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“Single Unit Franchising versus Multi Unit Franchising. Agency Theory and Transaction Cost Theory based Explanations“

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Affidavit

I hereby declare that this master thesis has been written only by the undersigned and without any assistance from third parties.

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1. Introduction

Franchising is an increasingly popular form of organization, both in the U.S. and overseas. Nevertheless, most research work has been done in the U.S. and in the fast food sector. Since the 1980s major importance in the growth of franchising systems can be attributed to the advent of a new governance form due to multi unit franchising. The strength of franchising is seen in its ability to reduce agency problems because franchisees become residual claimants on the profits of their units operated. Within this view, multi unit franchising can be interpreted as an anomaly to agency arguments. In a multi unit agreement a franchisee is permitted the right to establish a mini chain of outlets within the franchise system. Employee store-managers are operating these mini chains under the control of the multi unit franchisee.[1]

This work tries to explain the situation and use of multi unit franchising in the German franchise sector with the aim to enable cross country comparisons of this governance form. Compared to the U.S. market franchising in Germany is a relatively young phenomenon which started to emerge in the 1960s. But since then franchising could register a continuous growth on Germany's economic landscape. With this underlying study I want to shed light on a franchisor's tendency to use multi unit franchising over single unit franchising as an ownership strategy in franchise systems in Germany. The underlying premises to explain the use of this ownership strategy are based on agency theory and transaction cost theory explanations.

The study can be divided into two parts. First I am going to explain the theoretical framework underlying this research work. The construct of franchising will be presented and its emergence in Germany. Agency and transaction cost theory arguments for franchising will be described. A summary of the empirical literature will give a review on research work on multi unit franchising over the last decades. In part two the hypotheses will be formulated before discussing the empirical results obtained by the data. The conclusion remark will shortly recapitulate the paper and finally, an outlook on possible future research work will be proposed.

[1] see Kaufmann and Dant (1996)

2. Franchising

2.1. Traditional and Business-Format Franchising[2]

Franchising has become a part of everyday life for most consumers today, not only in the U.S. but worldwide. The answer that franchising has become so ubiquitous seems to lie apparently in the capacity combining the chain's comparative advantages in creating brand recognition and capturing economies of scale with the entrepreneur's local knowledge and drive. An ideal franchise relationship will represent a situation in which each party is able to specialize in what each one does best and yet benefit from the efforts of the other.

In the U.S., the Department of Commerce historically has distinguished two separate types of franchised relationships: traditional franchising and business-format franchising. Traditional franchising is also called product or trade name franchising. Traditional franchising can be traced back in the U.S. at least to the mid-1800s when the McCormick Harvesting Machine Company and the Singer Sewing Machines Company sold their products through sales agents who were given exclusive sales territories. With some years in business both companies found they needed more control over their sales agents if they were to protect their respective reputations and brands. The McCormick Company responded by establishing company-owned branch houses throughout the U.S. and Canada. McCormick was able to systematize procedures and communications with its agents. As for the Singer Company, it addressed the need for control by converting many of the independent agencies into company outlets. An important development was the creation of a series of recommendations by the Singer Company which it handed out to the remaining agents as to how the offices should be run and, for the first time, they required detailed financial reporting from these agents.

Traditional franchising today is comprised largely of automobile dealer-ships, gasoline service stations, and soft-drink bottlers. Characterizing for this type of franchising is that the franchisor is a manufacturer who sells finished or semi-finished products to its franchisees who resell these products to consumers or other firms in the distribution chain.

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[2] see Blair and Lafontaine (2005), p. 5-8

The main difference between traditional and business-format franchising is constituted by the additional knowledge the franchisor is offering to its franchisees. A business-format franchise does not only include the product, service, and trademark of the franchisor but the entire business format itself. That comprises a marketing strategy and plan, operating manuals and standards, quality control, and continuing two-way communication. The franchise is identified by its trademark, product or service and method of operation that is monitored and controlled by the franchisor.[3] In the U.S. the growth in business-format franchising was highly visible in the 1960s, mostly in the restaurant or fast-food industry. During the 1970s other sectors as well started to make use of this business format and highest growth levels were achieved in the sectors business aids and services and automotive products and services. Further development and franchise growth continued in the service sector, in areas such as day-care facilities, maid services or both eat-in and take-out restaurants.[4]

2.2. Franchising in Germany[5]

While franchising in the U.S. has a long tradition, in Germany its rising importance began in the middle of the 20th Century. But since then it experienced a steady upswing and in the meanwhile constitutes the fastest growing form of organization and modern form of self-employment. The first franchise systems which fall under the category of business format franchising, originated in Germany in the mid-sixties. In 1965, the fast-food chain Wimpy, as first foreign franchise in the German market, opened its first branch in Germany.[6]

Between 1996 and 2006 franchising in Germany could register a growth rate of 11% p.a., due primarily to the low starting base. The number of franchisors increased 5% p.a. and the number of franchisees per franchisor in 2006 averaged around 60 compared with 40 in 1996. In the time frame from 2004 and 2006 the sector’s average growth rate of 15% p.a. was significantly

[3] see Weaven and Frazer (2003)
[4] see Lafontaine (1992)
[5] see Deutsche Bank Research (2008)
[6] see Steiff (2004), p.10

faster than that of the economy as a whole. The most important sectors franchising systems are dominated by in Germany are the service, the hospitality, retail trade and skilled trades sector. Opportunities for new franchise systems are expected to be located in the health, education and environment and energy sectors.[7]

Table 1 gives an overview of the franchise economy's development over the last ten years in Germany and Figure 1 describes the distribution of sectors in franchising.

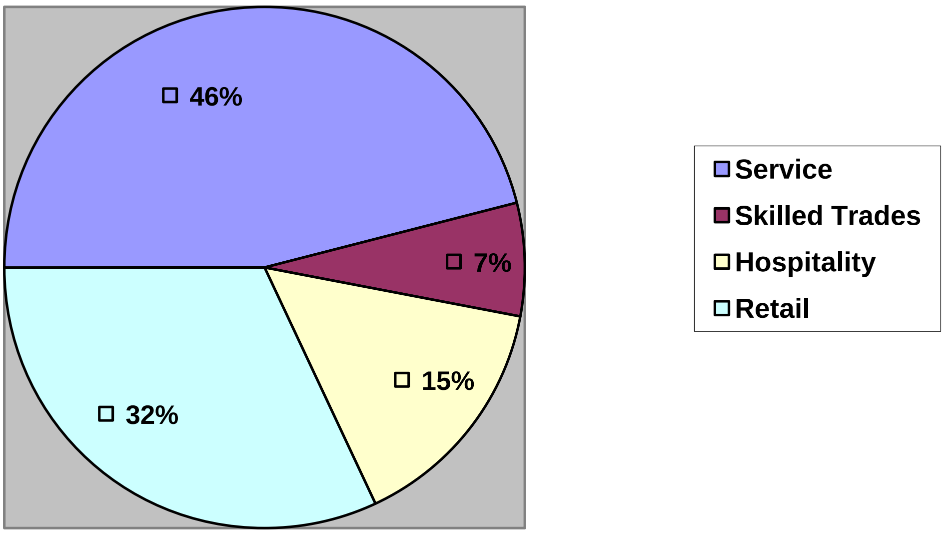
Table 1 German Franchise Business

	2000	**2010**	**Growth**
Employees	346.500	463.000	+33.6%
Franchisees	37.100	65.500	+76.5%
Franchisors	735	980	+33.4%
Sales (bn. Euro)	22	55	+150%

(Source: DFV – German Franchise Association | www.franchiseverband.com)

[7] see Deutsche Bank Research (2008)

Figure 1 Sector Distribution



Source: DFV – German Franchise Association | www.franchiseverband.com

2.3. The nature of franchising

The essential economic rationale for franchising is that it enables the involved parties to achieve whatever benefits of large scale may be available, for example, brand name development and organizational design, while capitalizing on the profit incentive and retailing effort of local franchisees.[8]
The franchise literature offers a wide range of definitions of the franchise agreement. All of these definitions have in common the following features:[9]

1. A franchise involves a contractual relationship between the parties under which one party (the franchisor) licenses the other party (the franchisee) to carry on business under a name, owned or associated with the franchisor;
2. Control by the franchisor over the way in which the franchisee carries on that business;

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[8] see Klein (1995)
[9] see Adams and Jones (1997), p. 22

3. Provision of assistance to the franchisee by the franchisor in running the business;
4. The businesses are however separate: the franchisee provides and risks his own capital.

In short, a franchise agreement can be described as a contractual arrangement between two legally independent firms in which a firm, the franchisee, pays the parent organization, the franchisor, for the right to sell the franchisor's product and/or right to use its trademarks and business format in a given location for a specified period of time.[10] Additionally, the franchisee usually agrees to adhere to franchisor requirements considering the product mix, operating procedures or quality.[11] Franchising is a significant alternative to both non-integration and full vertical integration because it offers more control than market exchange and simultaneously avoids some of the negative effects of full integration.[12] A criterion of interest to define the existence of a franchising relationship seems to lie in the exclusivity that implies that kind of agreement. Exclusivity created through the fact that the franchise arrangement concentrates on one company's product line and consequently identifies to some extent the business with that company.[13]
In a franchise agreement a franchisor benefits from the dedication and energy of an individual, the franchisee, who is building a business for himself. This motivation of the franchisee is a main reason for the franchisor to use franchising to begin with which helps the franchisors to secure its profits in the long run better than with company-owned outlets. In traditional business format franchising, the franchisor retains similar controls over the franchised outlet, as over a managed outlet. The franchisee-owned outlet is a kind of managed outlet to the franchisor in which the franchisee risks its capital. This risk bearing by the franchisee differs substantially from other governance organizational forms.[14] The risk of capital is in itself a control devise.

