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# Determinants of Corporate Social Disclosure in the Franchising Sector: Insights from French Franchisors' Websites

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**DETERMINANTS OF CORPORATE SOCIAL DISCLOSURE**

**IN THE FRANCHISING SECTOR:**

**INSIGHTS FROM FRENCH FRANCHISORS' WEBSITES**

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*Abstract*

This paper focuses on the notion of corporate social responsibility (CSR) within the franchising sector. More specifically, a set of research hypotheses derived from Regulation Theory and Transaction Cost Analysis addresses the relationships first between the chain size and the extent of corporate social disclosure (CSD) on franchisors' websites, and then between the percentage of company-owned units within the chain and the extent of corporate social disclosure (CSD) on franchisors' websites. The empirical study encompasses a total of 136 French franchise chains. Findings reveal that 86.03% of these franchisors communicate about their CSR activities on their website. Moreover, a significant relationship exists between chain size (respectively, the percentage of company-owned units within the chain) and the extent of CSD provided on franchisors' websites.

*Keywords*

Franchising, Corporate social responsibility, Corporate social disclosure, Chain size, Percentage of company-owned units.

## ***Introduction***

Over the past few years, sustainable development and corporate social practices have become major concerns among all economic actors. An increasing number of companies are publishing various kinds of corporate social responsibility (CSR) reports (KPMG 2008). CSR measures "*the firm's consideration of, and response to, issues beyond the narrow economic, technical and legal requirements of the firm [to] accomplish social benefits along with the traditional economic gains which the firm seeks*" (Davis 1973, p. 312). Topics relative to CSR have been explored in detail in many industries such as banking (Zeghal and Ahmed 1990), petroleum (Ness and Mirza 1991; Patten 1991; Zeghal and Ahmed 1990) and steel (Déjean and Oxibar 2010; Guthrie and Parker 1989). Nevertheless, CSR has not been examined in depth in the franchising sector, except for two papers published in the proceedings of the *International Society of Franchising* conference, namely Kaufmann *et al.* (2008) and Ehrmann and Meiseberg (2011).

A research stream has focused on the motivations leading companies to disclose social and environmental information, and the scope of this research includes the processes for reporting on environmental and social impacts. Most studies use corporate social disclosure (CSD) as a proxy for activity in the area of social and environmental responsibility. Such studies are based on the assumption that the level of CSD is correlated with the company's socially responsible behavior (Cowen *et al.* 1987; Roberts 1992; Ullmann 1985). Ullmann (1985, p. 543) indicates that "*social performance refers to the extent to which an organization meets the needs, expectations, and demands of certain external constituencies beyond those directly linked to the company's products/markets*". He hypothesizes a positive relationship between the quantity and quality of a firm's social disclosure and its social performance. In other words, this approach considers a high volume of CSD to reflect a high level of CSR.

The demand for CSD is presumed to have arisen, to a large extent, from the need for greater information expressed by corporate shareholders. This trend became more pronounced once the environmental and social impacts of business had been widely publicized, along with recognition of the potential for these impacts to affect corporate performance. The determinants behind the decision to disclose social information, which remains a voluntary decision in most countries, are considered to revolve around a company's desire to meet this disclosure demand. Other goals accomplished as part of such a step include: reducing information asymmetry between the company and its market; supporting the company's commitment to sustainability activities; managing the risks related to these activities; and building a reputation as being responsible for sustainability-related impacts.

Various theoretical perspectives have been used to explain CSD. The theories entering into consideration consist for the most part of legitimacy theory (Deegan 2002; Guthrie and Parker 1989; Patten 1991; Woodward *et al.* 1996) and stakeholder theory (Deegan and Rankin 1997; Gray *et al.* 1995a; Huang and Kung 2010; Roberts 1992; Tilt 1994; Ullman 1985; Zeghal and Ahmed 1990). Only a few researchers however have explored CSD from the perspective of stakeholder-agency theory, at least explicitly (Belkaoui and Karpik 1989; Cowen *et al.* 1987; Hackston and Milne 1996; Ness and Mirza 1991; Reverte 2009), even though this approach seems to be very fruitful for explaining CSD. The regulation theory and agency theory used as a basis enable, for the former, characterizing the political dimension of CSD and, for the latter, explaining the role of social information in managing the explicit or implicit contracts existing between stakeholders.

It is of particular interest to examine CSD in the specific case of franchising, and this is so for several reasons. First, Combs *et al.* (2011, p. 117) recently called for further study on business ethics in franchising "*to provide an ethical dimension to research on franchising*".

Second, the franchising sector is booming throughout the world, in both developed and emerging countries. Third, franchising covers several industries, retail ones and services ones. It thus makes it possible to explore CSD within various types of industrial settings. Fourth, CSD is tied to brand image, which proves crucial to the franchising business. Fifth and last, CSD in franchising, as opposed to large corporations, involves at least two kinds of entrepreneurs, the franchisor and the franchisee. As a result, the development of CSR practices in franchise chains may be more complicated than in large corporations due to the fact that franchisees are independent. This means that franchisors must convince franchisees of the relevance of this practice and utility of such investments dedicated to CSD, in addition to spreading the message locally.

This paper is thus intended to answer the following research question: what are the determinants of CSD in the franchising sector? Both Regulation Theory and Transaction Cost Analysis allow formulating hypotheses on the relationships between chain size (respectively, the percentage of company-owned units within the chain) and the extent of CSD practices. The paper is organized as follows. The next section reviews the literature on franchising and CSD, in addition to developing the research hypotheses. Section 3 describes the method and, more specifically, the data, variables and data analysis approaches, while Section 4 presents the main results. The paper's concluding section then provides a discussion of findings.

## *Literature Review*

### **Franchising and CSD**

Even though many franchisors communicate about their CSR activities, for example *Cartridge World*, *McDonald's*, *Yves Rocher*, it seems that just two research papers have actually focused on CSR in the special case of franchising. Both were published in the

proceedings of the *International Society of Franchising* conference (Ehrmann and Meiseberg 2011; Kaufmann *et al.* 2008).

