An Empirical Examination of the Major Relationship Factors Affecting Franchisees' Overall Satisfaction and Intention to Stay

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Abstract

The Nigerian franchise sector witnessed a rapid growth at the turn of the century, from 2001 to 2010, and thereafter started declining. Disputes, relational conflicts, and high rate of outlets closure have characterized the industry over the years. Meanwhile, studies show that to a large extent, success of franchisees depends on the quality of relationship they have with their franchisors. No prior empirical study has investigated the cause of the increasing relationship disputes in the Nigerian franchise industry. This investigation aims to explore the key relationship factors that influence franchisees' overall satisfaction and intention to stay. Personal interview involving 26 franchisees was used to collect data from different franchise brands across Nigeria. Four factors emerged strongly as the antecedents of the relationship problem in the franchise system. Answering the calls of many scholars for studies in different cultures and settings on franchisor-franchisees relationship, this study provides the first-ever empirical insights into the relationship dynamics between franchisors and franchisees in Nigeria, thereby helping to strengthen the theory in the subject. The study offers some recommendations that will potentially help in reviving the industry for the benefit of the stakeholders and the economy at large.

Keywords

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Introduction

Franchising is one form of strategic entrepreneurial alliances that has gained increased acceptance across the world (Dant et al., 2011). It is an important organizational form and a less risky strategy to achieve accelerated business growth (Altinay et al., 2014b). Indeed, Brookes and Altinay (2011) note that the business format variant of franchising, in particular, is an incredible type of enterprise collaboration that has continued to witness rapid expansion across the world. Franchising enables firms with proven brand name to scale up their growth and achieve superior performance by leveraging external resources. At the same time, it provides opportunities to other set of firms (franchisees) to operate an independent business under a well-known brand, thereby reducing their risks of newness (Vaishnav & Altinay, 2009).

Within the period of 2001 and 2010, the Nigerian franchise industry grew rapidly and became the darling of many entrepreneurs (Olotu & Awoseika, 2011). A survey by the U.S. Commercial Service in 2010 valued the market size of the industry at about US$25 billion (Agu, 2013). The country was tipped to be a viable market for franchise development (Agu, 2013) as the industry was experiencing explosive growth, prompting experts to predict that it would record much higher growth over several years in the future (Ndumanya & Quadri, 2014). It was also thought that the Nigerian franchise industry was potentially a market of over US$100 billion in annual sales (Aguast, 2013) arguably with capacity to create thousands of jobs. As a confirmation of the proven potential of the country's franchise industry, it was reported that between 2010 and 2011 alone, the International Finance Corporation (IFC) invested a total of US$28.5 million in two of the country's franchised quick service restaurants: Food Concept PLC and Tantalizers (Agu, 2013).

However, things have taken the turn for the worse in recent years as the available performance records of some franchise systems in Nigeria call for serious worry. For example, the financial performance of Mr Bigg's, the largest (by number of outlets) and leading franchise

system in Nigeria has been below par since 2013. Its revenue was down 20% while profits dropped by a staggering 63% at the end of 2014 (UAC, 2015). Its efforts to shore up performance by divesting 49% stakes to Famous Brands of South Africa in 2013,in the hope of leveraging the latter's expertise, has not helped much as it continued to record loses with sales revenues going down further by 19% (year-on-year) while profit before tax recorded a further decrease of 88% (from US$189,500 to US$21,500) in the first quarter of 2015 (UAC, 2015). The half-year 2016 report of the parent company, UAC Nigeria (where it still constitutes substantial percent of the portfolio) showed that sales were down 2% while profits decreased again by 16% (UAC, 2016). The number of outlets also shrunk considerably from almost 300 in 2012 to under 150 currently (UAC, 2016). This is more than 50% closure rate within a span of 4 years. Further, Tantalizers which is the second largest franchise system, has also been operating on a losing streak since 2012. The company which was doing so well and attracted IFC to invest in it in 2010 has declared loses in the last four years consecutively (N303.3m in 2012, N564.8m in 2013, N784.2m in 2014 and N707n in 2015) totalling N2.36 billion (US$118,032,786) (Nairametrics, 2015, 2016).

Moreover, the problem of poor performance of franchise business outlets, particularly outlet's churn rate is not peculiar to Nigeria. For example, according to the Korean Small Business Institute (2011) cited in Lee, Nor, Choi, Kim, Han and Lee's (2015b), on average, franchisees in the country exit their franchise system after just about 3.9years. Given that for most franchise systems, especially the food-service franchise, the average period for renewal of license is 5 years, this in essence means that most franchisees do not renew their licenses after the expiration of the very first attempt in South Korea. This situation, as Lee and the colleagues (2015b, p. 49) note "costs franchisors tremendous money as they have to constantly recruit and train new franchisees in order to fill the leaky bucket instead of using the resources for other strategic growth opportunities".