[10] see Blair and Lafontaine (2005), p. 3
[11] see Shane (1996)
[12] see Norton (1988)
[13] see Klein (1995)
[14] see Norton (1988)

Employee managers do face no such risk. Because company managers are no residual claimants of the profits generated at their outlet they have lower incentives to work hard and make their outlet a success.[15]

For the franchisee, franchising is offering the great advantage of shelter behind the umbrella of a large organisation compared to starting a new business entirely on his own. Following the statement "Be in business for yourself, but not by yourself."[16] Franchisors typically offer managerial assistance to the franchisee like training programs, standard operating procedures or advertising.[17] The arrangement can benefit all parties when working properly. The franchisor gets a better return because the franchisee, whose capital is at risk, works hard to make a success of the business. The franchisee gets a high return on his capital with lower risks and difficulties involved in operating independently.[18]

Although offering a lot of advantages for both sides, franchisor and franchisee, franchising arrangements are not free of incentive alignment problems. These exist because of goal conflicts between the two parties. All that is necessary for a malincentive problem to exist is that the franchisee controls to a certain degree inputs that can influence the demand for the franchisor's product, such as marketing effort. Further the franchisor sells its product to its franchisee at a price that is greater than its marginal cost. This underlies the assumption that the franchise agreement consists of a franchisor selling a product to franchisees who then sell it on to the consumer.[19] Therefore the continuing control over the franchisee's behaviour and its way of operating the business by the franchisor is a very important feature of the franchise arrangement. The object of the franchisor's monitoring is to preserve strict uniformity between outlets, and to enable to preserve and enhance the goodwill associated with the franchisor's name and trademark.[20] Typically the strength of franchise systems does not only lie in the absolute quality of the products offered but also a very large percentage of success resides in the capacity of the franchise system to offer

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[15] see Blair and Lafontaine (2005), p. 134
[16] see Grünhagen und Mittelstaedt (2000)
[17] see Norton (1988)
[18] see Adams and Jones (1997), p. 7
[19] see Klein (1995)
[20] see Adams and Jones (1997), p. 21

a uniform product or service at a reasonable price. Customers know what to expect when they visit regularly an outlet in a franchised chain, and it is important for the system to successfully meet these expectations time after time. It is the consistency of the system's operation, service, and product quality that attracts customers and results in loyalty.[21] Apart from attracting customers and further customer loyalty, uniformity leads to other several advantages. First, uniform operations across outlets imply the opportunities for economies of scale in procurement and marketing. Second, uniform operations make it easier and less expensive to develop and introduce new procedures and products. Finally, uniformity facilitates comparisons across outlets' performances and thereby reduces learning and monitoring costs.[22] This makes it especially important to align the incentives of franchisor and franchisee.

2.4. Why to franchise?

Most of theoretical explanations for franchising have been developed on the concept of single franchisor - franchisee pairs. Factors that have emerged to explain the use of franchising include risk, moral hazard as well on the franchisee's side as on the part of the franchisor, the franchisor's need for capital, and information asymmetries on either the agent's or the principal's side. The traditional explanation for franchising is presented by the capital constraint argument, displaying a situation in which the franchisor, facing a binding capital constraint, uses franchising to overcome it.[23] But difficulties arise with this theoretical concept. Franchising being based on this assumption should imply a reduced reliance on this business format as the franchisor's business matures and gains access to capital. As a consequence a trend toward company-owned outlets should be observed. This development could not be established empirically. A further argument that weakens the capital constraint explanation comes along with the fact that franchisors often provide financing to their franchisees. These franchisors do

[21] see Blair and Lafontaine (2005), p. 117
[22] see Blair and Lafontaine (2005), p. 119
[23] see Lafontaine (1992)

not support the assumption that they use franchising as a source of capital.[24] Other theoretical inquiries see franchising as an institutional arrangement that circumvents the entrepreneurial capacity problem. The entrepreneurial capacity focuses on the resources and constraints facing the entrepreneur. A crucial variable is how much time an entrepreneur has to invest to monitor the performance of its business inputs like labour, capital or raw materials. An entrepreneur’s monitoring time limits therefore firm growth and size. Parameters that affect an entrepreneur’s time allocation can be labour intensity, the value of factors of production and spatial dispersion. Franchising should occur where the entrepreneurial capacity constraint is binding, caused by high monitoring costs of hired factors or supervisors.[25] Franchising, thus, becomes a means to mitigate malincentives between franchisors and franchisees and consequently the need to monitor. A firm’s emphasis on franchising used as expansion strategy has a significant, positive effect on its growth and survival.[26] By replacing a company employee as a salaried outlet manager with a franchisee as a residual claimant on the profits of the franchise unit, franchising reduces problems in selecting, assimilating and monitoring new employees. Hybrid organizational arrangements, like franchising, reduce adverse selection as firms grow. Researchers argue that franchising as an organisational form will have a positive consequence on a firm’s survival because it allows a faster development of economies of scale and thereby higher competitiveness. Previous research on organizational choice supports the perspective that franchising represents an efficient method for firms to acquire capital, whilst minimizing monitoring expenditures through improving the alignment of franchisor and franchisee incentive structures. U.S. research assumes that in practice few firms follow a pure franchising strategy. Most often franchise networks are characterised by hybridized organizational arrangements and plural forms, the simultaneous use of franchised and company owned units. An explanation for the usage may be their ability to balance the competing demands of system standardization and system-wide adaptation to

[24] see Lafontaine (1992)
[25] see Norton (1988)
[26] see Shane (1996)

competition. New information and opportunities within local markets can be possessed through franchisees, whereas company owned units might offer the franchisor a means to assess best practices and maintain consistency across other units within the system.[27] The stronger a common brand name the more benefits a franchisee can obtain by belonging to this franchise system, but the higher might be his incentive to profit from free riding. As a consequence, franchisors with a valuable brand name may be obliged to operate more company owned outlets to exercise more direct managerial control over downstream operations. On the other hand a franchise agreement constrains the franchisors to offer an ongoing support to their franchisees like effort in advertising and promoting the brand to sustain the long-term profitability of the chain. A way to give them the needed incentives to fulfil their tasks is to have them operate more outlets directly.[28] However, recent studies suggest that systems adopting a franchising strategy are more likely to promote higher growth rates than systems maintaining a mix of franchised and company-owned units.[29]

2.4.1. Agency Theory Arguments for Franchising

In contrast to the transaction cost theory, the focus of the agency theory is to solve the pre-contract incentive problems between the parties. With an efficient incentive system the foreseeable ex ante incentive problems should be solved, especially the problems which are caused by the agent's opportunistic behavior. Since it is supposed that, after the contract is settled, no surprises may arise, in the sense of unpredictable events, agency theory assumes complete contracts. The settlement of agreements is not expounded.[30]

Researchers have focused on the incentives of employee unit-managers to misrepresent their capability and their effort as the main motivation behind franchising. This employee's behaviour causes costs and inefficiencies on the franchisor's chain. Arguing that franchising solves this problem by

[27] see Weaven and Herington (2007)
[28] see Lafontaine and Shaw (2005)
[29] see Sorenson and Sorensen (2001)
[30] see Kleine (1996)

installing franchisees as the residual claimants of the profits at the store level has shifted the attention of researchers to this incentive-based rationale argument.[31]

”The domain of agency theory is relationships that mirror the basic agency structure of a principal and an agent who are engaged in cooperative behaviour, but have differing goals and differing attitudes toward risk”.[32] For instance, while franchisees are interested in achieving short-term profits, franchisors are more concerned about strengthening the brand equity of their systems.[33] Agency theory asserts that when a firm franchises by doing so minimizes agency costs via the best available alignment between outlet managers’ incentives and firms’ objectives. Thus, the basic agency argument is that franchising reduces monitoring effort by offering the franchisee an incentive contract that aligns the franchisee’s interests with that of the franchisor.[34]

The principal delegates work to the agent facing the problem that their interests diverge and that this situation gives incentives to the agent to misrepresent its skills and effort. The misrepresentation of skills is known as the adverse selection problem whereas the misleading effort represents the so called moral hazard problem. The problem of adverse selection emerges as potential new employees differ in their capabilities. Entrepreneurs have to face the uncertainty about their qualities as entrepreneurs seek to select and hire more qualified employees. This preference of qualified employees creates an incentive for less qualified applicants to misrepresent their abilities to obtain employment. Another possible incidence of adverse selection comes with the different desirability of jobs available within the organization. New employees prefer the employment that leaves them with the highest risk-adjusted compensation relative to the demanded effort. To avoid mismatches between jobs and abilities the entrepreneur has to incur costs in gathering information to determine which tasks are appropriate to which new employee. Agency theory argues that these problems can be circumvented

[31] see Kaufmann and Dant (1996)
[32] see Eisenhardt (1989), cited in Garg and Rasheed (2003)
[33] see Dant and Nasr (1998)
[34] see see Garg, Rasheed and Priem (2005)

by either residual claimancy, or monitoring. Monitoring stands for the desire of the principal to increase the amount of information about the agent's behaviour. Which solution is superior depends on the cost of monitoring employees relative to the expenses of building a franchise system.[35]

When the costs of direct monitoring of employee managers are high, the ownership incentive accompanying franchising becomes quite attractive.[36] One of the most frequently studied factors to use franchising over firm ownership, because of reduced monitoring expenses, is geographic dispersion.[37] Therefore, franchising has become a response to agency problems associated with the geographic dispersion of units in a retail chain.[38] Prior research has identified two important conditions that augment direct monitoring costs. First, the distance monitoring personnel must travel to control an outlet, second, the needed knowledge about local market characteristics to properly evaluate managers.[39] This situation is perhaps most pronounced within firms that seek for foreign expansion.[40] The expectation that geographical dispersion has an effect on franchising is assumed to be greater for multinational franchisors as they cross international borders and expand further than among regions of the domestic market.[41]

Residual claimancy as a further way to solve agency problems is to replace wage contracts with hybrid organizational arrangements likes franchising that provide residual claimancy to unit managers. In franchising, qualified individuals can signal their capabilities by buying outlets. By running a franchise unit the franchisee agrees to be compensated by the uncertain claim on the profits of that store. High qualification and hard work will provide the franchisee with a better return than the average salaries paid to an employee. The other way round less qualified individuals will not be able to exhaust the full potential of an outlet which will end up in a lower

