outcome.

By using fsQCA the study answers the major research questions through evaluating what strategies can be used by different type of organisations to achieve competitiveness in emerging markets. The fsQCA solutions highlight which configuration of the relevant

conditions identified lead to competitive advantage for also to the negation of competitive advantage. The detailed focus on the franchising relationship, the local firms in Georgia and Ukraine emphasise that the strength of strategic decision-making lies in the equifinal paths leading to competitive advantage.

The application of fsQCA allows researcher to develop new theoretical arguments by exploring different factors contributing to the success of both international franchisees and local market firms. Furthermore, this chapter emphasises that the utilisation of fsQCA provides useful insights and understandings of the strategic decision-making practices for practitioners in business, management and marketing research. A detailed analysis and explanation of fsQCA offers a technique that allows results to be presented differently, which can be attractive for both qualitative and quantitative researchers.

This chapter also suggests the application of Tosmana software programme, which is beneficial for this study to provide rigour and visualisation of the findings. The next chapter is the discussion of the findings in which the researcher synthesises the results from thematic analysis and fsQCA method.

CHAPTER SEVEN
FINDINGS AND DISCUSSION

7.1. Introduction

This chapter provides a discussion of the findings from the analysis of the collected data discussed in-depth in Chapters five and six. It presents the comparison of the existing literature and the findings and illustrates how the results of this study relate to the main concepts and debates in the literature review. The researcher uses qualitative semi-structured interviews to identify the effect of international franchising on domestic companies in Georgian and Ukrainian markets from the perspective of both parties – international franchisees and local market restaurants. Qualitative and configurational analysis are employed for examining the collected data including thematic analysis and fsQCA method. Thus, this chapter provides the synthesis of the findings from both approaches.

The following sections and sub-sections evaluate the findings and discuss how the research questions are answered based on the results. They also highlight unexpected outcomes and link them to the research questions. Following the introduction, the section 7.2 presents the findings for the research question one by evaluating the competitive advantages of international franchisees in emerging markets. It consists of four sub-sections that give the reader a clear understanding of the operations and experiences of international franchising. Section 7.3 indicates the outcome for the second research question through examining the effect of international franchising on domestic firms. It involves three sub-sections analysing the experiences of emerging-market firms after the establishment of well-established franchisees. Section 7.4 illustrates the findings on the third research question by examining how local firms defend their market positions. It consists of three sub-sections that evaluate the main methods of domestic companies to survive in the market. Section 7.5 explains how competitive advantage can be built in emerging markets by identifying the major resources and strategies of companies. It suggests the theoretical frameworks, concepts and practical implications to managers of how competitiveness can be achieved in developing countries. The final Section 7.6 is conclusion that summarises the key findings.

7.2. International franchisees in emerging markets

This section tries to fill the gap in the knowledge on the factors contributing to competitive advantages of international franchisees in emerging markets by explaining the findings related to the first research question: “How do international franchisees become successful and gain a competitive advantage in emerging markets?”. The findings of this thesis indicate

that being in a franchise network provides several benefits including: existing brand recognition, marketing and managerial support from parent company and already established business concept. However, not all international franchisees have these advantages, as significant differences are found between the existing resources (brand name, reputation, marketing capability, and financial assets), the level of success and operations of developed and developing market franchisees. The findings suggest that the competitiveness of any franchise network highly depends on the parent company's effectiveness, experience and capabilities. Furthermore, the results illustrate that the relationship involving contract agreement, standardisation/localisation decisions and level of autonomy between franchisor and franchisee determines a competitiveness in foreign markets. All the factors contributing to and obstructing competitiveness of international franchisees in foreign markets are discussed below in detail.

7.2.1. Differences between international franchisees from developed and developing countries

Previous literature mostly considers the activities, expansion strategies, experiences and organisational factors of developed-country franchisees and their establishment in various countries (Alan, 1999., Combs et al. 2004, Elango, 2007). However, scant theoretical and empirical research can be found on the experiences, challenges, and benefits of emerging-market franchisees' operations in different marketplaces. Unexpected results emerged from this study as there seems to be major differences within the broad spectrum of franchisees' business operations and the level of success from developed and developing markets.

Developed-market franchisees in Georgia attribute their success mainly to their franchisors. Already established global brand name, international marketing, high quality products/services and support from franchisors in terms of knowledge sharing and staff training practices heavily influenced their success and ensured their competitiveness. Developed-market franchisees interpret their regional success as representative of their franchisors' effectiveness and recognition in global markets.

On the other hand, emerging-market franchisees in Ukraine attribute their success mostly to their own efforts, with emphasis on their own contributions and not franchisor's efforts or firm's assets such as brand name and recognition. They tend to think that the effectiveness and the success of their restaurants are based primarily on their own practices and activities,

as well as their commitment to achieve a competitive advantage. The only advantages of being in a franchise system, according to them, are the already proven business methods and support for initial set up of the company. Furthermore, international franchisees in Ukraine are in a general agreement that they do not possess advantages of having well-recognised brand name and enough support from franchisors in terms of ongoing employee training compared to developed-market franchisees operating in Georgia.

The differences are found between the level of autonomy and independence of franchisees of developed and developing country franchisors. International franchisees (originally from developed market) in Georgia are completely dependent on their franchisors and cannot make any executive decisions without the agreement from their parent companies, whereas franchisees (originally from emerging market) in Ukraine have the freedom to operate their businesses the way they want and alter the practices and activities when needed. Furthermore, they have the autonomy to launch new products and adapt to the needs of domestic markets without the approval from their franchisors.

It appears that being a part of a franchise network is more beneficial for franchisees from developed-country compared to emerging-market franchisees. More precisely, the franchisees of developing-market franchisors struggle to attain competitiveness in domestic market without the intangible resources such as brand name, reputation and support from their parent company, while the former is already successful due to the global brand image and prestige, established business methods and the support from franchisors. This is a gap in the literature that should be explored more in future research within the international franchising sector, as most of the studies on international franchising are from the perspective of franchisors and neglecting the viewpoint of franchisees, as well as the context of emerging market is different from developed that needs further investigation (Sharma et al. 2016).

7.2.2. Franchisor-franchisee relationship

This sub-section examines franchisor-franchisee relationship by considering the level of autonomy and support from parent company. The main focus of existing studies is on franchisors' experiences, while the franchisee perspective has received little or no attention in the academic literature (Pizanti and Lerner, 2003). This thesis provides useful insights of franchising system from the franchisee perspective and investigates the benefits and challenges of being a part of this network.

Based on the literature review, the franchisor (the principal) delegates to the franchisee (the agent) specific tasks and responsibilities for which the former lacks sufficient resources and time, as well as necessary knowledge and skills, while franchisee pays an initial fee for setting up a business and then royalty to the franchisor (Gibbson, 2010). Franchisees in general depend on the franchisors for the support system and technical and managerial advice that requires regular training to implement franchisor's already proven business method effectively (Baena and Cervino, 2014., Lozano et al, 2015). Theoretically, this is a symbiotic relationship that benefits both parties.

The findings in this study suggest that all the franchisors provide an established business concept and give all the necessary knowledge to their franchisees in Georgia and Ukraine to set up a business. With the appropriate training from the franchisor, all the franchisees gained the skills required to operate the business in foreign countries. Nevertheless, unanticipated results emerge from the data as the researcher finds that franchisees of developing-country franchisors lack permanent support, communication and training and mainly pursue their own interests and make decisions without the agreement with parent company. On the other hand, developed-market franchisors limit the autonomy of their franchisees, but provide all the necessary support, constant training and have permanent communication with them.

This study argues that the level of autonomy may differ from one franchisee to the other. Developed-market franchisors seek standardisation, while developing-country franchisors have less control over franchisees and give independence to them. Looking even further it could also be claimed that developed-market franchisees see themselves as dependent entities to franchisors, while emerging-country franchisees do not consider themselves as conventional employees, however they have certain expectations from their franchisors in terms of training, system and managerial support. The quality and balance of relationship should be considered between the franchisor and franchisee, as it might hinder or contribute to the failure and/or success and competitiveness of franchisees in foreign markets.

This thesis supports the claim made by Pizanti and Lerner (2003), who argue that there is a need of autonomy for the franchisee to enable adaptation to local market needs, which in turn will assist in coping with the cultural and geographical gaps. The findings indicate that developing-country franchisees in Ukraine adapted to the country-related factors by considering local demands and consumers' abilities, which makes them competitive against domestic market players, while international developed-market franchisees in Georgian market have standardised products and prices that have a negative effect on their sales sometimes. International franchisees might be more attractive and competitive against local

market players if they have an opportunity to alter their products to the domestic consumer's needs and adapt to the particular market-related factors.

The differences in level of autonomy lead to an unexpected revelation. It appears that the reason developed-country franchisees do not have freedom/autonomy is that the parent companies cannot risk damaging their already established brand name and reputation in case franchisees do not follow the set standards and do something wrong. More precisely, one bad accident in any franchise outlet will have a ripple effect on the franchise network globally and can ruin brand reputation. On the other hand, developing-country franchisors do not have a well-known brand name (which could be easily damaged) or enough resources and capabilities to provide support, thus they are not committed to franchisees success or failure. This leads to franchisees having a lot of freedom but at the same time limits the support and resources from the franchisor.

Considering the findings of this research, the contractual arrangements between franchisees of developed and developing country franchisors are not always the same. Based on the participants' answers, franchise agreements may take many forms and may be simple or complex arrangements. The interviews reveal that the contracts of developing-country franchisors offer franchisees more independence in making decisions and less pressure compared to developed-market franchisors. These agreements seem to be flexible enough for developing-market franchisees to make contractual modifications that reflect decisions in response to franchisees' specific requirements and needs.

Franchisees of developing-country franchisors in Ukraine manage their restaurants independently and their competitiveness is based on their own ability to evolve the brand and offer consumers quality products and services, whereas franchisees of developed-market franchisors in Georgia need to operate in accordance with brand standards and are required to strictly follow all the guidelines provided by their franchisors in order not to damage the brand reputation.