On the one hand, Kaufmann *et al.* (2008) examined the CSR activities of a sample of 100 franchisors in the U.S. market. This examination identified four categories of CSR activities: philanthropy, sponsorship, cause marketing and volunteerism, in accordance with the classification by Bloom and Gundlach (2000). Kaufmann *et al.* (2008) found that only 29% of the sampled franchisors were involved in some form of CSR activity. They also pointed out that both the number of company-owned units and total investment influenced the level of CSR participation. Yet they could not find any significant influence due to chain age, the proportion of franchised units within the chain (versus company-owned units) or the allowance of passive ownership on this level of CSR activity.

On the other hand, Ehrmann and Meiseberg (2011) analyzed the prevalence and performance impact of CSR in franchising by relying on a questionnaire-based approach. Their empirical study was founded on a sample of 76 German franchisors. Their initial set of results highlighted the high level of interest shown in CSR within the franchising sector. According to results of their empirical study, 32% of sampled franchisors considered CSR to be more widespread in franchising than in other business sectors. Several reasons were cited, namely the need to attract better franchisees coupled with the fact that certain franchisees do not participate in CSR activities. Moreover, these authors demonstrated that the intensity with which a chain embraces CSR activities depends on chain-specific factors, namely chain size, extent of multi-unit franchising and CSR experience. In contrast, chain performance depends not only on chain-specific factors like CSR intensity, chain size, extent of multi-unit franchising and chain age (negative impact), but also on certain industry and competitive factors, such as competitive intensity (negative impact).

Our research has been based on findings from these two previous studies. The respective authors have underscored the interest and relevance of studying CSR in the franchising sector. They insisted on the fact that their research remains exploratory. We have decided to pursue this direction by: 1) assessing a specific population of franchisors, namely members of the *French Franchise Federation*, as opposed to a random sample of franchisors or those that have accepted to complete a questionnaire; 2) classifying CSR activities into categories that are different from those adopted in these previous studies; 3) introducing additional explanatory variables, among which the industry variable (namely, retailing versus services) as suggested by Kaufmann *et al.* (2008); 4) observing CSR activities, as reflected by website content and not as perceived by the franchisors, along the lines of Ehrmann and Meiseberg (2011); 5) examining CSD over the entire website, and not just in specific areas of the website, as was the case with Kaufmann *et al.* (2008); and 6) focusing on the CSR practices of French franchisors, in contrast with most of the previous research on franchising that has been devoted to the American market (Dant 2008) and in accordance with Ehrmann and Meiseberg (2011).

## **Research hypotheses**

### *Franchise chain size and CSD*

Large companies are more visible to the public than smaller ones, making larger companies more open to scrutiny from stakeholder groups and more vulnerable to adverse reactions (Branco and Rodrigues 2008). According to regulation theory (Posner 1974), the larger a company, the more attention politicians will pay to its activities. Larger companies face the risk of additional costs, which generates wealth transfer due to the introduction of new regulations. In stakeholder-agency theory, Hill and Jones (1992) described the firm as a nexus of contracts between stakeholders (employees, customers, suppliers and communities).



These authors suggested that: "*Each of these groups can be seen as supplying the firm with critical resources (contributions) and in exchange each expects its interests to be satisfied (by inducements).*" (Hill and Jones 1992, p. 133).

In the same vein, after focusing on the relationship between companies and regulators (Epstein *et al.* 1976), studies in the field of CSD have broadened their scope to a variety of company activity observations. For Abbott and Monsen (1979, p. 508), "*a large corporation is subject to pressure from both the public in general and government regulatory agencies in particular*". Cooke (1992, p. 229) added that "*large companies [...] receive more public attention than smaller-sized companies*". As Hackston and Milne (1996, p. 81) argued, "*larger companies undertake more activities, make a greater impact on society, and have more shareholders who might be concerned with social programs undertaken by the company*". According to stakeholder theory, CSD can be considered as "*part of the dialogue between the company and its stakeholders*" (Gray *et al.* 1995a, p. 53). Social information disclosure constitutes a form of social reporting to groups tied to the company by implicit or explicit contracts (Deegan and Rankin 1997; Huang and Kung 2010; Roberts 1992; Tilt 1994; Ullman 1985; Zeghal and Ahmed 1990).

In sum, companies are expected to disclose environmental and social information in order to reduce their political visibility and demonstrate to politicians and the public at large that they are implementing their social responsibilities. In this manner, they are reducing their political costs. Cowen, Ferreri and Parker (1987), as well as Cooke (1992), argued that the public pays more attention to larger companies, thus exposing them to a greater pressure to disclose social information. We can then formulate the following hypothesis:

*H1: Chain size positively influences the extent of CSD on franchisors' websites.*

*Organizational form of the chain and CSD*

According to Jones and Hill (1988, p. 160), "*transaction costs are the negotiating, monitoring and enforcement costs that have to be borne to allow an exchange between two parties to take place*". They added that transaction difficulties constitute the source of these costs (Williamson 1975). These transactional difficulties include opportunism, information impactedness and asset specificity. The Transaction Cost Analysis leads to predicting that franchisors with a large number of company-owned units in their chain can implement changes and new initiatives more easily than their counterparts with a greater number of franchised units. In the case of company ownership, fewer conflicts arise, making for lower transaction costs.

Consequently, it appears to be easier for franchisors to implement CSR activities with the managers of company-owned units than with franchisees. Working with company-owned units also facilitates the monitoring of CSR implementation and its effects. Dant (1996, p. 55) asserted that the "*transaction costs confronting a franchisor are affected by the level of transaction-specific investments made by a (potential) franchisee, the environmental/external uncertainty [...] and the amount of behavioral uncertainty [...] perceived by the franchisor*". A few comments are required here. First, regarding transaction-specific investments, investments on the part of franchisees to relay the franchisor CSR message at the local level are specialized and one-time actions; they are tailored to the franchise chain with which the franchisee is affiliated. Second, franchisors can face external uncertainty with respect to CSR activities. Because the environment and effects of implementing such CSR activities are not always predictable, it may be difficult to convince franchisees to undertake this kind of implementation. Third, behavioral uncertainty should also be mentioned. It remains uncertain whether franchisees will participate in CSR activities and wind up implementing them at the local level. Higher monitoring costs will therefore be necessary.