[35] see Shane (1996)
[36] see Combs and Ketchen (1999)
[37] see Castrogiovanni, Combs and Justis (2006)
[38] see Caves and Murphy (1976)
[39] see Combs and Ketchen (1999)
[40] see Lafontaine (1992)
[41] see Castrogiovanni, Combs and Justis (2006)

compensation from residual claimancy than the average wage rate. The positive effect for the franchisor comes along with the reduced cost of determining the capabilities of outlet managers which simultaneously lowers the cost of firm growth.[42] Franchising also helps to reduce attitudes of moral hazard. Researchers distinguish two types of moral hazard. First, suboptimal effort and, second, misdirected effort. Franchising does not reduce the problem of misdirected effort. The situation that a franchisee free-rides on the chain's brand name or franchisees that lower the quality of output to reduce their costs and increase their profits in the short-term, since they are unlikely to lose sales if other units follow through with obligations. They can benefit from spill over effects of other hard working franchisees.[43] But franchisees as residual claimants have reduced incentives to put forth a suboptimal effort level. Since suboptimal effort is unobservable but misdirected effort can be observed and punished and is less costly to monitor, franchising reduces the rate at which monitoring costs must rise as a firm grows.[44] Moreover, a franchisee operating a unit risks substantially more by being detected to shirk because the franchising contract can be terminated in the event of the breach of the contract. Consequently, franchising makes it possible to establish larger systems without facing the high monitoring costs of large firms that do not franchise.[45]

2.4.2. Transaction Cost Arguments for Franchising

The important difference between agency and transaction cost approaches is that the former involves an analysis of individual motivation whereas the latter situates the individual in a wider institutional framework which allows the firm to be analysed as an organisational entity. Pre-given technologically separable units are posited.[46] Exchange between these units must be organised and regulated.[47] The principal dimensions on which transaction cost economics presently lie for purposes of describing transactions are the frequency with which they recur, the degree and type of uncertainty to which

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[42] see Shane (1996)
[43] see Cochet, Dormann and Ehrmann (2008)
[44] see Shane (1996)
[45] see Garg and Rasheed (2003)
[46] see Williamson (1985)
[47] see Dietrich (1994), p. 3

they are subject, and the condition of asset specificity. When the enforcement of contractual arrangements cannot be relied upon in the market, different degrees of forward integration are feasible alternatives. The basic premise of transaction cost analysis is that the firm will internalize activities that it can perform at lower costs and will choose the market for activities in which other providers have an advantage. The transaction cost framework relies upon strong behavioural reality.[48]

Transaction costs are defined as the costs of governing the system. Ex ante transaction costs are the costs of drafting, negotiating, and safeguarding the agreement. Ex post transaction costs include, first, the maladaption costs incurred if transactions drift out of alignment with requirements, second, the haggling costs incurred if bilateral efforts are made to correct ex post alignments, third, the set up and running costs associated with the governance structures to which the disputes are referred, and, finally, the bonding costs of effecting secure commitments.[49] Transactions are very difficult to measure because they stand for potential consequences of alternative decisions.[50] Transaction costs are almost never measured directly but tested if the organizational relations align with the attributes of transactions as predicted by transaction cost reasoning.[51] Transaction costs tend to be low in highly competitive markets and market exchange is a widely used means. In contrast, when the market is unable to impose behavioural constraints and enforce simple contracts, firms are expected to internalize transactions to reduce costs of exchange. However, transaction costs are also present within the firms itself. Williamson (1975) observes that hierarchies do not fully eliminate transaction costs. When the cost of organizing the same transactions within the firm or across the market is the same, no further internalization will occur. In this way the transaction costs, markets and hierarchies scenario can explain both hierarchies and markets in terms of transaction costs economizing.[52]

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[48] see Klein, Frazier and Roth (1990)
[49] see Dietrich (1994), p. 21
[50] see Klein, Frazier and Roth (1990)
[51] see Williamson (1985)
[52] see Williamson (1975), cited in Pitelis (1993), p. 11

Williamson (1975) explained transaction costs in terms of human and environmental factors. These factors are bounded rationality, more precisely, limits in the acquisition and processing of information, opportunism through self-interest seeking behaviour of the parties and asset specificity, the investment on specific assets by agents, which tends to lock them into transactions by generating sunk costs and thus high costs of exit. If bounded rationality, asset specificity and opportunism coexist together in any transactional situation, the effective operation of the market mechanism may be impeded.[53] According to Simon (1957) economic actors are "intendedly rational, but only limitedly so". Individuals, or groups of individuals, have inevitable limits on their abilities to process or use information that is available. This implies that economic actors are inevitably faced with incomplete information, i.e. informational uncertainty exists.[54] Imperfect, or asymmetric, information may give raise to opportunistic behaviour through the involved actors that will try to exploit advantages and cheat the opposing party.

Asset specificity is the extent to which specialized investments are needed to support an exchange, the degree to which durable human or physical assets are locked into a particular trading relationship, and hence the extent to which they have value in alternative activities.[55] Such investment has the effect that a large-numbers bargaining situation, with a lot of intermediaries available, becomes a small-numbers situation.[56] The non redeployable specific asset makes it costly to switch to a new relationship and the market safeguard against opportunism is no longer effective.[57]

Uncertainty reflects the ability to predict relevant contingencies, internal as well as external to the firm.[58] External uncertainty allows the development of negative information asymmetries and further opportunistic behaviour. Different facets of external uncertainty may lead to either a motivation to reduce transaction costs or a desire for flexibility. External uncertainty may

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[53] see Williamson (1975), cited in Pitelis (1993), p. 10
[54] see Dietrich (1994), p. 19
[55] see Dietrich (1994), p. 21
[56] see Klein, Frazier and Roth (1990)
[57] see John and Weitz (1988)
[58] see Klein, Frazier and Roth (1990)

be presented by the two dimensions of volatility and diversity. Volatility refers to the extent to which the environment changes rapidly and makes it difficult to predict future outcomes which cause problems in contract implementation because these agreements will be incomplete. An environment with high diversity confronts the firm with high heterogeneity, many customers, many competitors and a multiplicity of demands. A desire for higher flexibility urges.[59]

Given the existence of contracting problems, the occurrence of the above three factors, transaction cost economics claims to be able to specify the governance structure that can efficiently manage economic activity in any situation.[60] However, according to Williamson (1975), if any of the three conditions is absent, then the market mechanism will still operate effectively.

Governance structures frequently serve as vehicles for the appropriation of quasi-rent. The transactions considered by transaction cost economics usually demand prior investments in specialized physical or human capital. Since such assets cannot easily be transferred to other uses once they are in place, the revenues generated by production typically exceed the sum of the ex post opportunity costs facing input suppliers. Those governance structures that enable essential input suppliers to appropriate large ex post quasi-rent streams will thrive.[61] Transaction costs not only make the firm necessary but also shape the nature of the contracts used within the firm and limit the size and scope of the firm.[62] Franchise contracts may be designed to assure performance in a very different way, doing this by facilitating a self-enforcement mechanism. Court-enforced contact terms operate in this context by creating sufficient franchisee rents so that the threat of termination of the relationship by the franchisor gives the franchisee sufficient incentive to supply the desired behaviour and inputs.[63] Franchisors expect franchisees to make significant commitments, e.g., when franchisees invest in outlet-specific assets, such as unique building designs. These specific assets are

[59] see Klein, Frazier and Roth (1990)
[60] see Dietrich (1994), p. 22
[61] see Dow, G.K. (1993), p. 101-102
[62] see Brown (1998)
[63] see Klein (1995)

an important source of leverage allowing franchisors to ensure ongoing cooperation from franchisees and have a positive effect on a firm’s decision to expand through franchising. Asset specificity bonds a franchisee to the franchising contract. Franchisors have an incentive not to expose their specific assets, such as brand name capital, to contractual governance unless franchisees are adequately bonded.[64]

3. Types of Multi Unit Franchising[65]

The key difficulty with much of the existing literature is that it tends not to distinguish between different forms of franchising. Thus the decision to franchise is considered as binary, and the complexity of different franchise arrangements largely ignored.[66] The literature implicitly or explicitly assumes that franchisees are owners of single units.[67] While many franchisees are indeed small business owners with just one outlet, it is important to realize that most franchised chains also include a number of franchisee-owned “mini chains”.[68] “The typical location-based franchise system (of which the fast food franchise is the prime and model example) is populated with multi unit franchisees.”[69]

The difference between single unit franchising and multi unit franchising lies in the number of outlets operated by a franchisee. Multi unit franchising refers to an arrangement in which the franchisee is permitted to own more than one unit. Bradach’s (1995) statement presents a multi unit franchisee as a franchisee who owns several outlets building a mini chain within the franchise system. A mini chain can be described as multiple outlets owned by the franchisee and operated by employee-managers of the franchisee.

Three distinct types of multi unit franchising have been categorised by researchers, namely, master franchising (or sub franchising), area development and area representative (sequential multi unit franchising) agreements.[70] The most common way to apply multi unit expansion is

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[64] see Combs and Ketchen (1999)
[65] see Grünhagen und Mittelstaedt (2000)
[66] see Watson et. al (2007)
[67] see Kaufmann and Dant (1996)
[68] see Bradach (1995), cited by Blair and Lafontaine (2005), p. 49
[69] see Kaufmann and Dant (1996)
[70] see Kaufmann and Dant (1996)

performed through sequential acquisition of franchised units. A sequential multi unit franchising agreement grants the franchisee the right to buy additional units after having been able to demonstrate that he can efficiently run his current unit or set of units. Typically each subsequent unit is governed by a separate franchise contract. The franchisor, with that kind of arrangement, uses the granting of additional units as a reward for high-performing franchisees and, hence, creates an incentive mechanism as well.[71] Franchisees are granted "the right to expand".[72] The expansion process for the sequential multi unit franchisee is mostly a slower one.