Thus, the poor performance of franchise systems across the world (particularly in Nigeria) and the fact that not much is known about the

critical success factors in franchise business (Lee et al., 2015b) as well as the general paucity of studies on franchising practice (Dant et al., 2011) stimulated the interest of the researchers to undertake this study. Meanwhile, the investigation is from the perspective of franchisees. This is for both practical and theoretical purposes. Practically, franchisees' collective performance result in franchisors' performance (Lucia-Palacio et al., 2014) especially for systems that are purely franchised as some are in Nigeria. Thus, it was thought that the opinions of the franchisees on the operations of their systems would be highly valuable in redesigning and re-strategizing for improved performance. More so, franchisees are more accessible and likely to vouch objective assessment of issues going on in their system. On the other hand, that is theoretically speaking, although franchisees form the backbone of the franchise system, only a few franchise studies have been conducted from their perspectives (Altinay, 2014b). Moreover, since it is difficult to access the financial records of the franchisees who are mainly SMEs and privately owned, it was thought that the focus of the study should be more on the non-financial aspects of performance such as franchisees' overall satisfaction and intention to remain which scholars have noted to be better determinants of the long-term health of any franchise system (Lucia-Palacio et al., 2014).

Instructively, both the practitioners (Hancock, 2015; Nguyen, 2015) and academic researchers (Doherty et al., 2014; Lee et al., 2016) have noted that understanding the factors in the relationship dynamics between franchisor and franchisee is key in improving performance of franchise business units. Indeed, Lee and his colleagues (2016) note that a franchise arrangement with attributes of a good quality relationship is one that delivers such benefits as effective cooperation between parties and successful long-term business operation. Obviously, such a franchise relationship as well as the highlighted benefits is what the Nigerian franchise system desperately needs today. Particularly for franchisees, it has been noted that the success of their outlets depends on the strength of the relationship they maintain with their franchisors (Lee et al., 2015a; 2015b). Hence this study attempts to examine the major relationship

factors that affect franchisees' overall satisfaction and intention to remain with a particular franchise brand. The study focuses on franchisees' overall satisfaction and intention to remain because of the fact that these two outcomes are the critical determinants of the long-term health of franchise systems (Combs et al., 2011; Lucia-Palacio et al., 2014). In fact, Lucia-Palacio and the authors (2014, p. 1) reckon that 'franchisee satisfaction and system growth are closely related'. In a related view, McDonnel, Beatson and Huang (2011) believe that franchisees' intention to remain is the single most important determinant of the long-term success of the entire franchise system.

Therefore, it is expected that this study will unravel insights that will help stakeholders in the Nigerian franchise industry such as entrepreneurs, existing and potential franchisees and franchisors, and regulatory authorities to evolve strategies that will help reduce relationship conflicts and consequently position franchise outlets in the country for better performance.

Literature Review

Franchisees' overall satisfaction

Research in franchisees' overall satisfaction is presumed to be rooted in the concept of consumer satisfaction (Bordonabe-Juste & Polo-Redondo, 2008), as franchisees are usually seen not just as business partners to franchisors but also in many ways as their customers (Lee et al., 2016). In the marketing literature where overall satisfaction has its root, it is defined as the degree of fulfilment or contentment with key aspects of business relationship with the other party (Chiou et al., 2004; Eser, 2012).

Given the above background, franchisees' overall satisfaction can thus be defined as the pleasurable fulfilment, feeling of contentment arising from the conscious appraisal or cognitive evaluation of every aspects of franchisees' overall experience with joining the franchise system. Fulfilment could be in both financial and non-financial terms. In effect, franchisees' overall satisfaction is the affective state of being rewarded higher than or at least equal to the opportunity cost of joining a franchise system.

Many scholars have indeed argued that franchisees' overall satisfaction is an important measure of franchise unit performance in the sense that most measures of franchisees' overall satisfaction include both financial and non-financial indicators, making it a robust and all-inclusive determinant of performance (Abdullah et al., 2008). More so, franchisees' overall satisfaction is said to be the key determinant of coordination (Tuunanen, 2002) and cooperation in a franchise arrangement (Liu et al., 2014; McDonnel et al., 2011). High cooperation between franchisees and franchisors predicts other key performance measures including level of conflicts (Davis, 2012), free-ride behaviours (Davies et al., 2011), franchisees' turnover rate, system stability (Frazer et al., 2012; Frazer & Winzar, 2005; Holmberg & Morgan, 2003), productivity (Tuunanen, 2002), and system growth (Hing, 1999). Franchisees' satisfaction has also been linked to a positive post-engagement behaviour and this obviously contributes to excellent goodwill for the franchise system and improvement of the franchise brand equity (Tuunanen, 2002). More so, satisfied franchisees are more likely to recommend the franchise system to other prospective franchisees (Hing, 1999), thereby facilitating the growth of the system.