To summarize, a high percentage of company-owned units within the chain allows the franchisor to more easily implement CSR activities. We can thus formulate the following hypothesis:

*H2: The percentage of company-owned units within the chain positively influences the extent of CSD on franchisors' websites.*

## ***Methodology***

### **Sample description**

The research hypotheses are tested in the French market. Franchising in France is especially well developed. The country accounts for 1,477 chains, 58,351 franchised stores and a total of €47.88 billion generated in the franchising sector (French Franchise Federation 2011). Moreover, conducting an empirical study in the French market corresponds to the call issued by Dant (2008) and Dant *et al.* (2008), who pointed out the importance of exploring franchising issues in markets outside the U.S., in response to today's predominantly mono-cultural view towards franchising research. Another justification for this focus on France is that French law tends to encourage companies to disclose information on the social and environmental consequences of their activities (Law on NER 2001).

Our sample consists of 136 franchise chains, all of which are members of the *French Franchise Federation*. The data stem from the directory published by this federation under the title: "*2010 Toute la franchise, les chiffres, les textes, les réseaux*". This data source displays the main characteristics of franchise chains present in the French market. Our sample includes chains from various industries, including retailing and services. This directory has already been used in previous research on franchising in France (for instance, Barthélemy 2008; Dant *et al.* 2008; El-Akremit *et al.* 2011) and has proven to be a reliable source.

## Characteristics of franchise chains

Variables corresponding to franchise chain characteristics, along with descriptive statistics and correlation values, are presented in Table 1.

### *Chain size and organizational form*

Chain size refers to the number of units, including franchised units and company-owned units, within the French market. The average franchisor has 141.09 units located in France. On the other hand, the chain's organizational form is measured by the percentage of company-owned units within the chain in the French market. For this characteristic, the average franchisor maintains 30.12% of company-owned units within its chain.

### *Control variables*

In compliance with the existing literature on franchising, we have also included chain age, entry fees, industry and internationalization as control variables in all regression analyses. Chain age is measured in years, with a mean of 18.91 years. Entry fees are measured in Euros. The mean entry fee is equal to €21,480.25. "Industry" refers to a dummy variable, coded 0 for franchisors in the retail industry and 1 for franchisors in the service industry. A total of 54% of the sampled franchisors run their business in the service sector. "Franchise chain internationalization" also refers to a dummy variable, coded 0 for purely domestic chains and 1 for international chains<sup>1</sup>. In fact, 68% of franchisors have expanded into international activities.

***Insert Table 1 here***

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<sup>1</sup> Internationalization may be measured using other variables, for example the number of units in foreign countries, the number of countries where units are located. These data however are not available for most chains composing the sample, which is why we chose to introduce a dummy variable, as Perrigot *et al.* (forthcoming) recently did in their research on franchise chain internationalization.

## **Analysis of franchisors' websites**

### *Rationale for choosing institutional websites as a means to study franchisors' CSR practices*

CSR occupies a "prominent position on corporate Internet sites" (Ehrmann and Meiseberg 2011). In this paper, the corporate social disclosures (CSD) of franchisors are analyzed through detailed observations of their websites. Even though the annual report has frequently been used in previous studies (Epstein and Freedman 1994), Zeghal and Ahmed (1990) underscored the insufficiency of an annual report approach, as did Parker (1982, p. 282), who indicated that the annual report "*is inaccessible to a large majority because it fails to meet their information needs or because it is not easily understood by unsophisticated audiences*". Conversely, companies consider websites as a means of communication offering several opportunities, in particular the ability to disseminate information in a less formal way while reaching an increased number of users worldwide. This medium's audience size, efficiency and lower costs are cited as reasons to explain the growing use of this tool for corporate disclosures (Craven and Marston 1999; Esrock and Leichty 1998; Gowthorpe and Amat 1999; Hedlin 1999; Lymer 1998). Company websites, which differ from the annual report in terms of periodicity, quality and breadth of audience, have in fact been examined during previous research (Craven and Marston 1999; Lymer 1998; Williams and Ho Wern Pei 1999).

For our empirical study therefore, we searched the websites of all 136 franchise chains composing our sample using *Google*, in addition to checking the directory to verify that the URL address was the same. We focused on the institutional websites created by the franchisors, namely those corresponding to the franchised brand, as opposed to websites representing the Group to which the franchise chain belongs (as an example the *Bonobo* website was chosen and not the *Beaumanoir* website, despite *Bonobo* actually belonging to

the *Beaumanoir* Group). The detailed analysis of franchisors' CSD on their websites was conducted in April and May 2010. It is important to mention here that data on franchise chain characteristics displayed in the 2010 franchise directory correspond to figures for year 2009. In accordance with previous research on CSR, this 1-year time lag serves to minimize the issue of endogeneity<sup>2</sup>.

#### *Construction of a specific analysis grid*

Following a seminal study by Ernst and Ernst (1978) and many subsequent studies that refer to their definition of social information (Gray *et al.* 1995b; Hackston and Milne 1996), we transposed and slightly adapted these CSR categories to fit the French franchising sector. The categories selected were: *environment, human resources, products, fair business practices, community involvement, ethics* and *others*, as detailed in Table 2. Most of these categories were divided into subcategories. When information found on the franchisor's website referred to a CSR category or subcategory, we systematically incremented the value of the corresponding variable by one unit.

*Insert Table 2 here*

#### **Data analysis methods**

Correlations and t-tests were used to describe franchisors' CSR activities as a function of their characteristics. Linear regression models were also run in order to highlight those factors that, when taken as a whole, predict the extent of CSD found on franchisors' websites.