The second way to become a multiple-unit owner is with an area development agreement. The franchisee, as an area developer, agrees to a contractual obligation to open a prespecified number of units within a specified period of time. Contracts underlying area development agreements force area developers to approach their assigned territory in a systematic fashion and therefore resulting in an accelerated growth process. Franchisees working as area developers generally operate in a specified territory, which is defined in the franchise contract. Area development agreements have to be distinguished from sub franchising. An area development agreement directly grants the franchisee the right to establish and operate its units. Sub franchising is widely used in the international expansion efforts of franchisors. Domestically, however, sub franchising plays a subordinate role compared to sequential multi unit and area development franchising which represent a more "direct" relationship constellation between franchisor and franchisee. A sub franchising agreement implements an additional layer of management with the sub franchisor who is granted the right to find the franchisees to develop a territory and to contract with them. The difference lies within that the sub franchisor holds the permission to grant others the right to set up and manage franchise units in the specified territory. This represents a shifting of vertical management responsibility that makes the original franchisor more dependent on multiple unit operation managers and may reduce operational

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[71] see Blair and Lafontaine (2005), p. 50
[72] see Kalnins and Lafontaine (2004)

performance.[73] Confusion may arise from the fact that both types of agreements are sometimes called master franchising.[74]

4. Single Unit Franchising versus Multi Unit Franchising

4.1. An empirical literature review

The decisions that franchisors make suggest that their goal is to minimize unit costs, as multi unit owners are given control over sets of outlets that are close to each other so they are easy to travel between and oversee, but at the same time minimize competition and conflict among franchisees.[75] Theoretically, multi unit franchising states a governance choice approach to system growth that contradicts those efficiencies sought by conventional business format franchisors who aim at maintaining consistency and compliance within their system. A multiple unit franchisee represents an additional layer of management which employs store level managers to run its units.[76] This appears to create inefficiencies through severing the linkages between franchise ownership, performance and remuneration as independently contracted store managers do not necessarily have the same incentive to perform. The franchisees' employee managers present the same adverse selection and moral hazard problems to the multi unit franchisee that the franchise arrangement was thought to solve for the franchisor.[77] Nevertheless, a substantial portion of the industry's growth can be assigned to the rising popularity of multi unit franchising.[78] Where franchisor executives often mention the high cost of finding high-quality franchisees, multi unit franchising can be seen as a means for franchisors to use efficiently their pool of high-quality franchisees.[79] The differences in the perspectives of the parties involved in franchising are less problematic in a system involving a franchisor and a multi unit franchisee than in a dyad built by a franchisor and a single unit franchisee. A multi unit franchisee has to undertake greater system-specific investments relative to a single unit franchisee. The results

[73] see Kaufmann and Dant (1996)
[74] see Blair and Lafontaine (2005), p. 51
[75] see Blair and Lafontaine (2005), p. 52
[76] see Weaven and Herington (2007)
[77] see Kaufmann and Dant (1996)
[78] see Grünhagen and Mittelstaedt (2000)
[79] see Kalnins and Lafontaine (2004)

are a better alignment of franchisor-franchisee goals, especially those of maintaining brand name capital, and lower free riding probability of the multi unit franchisee. In multi unit franchising hired area managers are replaced by non-shirking agents (i.e., the multi unit franchisees) who do have residual claims. These multi unit franchisees have sustainable incentive both to pursue growth and to monitor the hired unit level managers closely. Consequently, multi unit franchising shifts the residual claim incentives one level up the hierarchy from the unit manager to the area manager.[80]

Most studies on franchising have concentrated on the traditional single unit model although a raising incident of multi unit franchising has been observed. This emphasis has been attributed to the difficulty in conceptualizing the theoretical framework underlying the use of multi unit franchising given moral hazard and adverse selection effects associated with the employment of unit level management.[81]

Previous research on franchisee-owned subsystems has not been able to bring its advantages down to a common denominator. Early studies resulted in findings that single unit operations outperformed multiple unit franchise systems. With ongoing research work later results suggest that multi unit franchising as governance structure was effective in supporting unit growth, reducing franchisee free riding behaviours and minimizing monitoring costs. Attempts to free-ride by some locations clearly hurt uniformity, but there are fewer incentives for free riding in multi unit franchising than there are in single unit franchising. When free riding occurs, a multiunit franchisee bears greater detrimental effects of the reduced quality on customer perceptions of the franchised brand than does a single unit franchisee and the chances that the franchisor would notice a lack of uniformity are higher in multi unit franchising than in single unit franchising. Thus, relative to a single unit franchisee, a multi unit franchisee faces both a greater downside risk of not maintaining uniformity and a greater probability of being caught with this misbehaviour.[82]

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[80] see Garg, Rasheed and Priem (2005)
[81] see Kaufmann and Dant (1996)
[82] see Garg, Rasheed and Priem (2005)

The underlying hypothesis of the positive relationship between multi unit franchising and system growth appears to be that accelerated growth stands for rapid revenue increases for the franchisor, as each new franchise unit puts more royalties and fees to the franchisor's account.[83] Although from an agency theory view, multi unit franchising may have negative effects on growth, from the perspective of capital acquisition, its result may be positive. Multi unit operation offers potential synergies to franchisees. Franchisees anticipating expansion should accept lower capital returns than they might otherwise want to receive. Consequently, the increased access to capital should allow multi unit systems to grow faster. A previous study through fast-food franchise systems and demonstrate that the more a chain engages in multi unit franchising, the faster it grows. When the system reaches a point of growth where the entrepreneur's span of control is stretched beyond the numbers or contiguity of units that can be efficiently monitored, subsequent units are franchised.[84] Franchisors that emphasize high growth are more likely to use multi unit rather than single unit franchising. Further, franchisors emphasizing uniformity instead of growth are more likely to use area development franchising. Processes and techniques necessary for system wide adaptation were found to be more easily adopted through multi unit franchisees than single unit operators.[85] This is because multi unit franchising entails a smaller number of relationships to be coordinated.[86] On the other hand chain franchisees were less likely to respond to local market conditions.[87] Although multi unit franchising is less suitable for local responsiveness than single unit franchising, there exists some difference between area development franchising and incremental franchising in this regard. Given that the sub-systems started as a single unit in incremental franchising, the franchisee would have hands-on experience in the local market that an area development franchisee would lack.[88]

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83 see Grünhagen and Mittelstaedt (2000)
84 see Kaufmann and Dant (1996)
85 see Garg, Rasheed and Priem (2005)
86 see Sanchez, Saurez and Vazquez (2006)
87 see Weaven and Herington (2007)
88 see Garg, Rasheed and Priem (2005)

Little consideration has been given to the role of firm-level influences upon a franchisor's willingness to encourage multi unit franchising as growth strategy. A previous study conducted in the Australian franchise sector examines to what extent firm-level factors influence the growth of franchisee-owned mini chains within Australian franchise systems. The decision variables used were based on age and size of the franchise system, franchise system corporatisation, franchising relationship conflict, among other things. The results supported the proposition that mature and larger franchise systems are more likely to apply multi unit franchising because in an early stage in their life cycle they did not possess the reputation necessary to attract as well as the skills to support suitable chain-franchisee candidates. Compared to their overseas counterparts chain franchisees of the Australian franchise sector seemed to be more reliant on their parent franchisors requiring guidance in marketing, promotion or new staff recruitment. This may be due to the smaller size of the franchise systems. Further, potential multiple unit franchisees showed to be less attracted to systems that are characterized by higher levels of intra-firm conflict.[89] Limiting the number of single unit franchisees could lead to efficiency gains as empirical results reveal that multi unit franchisees necessitate less monitoring in light of decision-making independence. As a consequence, the intra-chain competition faced by each outlet would be reduced. This could be beneficial to performance outcome as franchisees tend to require less control when facing few competing outlets.[90] In a second study, concerning the Australian market, multi unit franchising was described as a function that includes different parameters like agency costs, system uniformity, brand name value, geographical contiguity of subsystem units and system reward strategies.[91] Other research work took a closer look on the unit-level failure-reducing benefits of owner and franchisor experience. The argument was that benefits of experience reducing unit-level failure depend on whether that experience was gained locally or distantly from the unit in question. Franchisors prefer to rely on codified knowledge and standardized routines whereas franchisees

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[89] see Weaven and Frazer (2007a)
[90] see Cochet, Dormann and Ehrmann (2008)
[91] see Weaven and Frazer (2007b)

gather information that is idiosyncratic to a local market. The results indicate that a franchisee's units benefit from their owner's local congenital experience, but not from distantly gained experience. The study highlights the continued importance of local knowledge, even among the most codified and standardized business organizations.[92] Franchisees bring to the franchise system knowledge of geographic locations and labour markets. Multi unit franchising can enable this local market knowledge to be fully exploited by the franchisee's capacity to enable the transfer of knowledge from store to store within his mini chain. To do this in an effective manner, the outlets need to be located within the same locality which is not always the case as sometimes multi unit franchise agreements run across several states. Nevertheless, their experience and skills would be of value, and multi unit owners are likely to require less training and support from the franchisor.[93]

The conceptual model established by Weaven and Frazer (2003) to explain the use of multi unit franchising was based on issues of capital theory, resource constraints theory, agency theory, transaction cost economics and strategic motives theory. They defined nine variables which should give better insight into the widespread incidence of multi unit franchising. Four variables were defined as predictor variables for the use of multi unit franchising and other five variables should represent predicted outcomes due to the implementation of this franchising strategy. Franchisor experience, franchise system structure/corporatization and franchisee experience, as predictor variables, were expected to have a positive relationship with the use of multi unit franchising. Only the desire of franchisors for franchisee involvement at the store level, stated as hands-on involvement, was thought to have a negative relationship with the pursuit of multi unit franchising as a governance structure. On the other side, conflict, franchise system growth, contiguity, financial rewards and agency costs presented the predicted outcome variables. Agency costs indicated by the amount of monitoring costs and intra-firm conflict were hypothesized to have a negative relationship with

[92] see Kalnins and Mayer (2004)
[93] see Watson et al (2007)

the use of multi unit franchising. Whereas, franchise system growth, contiguity in close territories and financial rewards through granting additional units were proposed to have positive effect on using multi unit franchising.[94]