Therefore, the significant differences that are found in the contractual agreements between international franchisors and franchisees in Georgia and Ukraine affect the level of autonomy that can cause potential risks for franchisees to achieve and maintain competitive powers in markets that require local adaptation and localisation of the products and services.

7.2.3. Intangible resources and capabilities for sustainable competitive advantage

This sub-section discusses franchisor-owned resources that assist international franchisees to achieve competitive advantage in foreign markets and improve their performance. The combination of RBV and DC theories facilitate the researchers' efforts to identify why some companies outperform others (Combs et al, 2011). Based on the literature review, RBV theory posits that possessing unique resources that are valuable, sufficiently rare, and difficult to imitate assist companies to improve their performance (Lozano et al, 2015), while DC theory suggests that businesses need to have the capability to utilise existing resources effectively to attain superior performance (Sok and O'Cass, 2011). This thesis uses the lens of the resource-based view and dynamic capability theories to identify what kind of resources (tangible and/or intangible) and capabilities lead international franchisees to successful business performance and how they can gain competitiveness.

Intangible assets are identified through this study to be the stronger contributors to companies' effectiveness and success compared to tangible resources. The empirical results of this research show that intangible system-specific resources such as strong brand name, prestige and firm-specific experience/knowhow significantly improves comparative performance of global franchisees in emerging markets. From a strategic perspective, it might be claimed that brand prestige has been identified as the only non-replicable resource that international restaurant franchisees can use for the creation of a viable competitive advantage in foreign countries. Additionally, the firm's specific knowledge gained from the experience that is transferred from the parent company to the franchisee is recognised as the key success factor in the competitive context. Working in franchising network and international markets for many years develops firm-specific skills and knowledge that is beneficial for franchisees. Knowledge, as a resource, has its own specificities that widely differentiates it from other resources.

Based on the results, the capability and commitment of franchisors to engage in knowledge transfer help their international franchisees to gain insights into marketing, sales, and business operations in general. By effective transfer of system-specific knowhow, international franchisees can productively create and operate a network of prosperous outlets. Brand prestige is also acknowledged as the key factor for success of franchisees that ensures the differentiation among other rivals in a highly competitive environment.

The findings indicate that both already established brand name/prestige and firm-specific knowledge, assist international franchisees in Georgia to position themselves in their targeted market and differentiate from competitors. On the other hand, even though developing-country franchisors in Ukraine are able to successfully transfer system-specific

knowledge, they are unable to provide well-established brand names as they do not have international recognition. Therefore, it falls to franchisees to develop the brand name and prestige through their own resources and capabilities. The findings of this thesis are consistent with the paper of Watson et al. (2005) who argue that transfer of intangible resources such as already established brand name/prestige and firm-specific knowledge from franchisor to franchisee results in value creation and instant success in foreign markets.

7.2.4. Strategic scope of international franchising

This sub-section discusses the strategic scope and the benefits of adaptation to the host country environment for international franchisees. The debate over standardisation versus adaptation is an ongoing topic within the internationalisation literature (Baena and Cervino, 2014). Franchising in general requires a high degree of standardisation to be effective, however, the success of global franchising is also highly dependent on how the firm will adapt its concepts to foreign countries and the host market conditions (Sun and Lee, 2019). Cross-border differences remain significant, thus, setting up the correct structure for a strategy is crucial for any company with its focus on country it operates in (Terpstra and Sarathy, 2000).

Preble and Hoffman (2006) find that international franchisors need to consider the tastes and habits of local population as well as the price sensitivity of consumers to be successful. This thesis, which focuses on relatively unexplored countries like Georgia and Ukraine, explores that local restaurants remain competitive in the market as they focus on providing cheaper alternatives and producing traditional products for customer attraction, whereas international franchisees have standardised products and relatively higher prices that affect their sale's growth. The latter is due to the franchisee-franchisor agreement, where product standardisation and set prices are one of the requirements that cannot be altered by the franchisees. Therefore, it falls to franchisors to consider the cross-border differences and give more flexibility to franchisees to decide what is the best strategy to follow in the host market.

This study discovers that in Georgia and Ukraine consumer's purchasing power is declining and it affects international franchisees sales and development. Most of the respondents from well-established franchisees point out that Georgian and Ukrainian consumers are getting price sensitive and prefer to buy cheaper alternatives. However, as international franchisors set the rules, they are unable to reduce the prices and fit to the economic situation. On the

other hand, most of the developing-country franchisees use this opportunity and try to offer relatively cheaper and affordable prices to attract more domestic consumers.

Based on the findings, developed-market franchisees in Georgia mostly maintain standardisation, while developing-country franchisees in Ukraine try to apply adaption by focusing on country environmental factors and the requirements of domestic consumers. This is highly attributed to the fact that well-established global franchisees are controlled by the franchisors and are less flexible in their choices, whereas emerging-market franchisees have more freedom and less oversight from the franchisors. The literature suggests that standardisation in franchising industry is vital to competitive advantage, as it can reduce costs, as well as retain buyers, because consumers expect little variance as they move from one of a franchise's outlet to another (Kauffmann and Eroglu, 1999). This study claims that adaptation to host country conditions provide a number of benefits to international franchisees and is crucial for competitiveness.

7.3. The effect of international franchising on developing market firms

This section attempts to fill the gap in the knowledge of the impact of global franchising on domestic market firms in emerging economies by discussing the findings related to the second research question: "How do local firms experience the effect of international franchising?". Having conducted the inquiry, this research finds that the establishment of international franchising in emerging markets brings a number of benefits to both the countries and the companies, as well as creates challenges of increased competition and consumer retention. Based on the findings, it is considered that the existence of global franchisees in emerging markets does not allow local firms to surrender and stimulates them to develop.

7.3.1. Increased competition

The establishment of international franchisees in emerging markets creates challenges for domestic companies. As established by the literature review, developing countries have become the major targets for expansion to global franchise companies in multiple sectors (Alon, 2004, Preble and Hoffman, 2006). Jindrich (2016) explores that in emerging markets

such as Poland, Slovakia, Hungary and Czech Republic, franchisees from developed countries are dominant players with increased market share, while local firms are pushed out with less prospects for success. Thus, the establishment of global franchisees in those countries creates a high level of competition and has a negative influence on the development of domestic businesses.

The findings of this study support the above-mentioned notion as the establishment of global franchising in Georgia and Ukraine triggered intense competition and the saturation of local companies resulted in decreased sales, difficulties with consumer retention and reduced profitability of domestic businesses. As pointed out by Peretiatchko et al. (2009) and Tsikolia (2017), over the last decade, franchising spreads widely in both markets, as many companies start using it as the most successful international business expansion strategy. The growth of franchising companies in emerging markets gives consumers wider choices and new experiences and thus creates higher expectations towards fast-food restaurants. As the findings show, brand recognition, marketing activities, consumer's perception and experience of the firm's products and services are significant factors, because consumers rely on them to differentiate within the spectrum of competing businesses.

Based on the literature review, brand recognition (Wu, 2015), knowledge transfer (Hoi et al, 2017), marketing activities (Park and Jang, 2012) and high-quality products and services (Weinberg, 2008) are the major contributors for competitiveness of international well-established franchisees in foreign markets, which is supported by the findings of this thesis. Successful franchisees with strong brand name and reputation, experienced and knowledgeable management teams, large financial resources and with an exceptional business know-how are able to gain competitive advantages easily in emerging markets, as well as creating difficulties to local businesses.

On the other hand, local restaurants, which do not have the advantages such as brand name and financial resources, try to compete by providing locally known (traditional) and competitively priced products. As mentioned by the domestic restaurateurs, even though the intense competition creates challenges for them in terms of consumer retention and sales, it forces them to seek and find new strategies and methods to improve business performance and attract more consumers. Thus, it is likely that the competition stimulates domestic restaurateurs to challenge their businesses and set up new targets and goals to achieve. Furthermore, developing franchise systems and standards in emerging markets pushes domestic organisations to learn new skills and expand their operations in general.

7.3.2. Benefits of international franchising establishment in emerging markets

Even though the entrance and existence of international franchisees in Georgian and Ukrainian markets create many challenges for domestic firms including increased competitiveness and reduced market share, it has some positive effects and provides a number of beneficial returns to both local organisations and host country.

The findings of this thesis support the results suggested by Alon (2004), who argues that franchising has a positive impact on emerging market firms and developing countries. Alon (2004) find that franchising education and skill transfer are utilised by emerging economies as the tool for bringing socio-economic benefits including infrastructure development and economic and social modernisation. Furthermore, franchising diffuses innovation across the system of outlets and creates more expertise in multiple fields through managerial and labour training.

The findings of this research indicate that franchising can be considered as a source of a cultural and technological innovation in developing countries such as Ukraine and Georgia. Through the global expansion of foreign well-established franchise systems, both markets are introduced not only to new technologies, services and products, but also to novel operational and business formats. Interviewees representing global established franchisees in Georgian market emphasise the ongoing support and training from the franchisor in both managerial and technical aspects of business operations. Based on the data, it seems that this kind of training is a valuable opportunity not only for firms, but also for developing countries to build a service oriented and progressive markets.

Moreover, the results of this thesis indicate that in both countries (Georgia and Ukraine) franchising raises consumers' expectations, which leads companies to improve their standards. Therefore, many local companies start imitating foreign franchisees through developing customer service, adapting new technology and improving the management skills and activities. All of this helps the countries to advance and move forward, thus, improving the quality of life and attracting more foreign visitors.

7.3.3. Indirect learning

Emerging-market firms stand to gain much by learning from the experiences of companies from developed countries. The findings of this study argue that indirect learning through

imitation and replication of the experiences of multinational organisations helps local emerging-market companies in acquiring the business knowledge and learning how to compete effectively against powerful and well-established franchisees. This study discovers that the biggest influence of an indirect learning for local businesses is on customer service and technological development.