Intention to remain

This is the willingness to continue business relation with the other partner. It is the business-to-business (B2B) version of behavioural intention in business-to-customer (B2C) circle. Just like overall satisfaction, franchisees' intention to remain in the franchise system is a commonly used dependent variable in the franchise studies (e.g. Chiou et al., 2004; Doherty et al., 2014; Lucia-Palacio et al., 2014; McDonnel et al., 2011), probably due to its power to predict franchisees' long-term commitment to the franchise system as well as being an important indicator of franchise chain's long-term success (McDonnel et al., 2011). Just like in the case of consumer behavioural intention, franchisees' intention to remain in the franchise system could be either affirmative or negative. Intention to remain is affirmative when franchisees have a firm plan to renew their contracts

and maintain a long-term relationship with the franchisors. When this is the case, franchisees must have had a positive evaluation of the important aspects of their relationship with their franchisors and a positive evaluation is often indicated by willingness to enhance cooperation, comply with standards, prevent conflicts and to recommend the system to other prospective franchisees (Davies et al., 2011; Davis, 2012; Frazer et al., 2012; Roh & Yoon, 2009). Negative intention on the other hand often implies, at best, indifference to the brand and minimal efforts at promoting it, and at worst, all sorts of negative behaviours including non-compliance, opportunism, negative word-of-mouth and in some cases, litigations (Frazer et al., 2007).

Relationship quality

In a franchise partnership, perceived relationship quality is 'the degree to which a franchisee perceives that the working relationship with the franchisor is harmonious' (Dickey et al., 2008: 258). In essence, relationship quality is a measure of satisfaction that people in a relational exchange feel towards each other and towards the object of their interaction.

Scholars have noted that high quality, cooperative and trust-based relationship is the bedrock and critical prerequisite for the success of a relational exchange (Jiang et al., 2014) as it facilitates the effective and optimal use of shared resources (Diaz-Bernardo, 2013). More specifically, it is believed that franchisees' overall satisfaction with the quality of their relationship with franchisors is likely to have beneficial positive effects not just for the franchisees alone, but also for the entire franchise system (Altinay et al., 2014b; Lee et al., 2016). For example, Lee et al. (2015a) reckon that franchisors' stream of incomes and economy of scale are likely to improve when they make efforts to build and sustain good quality relationship with their franchisees.

Relationship quality is commonly conceptualized as trust (Lee et al., 2016; Hashim & Tan, 2015), commitment (McDonnel et al., 2011) communication (Chiou et al, 2004) relationship satisfaction and intimacy or closeness (Lee et al., 2016; Nijmeijer et al., 2014).

Scholars have stressed the need for more research to strengthen the relationship quality construct. For example, Altinay et al. (2014b) conclude that further studies in other industry and local markets could help to explore and contribute other salient factors that have influence on franchise relationship development.

Each of the above-highlighted dimensions of relationship quality as well as empirical findings so far obtained are hereby critically reviewed.

Franchisees' trust in franchise relationship

Trust may be defined as the inclination to vulnerability (Kramer & Lewicki, 2010), the faith in the good will of another (Davies et al., 2011), the knowledge that one party will act in ways that help the interest of another (Anderson & Weitz, 1992) and readiness to depend on an individual (Moorman et al., 1993). Trust is having a sense of security and unwavering conviction that another person will deliver on expressly stated or implied responsibility or promise.

Many previous studies have identified trust as a key antecedent of franchisees' satisfaction and intension to remain (e.g Altinay et al., 2014a; Eser, 2012). Chiou and his colleagues (2004) found that trust not only leads to overall satisfaction for franchisees, but also, it significantly influences franchisees' decision to remain and continue business relationship with their franchisors. Dickey's (2008) study of food service franchisees in the USA also found that high 'trusting belief' leads to franchisees' overall satisfaction. Similarly, Lee's (2016) model of 'influential relationship strategies' for food-service franchisees in South Korea concludes that trust leads to high cooperative ethics among franchisees. In many sense, franchisees' trust in their franchisors is likely to encourage long-term thinking and hence intention to remain. In an earlier study on the relevance of franchisor's social responsibility and image, Lee and the authors (2015b) conclude that franchisees' trust in franchisors not only results in improved franchisees' satisfaction, it encourages long-term orientation in franchisees.