When it comes to allocating new units franchisors seem to prefer franchisees whose existing units and headquarters are geographically close to the new unit being established. Franchisors favour franchisees that run their existing units in markets with demographic characteristics which are similar to those of the planned new unit. A franchisor may follow the desire to specialize franchisees to territories with similar types of customers or more precisely pay attention to franchisees' knowledge of specific types of markets. Another factor to bear in mind is the number of competitors that a franchisee faces around his current units. Many competitors reduce the likelihood that the franchisee will be assigned an additional unit, reflecting the idea that a franchisee's work is more demanding in more competitive environments. This suggests that the benefits associated with the existence of clusters of units owned by a single franchisee must outweigh the cost that might arise from too less aggressive behaviour or increased bargaining power that franchisee owners of clusters of units might exert on their franchisors.[95] It should be noted that both the incentive of the multi unit franchisee to free ride and the problem of controlling outlet managers so they do not shirk are positively related to the dispersion of the outlets. Multi unit franchising reduces the potential for shirking when the outlets are geographically close because in this case it is less costly for the multi unit franchisee to control outlet managers because of scale economies in the control activity.[96] The closer the outlets are owned by the same franchisee, the less incentive to free ride he has, because he would internalize a greater share of quality debasement costs to a greater extent than a single unit franchisee.[97] Multi unit franchising can be employed instead of single unit franchising to enhance organizational learning. The multi unit franchisee opening up another establishment may

[94] see Weaven and Frazer (2003)
[95] see Kalnins and Lafontaine (2004)
[96] see Sanchez, Saurez and Vazquez (2006)
[97] see Brickley (1999)

enjoy low risk of unit closure due to its specific experience functioning in the applicable industry niche.[98]

Multi unit franchising presents a favourable opportunity of expansion in the international context by providing the franchisor a greater ability to reduce opportunism than does international single unit franchising. The multi unit franchisor need to search for fewer franchisees and therefore economizes on recruiting, screening and training franchisees, especially in foreign markets. Further within multi unit franchising the task of recruiting unit level managers is delegated to the franchisee, whereas in single unit franchising this task is retained by the franchisor. It can be argued that because of both geographical and cultural proximity, the hazard of adverse selection of unit level managers would be less for the local multi unit franchisee than for the foreign franchisor. But not only adverse selection can be reduced by the use of multi unit franchising. Multi unit franchising in an international context outperforms single unit franchising in its capability to reduce shirking, inefficient risk bearing and free riding.[99]

A recent research investigates the relationship between performance outcome, which is represented by the variables system termination and system litigation rates, and system structure. She argues that franchisee cheating through shirking and free riding can be mitigated by offering multi unit expansion opportunities to the franchisee and that termination and litigation rates will be lower as a consequence. She links ownership mix, self-enforcing agreements and use of contractually-specified disciplinary devices to reduce exchange hazards. This happens by enhancing downstream rent potential for the franchisee, multi unit expansion opportunities act as the front-end of self-enforcing agreements, whereas, disciplinary advices form the back-end of the self-enforcing agreement mechanism. The probability that the available performance-related rents will be greater than the available cheating-related rents mitigates franchisee's opportunistic behaviour. In a well-structured self-enforcing arrangement, the disciplinary "stick" should

[98] see Bates (1998)
[99] see Garg and Rasheed (2003)

have little use and the threat of discipline itself should be sufficient to ensure franchisee performance.[100]

Although the phenomenon of multi unit franchising has been investigated over the last two decades the academic literature on this topic is still in its “embryonic stage”.[101] The research deficit primarily emerges from the lack of theoretical foundation of this ownership strategy.[102]

5. Empirical Results

5.1. Theoretical Framework and Hypotheses

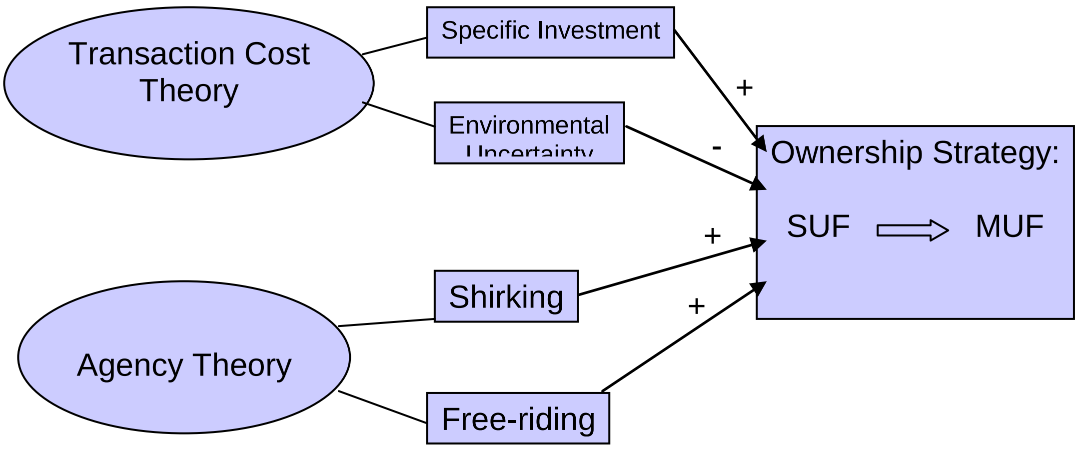
As the previous section shows, a lot of different theories have been applied with the attempt to explain the emergence of multi unit franchising as the franchisor’s choice of ownership strategy. The results offered a wide range of answers and happened to be contradictive as well. Actual research work has not been able to fully answer the question why multi unit franchising has become so important over the last decades as a governance form. The main arguments for multi unit franchising have been faster system growth, higher firm survival when new franchising units are assigned to existing franchisees and the ability to overcome resource scarcity, financial and human capital, faced by the franchisor. Further arguments for the use of multi unit franchising are better motivated franchisees and therefore a reduction in monitoring tasks, due to the fact that a multi unit franchisee has less incentives to shirk or free ride because this would affect more severely his mini chain within the system and therefore his profitability.[103]

This paper is based on an integrative model for the franchisor’s choice of ownership strategy between single unit and multi unit franchising developed in the research work by Hussain and Windsperger (2010). Whilst a number of benefits are expected to ensue, it is unclear how franchisors determine whether multi unit franchising is appropriate for their business.[104] They built the theoretical framework on several organizational economics and strategic

[100] see Bercovitz (2003)
[101] see Grünhagen and Mittelstaedt (2000)
[102] see Hussain and Windsperger (2010)
[103] see Hussain and Windsperger (2010)
[104] see Watson et al (2007)

management theories aimed at reducing the lack of theoretical foundation of this ownership strategy, given that previous research has been mostly upon the motivations behind the use of multi unit arrangements. Hypotheses were based on transaction cost view, agency theory, resourced based and organizational capabilities view, property rights theory and screening theory.[105] The present study that attempts to give a better insight to the question whether to use single unit franchising or multi unit franchising as ownership strategy relies upon agency theory and transaction cost theory explanations. Figure 2 summarizes the model contributing to this research work.

Figure 2 Theoretical Framework



Source: Hussain, D and J. Windsperger (2010)

5.1.1. Agency Theory

A motive to franchise, from an agency theory perspective, is to efficiently answer to motivational problems of geographically dispersed units.[106] Multi unit franchising provides a mechanism to control free riding by the franchisee, provided that the units are geographically close. That is, franchisees will bear at least some of the costs if quality standards are not

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[105] see Hussain and Windsperger (2010)
[106] see Watson et al (2007)

enforced, as the lost customer is likely to fall on their own outlets.[107] In addition, the closer the motivated multi unit franchisee is to the agent's location, the lower the monitoring costs are expected to be.[108] Consequently, where free riding is a particular concern to the franchisor, multi unit franchising may be preferred to other organisational forms. Another argument from an agency theory view could be that monitoring costs are delegated to franchisees, as they will take responsibility for monitoring and controlling manager behaviour.[109] Therefore, more efficient control at the store level may be expected. Multi unit franchising is chosen when shirking-based monitoring costs are low and the level of free riding hazard is high. System uniformity as a crucial input to maintain brand name capital should lead to a higher use of multi unit franchising combined with lower incentives for free riding behaviour because the multi unit franchisee would bear greater detrimental effects by implementing reduced quality products.[110] Researchers relying on the agency theory suggest that the franchising decision is motivated mostly by advantages gained through superior service and operational performance than by the desire to acquire capital through expansion. To be able to achieve these advantages a significant brand value or uniform product quality may be a criteria. Franchisors prefer granting multiple unit agreements to franchisees that have demonstrated successfully to be capable to handle single unit operations in the system. Therefore, a multi unit franchising strategy should reduce the costs associated with continuing store-level monitoring.[111] Franchisors should choose the use of multi unit franchising compared to single unit franchising because it helps to mitigate agency problems by creating a stronger incentive system for the franchisees. We can derive the following hypotheses:

> H1: The franchisor's propensity toward multi unit franchising is positively related with the franchisee's behavioral uncertainty, due to shirking.

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[107] see Sanchez, Saurez and Vazquez (2006)
[108] see Garg, Rasheed and Priem (2005)
[109] see Watson et al (2007)
[110] see Garg, Rasheed and Priem (2005)
[111] see Weaven and Frazer (2007b)

H2: The franchisor's propensity toward multi unit franchising is positively related with the franchisee's behavioral uncertainty, due to free riding.

5.1.2. Transaction Cost Theory

Williamson (1985) detects transaction specific investments and environmental uncertainty as the major influencing factors of governance mechanism. Franchisors expect franchisees to undertake significant commitments like investments in outlet- specific assets. This outlet specificity of assets bonds the franchisee to the franchising contract and offers the franchisor a source of leverage to ensure ongoing cooperations from franchisees.[112] As a multi unit franchisee these specific investements are typically higher than in a single unit franchising agreement and therefore have a higher bonding effect and consequently a higher impact on the franchisee's motivation to act cooperatively.[113] Especially for area development franchisees, the threat of the loss of upfront investments and future revenue streams for underperformers provides a clear incentive to act properly.[114] In this way a franchise contract may be designed to ensure a self-enforcement mechanism. Self-enforcement describes a situation in which the franchise contract creates sufficient rents for the franchisee which motivate him, combined with the threat of contract termination, to perform. This future expected premium stream for the franchisee has to be equal to or greater than the short-run gains obtained by a franchisee's opportunistic behaviour.[115] If franchisees obtain multi unit opportunities the self-enforcement mechanism will be even stronger and franchisors will be less forced to employ disciplinary devices like system termination.[116] The higher the bonding effect of the franchisee's specific investments under multi unit franchising compared to single unit franchising, the higher is the propensity to implement multi unit franchising.