In the literature review, only few papers examine the benefits of indirect learning. One of the examples can be the paper by Bianchi and Mena (2004), who investigate how local-market firms can compete against foreign competitors by examining the case of Chilean retailers. They investigate that Chilean companies explore the strategies of overseas competitors and imitate the best practices, as well as learn to adapt their offers to satisfy the needs and requirements of local consumers. This claim is supported by the findings of this research, which shows that the entrance and existence of already established global franchisees in developing markets has become one of the major sources for domestic organisations to develop new knowledge and enhance innovation.

Respondents from both local and international franchise restaurants claim that franchising in emerging markets alters consumer demand patterns, makes social changes, and increases the level of consumer satisfaction. Thus, many local restaurants started recognising the significance of high-quality customer service and adapting the standards, practices, and service delivery from powerful franchisees. International well-established franchisees have the knowledge of great customer service and standards that assist them in building good relationship with existing or new consumers. All the respondents from franchise businesses emphasise that great customer service leads to consumer loyalty and business longevity. Many domestic restaurants change their strategies related to customer service and adjust their standards through indirect learning and observing the operations of foreign franchise companies.

As suggested by the findings, another important practice influenced by indirect learning in Georgia and Ukraine is technological innovation, which has changed how consumers experience and utilise services and in general how the business operates. Different technology-based services including self-service kiosks, self-checkouts, online payments and online ordering are identified as contributors to increasing customer convenience and satisfaction. The findings reveal that many domestic fast-food restaurants started imitating some of the technological innovations of global franchisees such as mobile apps, in-store (contactless) payments and eWallet, as well as online ordering, which increase their competitiveness.

Consistent with dynamic capability theory, this study argues that emerging-market firms stay competitive, as they have the ability to use and apply knowledge, to master technology and identify strategically important resources and capabilities. After the entrance of international franchisees, competition in food industry in Ukrainian and Georgian markets had increased considerably, forcing domestic firms to evaluate the strengths and competences of foreign competitors. This research claims that indirect learning from the experiences of global well-known franchisees helps emerging-country restaurants learn how to compete more effectively against their counterparts. The experience and business know-how of developed-market firms assist local companies in acquiring the knowledge that is new and unusual for them, thus, giving an opportunity to develop the business in general.

7.4. Defending local market positions

This section closes the gap in the knowledge by answering the third research question: “How do local businesses defend their market position and gain a competitive advantage in the market?”. As the findings show, domestic companies have a lack of tangible and intangible resources comparing to international well-established franchisees which is the major challenge for them to compete effectively in the market. However, the evidence indicates that domestic market players have found alternative strategies and tactics to defend their positions including competition-based pricing, localisation through focusing on traditional products and imitation of foreign well-known opponents. The next sub-sections discuss core competences of domestic firms and the major strategies they use to defend their market positions.

7.4.1. Core competencies of domestic firms

Based on the findings, domestic firms in both markets Georgia and Ukraine do not have strong brand name and prestige, enough finance for marketing and opportunities for staff development among other viable factors for success to compete effectively against international well-known franchisees. The findings also reveal that employees in domestic companies lack skills and motivation that negatively impacts customer attraction. All these force local firms to rethink their strategies and scope of the business. Even though, marketing

activities, branding, recognition and prestige of brand are significant considerations for fast-food restaurants, as consumers rely on these factors to differentiate throughout the broad spectrum of competing brands in the market, local players are capable of defending their positions through finding competitive strategies and suggesting favourable alternatives to consumers based on their organisational capabilities and competencies.

Domestic restaurants in both markets Georgia and Ukraine have shown capability in the light of the resource-based view and dynamic capabilities theories in terms of their capacity to use local market knowledge (by focusing on traditional ingredients/products and consumer purchasing power), their ability to change and innovate. Implicitly, the firm and its products are resources, however, the capacity to determine the suitable strategy and business approach so that the products/services are attractive and fulfil consumers' demand is an example of capability resources.

This thesis finds that domestic companies focus on competitors' actions and business strategies they use. They discovered that technological innovation and high-quality customer service give their opponents an advantage for increased consumer convenience and improved performance. As the result, local firms try to use their capabilities to innovate and apply new strategies in order to meet the dynamic demands in the market created by the international franchisees. Therefore, the strategic focus of domestic country players on customer service development, technological innovation and establishment of new products has become the main tactics to effectively compete in Georgian and Ukrainian markets.

This study suggests that owning the resources is not enough for achieving competitive advantage. The findings are largely consistent with Foss (1999) and Lorentzen (2005), who argue that competitiveness is highly dependent on companies' distinctive abilities to recognise and utilise organisational capabilities in a correct way. Domestic companies' ability to respond to the local market needs and ever-changing customer demands, as well as to understand how to apply the existing skills and knowledge and to determine suitable approaches to innovative solutions give them opportunity to compete against well-established international franchisees.

7.4.2. Price-setting practices

This sub-section discusses the price-setting practices of domestic companies in emerging markets as the strategic decision to retain competitiveness and defend their market positions.

Based on the literature review, pricing has always been an integral component of traditional marketing that creates revenue and profitability (Shipley and Jobber, 2001., Danzon et al. 2013). Companies face critical decisions on what price to charge consumers for services and products. Developing a suitable pricing strategy is both highly complex and vital for any business (Kienzler and Kowalkowski, 2017). Previous research emphasises that pricing strategy depends on and considers various factors such as market conditions, consumer segment, ability to pay, competitors' activities and input costs among others (Shankar and Bolton, 2004).

The findings in this study indicate that domestic restaurants in Georgia and Ukraine consider consumer's ability to pay and competitors' pricing actions as the central points in determining the pricing strategy. On the other hand, international well-established franchisees in both markets focus on value-based pricing rather evaluating competitors pricing actions. Competition-based pricing is setting the prices of products and services in relation to the competitors (Berends, 2004., Danzon et al, 2013), while value-based pricing is a method of setting prices primarily depending on a customer's perceived value of a service and/or product and their willingness to pay based on the benefits it provides to them (Hinterhuber, 2008).

The strong competition in Georgian and Ukrainian markets gives consumers wider choices of who to buy from. Consumer's preferences differ as some prefer to buy from cheapest provider, while others look for high quality service and products despite the price (Alon and Banai, 2000., Oh et al. 2019). The findings of this paper suggest that consumers preferences in Georgian and Ukrainian markets is highly based on present economic stagnation in both countries that in turn affects the purchasing power and influences buying decisions of products/services. This thesis claims that while well-established international franchisees focus on premium segments in Georgia and Ukraine, they might fail to leverage additional growth opportunities in low-income segments in developing markets, as consumers in low-income regions have substantially different requirements and needs and are very price sensitive. The results show that as the consumer purchasing power in Georgia and Ukraine is decreasing, most of local customers make their choices based on price rather than quality, brand name and prestige. Thus, it gives local companies an advantage over international franchisees as they have control over setting up the prices.

However, looking only at how competitors in the market price their products and services, the domestic companies might limit their practice and knowledge, as well as constraint firm's ability to connect the value their products and services provides, with the price they

actually demand. It might be more beneficial to focus on value-based pricing that is about finding the right price that consumers are willing to pay, which is not necessarily the lowest price but rather perceived value for money.

It is certain that one of the major methods for domestic market firms to defend their positions is the combination of two strategies such as setting the prices in relation to their competitors and considering consumers' ability to pay. Therefore, firms need to consider economic situation of the country and be flexible with their pricing strategies in order to stay competitive in emerging markets.

7.4.3. Product differentiation by focusing on consumer needs

This sub-section discusses localisation of the products as one of the strategies and tactics that is used by the emerging-market firms in Georgia and Ukraine to defend their positions and remain competitive against international well-established franchisees. The findings show that domestic restaurants produce distinctive products, which appeal to local tastes and international firms are unable to duplicate. This should be considered as a one of the most valuable assets of domestic businesses that forms the basis of a successful defence strategy.

Mallikarjun (2020) claims that altering and adapting products and services to suit a specific market has become the major strategy for any corporation and especially for international firms to become successful in the host market, however, this study argues that none of the developed-country franchisees have changed their standardised products to satisfy the needs of domestic consumers. This study shows that operating freedom of international franchisees is restricted as they must conform to the franchisor's standard procedures, whereas domestic market restaurants have the freedom to utilise traditional seasonings, spices and herbs to make their products unique, which appeal to the cultural preferences and tastes of Georgian and Ukrainian consumers.

As mentioned previously, the findings show that domestic restaurants started imitating customer service approaches of well-established franchisees, however, none of them replicated the products and menu items. On the other hand, with the increasing health awareness among consumers, domestic firms have revamped their menu cards and introduced new items that are fresh and natural. The intention behind this is to attract customers who focus on fresh and nutritional products. This gives them advantage over foreign fast-food restaurants, who are not concentrated on producing healthy food.

This thesis supports the claim made by Alon and McFee (1999) that each country has its specific cultural variables, and the differences are significant, therefore, firms should consider the needs, expectation, habits and tastes of host country consumers in order to be successful. The findings of this thesis indicate that the recognition of cultural characteristics and consumer habits help domestic restaurants to successfully defend their positions, even without the well-established brand name, continuous and effective marketing activities, enough financial resources and proven business methods.

7.5. How competitive advantage can be built in emerging markets - Configurational findings

This section addresses the first and the third research questions:

“How do international franchisees become successful and gain a competitive advantage in emerging markets?”

“How do local businesses defend their market position and gain a competitive advantage in the market?”

To answer these questions, fsQCA data analysis technique is utilised highlighting the configurations of conditions leading to the positive outcome and the findings are synthesised with thematic analysis. This study investigates the particular conditions and circumstances under which the companies can achieve competitive powers. The outcomes of fuzzy set of qualitative comparative analysis provide interesting results that reinforce and strengthen the outcomes of the thematic analysis. Different configurations (combinations of conditions) suggest the coherence between organisational structure, resources and dynamic capabilities to achieve competitiveness. All solutions are presented as managerially amendable options that can be applied to cope with intense competition within the food industry in emerging markets.