Before testing our hypotheses, we first checked for multicollinearity. The maximum value in the correlation matrix (see Table 1) was 0.286. Furthermore, the variance inflation factors (VIFs) were all less than 2, thus indicating very little likelihood of any

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<sup>2</sup> We would like to thank one of the reviewers for having raised this issue of endogeneity.

multicollinearity on the parameter estimates (Hair *et al.* 2006). Hence, we cannot foresee multicollinearity as a problem in this dataset. We also investigated the normality of dependent variables from all regression models using Kurtosis, Skewness and Shapiro-Wilk W tests. The models proved not to be normally distributed according to the results of these tests. We therefore decided to use logarithms of these variables in order to account for the non-normality aspect (Barthélemy 2008; Sorenson and Sørensen 2001).

## ***Results***

### **Franchisor practices in terms of CSD found on websites**

In all, 117 franchisors (out of the 136 total, or 86.03%, from among *French Franchise Federation* members) share information regarding at least one CSR activity on their website. This high percentage underscores the importance of CSR activities within the franchising sector in France and suggests that communicating about CSR activities on websites, regardless of the actual category of CSR, has now become a common practice among French franchisors independently of their characteristics. It is worthwhile however to distinguish how franchisors provide such communication depending on the particular category of CSR activity. Towards this objective, Table 3 lists the numbers of franchisors that communicate on their website with at least one news item referring to each particular CSR category and subcategory. The numbers of franchisors not engaged in such communication are shown in brackets.

***Insert Table 3 here***

## **Chain characteristics and the extent of CSD on franchisors' websites**

### *At the aggregated CSR level*

On average and aggregated across all CSR categories, a franchisor relays information on approximately 21.40 CSR activities through its website (standard deviation = 37.292). This communication focuses primarily on *products* (7.68 information items on average), *environment* (7.65 information items) and *human resources* (3.44 items).

Correlation values indicate the presence of significant relationships between chain characteristics and the extent of CSD on franchisors' websites (see Table 4). On the one hand, a significant and positive correlation exists between chain size and extent of CSD on websites (0.405;  $p < 0.001$ ). The larger the franchise chain, the greater the extent of franchisor communication about CSR activities on the website and *vice versa*. On the other hand, a significant and positive relationship also exists between the percentage of company-owned units within the chain and the extent of CSD on websites (0.176;  $p < 0.001$ ). The higher this percentage, again the greater the extent of franchisor communication about CSR activities on the website and *vice versa*. Moreover, chain age and the extent of CSD on franchisors' websites are significantly and positively correlated (0.236;  $p < 0.001$ ), whereas entry fees and the extent of CSD on websites are not significantly correlated.

According to t-test results (see Table 5), no significant difference exists in terms of the extent of CSD on websites between franchise chains in the retail industry and those in services. Yet the extent of CSD on websites is significantly greater for international franchisors (28.03 information items;  $\text{sig} < 0.001$ ;  $N = 76$ ) than for purely domestic franchisors (8.69 items;  $\text{sig} < 0.001$ ;  $N = 35$ ).

***Insert Tables 4 and 5 here***



The linear regression model enables determining the chain characteristics that, when taken all together, influence the extent of CSD on franchisors' websites (see Table 6). This model is considered to be satisfactory ( $R^2 = 25.8\%$ ). First, chain size significantly and positively influences the extent of website CSD [ $B = 0.004$ ,  $\beta = 0.356$ ,  $\text{sig} < 0.01$ ], thus providing support for H1 at the aggregate CSR level. Second, the percentage of company-owned units within the chain significantly and positively influences the extent of website CSD [ $B = 0.010$ ,  $\beta = 0.243$ ,  $p < 0.05$ ]. Hence, H2 is also confirmed at the aggregate CSR level. As far as control variables are concerned, none exert significant influence on the extent of website CSD.

### *Insert Table 6*

#### *At the CSR category level*

The correlation values and t-test results have also been displayed in Tables 4 and 5. As for chain size, the larger the franchise chain, the greater extent of franchisor communication on its CSR activities tied to *environment* (pollution, recycling, resources/energy, site aesthetics, certification labels and other accomplishments), *human resources* (training), *products* (research and development, product quality, safety), *community involvement* (arts, education, humanitarianism, health), and *ethics*. As for the percentage of company-owned units within the chain, the higher this percentage, the greater extent of franchisor communication on the CSR activities tied to *human resources* (health and safety, compensation, industrial relationships), *products* (safety), and *community involvement* (arts). As for control variables, relative to chain age, the older the franchise chain, the more likely the franchisor communicates about CSR activities tied to *environment* (pollution, recycling, certification/labels), *products* (research and development, product quality) and *community involvement* (arts, humanitarianism, health). Regarding entry fees, as they increase, the

franchisor becomes less likely to share its CSR activities on the website specific to *products* (research and development). For the industry variable, franchisors in the services industry on the whole communicate more readily on CSR activities than their counterparts in retail, although the difference is not significant. Differences prove to be significant however in the categories of *environment* (recycling and resources/energy), *human resources* (training) and *products* (safety). In contrast, franchisors in the services industry communicate less readily on their CSR activities tied to *fair business practices with franchisees* than retail franchisors. As regards the internationalization variable, international franchisors (an average of 28.03 information items) communicate significantly more on their CSR activities than purely domestic franchisors (8.69 items), and such is particularly true in the categories of *environment* (pollution, recycling, site aesthetics), *human resources* (training, industrial relationships), *products* (research and development, safety), *fair business practices* (suppliers) and *community involvement* (humanitarianism, health).

The linear regression models enable determining the set of chain characteristics that, when aggregated, influence the extent of CSD on websites relative to one of the following categories: *environment*, *human resources*, *products*, *fair business practices*, *community involvement*, *ethics*, and *other CSR elements* (see Table 7). The models are considered to be satisfactory regarding R<sup>2</sup> values. Nevertheless, the *ethics* and *other* categories cannot be explained due to the fact that too few franchisors actually address these categories, making it impossible to apply the logarithm in such cases with zero values.