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[112] see Combs and Ketchen (1999)
[113] see Hussain and Windsperger (2010)
[114] see Garg, Rasheed and Priem (2005)
[115] see Klein (1995)
[116] see Bercovitz (2003)

H3: Franchisee's specific investments are positively related with the franchisor's tendency to the use of multi unit franchising.

Environmental uncertainty reflects the difficulty faced by the firm to predict relevant contingencies. Under single unit franchising, the franchisee likely will have a more suitable combination of knowledge and incentives to be responsive to variations in customer requirements than will a hired store level manager in multi unit franchising. Further, responsiveness to variations in customer requirements implies a low degree of programmability.[117] Following, the more local market knowledge has to be assessed the lower will be the tendency toward multi unit franchising.[118]

H4: Environmental uncertainty is negatively related with the franchisor's tendency toward multi unit franchising.

5.2. Methods

5.2.1. Data Sources

The data collected was obtained by distributing a questionnaire to the franchise systems established in Germany. To support the study the Deutscher Franchise Verband (German Franchise Association) provided the actual "Verzeichnis der Franchise-Wirtschaft 2009/2010" (Register of the Franchise Economy). This register contains all the relevant information of about 1000 franchise systems operating in Germany. The franchisor information includes: company name, year established, address, contact person, telephone and fax numbers, short description of business, number of franchised units, number of company-owned units, capital requirements for a franchise (including cash investment, total investment, and minimum net worth), fee structure (including initial fee, royalty, and advertising fee). A first screening of the data was undertaken by selecting franchisors that stated full information about contact person, preferably the managing director, contact address, number of franchised and company-owned outlets and the year

[117] see Garg, Rasheed and Priem (2005)
[118] see Hussain and Windsperger (2010)

when they started to franchise. Each mailing included the questionnaire as well as a cover letter describing the purpose of the study and guaranteeing anonymity to participants. We divided the questionnaire in two parts. Part A was designed to get detailed information about the ownership strategy the franchisor is pursuing. Therefore we used a seven-point Likert Scale to measure the survey items (1 = strongly disagree, 7 = strongly agree). In Part B we asked for general information about the franchise business, like number of years in business, amount of initial investments, number of franchised outlets, advertising fees, the amount of training days for the franchisees per year. Franchisors had the possibility to answer the questionnaire and send it back per mail or they could fill in an online version.

5.2.2. Sample

A total of 491 franchisors were selected. About three weeks after the first mailing a remainder by telephone was started where we tried to directly contact the managing directors to kindly ask them to fill in the questionnaire. In a third step the systems we haven't got any answer yet were contacted via an email remainder including the questionnaire and the link to the online version. Overall, 136 actual responses were received, yielding a response rate of 27.7 percent. Out of the 136 actual responses, 111 were included to test the hypotheses. The rest of the cases could not be used because some required data were missing. In the study we included franchise systems related to the service, production and sales sector. On average, the franchisors participating in this study established their business in 1998, with an average of 11 years in franchising and required a total investment of €450.000 and an advertising fee of 0.9% of sales. The year of establishment ranged from 1976 to 2009. System size ranged from 2 up to 2520 units with an average number of 157 outlets per franchisor. The average number of franchisees contracted by a franchisor was about 96 franchisees in the year 2010. A summary of descriptive statistics over the whole sample are found in Table 2.

Table 2 Descriptive Statistics of Sample (Germany)

	Minimum	Maximum	Mean	Standard Deviation
Number of company owned outlets in Germany in 2010	0	700	32,15	95.994
Number of franchised outlets in Germany in 2010	1	2,500	124.39	303.114
Number of franchisees in In Germany 2010	1	2,300	96.23	271.586
Year when first franchised outlet was opened in Germany	1976	2009	1998	8.391
Franchise/entry fee in Euro	0	100,000	12,668.57	14,701.979
Average investment (excluding fanchise/entry fee) required by a franchisee to start a new franchised outlet (Euro)	100	38,500,000	452,263.79	3,571,217.354
Variable advertising / marketing fee (% of sales)	0	6	0.9369	134.477
Franchise contract length in years	1	20	6.85	3.285
Number of Years in franchising	1	34	11.19	8.391
Company owned and franchised outlets	2	2,520	157.17	329.516

5.2.3. Dependent Variable

The object of this study is to understand the franchisor's choice of ownership strategy between single unit and multi unit franchising. Multi unit franchising is ubiquitous although it separates ownership from local decision making and seems to be inefficient in theoretical aspects. The underlying premise of this research work is that the franchisor will be able to develop advantages in reducing monitoring costs and to successfully bond the franchisee to the franchise contract if he prefers to use multi unit franchising over single unit franchising. To measure the intensity of use of multi unit franchising the dependent variable was defined as the franchised units divided by the number of franchisees.

5.2.4. Independent Variables

After the surveys had been returned, a first step in processing the data was to perform analyses of the scales. A factor analysis with oblimin rotations was conducted to assess the internal consistency of the scales that measures the range of each construct and to purify the scales. Oblimin rotations were chosen because they allow items to be correlated. To assess the reliability of the extracted factors a reliability analysis was performed with Cronbach's alpha used as the determinant.

Shirking and Free riding

Shirking and free riding are stated as the main predictors in agency theory arguments and the associated problems of adverse selection and moral hazard. Shirking, thereby, represents the threat of suboptimal effort in the franchise agreement through the franchisee. The franchisee may have the intention to use low quality inputs to save on costs and increase his profits. Two separate questionnaire items were constructed to get insight in the franchisor's perception of this problem. Franchisors were asked to specify how difficult it is to assess the franchisees capabilities and to measure its performance at the outlet level.

If the franchisor's brand name is of high value the franchisor faces the threat that his franchisees free-ride on this strong brand name. They are unlikely to lose sales if other units follow through with obligations. They can benefit from spill over effects of other hard working franchisees. Franchisors were asked to indicate how important their brand name is compared to their competitors. The results of a principal component factor analysis revealed all items for shirking and free riding to load highly on one common factor each. A Cronbach's alpha of 0.778 on the shirking factor and a Cronbach's alpha of 0.761 on the free riding factor provided support for the reliability of the scale.

Environmental Uncertainty and Specific Investment

Three items on the questionnaire measured the importance of environmental uncertainty on the franchisor's decision to implement multi unit franchising as a ownership strategy. Franchisors were asked to indicate the level of their agreement with three statements – "The sale at the outlet level is very fluctuating"; "It's very difficult to predict the market development at the output level"; "The economic environment in the local market is changing rapidly". All of these items measure the volatility dimension of environmental uncertainty, as the extent to how rapid the environment changes and makes it difficult to predict future outcomes. After the factor analysis a reliability analysis was performed. This analysis showed that reliability can be improved if the item "The economic environment in the local market is changing rapidly" was deleted as it resulted in a substantially greater value in α than the overall α.

To measure specific investments as a bonding mechanism of the franchisee to the franchise contract the franchisors were asked to indicate to what extent franchisees have to bear asset specific investments at the start of contract. The items highly loaded on one common factor each. The reliability analysis resulted in an overall Cronbach alpha of 0.817 for the factor of environmental uncertainty and an overall Cronbach alpha of 0.783 for specific investments respectively. Table 3 summarizes the factor matrix for the independent variables.

Table 3 Factor Matrix

	Components			
	1	2	3	4
Our franchise system enjoys higher brand recognition as compared to our comeptitors	0.855			
Our brand name is very strong as compared to our competitors	0.847			
Our brand name is very important for achieving competitive advantage	0.767			
It is very difficult to predict the market development at the outlet level		0.919		
The sales at the outlet level is very fluctuating		0.918		
It is very difficult to measure the performance of the outlet manager (franchisee or manager).			-0.902	
It is very difficult to assess the competencies and capabilities of the outlet manager (franchisee or manager).			-0.902	
To what extent the franchisee bears --expenses for technical and orgnizational support by the franchisor at the start of contract				-0.906
-- expenses for training at the beginning of the contract				-0.893

Extraction method: principal component analysis. Rotation method: Oblimin with Kaiser-Normalisation. Four factors extracted (eigenvalues >1); Kayser-Meyer-Olkin-criterion: 0.573 Bartlett's test of spherity: Ch^2=333.469, df=36, p<.001. Absolute values less than 0.4 were suppressed.

5.2.5. Control Variables

Two control variables have been included in the regression analysis: the system size and age of the system. I controlled for system size as different previous research work argued that multi unit franchising is preferable for rapid system growth and that franchising as an organisational form will have a positive consequence on a firm's survival because it allows a faster development of economies of scale and thereby higher competitiveness. Further it represents an efficient method for firms to acquire capital. A firm's emphasis on franchising used as expansion strategy has a significant, positive effect on its growth and survival.[119] Franchisors should prefer multi unit franchising because it affords more capital for growth than does single unit franchising. An underpinning study through fast-food franchise systems in Texas demonstrated that the more a chain engages in multi unit franchising, the faster it grows.[120]

The control variable system size was constructed as the total sum of the number of company-owned outlets and franchised outlets by the franchisor. I included both types of outlets in the size variable as most often franchise networks are characterised by hybridized organizational arrangements and plural forms, the simultaneous use of franchised and company owned units. An explanation for the usage may be their ability to balance the competing demands of system standardization and system-wide adaptation to competition.

The variable age of system was defined as the number of years operating in franchising. Previous research supported the proposition that mature and larger franchise systems are more likely to apply multi unit franchising because in an early stage in their life cycle they did not possess the reputation necessary to attract as well as the skills to support suitable chain-franchisee candidates.[121] The variable was computed as the difference between the actual year in franchising, the year 2010, and the date the first franchise was established.