This part of the thesis discusses how competitive advantage can be built in emerging markets (Georgia and Ukraine) from the perspectives of both parties local companies and international franchisees. Based on the findings, five individual conditions are found as the most effective strategies and resources for gaining competitiveness:

1. Marketing activities is identified to play a significant role in attracting consumers through building strong brand name and image. Promoting products and services

through advertising, social platforms and television increases consumer awareness towards the company and creates competitive advantage. Implementing marketing activities in a way that influences consumer's mind-set positively is the managerial capability that builds firm's competitiveness.

2. Localisation is found to be an effective strategy for local companies to differentiate from foreign competitors. Each country has its unique sociocultural preferences, thus, adapting a content, product and/or service to a specific region is crucial for meeting local market demands.
3. Customer service development emerge from the data as one of the most significant considerations for companies operating in emerging markets. This condition focuses on improving the service quality and introducing new technology that increases customer convenience and satisfaction.
4. Pricing strategy is identified as a crucial factor for firms in attracting low-income consumer segment in emerging markets. Buyer's ability to pay and country's economic conditions are important considerations when setting up the prices of products and services.
5. Financial resources is found to have significant effect on firm's success and development. Companies with limited financial resources struggle to do marketing activities and develop their staff and services.

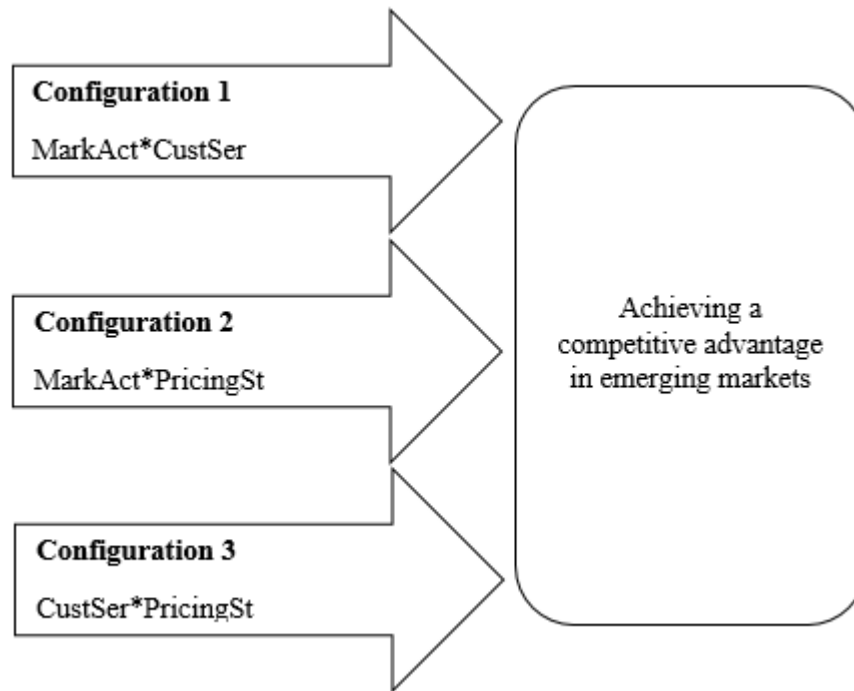
The above identified factors are the most applicable strategies and resources facilitating competitive advantages of restaurant firms in emerging markets. Through the use of fsQCA and visualising the results with Venn Diagrams, this study determines four solutions leading to competitive advantage that assist organisations to evaluate competitive priorities and analyse how to deploy existing resources in an effective way. Each solution contains several configurations, which are defined as a specific combination of conditions (Fiss, 2011). The application of fsQCA, therefore, demonstrates several liable solutions and alternative pathways that drive company's competitiveness when particular conditions are present or absent. This research finds that all the solutions are equally linked to competitive advantage, each reflecting the strategic scope of organisations operating in emerging markets.

The findings of fuzzy set of qualitative comparative analysis are combined with the outcomes of the thematic analysis to give useful insights of the strategic decision-making practices for practitioners in business, management, and marketing research. Based on the study findings, competitiveness depends on company's resources, ability to act and react

within the competitive environment and its capacity to apply necessary strategic changes. Each of the solution in line with thematic analysis is discussed in-depth below:

***Solution 1** – marketing activities, customer service development and pricing strategy leading to competitive advantage*

Figure 7.1: Configurations leading to competitive advantage – Solution 1



The figure above displays the equifinal configurations consistently linked to competitive advantage:

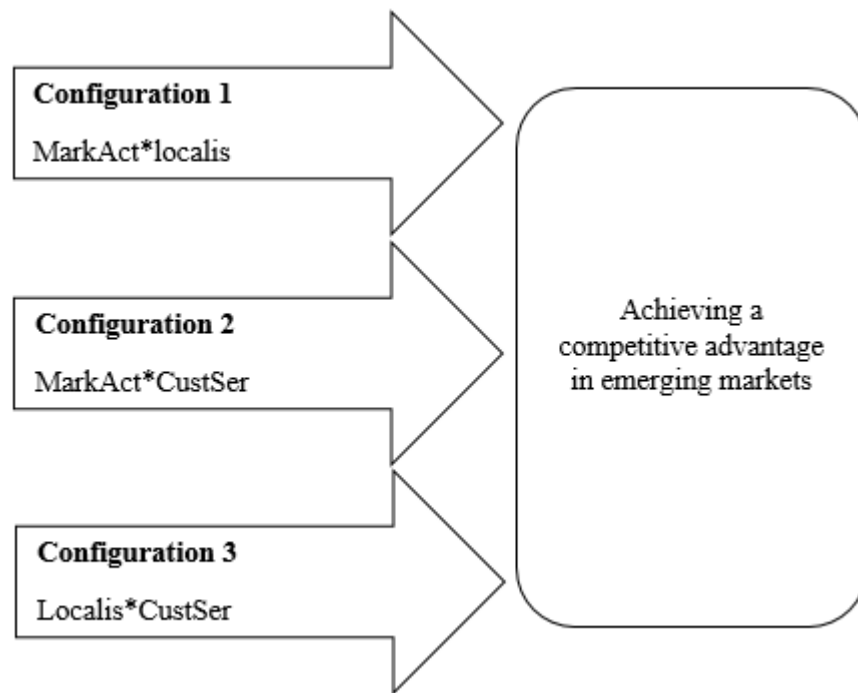
The strategic approach of the first configuration highlights the importance of marketing and high-quality customer service, as both strengthen organisational ability to meet consumers' needs. Current literature suggests that the service quality and technological development enhances customer's convenience (Jha et al. 2019) and marketing activities build consumer-brand relationship by increasing brand consciousness (Rageh, 2017). The researcher extends this stream of literature by suggesting that the combination of marketing activities and customer service positively affect competitiveness of fast-food restaurants in emerging markets. The analysis demonstrates that this configuration applies only to all well-established international franchisees in Georgia, as they have the organisational capability to provide high quality service and mass marketing, while most of the emerging-market firms are in the process of adjusting their practices and increasing the level of customer service.

The second pathway also highlights the significance of marketing activities but in relation to segment-based pricing strategy. The latter is often challenging as pricing the products and services depends on country's economic factors (Ernst et al, 2015., Kubler et al, 2018). With this configuration, the researcher argues that firms in emerging countries that consider market conditions, consumer segments and buyers' ability to pay are more successful and have attracted more consumers, which is consistent with the mainstream literature on pricing strategy (Berends, 2004., Shankar and Bolton, 2004). The analysis of this thesis indicates that the focus on pricing strategy on its own will not lead to competitiveness. However, the combination of pricing strategy and marketing activities is identified as one of the most effective strategic approaches for both international franchisees and emerging-market firms leading to competitive powers.

The third configuration stresses the importance of customer service development in line with pricing strategy as a pathway leading to competitive advantage for local companies in both markets Georgia and Ukraine. Based on the findings, international well-established franchisees have the understanding and experience of good customer service, while many emerging-market firms lack the knowledge of providing high quality service. However, based on the need and opportunity, the latter started learning from competitors and adapting their practices that positively affected their business performance. Furthermore, unlike international franchisees, local firms offer their products/services at relatively lower prices that increases the number of consumers, meaning setting up appropriate pricing strategy augments the level of competitiveness in emerging markets. From the managerial perspective, this thesis suggests the joint set of customer service development with pricing strategy as one of the most effective strategic actions for emerging-market firms to achieve a competitive advantage.

***Solution 2** – marketing activities, localisation and customer service development leading to competitive advantage*

Figure 7.2: Configurations leading to competitive advantage – Solution 2



In solution 2 the first configuration emphasises the importance of marketing activities and localisation strategies to gain competitive powers. The analysis indicates that most of the well-branded international franchise firms utilise marketing activities, while neglecting the significance of localisation strategy. On the other hand, emerging-market firms' focus on domestic market and consumer needs puts them at competitive advantage. Consistent with Alon and McFee (1999), who argue that each country has its specific characteristics, this study suggests that international firms in emerging markets like Georgia and Ukraine should consider adjusting and adapting their products and services to the host market conditions to be more competitive. In line with RBV and DC theories, this study suggests that only possessing the resources is not enough for competitive performance and, to keep up with rapidly changing business landscape and consumers' demands, firms should identify strategically important resources and align them with firm's strategic goals and, more importantly, market conditions (Arend and Levesque, 2010).