***Insert Table 7 here***

Chain size significantly and positively influences the extent of CSD on franchisors' websites, with respect to *products*, *fair business practices* and *community involvement*. H1 is thus partially confirmed at the CSR category level. Moreover, the percentage of company-

owned units within the chain significantly and positively influences the extent of CSD on websites, for just the category of *products*. H2 therefore is only partially confirmed at the CSR category level. As for the control variables, none significantly influence the extent of CSD on franchisors' websites.

## ***Discussion***

### **Summary of findings**

This empirical study has revealed that most French franchisors do disclose social and environmental information: 86.03% mention at least one CSR activity on their dedicated website. This percentage is much higher than that indicated by Kaufmann *et al.* (2008). Such a discrepancy can stem from different considerations: the market (France versus the U.S.), legislation (the French regulatory framework encourages companies to disclose social and environmental information), the study sample (a whole population versus a random sample), the year of observation (2010 versus 2007), observation methods (the entire website versus three specific areas). The CSR activities of French franchisors also seem to be more extensive than those of their German counterparts. As a case in point, Ehrmann and Meiseberg (2011) reported a CSR intensity of 2.46 out of 5 for the German market. For whatever the reason, CSD has now become common practice in the French franchising sector. The percentage identified in this study is comparable to that found in other sectors. For instance, Zeghal and Ahmed (1990) noticed that 100% of Canadian banks and petroleum companies, representing over 80% of these industries' combined assets, disclose their environmental and social information.

These observations of website content reveal that many franchisors communicate about *products*, *human resources* and *environment*, yet only a few add information focusing more specifically on *community involvement*, *fair business practices* and *ethics*. Product

quality has always been emphasized within the marketing arena and, accordingly, companies always want to reassure customers of their products' quality. Training is also often mentioned by companies, for reasons tied to social constraints (nowhere more true than in France!). These aspects therefore are not very innovative.

In addition, findings show a significant and positive relationship between chain size (respectively the percentage of company-owned units within the chain) and the extent of CSD on franchisors' websites. Hypotheses H1 and H2 have thus been confirmed at the aggregate CSR level. As for control variables, none exert a significant impact on the extent of CSD found on franchisors' websites. When considering the CSR categories, a few significant relationships can be detected between chain size (respectively percentage of company-owned units within the chain) and the extent of CSD on websites, though the existing relationships are positive as predicted in the research hypotheses. Control variables do not influence the extent of CSD on websites at the category level.

### **Research contributions**

This paper has contributed to the literature on CSD through both a specific analysis grid and Internet support. Until recently, most researchers studying CSR have focused on the social information disclosed in annual reports, along with just a single category of social information (mostly the environment). In the present research, we have broadened the categories of information observed, to encompass far more than environmental information. Moreover, by observing the information disclosed on websites, we have been able to take into account the fact that companies favor this medium for communicating with their stakeholders. The results of this study underscore that CSD is not a homogeneous practice, given that some topics are more readily disclosed by franchisors than others.

In applying the Transaction Cost Analysis, this study has also contributed to the literature on franchising, with an emphasis on plural form. Over the past twenty years, many researchers have explored the plural form phenomenon, with most of the previous research on this organizational form highlighting its importance and advantages for franchisors. In the present research, we have demonstrated that adopting a plural form to develop and manage the franchise chain significantly influences the extent of CSD found on franchisors' websites. In particular, a significant and positive relationship exists between the percentage of company-owned units within the chain and the extent of CSD on websites, both at the aggregate level and for several CSR categories. Lastly, this paper has built on the findings of Kaufmann *et al.* (2008) and Ehrmann and Meiseberg (2011), who initiated CSR exploration in the specific context of the franchising sector and who encouraged further research on this topic.

### **Managerial implications for franchisors and franchisees**

This study has practical implications for franchisors. The research findings can help existing and new franchisors understand the extent of CSR displayed in the franchising sector, in addition to providing an overview of all CSR categories. Though most French franchisors use their website to communicate on CSR practices and though the Web content (*environment, human resources, products, etc.*) and extent of CSD on the websites vary from one chain to the next, there is still room to improve their communication and practices in the area of CSR. From another perspective, would-be franchisees seeking to run their business in an environment that favors CSR initiatives should consider joining a large franchise chain with a high number of company-owned units. This does not necessarily mean that small franchise chains are less socially responsible than larger ones. Franchisors with a small

number of units are perhaps more dedicated to expanding their chain first before communicating on their CSR activities.

Communicating on CSR practices is not an end in and of itself. Some franchisors makes use of their CSR activities for other reasons, such as: cost savings; marketing benefits; investor relations; community, political and regulatory relations; and risk reduction (Mandelbaum 2008). However, an overlap is required between CSR communications and the chain strategy and business model: *"If your franchise system is a restaurant franchise, for example, you might consider a charitable partnership that helps with feeding the homeless. A children's franchise concept might want to consider raising money for a national organization that supports local kids who have certain illnesses"* (Mailloux 2010, p. 54). Green franchisee conventions might also be organized by franchisors instead of organizing typical conventions (Masterson 2008). *"Embracing and communicating a green initiative in and of itself will signal a move in the right direction and change the mindset and expectations of all participants"* (Masterson 2008, p. 76). Moreover, the possibilities of transposing the chain's CSR activities to the unit level must be examined. Local partnerships can in fact contribute to reinforcing the national or international CSR orientation, while enhancing the brand image of the franchised unit. From this perspective, all franchisees must be involved in the franchisor's CSR activities, which could entail being parts of specific CSR committees (Baugh 2010).