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[119] see Shane (1996)
[120] see Kaufmann and Dant (1996)
[121] see Weaven and Frazer (2007)

5.2.6. Results

The hypotheses were tested using hierarchical regression to estimate the following model:

$$Y_i = (b_0 + b_1X_1 + b_2X_2 + \ldots + b_6X_6) + \varepsilon_i$$

Y is the outcome variable, b_1 is the coefficient of the first predictor (X_1), b_2 is the coefficient of the second predictor (X_2), and so on, and ε_i is the difference between the predicted and the observed value of Y for the *i*th participant. Variables x_1 and x_2 were the agency variables, represented by shirking and free riding, entered in the first hierarchical step. Variables x_3 and x_4 stand for the transaction cost variables environmental uncertainty and specific investments which were entered in the second hierarchical step. The control variables age of the system, x_5, and size of the system, x_6, followed in the third hierarchical step of analysis. The hypotheses test is related to the full model, which was analyzed in the third step of the hierarchical process, while the first two models enable an insight on the relative importance of the agency and transaction cost variables. In Table 4 the means, standard deviations, and correlations of the variables are listed. A bivariate Pearson correlation was computed. A negative and highly significant correlation ($r = -0.345$, $p < 0.01$) between environmental uncertainty and the use of multi unit franchising can be observed, providing preliminary evidence for H4.

Table 4 Pearson Correlation Coefficients and Descriptive Statistics[c]

Variable	Mean	Standard Deviation	(1)	(2)	(3)	(4)	(5)	(6)	(7)
(1) MU Intensity	1.487	103.159	1						
(2) REGR factor score 1 for analysis 4 Environment	0.0120327	102.053.703	-0.345**	1					
(3) REGR factor score 2 for analysis 4 Investment	0.0457395	0.98537217	0.237*	0.03	1				
(4) REGR factor score 2 for analysis 8 Shirking	-0.0018484	102.212.333	0.243**	-0.014	0.187*	1			
(5) REGR factor score 3 for analysis 8 freeriding	-0.0048413	0.98902426	0.259**	-0.142	0.157	0.106	1		
(6) Number of Years in Franchising	Nov.22	8.496	0.304**	-0.014	0.02	0.126	0.159	1	
(7) Company owned and franchised outlets	149.14	327.469	0.107	0.007	-0.073	0.05	-0.132	0.453**	1

**. p < 0,01 (two-tailed)

*. p < 0,05 (two-tailed)

c. N = 111

The variable age of the system ranged from 1 to 34 years with a mean of 11.2 years. The franchisor's spread of size encompassed from 1 up to 2520 units, with a mean of 149 units per franchisor. Compared to more established franchise systems, like in the U. S., the sample of Germany's franchisors contains a high number of relatively young and small firms.

The results of regression are presented in Table 5 – 7. Model 1 included only the agency variables, the transaction cost variables were implemented in Model 2 and in Model 3 the control variables were considered.

Table 5 Regression Results

Model		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	T	Sig.
1	(Constant)	1.473	0.093		15.803	0,000
	REGR factor score 2 for analysis 8 Shirking x	0.23	0.092	0.227	2.502	0.014
	REGR factor score 3 for analysis 8 free-riding x	0.243	0.095	0.233	2.56	0.012
2	(Constant)	1.478	0.087		17.072	0,000
	REGR factor score 2 for analysis 8 Shirking x	0.176	0.088	0.174	2.009	0.047
	REGR factor score 3 for analysis 8 free-riding x	0.16	0.09	0.153	1.768	0.08
	REGR factor score 1 for analysis 4 Environment x	-0.335	0.086	-0.332	-3.884	0,000
	REGR factor score 2 for analysis 4 Investment x	0.218	0.092	0.209	2.373	0.019
3	(Constant)	1.146	0.141		8.116	0,000
	REGR factor score 2 for analysis 8 Shirking x	0.147	0.085	0.146	1.726	0.087
	REGR factor score 3 for analysis 8 free-riding x	0.133	0.09	0.127	1.475	0.143
	REGR factor score 1 for analysis 4 Environment x	-0.33	0.084	-0.327	-3.951	0,000
	REGR factor score 2 for analysis 4 Investment x	0.22	0.089	0.211	2.469	0.015
	Number of Years in Franchising	0.028	0.012	0.233	2.447	0.016
	Company owned and franchised outlets	0,000	0,000	0.033	0.347	0.73

Table 6 ANOVA[d]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	13.129	2	6.565	6.822	0.002
2	Regression	29.096	4	7.274	8.765	0,000
3	Regression	36.259	6	6.043	7.778	0,000

d. Dependent Variable: MU Intensity

Table 7 Model Summary[d]

Model	R	R-Square	Adjusted R-Square	Change Statistics				
				R Square Change	F Change	df1	df2	Sig. F Change
1	0.335[a]	0.112	0.096	0.112	6.822	2	108	0.002
2	0.499[b]	0.249	0.22	0.136	9.620	2	106	0,000
3	0.557[c]	0.31	0.27	0.061	4.609	2	104	0.012

a. Predictor: (Constant), REGR factor score 3 for analysis 8 freeriding x, REGR factor score 2 for analysis 8 Shirking x

b. Predictor: (Constant), REGR factor score 3 for analysis 8 freeriding x, REGR factor score 2 for analysis 8 Shirking x, REGR factor score 1 for analysis 4 Environment x, REGR factor score 2 for analysis 4 Investment x

c. Predictor: (Constant), REGR factor score 3 for analysis 8 freeriding x, REGR factor score 2 for analysis 8 Shirking x, REGR factor score 1 for analysis 4 Environment x, REGR factor score 2 for analysis 4 Investment x, Company owned and franchised outlets, Number of Years in Franchising

d. Dependent Variable: MU Intensity

Model 1 regressed the factors of shirking and free riding on the use of multi unit franchising. The estimation is found to be highly significant ($R^2 = 0.112$, $p < 0.01$) explaining 11.2 percentage of variance in the data. Model 2 likewise turned out to be significant. With an adjusted R^2 of 0.22, explanatory power of Model 2 was high ($p < 0.001$). Compared to the Model 1, Model 2 added 13.6 percentage points to the explanation of variance in the data. Model 3 contained all independent variables and control variables and could strengthen the estimate. The result was able to explain 31 percent of variance in the use of multi unit franchising with Model 3 adding 6.1 further percentage points to the variance explanation, being significant at $p < 0.05$.

For the hypotheses a mixed support was received. Hypotheses 1 and 2 which are dealing with agency matters supposed a positive relationship between use of multi unit franchising as ownership strategy and franchisee's behavioural uncertainty, due to shirking and free riding. The assumption underlying this theory is based on the realisation of lower monitoring costs at the store level because of the multi unit franchisee's motivation to keep quality high and avoid suboptimal effort to circumvent detrimental effects on his mini chain within the system due to moral hazard. The relationship turned out to be positive, as expected, but without being highly significant. Hypothesis 2, that the franchisor's propensity toward Multi Unit Franchising is positively related with the franchisee's behavioural uncertainty, due to free riding, was not supported. Model 3 displayed a positive relationship ($b = 0.147$) and marginally significant coefficient ($p < 0.10$) of the interaction term between multi unit ownership and shirking. Hence, agency hypotheses were weakly supported by the data.

Hypothesis 3 supposed that franchisee's specific investments are positively related with the franchisor's tendency to the use of multi unit franchising. The data lent support to this assumption that specific investments act as a bonding mechanism in the franchise relationship and are even more significant in multi unit agreements. The coefficient in the final results was positive ($b = 0.220$) and statistically significant ($p < 0.05$).

Hypothesis 4 predicted a negative relationship between the intention to use multi unit franchising as a governance form and the environmental uncertainty of the local market due to unpredictable events and rapid changes. Indeed, Model 3 revealed a negative coefficient ($b = -0.330$) that was statistically significant ($p < 0.001$). H4 was therefore supported and the data generated a strong support to the transaction cost based explanations for the franchisor's tendency to the use of multi unit franchising.

6. Discussion

The concern of the study is to research and better understand the franchisor's choice of ownership strategy between single unit and multi unit franchising. This study represents empirical evidence from the German franchise sector to cover this question. The results of the study yielded mixed support of the hypotheses stated, relying strongly on transaction cost based arguments. Specific investments undertaken by the franchisee at the beginning of the contract have a strong ex-post bonding mechanism which matches with previous research work. Asset specific investments become useless in alternative relationships and make it therefore difficult to switch to a different contract partner. Klein (1995) describes the franchise contract as a means to facilitate a self-enforcing mechanism. "… The threat of termination of the relationship by the franchisor gives the franchisee sufficient incentive to supply the desired behaviour."[122] The potential opportunity for the franchisee to operate a mini chain of multi units even enforces this bonding mechanism. As a multi unit franchisee he has to make higher investment compared to a single unit franchisee. The termination of the contract depicts a greater threat to lose the future premium streams to get remunerated for the upfront investments.[123] Therefore, franchisors should prefer the use of multi unit franchising which can be confirmed by the data. The different aspects of uncertainty a franchisor has to bear are presented by behavioural uncertainty of the franchisee and environmental uncertainty of the local market. Behavioural uncertainty will be discussed later on in combination with agency problems emerging in the franchise relationship. According to Williamson (1985) transaction specific investments and environmental uncertainty are the major factors influencing governance mechanisms. Belonging to the fact that multi unit franchisees represent an additional layer in management and that their stores are run by employed managers they are supposed to be less capable in local market responsiveness than single unit franchisors.[124] The results of the study supported previous research work displaying the preference of German franchisors to use single unit franchising to multi unit franchising when high environmental uncertainty is faced.