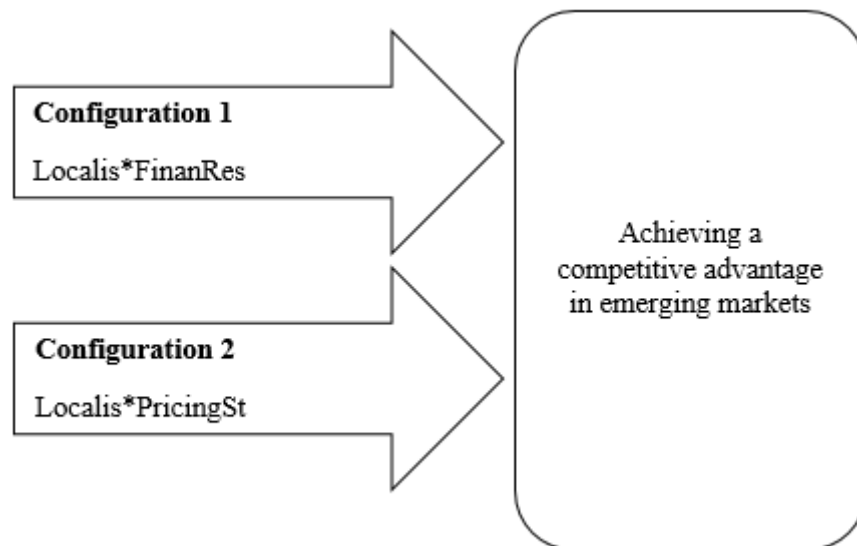
The second configuration is identical to the configuration 1 in the first solution (see figure 7.1) that shows the correlation of marketing activities and customer service development as the strategic approach for international franchise companies to achieve the positive result.

In the third configuration, localisation, along with customer service development, is an important condition for Georgian and Ukrainian domestic companies. Results provide empirical support for the argument that the impact of dynamic capabilities on competitive advantage is direct, even though emerging-market firms in both countries lack tangible and intangible resources. The findings demonstrate that internal operational and managerial

capabilities to sense threats and opportunities and to reconfigure internal competences in a way to adopt to rapidly changing market and consumer's demands positively affect competitive performance of emerging country firms (Chung et al, 2016).

***Solution 3** – localisation, pricing strategy and financial resources leading to competitive advantage*

Figure 7.3: Configurations leading to competitive advantage – Solution 3



This solution stresses the significance of localisation strategy, as it appears in both configurations. This study suggests that organisations that adapt to local market needs are typically more successful than those with a formalised and rigid structure that does not allow to consider host market conditions.

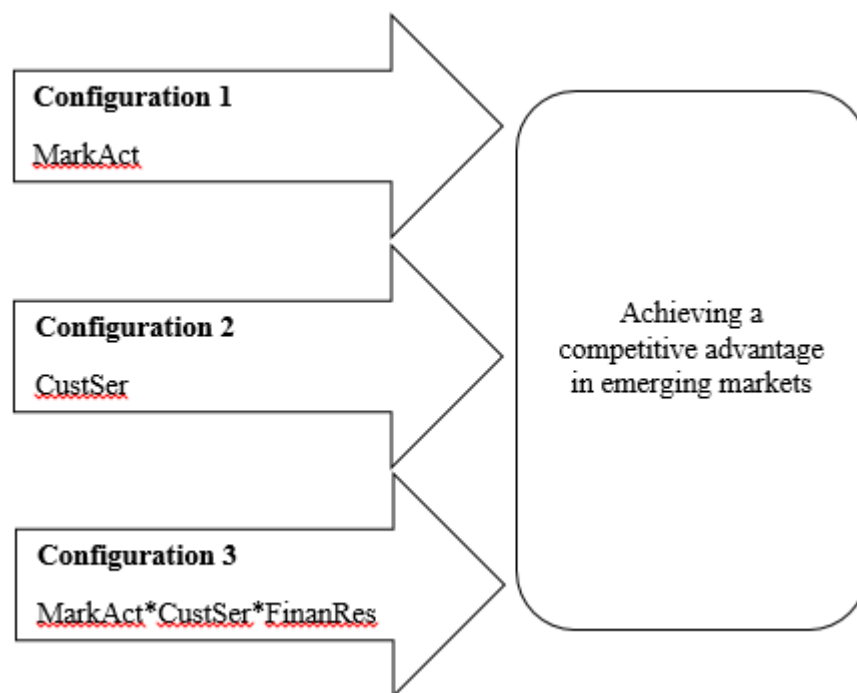
Even though this solution suggests the configuration of localisation and financial resources, this strategic approach has been proven to be beneficial to only one Georgian local company. This configuration is very rare, as localisation is applied mostly by the emerging-market firms, who have less resources, while international franchisees, who have more financial resources and access to funds, follow standardisation strategy.

The second configuration of localisation and pricing strategy applies to domestic companies in Georgian and Ukrainian markets and is considered as one of the most employed configurations by emerging market firms to build their competitiveness. Based on the synthesis of the findings of the thematic analysis and fuzzy set of qualitative comparative analysis, emerging market firms lack tangible and intangible resources, which considering the RBV theory are the source of competitive advantage (Lozano et al. 2015., Sok et al. 2016). Therefore, in order to compete against well-established international franchisees,

local companies adapt and modify a product and service to satisfy the cultural needs of domestic consumers, as well as establish the best prices for a product/service considering the segment of emerging-market consumers and market demand. Therefore, the combination of localisation and pricing strategy is identified as one of the most effective strategic approaches leading to competitive advantage, when the company has less resources. In this sense, the capabilities to scan and identify market opportunities and organisational strengths and reconfigure internal operations drive firm's competitiveness (Teece, 2018).

***Solution 4** – marketing activities, customer service development and financial resources leading to competitive advantage*

Figure 7.4: Configurations leading to competitive advantage – Solution 4



The first configuration highlights the importance of marketing activities, which is the only condition in this set. Mass marketing is mainly used by the international franchise companies as a strategic approach to enhance their brand name and consumer awareness that directly relates to competitive powers.

The second configuration emphasises the significance of customer service development, which similarly to the above configuration is the only condition. Customer service development is identified as company's capability to deliver high quality service that increases consumer's satisfaction. Based on the findings, this condition is widely utilised by both international franchise and emerging-market firms as a strategic action leading to competitive gains.

The third configuration involving all three conditions – marketing activities, customer service development and financial resources applies to international franchise companies from developed-markets as a strategic approach for gaining competitive advantage. The findings of this thesis indicate that global franchise firms are focused on providing high quality service and investing in mass marketing. Moreover, they have easy access to additional financial resources because they have the support from Georgian and Ukrainian governments.

7.6. Conclusion

This chapter summarises the key findings through answering the major research questions. The comparison of the existing literature and the results of this thesis show that the findings are largely consistent with the literature review; however, new empirical and theoretical insights have emerged from the data that was unexpected. This thesis shows that huge differences exist between developing and developed country franchisees business operations and the success of franchisees highly depends on the relationship with parent company. This study also finds that even though the establishment of international franchising has a negative effect on emerging-market companies, it also provides local markets the opportunity to develop further. The entrance of well-established franchisees in developing economies forces local firms to analyse and evaluate the strengths and weaknesses of competitors, as well as their own. As the result, they started adopting new practices and standards that were unknown for them, helping to survive and defend their positions. To conclude, this chapter suggests theoretical frameworks that are beneficial for both international franchisees and domestic companies to consider in order to achieve competitive advantage. It offers different configurations of strategies and resources to suit the different companies depending on their capabilities and circumstances.

CHAPTER EIGHT

CONCLUSION

8.1. Introduction

The focus of this chapter is to present a set of concluding statements based on the synthesis of the analysis, interpretation and findings. The results of the study are discussed in relation to research questions in order to highlight the achievements of the thesis.

This chapter starts from introduction, followed by section 8.2 representing the brief overview of the research process and the key questions of the study. Section 8.3 provides the summary of the research findings in relation to research questions and comparison with literature review. Section 8.4 discusses the major contributions of this thesis to knowledge and the implications for practice. In section 8.5, the limitations of the present research are identified and discussed. Section 8.6 suggests several recommendations for further research based on the findings and gaps in the knowledge and finally, section 8.7 closes the chapter by summarising key findings and the entire study.

8.2. Overview of the research process

This thesis seeks to explore and understand the effect of international franchising on domestic market firms in emerging economies from both perspectives franchise and local businesses. This is an important topic because franchising has become one of the most applied market entry strategies for many well-established organisations and it has a major impact on local businesses. International franchise companies became dominants in emerging markets as they have global recognition, reputation and high-perceived value for providing quality products and services. On the other hand, developing-country firms lack managerial skills and technological capabilities to compete effectively against well-known and branded companies (Ramamurti, 2009., Ciravegna et al. 2014). This research, therefore, focuses on the competitive advantages, business practices, methods and experiences of franchise and local fast-food restaurants operating in developing countries. This study makes recommendations and suggestions for managers on how to improve their business performance and what strategies to use to achieve a competitive advantage in the market.

Through reviewing the literature on global franchising and emerging-market firms, the potential gaps have been identified and the major research questions have been formulated.

The study attempts to answer the following questions:

- 1. How do international franchisees become successful and gain a competitive advantage in emerging markets?*
- 2. How do local firms experience the effects of international franchising?*
- 3. How do local businesses defend their market position and gain a competitive advantage in the market?*

To answer these questions, a qualitative approach and case study design from an interpretivism perspective are used to obtain a deep understanding of the organisational interplay through the participants' subjective views. Semi-structured interviews are conducted with key representatives from international franchise and local fast-food restaurants. The data is collected from two different emerging markets – Georgia and Ukraine to find out any similarities and differences between the activities and experiences of companies and to make the results more generalisable.

Thematic analysis is used for examining collected data, which includes the definition and identification of the major themes from the interviews. Moreover, the data is analysed by fuzzy set of qualitative comparative analysis as a configurational method to gain richer understanding on the research phenomenon and to develop new theoretical arguments. Examining the same data with two different data analysis methods provide the opportunity to evaluate the findings from different perspectives. The results of this thesis suggest useful understandings of the strategic decision-making activities to the managers of both international franchisees and emerging-market firms. The next section and sub-sections summarise the findings and discuss the major contributions of this study.