Being tied to brand image, CSD help attract not only customers but would-be franchisees as well. Social entrepreneurship is becoming increasingly popular for both customers, who *"feel more comfortable spending their money with a business they know is doing something for the greater good of the community"*, and would-be franchisees who *"are looking not only for a new business, but also a way to give back to their community"* (Mailloux 2010, p. 54). Consequently, certain concepts of social franchising are beginning to

appear and extend into various markets, including France (for instance, *AETES Environnement*, a chain of cleaning operations), Germany (for instance, *CAP Markte*, a supermarket chain), Italy (for instance, *Le Mat*, an international hotel chain). Social franchising actually consists of applying a CSR approach to the overall social franchising concept and then duplicating the success derived from the first units at other locations.

### **Limitations and future research leads**

This research has some limitations. First, the empirical study is based on observations of franchisors' websites. Even though an analysis grid was used, it could still be argued that subjectivity has been introduced into this study via the interpretation of CSR information. In order to minimize research bias, we initiated the observation together, by comparing each individual observation to that of the other authors, for the purpose of harmonizing our website observation process. Screen captures of all websites were also produced. Moreover, this approach only provided a snapshot in time of CSR practices among French franchisors. CSD likely evolved over the course of the observation period. A longitudinal approach spanning several weeks (or months or years) would help guide our efforts in examining CSD within the franchising sector as a process. Lastly, franchisors' websites offer a means of communication for attracting customers and would-be franchisees. CSR activities as displayed on the websites can then appear as "*greenwashing*" in comparison with the day-to-day life of franchise chain members.

Second, the research has been limited to the French market. The selection of this specific market, which by the way boasts a very healthy and dynamic franchising sector, is consistent with the recommendations issued by Dant (2008) and Dant *et al.* (2008), who cited the importance of studying franchising issues in markets outside the U.S. These authors pointed out today's predominantly mono-cultural view towards franchising research.

Nevertheless, an exploration of CSR practices in other contexts with varying CSR activities and different kinds of chains could be useful. Some academics have begun adopting multi-country perspectives in their studies of franchising issues (Azevedo and Silva 2007; Dant *et al.* 2008; Dunning *et al.* 2007; Perrigot *et al.* forthcoming). Such previous comparisons have highlighted significant differences in the strategies developed by American and French franchisors. In particular, Dant *et al.* (2008) indicated that U.S. franchisors rely more heavily on franchising (9.45% company-owned units) than their French counterparts (36.17%). It would therefore be beneficial to examine their respective CSR practices along with a number of potential differences.

Third, other variables may be added to the linear regression models, although data availability represents a real constraint. Other variables could be tied to the franchisor or franchised chain as well as to the unit, as introduced by Kaufmann *et al.* (2008) for instance with investment for each unit and allowance of passive ownership. Also, the financial strength in franchise chains can lead to a higher percentage of company-owned units, as the investments for opening new units become available, and along with it to expanded CSR activities. Consequently, the percentage of company-owned units could not causally predict CSR. However, high scores in these two variables would simply co-evolve<sup>3</sup>.

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Variable	Variable description	N	Mean	Standard Deviation	C_SIZE	PCO_C	C_AGE	E_FEES
<b>C_SIZ</b>	Franchise chain size, including franchised units and company-owned units in the French market	126	141.09	131.907	1	0.164*	0.286***	-0.219**
<b>PCO_C</b>	Percentage of company-owned units within the chain in the French market	127	30.12	30.016		1	0.158*	-0.090
<b>C_AGE</b>	Franchise chain age (in years)	135	18.91	15.618			1	-0.158*
<b>E_FEES</b>	Average entry fees (in Euros)	122	21,480.25	13,922.183				1
<b>IND</b>	Industry in which the franchisor is doing business, distinguishing between the retail industry (coded 0) and the service industry (coded 1)	136						
<b>INT</b>	Franchise chain internationalization, distinguishing between purely domestic chains (coded 0) and international chains (coded 1)	95						

*Table 1: Descriptive statistics on variables related to the franchise chains*  
*Legend: \*: Significant at 10%; \*\*: at 5%; \*\*\*: at 1%*



<b>CSR category</b>	<b>CSR subcategory</b>	<b>Examples of CSR information</b>
<b><i>Environment</i></b>	Pollution	Information on pollution control in business operations; company operations that are non-polluting or compliant with pollution laws and regulations; mitigation of pollution from operations; prevention or repair of damage to the environment resulting from process operations.
	Recycling	Information on conservation of natural resources; recycling of glass, metal, oil, water and paper; use of recycled materials; use of waste materials for energy production; energy savings resulting from product recycling.
	Resources/energy	Information on energy conservation in business operations; more efficient energy use during the manufacturing process; company efforts to reduce energy consumption; increased energy efficiency of products; research conducted specifically aimed at improving energy efficiency of products; awards received for energy conservation program, company's energy policies.
	Site aesthetics	Information on facility design in accordance with the environment; contributions in terms of cash or art/sculptures dedicated to environmental beautification; restoration of historical buildings.
	Certification/labels	Information on certifications and labels.
	Other	Information on contributions to wildlife conservation, environmental protection, special awards received relative to an environmental protection program.
<b><i>Human resources</i></b>	Health and safety	Information on the reduction or elimination of pollutants, irritants or hazards in the workplace; promotion of employee safety and physical or mental health; accident statistics; research conducted on improving worker safety; existence of a low-cost health care plan for employees; improvement of general working conditions.
	Training	Information on the establishment of trainee centers; training of employees through in-house programs; financial assistance to employees enrolled in educational institutions or continuing education courses.
	Compensation	Information on the amounts of money spent for compensation, superannuation; any policies/objectives/reasons in favor of the company's compensation package/schemes.
	Industrial relations	Information on the company's relationships with trade unions and/or workers' organizations; occurrence of strikes, internal conflicts.
	Other	Information on any company reorganization that affects staff, closure of any company branch / unit and resultant layoffs; any company efforts to relocate / retrain; statistics on employee turnover.
<b><i>Products</i></b>	Research and development	Information on developments related to the company's products; amount of research and development expenditures; any research projects launched by the company aimed at product improvement.
	Quality	Information on company product quality, as reflected in prizes/awards received.
	Safety	Information regarding the fact that products meet applicable safety standards, are being made safer for consumers; information regarding safety research conducted on the company's products; improved or more sanitary procedures adopted in the processing and preparation of products; information regarding company product safety.
	Other	Other social information relative to Products.
<b><i>Fair business practices</i></b>	Suppliers	Information on business relationships with local suppliers.
	Franchisees	Information on business relationships with franchisees.
	Other	Other social information regarding fair business practices.