Surprisingly, in contrast with previous studies, the data lent only weak support for the agency based hypotheses. Shirking arguments as well as the threat of free riding did not seem to have a strong impact on the franchisor's preference to use multi unit franchising over single unit franchising. This rather supports the assumption that multi unit franchising represents a curious anomaly in the incentive-based rationale of agency theory.[125] In spite of its apparently conflicting performance outcome multi unit franchising is ubiquitous in mature franchise systems like in the U.S.. The main arguments based on agency theory are that multi unit franchising reduced opportunistic behaviour by the franchisee because it better aligns the interests of franchisor and franchisee. A multi unit franchisee would rather harm his own

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122 see Klein (1995)
123 see Bercovitz (2003)
124 see Weaven and Frazer (2007b)
125 see Kaufmann and Dant (1996)

mini chain than profit from spill over effects of well-behaving other franchisees when free riding on the franchisor's brand name. A possible explanation of the little use of multi unit franchising in agency theory aspects might be that the German franchise sector is relatively young. The descriptive statistics of the data showed that the average part of franchise systems was established in 1998 and had an average lifetime of 11 years. The oldest systems in the data encompassed 34 years of performance. In comparison, franchising in the U.S. has a tradition that goes back to the mid 1800s.[126] Multi unit franchising emerged in the 1980s. Given the fact that franchising in Germany is relatively young franchisors may have not been able to establish strong brand names yet.[127] Therefore, a franchisee's incentive to free-ride may be negligible and the franchisor's propensity to use multi unit franchising not statistically ascertained. Suggestions have been developed that multi unit franchising may be used by larger systems for which managing a large number of individual franchise relationships becomes less efficient. This would lead to the assumption that single unit franchising is seen as the preferred form, until some minimum scale is reached.[128] This might be a further explanation for the weak support of the agency hypotheses in the study. One has also to keep in mind Germany's dismissal protection act. The low threshold at which the dismissal protection provisions become applicable acts as a brake on the development of franchise systems and may explain the lower use of multi unit franchising.[129] At least in the threat of shirking multi unit franchising could obtain a marginal significance as a possible and cost effective countermeasure.

This study is not without limitations. It used cross-sectional data instead of panel data to explain the tendency of franchisors to use multi unit franchising as ownership strategy. Further the research question did not pay attention to the different forms of multi unit franchising. It was viewed as a one-dimensional construct. Future research should consider the different types of multi unit franchising like area development multi unit franchising or

[126] see Blair and Lafontaine (2005)
[127] see Weaven and Frazer (2007b)
[128] See Watson et al (2007)
[129] see Deutsche Bank Research (2008)

sequential multi unit franchising and its effects on the application to differing market situations. Although multi unit franchising is assumed to be less effective to respond to local market specificities there may lay a significant difference in the use of area development agreements or sequential multi unit franchising. An incremental franchisee would likely emphasize the importance of local responsiveness in the subsequent monitoring of hired, unit-level managers as he has observed its role in the success of the franchise early on, started as a single unit franchisee.[130] Given the strong support in the data of this study considering the negative relationship of environmental uncertainty on the use of multi unit franchising this research question might be of special interest.

This study collected data from franchise systems in Germany without paying special attention to the sectors the system is operating in. Franchisors were only asked to indicate their type of franchising, whether it was product, sales/distribution or service franchising. The sector as a dummy variable entered in the regression analysis did not yield any significant difference in the result. Other researchers argue that multi unit franchising may be more prevalent in those sectors which are characterized by more transient customers giving a higher incentive to the franchisee to shirk on quality of inputs.[131] A recent study tested if multi unit franchising was more likely used in the service industry and found a significant and positive relationship.[132] It would be interesting to test if this assumption is likewise applicable to the German franchise industry and therefore may be able to provide better insights on franchisor's tendency to use multi unit franchising.

[130] see Garg, Rasheed and Priem (2005)
[131] see Watson et al (2007)
[132] see Sanchez et al (2006)

7. Conclusion

This study offers agency theory and transaction cost theory explanations for multi unit franchising as a governance form used in Germany's franchise industry. The arguments underlying the research question were that multi unit franchising should be the preferred ownership strategy as it has a higher ability to bond franchisees to the franchise contract, to align franchisors' and franchisees' incentives and consequently reduce the expenses in monitoring costs. Therefore a questionnaire was mailed to nearly 500 franchisors to collect the data and the empirical results were presented in this paper. The findings corroborated outcomes of prior transaction cost theory research with regard to the positive influence of asset specific investments as an ex post bonding mechanism. Environmental uncertainty was strongly supported by the data but in having a negative relationship with the implementation of multi unit franchising as ownership strategy. However, I indicated the lack of diversifying the different forms of multi unit franchising and their varying potential to respond to local market idiosyncrasies.

The study revealed that franchisors did not see a strong relationship between the use of multi unit franchising and its efficiency in mitigating moral hazard. Free riding could not establish any statistical support at all and the threat of shirking was perceived only marginally important. Previous research work showed that franchise systems grow faster the more they rely on multi unit franchising.[133] A frequent use of multi unit franchising should therefore result in high growth.[134] System size was included in the analysis as control variable but did not present any importance on the franchisor's choice of ownership strategy. Capital scarcity has been among the first arguments to use franchising to circumvent this short come and enable system growth. Consequently, future research work may choose a direct exploration of this question and its effects related to multi unit franchising in the German franchise sector. However, the number of years the system already has experience in franchising revealed a positive relationship with multi unit franchising and its use. This would be consistent with previous

[133] see Kaufmann and Dant (1996)
[134] see Garg, Rasheed and Priem (2005)

argumentations that mature firms are more likely to apply multi unit franchising as they possess the experience and reputation necessary to build a multi unit system.[135]

This study is an attempt to give insight into the phenomenon of multi unit franchising off the well established franchise systems in the United States. Transaction cost arguments and the strength of self-enforcement through multi unit franchising found strong support in the data.

Referring to the statement, "…franchisors pursuing different priorities face different agency problems with their franchisees, and these agency problems drive the decision concerning organization form"[136], I would suggest that for franchising in Germany further research work has to be undertaken on agency problems and how they can effectively be addressed by multi unit franchising, paying attention to its different strategies of new unit allocation.

[135] see Weaven and Frazer (2007a)
[136] see Garg, Rasheed and Priem (2005)

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9. Appendix

9.1. Summary

Since the 1980s major importance in the growth of franchising systems can be attributed to the advent of a new governance form due to multi unit franchising. In a multi unit agreement a franchisee is permitted the right to establish a mini chain of outlets within the franchise system. Three distinct types of multi unit franchising have been categorised by researchers, namely, master franchising (or sub franchising), area development and area representative (sequential multi unit franchising) agreements. This work tries to explain the situation and use of multi unit franchising in the German franchise sector which is quite young compared to the U.S. market.

Premises to explain the use of this ownership strategy are based on agency theory and transaction cost theory. The hypotheses formulated suggest that behavioural uncertainty through the franchisee, because of shirking and free riding, should have a positive relationship with the tendency to the use of multi unit franchising. A likewise positive relationship should be established due to specific investments by the franchisee at start of the contract. However, environmental uncertainty, because of rapid changing markets, should reduce the tendency to the use of multi unit franchising.

The study revealed that franchisors did not see a strong relationship between the use of multi unit franchising and its efficiency in mitigating moral hazard. The findings corroborated outcomes of prior transaction cost theory research with regard to the positive influence of asset specific investments as an ex post bonding mechanism. Environmental uncertainty was strongly supported by the data but in having a negative relationship with the implementation of multi unit franchising as ownership strategy. Mixed support of the hypotheses was obtained.

Limitations of the study, like the use of cross-sectional data and not paying attention to different types of multi unit franchising, make it necessary to further explore this research question to get a better understanding of franchising in Germany and its application to different requirements.

9.2. Zusammenfassung

Im Laufe der letzten drei Jahrzehnte konnte der Unternehmensform Multi Unit Franchising eine immer größere Bedeutung für das rasche Wachstum der Franchise-Systeme zugeschrieben werden. In einem Multi-Unit Franchising Vertrag hat der Franchisenehmer das Recht eine Mini-Kette an Filialen innerhalb des Franchise-Systems zu etablieren. Es gibt drei verschiedene Arten dieses Multi Unit Franchising aufzubauen. Dabei werden Master Franchising (oder Sub Franchising), Area Development Multi Unit Franchising und Sequential Multi Unit Franchising unterschieden. Diese Arbeit versucht, die Situation und die Verwendung von Multi Unit Franchising in der deutschen Franchise-Branche zu erklären, die im Vergleich zur Situation am US-Markt noch sehr jung ist.

Die Untersuchung und ihre Fragestellung basieren auf Argumenten der Agency-Theorie und Transaktionskostentheorie. Die Hypothesen, die im Zuge der statistischen Aufbereitung der Daten formuliert wurden, spiegeln die Annahme, dass Verhaltensunsicherheit durch den Franchisenehmer, aufgrund von „Drückebergerei“ und der Situation des „Trittbrettfahrens“, in einer positiven Beziehung mit dem vermehrten Einsatz von Multi Unit Franchising stehen. Ein ebenfalls positives Verhältnis sollte durch spezifische Investitionen durch den Franchisenehmer bei Beginn des Vertrages festgelegt werden. Allerdings sollte die Unsicherheit der Umwelt, aufgrund rasch wandelnder Märkte, den Einsatz von Multi Unit Franchising mindern.

Die Ergebnisse lieferten eine gemischte Bestätigung der Hypothesen. Die Einflüsse durch Unsicherheiten in der Umwelt und spezifische Investitionen erwiesen sich durch die Daten als signifikant belegt. Allerdings konnte diese statische Beziehung in ihrer Signifikanz nicht für die agency-theoretischen Aspekte nachgewiesen werden. In der Aussagekraft der Studie ergeben sich Einschränkungen durch die Verwendung von Querschnittsdaten und die Vernachlässigung der unterschiedlichen Formen von Multi Unit Franchising mit Ihren Vor- und Nachteilen.

9.3. Curriculum Vitae

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Name:	Lindia-Maria Moritz
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Oct. 2002 – July 2011	Study of International Business Administration at the Business Center (BWZ) of the University of Vienna Focus on: • Logistics Management • International Management
Sept. 1994 – June 2002	State High School BG/BRG Perau Villach in Villach, Austria

International Experience:

Feb. – July 2007	Socrates / Erasmus exchange program: Exchange semester at the University of Florence. “Faculty of Economia (Università degli Studi di Firenze)“

Foreign Languages:

German	Mother tongue
English & Italian	Reading, writing, and verbal: very good
French & Spanish	Reading, writing, and verbal: basic