8.3. Summary of the findings

This study argues that the most fundamental mechanisms of creating sustainable competitive advantages in today's dynamic markets is to fit to local market demands and apply innovation in services and products. The findings of this paper suggest that the companies can achieve competitive advantages differently, and even if the firm lacks significant resources, it can build competitiveness by internal capabilities of identifying consumer trends and learning from competitors. A firm's ability to learn, exploit its knowledge and explore new and alternative ways to improve its performance plays significant role in the success. The findings are highly consistent with the dynamic capability theory that states that organisations can achieve competitiveness if they systematically sense threats and

opportunities and reconfigure internal competences to adapt to rapidly changing environments and customers' demands (Helfat and Peteraf, 2003., Gillis et al. 2014).

Based on the findings, if the company does not set up its strategies and systems in a way to fit to countries' socio-cultural and economic environmental factors, it seems highly improbable that having only the resources will contribute to the competitiveness in a market. This study suggests that the concepts of resource-based view theory need to be reconsidered, especially, since it might not truly reflect the situations and conditions for most of the companies operating in overseas territories.

In terms of the first research question, the findings are generally in line with the prior studies, which show that competitive advantages of franchisees are based on intangible resources and capabilities such as brand name and prestige (Alon 2006b., Sophonsiri and Polyorat, 2009), strong marketing campaigns (Park and Jang, 2012) and knowledge sharing (Hoi et al. 2017). However, this research claims that competitive advantages of franchisees of developed-market franchisors are likely to be different from those of developing-market ones. The reason behind this might be that franchisees from developed countries have already established global brand name, reputation, international experience, more resources and capabilities that make them competitive, while franchisees from developing country (Georgia) do not have these advantages. The only benefit provided from the emerging-market franchisors is the proven business concept that helps franchisees in setting up their companies. On the other hand, this thesis explores that emerging-market franchisees are more flexible and have high level of autonomy, thus having more capacity for independent actions and thoughts that can make them more competitive, while developed-country franchisees are highly dependent on their parent companies that seek standardisation. Based on the findings, this study, similarly to Pizanti and Lerner (2003), argues that there is a need for autonomy to enable franchisees to adapt to local market demands in order to deal with the cultural gaps.

Furthermore, while evaluating the competitive advantages of franchisees compared to local-market companies, this study discovers that the former has more capacity, resources and financial strengths, while the latter has the knowledge of local market demands and has more flexibility to adjust business operations. This study suggests that investigating host country conditions/needs and providing independence to franchisees are particularly important factors for sustaining competitive advantage in foreign markets.

In regard to the second research question, there is a gap in the knowledge on how local firms in emerging markets experience the effects of international franchising, which is filled by

this study. Domestic companies experience high level of competition from franchise businesses that have well-recognised brand name, financial strengths and further potential for development. However, the establishment of franchise companies has positive effect on local-market business development in terms of introducing new practices, standards and innovation. Through indirect learning from competitors, domestic firms alter their business strategies, improve customer service and adopt new technological ways that assist them in attracting more consumers. This is an important discovery as it suggests that other firms can focus on and observe competitors' practices, ways and strategies, specifically in the area of customer service, which is found to be superior in developed markets compared to developing ones.

In relation to the final research question, the findings suggest that emerging-market firms' innovative path to build competitive advantage in their home countries is, on one-hand, based on their strategic scope and ability to recognise local market demands. On the other hand, it is also dependent on their ability to learn and imitate indirectly from well-established international franchisees to enhance their service quality and adapt to innovation capabilities. The findings of this thesis are largely consistent with previous study by Alon and McFee (1999), that suggests that countries differ from each other in terms of consumers' need, habits, expectations, and tastes, thus considering specific market in which company operates is significant to build competitive advantage. The findings of this thesis show that most of the domestic firms follow localisation strategy that includes providing traditional food. This is likely to differentiate them from foreign rivals and put them ahead of competition, as most of the well-established international franchisees have standardised products. Furthermore, most developing countries include low-spending consumers due to difficult economic situations that needs to be considered when setting-up the prices. This study explores that competition-based and segment-based pricing are significant strategies that help domestic companies to achieve competitiveness and differentiate from opponents, as most of developed-country franchisees do not have control over their prices and not able to use this strategy.

Even though local companies have less resources compared to well-established franchisees, this study finds that local firms' abilities to respond to domestic market needs and consumers' demands, as well as using organisational capabilities to revise strategies, give opportunity to develop further.

8.4. Contributions of the research

The contributions of this study are as follows: theoretical, empirical, methodological and managerial/practical. Even though there is some overlap between the four areas, each of them is reviewed separately below.

8.4.1. Theoretical contribution

The empirical findings of this study contribute to understanding the effect of international franchising on emerging market firms. Most of the literature around the subject area is quantitative in nature, meaning that the experiences and viewpoints of many participants remain unexplored, and the topic is not studied in-detail. This research is different from others as it adopts qualitative research methods and examines the topic from the inside, considering the opinions, beliefs and perspectives of research participants that help in exploring the phenomenon in-depth.

This thesis does not develop any new theory, however, the application of fuzzy set of qualitative comparative analysis enlarges resource-based view and dynamic capability theories which are used in this study. FsQCA makes a theoretical contribution, as it identifies different configurations and provides alternative and complementary ways of how resources and capabilities can be applied to achieve a competitive advantage.

As both theories: resource-based view and dynamic capability focus on how to achieve and maintain competitive positions in dynamic markets, with the use of fsQCA, this thesis highlights alternative configurations for gaining sustainable competitive advantage for international franchise and local firms in emerging markets. Therefore, new theoretical insights are developed by suggesting different combinations of conditions that assist organisations to gain competitive powers when particular resources and/or capabilities in the company are present or absent.

As the result, the theoretical findings of this study emphasise that implementing marketing activities is crucial for any company to increase customer awareness; focusing on localisation strategy helps domestic market players to differentiate from big multinational companies; improving customer service quality and following the current trends of technology assist businesses to retain consumers; setting up competitively and segment-based pricing strategy is an alternative method for local firms to differentiate from foreign

well-established competitors; financial resources are the most valuable assets for any company, as it gives an ability to make strategic changes and develop the business.

Identifying the most significant drivers for competitive advantage and suggesting different configurational frameworks help this study to develop the new theoretical insights related to the project. Building configurational frameworks and providing theoretical analysis from the empirical investigation strengthen the results of this study.

8.4.2. Empirical contribution

The contribution of this research lies in empirical evidence of understanding the effect of international franchising on emerging market firms from different perspectives. Much previous research investigates the determinant factors of selecting franchising as a market entry mode strategy and its expansion in overseas markets (Doherty, 2007., Baena and Cervino, 2014., Nyadzayo et al. 2018). However, none examines the impact of global franchisees establishment on domestic-market players (Welsh et al. 2006) and how they survive in highly competitive environments. Thus, this study focuses on international franchising, domestic firms and developing economies through exploring the impact of franchising on emerging-market firms from both parties' perspectives. Most importantly, this research contributes to the growing literature on developing countries by utilising Georgian and Ukrainian context (Agtmael, 2007., Alon, 2012., Ciravegna et al, 2014).

Through using the perspectives of two different emerging economies, this study contributes to the gap existing in the literature, as most of the previous papers focuses on developed countries (Altinay, 2007., Banerjee et al, 2007) with limited articles on Eastern European markets (Beilock et al, 1998., Cavusgil et al, 2002) and Ukraine and Georgia (Diez et al, 2016) in particular. This shows that prior to this thesis there was a void in knowledge, because Eastern European countries have different cultural characteristics, political and economic conditions and in most cases, it is challenging to get specific information from companies as the owners/managers and other representatives of firms try to avoid the interviews.

Thus, by offering new and empirical insights, this thesis highlights that, concepts and theories from developed-countries do not easily transfer to emerging-markets, as there are huge differences between the practices, operations and standards of companies operating in either economy. In this respect, this thesis emphasises that in conducting research on international franchising and local market firms, there is a need to consider the wider

economic and socio-cultural context in order to better understand the underlying mechanisms of effectiveness that foster or hinder a phenomenon.

This thesis adds contribution to the literature that discusses the role of franchising as an effective strategy for business development and its impact on local firms in foreign environments (Anttonen et al, 2005., Wulff, 2009., Hoffman et al, 2016). In this respect, this study shows that effective transfer of business concept and know-how assists in establishing a successful franchise network. Critically, however, this thesis indicates that not every franchise unit is successful in foreign markets and huge differences exist between the developed and developing market franchisor-franchisees in terms of their capabilities and resources. The findings illustrate that already well-established franchisors from developed countries provide many benefits to franchisees including brand name and reputation, worldwide marketing campaigns and knowledge sharing through constant support and training that facilitate franchisees success in foreign environments. On the other hand, franchisors from developing markets that lack global reputation and prestige are unable to provide those advantages and give more flexibility to franchisees in terms of adjusting their products/services and trying to achieve success based on their own resources and capabilities. Therefore, this study reveals that competitive advantages of franchisees are heavily dependent on parent company's experiences, success, and effectiveness.

Even though some research exists on emerging-market firms, most of them examine their internationalisation and foreign activities (Banerjee et al. 2015., Li et al, 2017), while the local practices, methods and experiences of domestic companies remain unexplored. Therefore, this research makes another contribution to the literature on emerging-market firms through identifying the major strategic directions of domestic companies in their home markets. This thesis explores that by evaluating where their businesses fall on the spectrum, domestic market players get a picture of the strengths and weaknesses of their counterparts from international countries. Many of them adopt the standards and methods of foreign well-established franchisees that assist them to compete effectively against competitors. Also, domestic businesses utilise differentiation strategies unlike their international rivals, which strengthens their positions in both markets.