<b>Community involvement</b>	The arts	Information on donating cash, products or employee services to sponsoring of the arts; art exhibits.
	Education	Information on donating cash, products or employee services to educational sponsoring efforts; educational conferences; college scholarship programs.
	Humanitarianism / health	Information on sponsoring public health projects, aiding medical research, supporting the development of local industries or community programs and activities; summer internships or part-time employment of students; support of nationally sponsored campaigns.
	Other	Other social information relative to community involvement.
<b>Ethics</b>		Information on the company's policy regarding business ethics.
<b>Other</b>		Other social information.

*Table 2: Description of CSR categories and subcategories  
(source: Hackston and Milne, 1996)*

Category of CSR activities	Subcategories of CSR activities	Present (not present) on the franchisor's website
<b>CSR</b>	AGGREGATE (all categories combined)	117 (19)
<i>Environment</i>	AGGREGATE (all subcategories combined)	60 (76)
	Pollution	25 (111)
	Recycling	33 (103)
	Resources / energy	26 (110)
	Site aesthetics	8 (128)
	Certification / labels	18 (118)
	Other	52 (84)
<i>Human resources</i>	AGGREGATE (all subcategories combined)	64 (72)
	Health and safety	10 (126)
	Training	60 (76)
	Compensation	8 (128)
	Industrial relationships	4 (132)
	Other	33 (103)
<i>Products</i>	AGGREGATE (all subcategories combined)	108 (28)
	Research and development	44 (92)
	Quality	105 (31)
	Safety	27 (109)
	Other	4 (132)
<i>Fair business practices</i>	AGGREGATE (all subcategories combined)	24 (112)
	Suppliers	7 (129)
	Franchisees	8 (128)
	Other	12 (124)
<i>Community involvement</i>	AGGREGATE (all subcategories combined)	41 (95)
	The arts	6 (130)
	Education	4 (132)
	Humanitarianism / health	34 (102)
	Other	12 (124)
<i>Ethics</i>	AGGREGATE	4 (132)
<i>Other</i>	AGGREGATE	4 (132)

**Table 3: Presence or not of a CSD on franchisors' websites**  
Legend: Frequencies are reported as present (not present)

Variable category	Variable	Analysis	C_SIZ	PCO_C	C_AGE	E_FEES
<b>CSR</b>	AGGREGATE	P. Cor.	0.405***	0.176**	0.236***	-0.009
		N	126	127	135	122
<b>Environment</b>	AGGREGATE	P. Cor.	0.368***	0.092	0.198**	-0.048
		N	126	127	135	122
	Pollution	P. Cor.	0.346***	0.117	0.220**	-0.064
		N	126	127	135	122
	Recycling	P. Cor.	0.386***	0.037	0.148*	0.031
		N	126	127	135	122
	Resources / energy	P. Cor.	0.230***	0.058	0.102	0.12
		N	126	127	135	122
	Site aesthetics	P. Cor.	0.298***	0.144	0.115	0.014
	N	126	127	135	122	
Certification / labels	P. Cor.	0.177**	0.073	0.155*	-0.077	
	N	126	127	135	122	
	Other	P. Cor.	0.401***	0.098	0.216**	-0.145
	N	126	127	135	122	
<b>Human resources</b>	AGGREGATE	P. Cor.	0.216**	0.227**	-0.036	0.078
		N	126	127	135	122
	Health and safety	P. Cor.	-0.085	0.147*	-0.119	-0.043
		N	126	127	135	122
	Training	P. Cor.	0.278***	0.144	-0.073	0.101
		N	126	127	135	122
	Compensation	P. Cor.	-0.07	0.202**	-0.059	0.051
	N	126	127	135	122	
Industrial relationships	P. Cor.	0.053	0.189**	-0.012	0.109	
	N	126	127	135	122	
	Other	P. Cor.	0.240***	0.210**	0.057	0.068
	N	126	127	135	122	
<b>Products</b>	AGGREGATE	P. Cor.	0.293***	0.199**	0.164*	-0.025
		N	126	127	135	122
	Research and development	P. Cor.	0.243***	0.132	0.154*	-0.177*
		N	126	127	135	122
	Quality	P. Cor.	0.186**	0.146	0.15*	0.004
		N	126	127	135	122
Safety	P. Cor.	0.348***	0.243***	0.036	0.143	
	N	126	127	135	122	
	Other	P. Cor.	0.198**	0.013	0.075	0.07
	N	126	127	135	122	
<b>Fair business practices</b>	AGGREGATE	P. Cor.	0.126	-0.144	-0.01	0.029
		N	126	127	135	122
	Suppliers	P. Cor.	0.091	-0.042	0.083	0.123
		N	126	127	135	122
	Franchisees	P. Cor.	-0.049	-0.124	-0.019	0.011
	N	126	127	135	122	
Other	P. Cor.	0.124	-0.112	-0.024	0.003	
	N	126	127	135	122	
<b>Community involvement</b>	AGGREGATE	P. Cor.	0.294***	0.158*	0.458***	0.038
		N	126	127	135	122
	The arts	P. Cor.	0.208**	0.169*	0.233***	-0.1
		N	126	127	135	122
	Education	P. Cor.	0.234***	0.016	-0.009	0.017
		N	126	127	135	122
Humanitarianism / health	P. Cor.	0.217**	0.133	0.429***	0.093	
	N	126	127	135	122	
	Other	P. Cor.	0.323***	0.132	0.387***	-0.079
	N	126	127	135	122	
<b>Ethics</b>	AGGREGATE	P. Cor.	0.235***	0.104	0.131	-0.123
		N	126	127	135	122
<b>Other</b>	AGGREGATE	P. Cor.	0.132	-0.051	0.015	-0.005
		N	126	127	135	122