8.4.3. Methodological contribution

Besides the theoretical and empirical contributions, this thesis also makes methodological contribution. First and foremost, the methodological contribution of this study lies in the application of qualitative approach to understanding the study phenomenon. Most of the previous papers related to the competitive advantages and business strategies of international franchising and emerging market firms adopt a quantitative deductive approach in seeking some causal relationships (Alon et al, 2012., Baena, 2012., Madanoglu et al, 2017).

Nonetheless, this thesis suggests that understanding such a complex phenomenon as the impact of international franchising on host market firms needs deeper contextual understanding of organisational insights, processes and individual's experiences that are often hidden and difficult to gain from quantitative approach but are accessible through qualitative techniques. Furthermore, as none of the existing theories can be directly applied to this research phenomenon, a more in-depth investigation is carried out in this thesis. In this respect, the researcher uses an exploratory manner to develop insights into the area in which the theory is limited. Case study design, semi-structured interviews and an interpretive approach are applied to explain internal processes, practices and experiences of international franchisees and local firms in developing economies, which offers an original approach to the entire research area.

Another methodological contribution of this study is the application of qualitative and configurational analysis methods. At first, thematic analysis is used in this thesis as it is a useful technique for exploring, examining, and reporting themes (patterns) within data (Braun and Clarke, 2006). Employing this method helps in identifying and revealing the hidden practices and activities of global franchise and local firms that was not previously explored and/or examined. Also, thematic approach helps in evaluating the similarities and differences of case companies in two different emerging markets: Georgia and Ukraine. Furthermore, the use of fuzzy set of qualitative comparative analysis as a configurational method for examining the data assists the researcher to develop new theoretical arguments related to the competitive advantages of international franchisees and emerging-market firms. FsQCA provides a tool that gives detailed understanding into research problems and considers an examination of behaviours and actions, as well as provides possible solutions where several paths can lead to the same outcome (Ott et al. 2018). This study, therefore, suggests several liable solutions and alternative ways that facilitate organisation's competitiveness when particular conditions are present or absent. All solutions are presented as managerially amendable options, which can be applied to deal with intense competition within food industry in emerging markets. The outcomes of fuzzy set of qualitative

comparative analysis provide interesting results that reinforce and strengthens the outcomes of thematic analysis.

One of the major contributions of applying fsQCA in this research is that it allows researchers to see qualitative results transferred into quantitative findings with a clear and transparent way. It allows the findings to be communicated differently that will be appealing not only to qualitative researchers but to scholars who follow quantitative approach. Thus, a detailed presentation and explanation of this method is beneficial for business and management researchers who implement qualitative as well as quantitative research methods.

Following qualitative approach to study the effect of international franchising on domestic firms in developing economies this thesis offers new theoretical dimensions and insights. The application of thematic analysis and fsQCA provide a deeper understanding of organisational activities and strategic decision-making processes that are useful for practitioners in business field. Moreover, the combination of these two methods allows different findings from the same data to be viewed and presented through various perspectives.

8.4.4. Managerial/practical implications

The findings of this research provide a comprehensive understanding for managers and directors in both international franchisee and domestic firms in emerging markets about how competitive advantages can be achieved and what strategies can be used by the companies to defend their market positions. By synthesising the findings from thematic analysis and fsQCA and bringing the configurations in relation to one another and the outcome, several recommendations and suggestions can be given to international franchise and local-market businesses to successfully operate in developing economies.

8.4.4.1. Implications for international franchisees

This thesis suggests effective approaches and strategies to international franchise managers, as well as highlighting vital aspects that should be considered when selecting franchising as a business model. This research discovers several factors that play a significant role in the

success of franchisees in emerging economies: parent company's effectiveness and success; franchisor's ability and commitment to provide support to franchisees; franchisees' level of autonomy and host market conditions.

One of the main advantages of franchising is that parent companies offer various resources including brand reputation and prestige, established marketing campaigns, intellectual property and permanent support services (Rosado-Serrano and Paul, 2018). However, this thesis asserts that not all franchisors have capacity to provide firm-specific assets and all the necessary resources to franchisees in order to operate effectively in overseas markets. This study argues that franchisees of developed market franchisors are more likely to achieve success in foreign environments than those from developing countries, as the former has global brand name recognition, reputation and effective knowledge sharing system from franchisor. On the other hand, franchisors from developing countries lack financial resources to invest into franchisees. They are less interested in the success of franchisees and less worried about damaging their reputation. Thus, selecting franchising as a business strategy might not always lead to the success in overseas markets and the franchisees should consider the parent company's effectiveness, previous experiences and competitiveness.

This research also highlights how the level of support from franchisor to franchisee affects company's success. In this study, all the franchisees who have ongoing training and effective knowledge sharing system are more successful and capable of achieving competitive edge, while franchisees who lack support from the parent company struggle to gain competitiveness in overseas markets. This suggests that franchisors should focus on providing a permanent training and updated information in order to assist their international franchisees in operating effectively in foreign markets.

The managers of franchise businesses should acknowledge that parent companies' domestic success would not necessarily translate into global success, as the differences in the host market might hinder the effectiveness of the franchisees. The relationship between the two parties highly influences the performance of franchisees in foreign markets and franchisors need to consider giving more flexibility and independence to franchisees to adapt to the host market environment.

International franchisees face local competition in developing countries mostly in price-sensitive and low-income market segments, as domestic players are more familiar with local requirements and have flexibility to adjust their strategies. Appropriate pricing strategy through providing products/services at cheaper and affordable prices is found to affect positively different companies' performances in emerging markets and especially of

domestic firms. By understanding the specific drivers of local market requirements, international franchisees need to focus on domestic consumer's purchasing power and their ability to pay in emerging markets in order to stay competitive. This research explores that most of international franchisees use standardisation strategy, because they do not have an autonomy to alter their standardised products that makes them less competitive. Greater local embeddedness is particularly relevant for foreign companies, as too much standardisation affects negatively to establish successful business overseas. Therefore, franchisors need to make sure that franchisees combine their existing resources and capabilities with the demands of foreign market environments and provide affordable products in order to avoid losing significant markets to domestic competitors who would otherwise outperform them. This study suggests contingent solutions and alternative paths that drive company's competitiveness when particular resource and/or capability are present or absent. The application of fsQCA gives different configurations that lead to competitive advantage and can be applied by the international franchisees to successfully operate in emerging markets.

8.4.4.2. Implications for local market companies

One of the key issues that this thesis seeks to address is exploring the practices and experiences of local companies in emerging markets and comparing their activities and operations against well-established international organisations. This is because developing country firms have limited examples of how they compete against global franchisees and how they survive in highly competitive environments. This research provides a comprehensive understanding for local restaurateurs of how to defend their market positions and improve their performance in markets in which well-established franchisees are becoming dominants.

This thesis shows that developing country companies overcome the lack of knowledge related to customer service, technological innovation and firm performance through employing alternative, indirect ways of learning from well-established competitors. In addition, by understanding the strengths and weaknesses, as well as the specific drivers of competitors' success, local firms' managers are able to differentiate their products and practices to enhance their competitiveness.

This research suggests different approaches that can be applied by emerging market companies to improve their business performance. The analysis of this thesis stresses the

importance of proper localisation, customer service development and pricing strategies as the key conditions for domestic firms to achieve success. Familiarity with local market requirements and availability of offering affordable products gives advantage to emerging-market firm. However, this study explores that domestic businesses still lag considerably behind overseas competitors as they do not have effective marketing campaigns and established brand name that would attract more buyers. This is because most of the local firms lack financial strengths and ability to access new funds, thus affecting negatively to their further development. Managers, therefore, need to find alternative ways for enhancing the image and recognition of their brand names in order to increase consumer's awareness and drive competitiveness.

The findings of this thesis and theoretical configurations provide the most significant strategic directions for businesses operating in emerging markets based on the practices and experiences of successful international franchise and local firms.

8.5. Limitations of the research

Previous studies on international franchising do not cover the issue such as its effect on emerging market firms. Also, the literature around global franchise and domestic companies' operations, business methods and competitiveness are generally discussed from the perspectives of developed countries. This research, therefore, attempts to address an important gap identified in the present literature. However, there are some possible limitations of the current study although it was cautiously planned.

First, the qualitative nature of this research limits its generalisation beyond the context of international franchise and local food industry, as the data in this thesis is collected from only one sector. However, food industry is the largest sector in Georgian and Ukrainian economies and remains the major target industry for franchise businesses. Ideally, the research would have included other sectors in which franchising is prevalent such as retail, fashion and hospitality; nonetheless, difficulties with accessing and conducted interviews with key personnel within these industries meant that this was not practical. Thus, the analysis and results of this thesis may not be generalisable across the entire sectors in Georgian and Ukrainian markets. In addition, even though the study is limited to two emerging countries in Eastern European region, these two markets have the largest number of franchise companies in the area.

Other potential limitations of this thesis are relatively small sample size for the empirical investigation, of just 14 organisations and the issue of semi-structured interview method, which relies on self-reporting that may lead to bias. Interviewees are selected on the basis of acceptability and the relational linkages between the individual and organisations, thus, the opinions and experiences of some actors who could provide valuable information may be missed, as well as it raises the issue of selection bias. This research attempts to overcome these limitations by interviewing experts from different organisation with different positions and many years of business experience in their field.

Furthermore, the interviews are done in Georgian and Russian languages, thus interview translation into English has the potential to result in some loss of meaning and also making interpretation difficult. This issue is addressed through going back and forth by the interview recordings in order to make sure that transcription and translation are done accurately. This also improves the quality of the research procedure.

Lastly, even though the research suggests interesting results, the COVID-19 pandemic and the war in Ukraine affect the reliability of the findings, as the data is collected before these crises happened. The pandemic has had severe economic consequences across the globe, however, besides the economic impact, dramatic changes can be seen in businesses and consumers behaviours. The current pandemic has forced many organisations to close, leading to an unprecedented disruption of commerce in many industries (Donthu and Gustafsson, 2020). Other businesses had to adapt and focus on online platforms, due the changes of customer preferences during the pandemic (Kaur et al. 2020). Furthermore, the present Russia-Ukraine conflict has also affected the global markets and especially the businesses operating in Ukraine and Georgia, as these two countries have strong economic and business ties. Even though, the data is collected before the pandemic and the war, this thesis suggests the practical ways and strategies to rebuild the businesses in those markets.

8.6. Suggestions for further research

This thesis inevitably encounters some limitations calling for future research and exploration. Since the study phenomenon of this thesis is still an underdeveloped area of research, it suggests that other research methods/approaches and data collections are performed in the future. This will deepen an understanding of international franchising and emerging-market companies' competitiveness, strategies, and business operations.

Considering some of the main limitations of this research study, this thesis suggests combining both qualitative and quantitative approaches, as in doing so, the study would more likely produce rich data and analysis of the subject of interest. Thus, based on the earlier discussed limitations and research findings, this study gives several recommendations for future research that should be addressed.

Future studies could follow a different research design. As discussed in the methodology chapter, this research uses qualitative case study approach that captures the opinions of respondents belonging to the food industry in Georgia and Ukraine. As this thesis is exploratory and has interpretive nature, this study could be extended to search for statistical instead of analytical data. In this respect, conducting quantitative research, which captures the practices and views of participants from other similar service fields (retail, fashion. etc) might be more useful. Implementing a structured questionnaire and large-scale survey with individuals not only from international franchise and local market firms but with the population of other fields would make the findings more generalizable. In addition, conducting the surveys with the actual customers and not only the representatives of companies would give a broader picture of the research area.

As this research is limited to only two emerging countries and fourteen interviewees, the inclusion of data from additional markets would improve the robustness of the findings. Comparative studies of Georgian and Ukrainian markets and those of other emerging countries would further inform the understanding of the effect of international franchising on local market firms. Alongside this, other studies could explore the extent in which the theoretical and methodological approaches adopted in this paper are applicable beyond Georgia and Ukraine. Also, as mentioned above interviewing more participants from other fields in which global franchising is prevalent including retail, fashion and hospitality could offer valuable insights and contribute to the literature.

Furthermore, comparing the main debates and concepts from the literature review to the outcome of this thesis, it suggests that there is a further need to examine the differences between developing and developed market franchisees operations, level of autonomy and the business strategies. Also, further research should investigate cultural appeal of emerging markets from customer's perspective, as cultural characteristics definitely play a significant role in forming consumers' buying decisions.

Finally, future research is also needed to identify the consequences and the impact of the two major crises COVID-19 pandemic and Russia-Ukraine conflict on international franchisees and local firms' operations and performance.

8.7. Conclusion

This chapter summarises the findings of the thesis in relation to research questions and previous literature on the effect of international franchising on domestic firms in emerging markets. The study highlights different factors affecting the competitiveness of global franchise and developing-country firms. It illustrates the most significant strategic directions that needs to be considered by the managers. Based on the results, differences between developed and developing market franchisees are found to be significant. Furthermore, the findings indicate that international well-established franchisees have more resources compared to emerging-market firms; however, the latter possesses organisational capabilities and the ability to act and react

This chapter outlines the overall contribution of the study it makes to the franchise, local firm and emerging market literature. In addition, it emphasises theoretical, methodological and managerial implications. This chapter also discusses the main limitations of the research and suggests some potential future research directions.

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APPENDICES

Appendix I – Interview questions for international franchisees

Interview Questions	Reasons for asking interview questions
1. What kind of restaurant do you operate?	To classify what kind of restaurants the firm is operating (fast food, self-service, quick service, dining).
2. How many years has your company been operating in the local market?	To identify how many years of business experience the company has in the local market.
3. Where is your restaurant located?	To evaluate the firm's location for customer attractiveness and convenience, as well as company's financial resources.
4. How does your company attract customers and do you follow localisation or standardisation strategy?	To identify the specific strategy the company uses for customer attraction.
5. What are the company's key resources and capabilities to achieve competitive advantage?	To find out if the company owns tangible and intangible resources and how it affects competitiveness.
6. Does your company use internal resources and/or differentiation strategy to succeed?	To evaluate specific strategies used by the company.
7. What kind of challenges does your company face in the local market?	To evaluate country's environmental factors negatively affecting the company.
8. What kind of benefits the company has in the local market?	To evaluate country's environmental factors positively affecting the firm.
9. Has your company achieved a competitive advantage and how do you maintain it?	To identify company's level of competitive advantage.
10. What are the advantages and disadvantages of managing a franchise restaurant?	To investigate the benefits/drawbacks of operating a franchisee.
11. Are there any differences between the franchisor and your company (in terms of human resources management, costs/finances and business development) and how do you deal with it?	To find out any key differences between home and host country's business operations.
12. Do you have support and regular training from franchisor?	To evaluate how being in franchise business can help franchisee.
13. What impact do you think the franchisees have on local restaurants in the market and why?	To examine franchisees experiences and evaluate how they perceive their effect on local firms.
14. Does the establishment of other franchise companies in this market affect your company specifically and how?	To observe the competition between international franchisees in the market.

Appendix II – Interview questions for emerging-market firms

Interview Questions	Reasons for asking Interview questions
1. What kind of restaurant do you operate?	To classify what kind of restaurants the firm is operating (fast food, self-service, quick service, dining).
2. How many years has your company been operating in the local market?	To identify how many years of business experience the company has in the local market.
3. Where is your restaurant located?	To evaluate the firm's location for customer attractiveness and convenience, as well as company's financial resources.
4. How does your company attract customers and do you follow localisation or standardisation strategy?	To identify the specific strategy the company uses for customer attraction.
5. What are the company's key resources and capabilities to achieve competitive advantage?	To find out if the company owns tangible and intangible resources and how it affects competitiveness.
6. Does your company use internal resources and/or differentiation strategy to succeed?	To evaluate specific strategies used by the company.
7. What kind of challenges does your company face in the local market?	To evaluate country's environmental factors negatively affecting the company.
8. What kind of benefits the company has in the local market?	To evaluate country's environmental factors positively affecting the firm.
9. What benefits and challenges have you experienced after the entrance of franchisees in the market?	To assess any changes caused by the entrance of franchisees in the market for local firms.
10. What are your business strengths and weaknesses comparing to international franchisees in the market?	To find out local companies' advantages and disadvantages comparing to franchisees.
11. In your opinion why international franchisees are successful in this market?	To evaluate how local firms view the success of franchisees.
12. Has your company achieved a competitive advantage and how do you remain competitive against franchisees?	To find out if the company has any competitive advantage.
13. In your opinion, how do other domestic restaurants remain competitive against international franchisees?	To find out if the company is aware of what methods other local companies use to be competitive.
14. What impact do you think international franchisees have on your company in the market?	To examine local firms' experiences about the effect of franchisees on their businesses.

Appendix III

Consent Form

The impact of international franchising on domestic companies in emerging countries

Please read each of the statements below and, if you agree with a statement, indicate this by ticking the box beside it.

<ul style="list-style-type: none">• I the undersigned voluntarily agree to take part in the study on “The impact of franchising on domestic food companies in emerging markets”	
<ul style="list-style-type: none">• I have read and understood the Information Sheet provided. I have been given a full explanation by the researcher(s) of the nature, purpose, location and likely duration of the study, and of what I will be expected to do.	
<ul style="list-style-type: none">• I have been advised about any distress and possible ill-effects on my well-being which may result.	
<ul style="list-style-type: none">• I have been given the opportunity to ask questions on all aspects of the study and have understood the advice and information given as a result.	
<ul style="list-style-type: none">• I agree to comply with any instruction given to me during the study and to co-operate fully with the researchers. I shall inform them immediately if I suffer any deterioration of any kind in my health or well-being.	
<ul style="list-style-type: none">• I understand that all personal data relating to volunteers are held and processed in the strictest confidence, and in accordance with the Data Protection Act (2018).	
<ul style="list-style-type: none">• I agree that I will not seek to restrict the use of the results of the study on the understanding that my confidentiality is preserved.	
<ul style="list-style-type: none">• I understand that I am free to withdraw from the study at any time or withdraw my data any time before 14th of July without needing to justify my decision and without prejudice.	
<ul style="list-style-type: none">• I confirm that I have read and understood the above and freely consent to participating in this study. I have been given adequate time to consider my participation and agree to comply with the instructions and restrictions of the study.	

Appendix IV – Participant Invitation Letter

The impact of international franchising on domestic food companies in emerging countries

Dear Participant,

I am a doctoral student at Kingston University London, and I am conducting research about the impact of franchising on domestic food companies in emerging markets. As an initial point of this research, I am seeking to conduct interviews with experienced people in food companies who would help me to explore the research area. I am approaching you, as your experience and knowledge with the business management and operations are relevant for my research.

The research has received a favourable ethical opinion from the Research Ethics Committee of the Faculty of Business and Social Sciences at Kingston University London. In this research I am hoping to collect information about the views and experiences of the top people from the food companies that will assist me to evaluate the impact of international franchising on domestic food businesses. With your help I hope to gather insights into the business practices in particular market that will make an invaluable contribution to the research area and the industry. I hope to collect individual face-to-face interviews that are expected to take approximately 60 minutes.

Please read the attached participant Information Sheet and let me know if you are willing to participate by contacting:

[Redacted]

Ani Mtvralashvili, PhD Research Student, at:

On contact, please include the following information:

- An indication of your availability for in person interview
- Contact information
- Which times and days of the week would be most suitable for you

If you have any questions about the research, please do not hesitate to ask me. Alternatively, you may wish to contact my supervisors: Professor Ursula Ott by email – [Redacted] Professor Christina Butler by email - [Redacted]

If you wish to complain about any aspect of how you have been treated in this research, please contact Professor Jill Schofield who is the Dean of the Faculty of Business and Social Sciences at Kingston University London. Professor Schofield's contact details are as follows: [Redacted]

I look forward to hearing from you.

Yours sincerely,