**Table 4: Correlation matrix**  
**(CSR and CSR categories with franchise chain characteristics)**  
Legend: P. Cor.: Pearson correlation values; \*: Significant at 10%; \*\*: at 5%; \*\*\*: at 1%

Variable category	Variable	Mean for the entire sample (N=136)	Retail chains (N=63)	Service chains (N=73)	Purely domestic chains (N=35)	International chains (N=76)
<b>CSR</b>	AGGREGATE	21.40	16.44	25.67	8.69***	28.03***
	AGGREGATE	7.65	4.52	10.36	2.17***	11.20***
	Pollution	0.94	0.52	1.30	0.17**	1.22**
	Recycling	1.09	0.46**	1.63**	0.17***	1.78***
	Resources / energy	1.91	0.56**	3.08**	0.94	2.79
	Site aesthetics	0.18	0.10	0.26	0.00**	0.33**
	Certification / labels	0.64	0.40	0.85	0.43	0.84
	Other	2.89	2.49	3.23	0.46***	4.24***
<b>Environment</b>	AGGREGATE	3.44	2.49	4.26	1.34***	4.45***
	Health and safety	0.30	0.30	0.30	0.09	0.46
	Training	1.87	1.16**	2.48**	0.97**	2.14**
	Compensation	0.14	0.19	0.10	0.06	0.22
	Industrial relationships	0.06	0.05	0.07	0.00*	0.11*
<b>Human resources</b>	Other	1.07	0.79	1.32	0.23**	1.51**
	AGGREGATE	7.68	7.05	8.22	4.71**	8.63**
	R&D	1.16	1.49	0.88	0.43**	1.59**
	Quality	5.68	5.25	6.04	3.91	6.03
	Safety	0.80	0.27**	1.26**	0.31*	0.97*
<b>Products</b>	Other	0.04	0.03	0.04	0.06	0.04
	AGGREGATE	0.50	0.27	0.70	0.43	0.30
	Suppliers	0.08	0.03	0.12	0.00**	0.12**
	Franchisees	0.10	0.17*	0.04*	0.23	0.04
<b>Fair business practices</b>	Other	0.32	0.06	0.53	0.20	0.14
	AGGREGATE	1.99	1.87	2.08	0.11***	3.20***
	The arts	0.11	0.19	0.04	0.00	0.18
	Education	0.07	0.06	0.07	0.00	0.09
	Humanitarianism /health	1.46	1.11	1.77	0.11***	2.33***
<b>Community involvement</b>	Other	0.35	0.51	0.21	0.00**	0.59**
	AGGREGATE	0.11	0.19	0.04	0.00	0.16
	Ethics	0.05	0.05	0.05	0.00*	0.09*
<b>Other</b>	AGGREGATE	0.05	0.05	0.05	0.00*	0.09*

Table 5: CSR and CSR categories with Industry and Internationalization  
Legend: \*: Significant at 10%; \*\*: at 5%; \*\*\*: at 1%

	Model		
	Ln CSR		
	B	S.E.	$\beta$
<b>C_SIZ</b>	0.004***	0.001	0.356***
<b>PCO_C</b>	0.010**	0.004	0.243**
<b>C_AGE</b>	0.000	0.009	-0.002
<b>E_FEES</b>	0.000	0.000	0.109
<b>IND</b>	0.394	0.324	0.144
<b>INT</b>	0.310	0.332	0.104
<b>Constant</b>	0.770	0.424	
<b>R</b>		0.508	
<b>R<sup>2</sup></b>		0.258	
<b>R<sup>2</sup> Adjusted</b>		0.199	
<b>Anova</b>		4.357***	

**Table 6: Results of the linear regression model**

*(Y = extent of franchisor CSR activity communication on its website)*

**Legend:\***: Significant at 10%; **\*\***: at 5%; **\*\*\***: at 1%; and Ln indicates use of the natural logarithm.

	Model 1 Ln Environment			Model 2 Ln Human Resources			Model 3 Ln Products			Model 4 Ln Fair business practices			Model 5 Ln Community involvement		
	B	S.E.	$\beta$	B	S.E.	$\beta$	B	S.E.	$\beta$	B	S.E.	$\beta$	B	S.E.	$\beta$
<b>C_SIZ</b>	.003	.002	.308	.001	.001	.079	.002	.001	<b>.268*</b>	.003	.002	<b>.928*</b>	.003	.002	<b>.418*</b>
<b>PCO_C</b>	.009	.006	.237	.005	.005	.153	.007	.004	<b>.209*</b>	-.009	.010	-.353	.007	.008	.209
<b>C_AGE</b>	-.007	.012	-.102	.005	.010	.085	-.004	.008	-.067	-.013	.027	-.208	.010	.011	.197
<b>E_FEES</b>	.000	.000	.135	.000	.000	-.142	.000	.000	.086	.000	.000	.274	.000	.000	.274
<b>IND</b>	.112	.513	.041	.283	.446	.129	.177	.305	.081	-.534	.677	-.447	-.275	.654	-.119
<b>INT</b>	.242	.555	.077	.592	.409	.257	-.078	.306	-.032	-.454	.438	-.355	.481	.818	.114
<b>Constant</b>	.560	.641		.730	.520		1.073 ***	.397		.669	.578		-.547	.967	
<b>R</b>		0.433			0.430			0.345			0.651			0.569	
<b>R<sup>2</sup></b>		0.187			0.185			0.119			0.424			0.323	
<b>R<sup>2</sup></b>		0.052			0.049			0.039			0.040			0.110	
<b>Adjusted Anova</b>		1.384			1.361			1.488			1.104			1.514	

*Table 7: Results of the linear regression models  
(Y = extent of franchisor communication relative to each particular category of CSR activities on its website)  
Legend: \*: Significant at 10%; \*\*: at 5%; \*\*\*: at 1%*