Commitment in franchise relationship

Commitment occurs when parties in a relational exchange recognize the importance of their relationship and go the extra mile to make necessary investment to preserve such relationship.

Among many other important benefits, a business relationship based on genuine commitment of partners is likely to be cooperative (Altinay et al., 2014b). Commitment is said to enhance effective coordination of functions and activities across organization (Mysen & Svensson, 2010). Commitment discourages partners' opportunistic behaviours (Watson & Johnson, 2010), enhances partners' loyalty, facilitates compliance and acts as a motivation for partners to continue business relation (Caceres & Paparoidamis, 2007; Frazer et al., 2012).

Empirically, Caceres and Paparoidamis (2007) found that the perception of high commitment in a relational exchange results in loyalty and consequently the development of long-term orientation towards the relationship. The scholars also conclude that commitment of partners is one of the important aspects of a business relationship that enhances competitive advantage. Wright and Grace's (2011) study of franchisees in Australia and New Zealand concludes that commitment is a central issue that shapes the franchise relationship and most importantly, the outcomes of the relationship. In a similar vein, Bordonabe-Juste and Polo-Redondo's (2004; 2008, p. 86) studies reveal that Spanish franchisors and franchisees emphasize high commitment from both parties and view it 'as the essential variable for relationship success'.

Communication in franchise relationship

Communication is defined simply as the exchange and comprehension of meanings (Dwyer & Tanner, 2014). By facilitating exchange of ideas, enhancing understanding and keeping people connected, communication performs the roles of developer, organizer and disseminator of knowledge within a relational exchange and with the outside world.

When communication is respectful, open and facilitating exchange of up-to-date information with franchisees at a regular basis, the

quality of the relational exchange in the franchise system is likely to be enhanced (Abdullah et al., 2008; Bordonabe-Juste & Polo-Redondo, 2008). Effective communication has been found to promote 'the convergence of interest' as well as facilitate achievement of common objectives (Bordonabe-Juste & Polo-Redondo, 2008, p. 85) as it encourages exchange of information and helps to clarify perceptions and expectations, resulting in the reduction of relational conflict and facilitation of cooperative behaviours (Rodriguez et al., 2006).

Empirically, Chiou and others (2004) found that communication has a positive and direct impact on franchisees' overall satisfaction and intention to remain in the franchise system. Supposedly, when franchisees are carried along, provided with relevant information about key aspects of the business and get quick responses to their operational challenges, their satisfaction surges and this may also affect their long-term commitment (intention to remain) in the franchise chain. Similarly, a number of other studies (e.g Abdullah et al., 2008; Bordonabe-Juste & Polo-Redondo, 2008; Falbe & Welsh, 1998; Rodriguez et al., 2006) have in general, concluded that when respectful, open and up-to-date information is exchanged with franchisees at a regular basis, the quality of the relational exchange in the franchise system will be enhanced. Indeed, excellent relational exchange results in high franchisees' satisfaction and intention to remain (Chiou et al., 2004).

Relationship satisfaction in franchising

Relationship satisfaction is achieved when a partner has a positive affective feeling regarding the key aspects of their relationship with other partner. Relationship satisfaction has been found to be the corollary of fewer conflicts and healthy franchise partnership (Frazer et al., 2012).

However, in spite of the fact that it is often included in the conceptualization of relationship quality, only very few studies (Frazer et al., 2012; Chiou et al., 2004) have attempted to determine the direct organizational outcome of franchisees' relationship satisfaction.

Empirically, although a recent study by Lee and his colleagues (2016) found that franchisees' satisfaction in franchise relationship has no positive effect on their cooperation, majority of earlier studies largely conclude that relationship satisfaction has a positive influence on franchisees' overall satisfaction and intention to remain in their current franchise system. For example, Frazer and others (2012) found evidences that largely confirm that franchisees that are in less satisfactory relationship will be less cooperative, more likely to engage in opportunistic behaviours, court conflicts and ultimately withdrawal from the franchise system. Similarly, Chiou and his colleagues (2004) found that franchisees' satisfaction in their relationship with franchisors has significant effect on their intention to remain in the franchise system. The conflicting findings in these studies highlight the need for further studies in order to clarify the true position. Indeed, Lee et al. (2016) recommends that more studies in other countries be conducted to verify the veracity of their model.

Intimacy of franchise relationship

Highly intimate (or close) business relationship is found to contribute significantly in the understanding and improvement of the interaction between business organizations and their partners/customers (Bordonabe-Juste & Polo-Redondo, 2004). Lee and his colleagues' (2016) study involving 550 food-service franchisees in South Korea develops a model indicating that a close-knitted franchise relationship not only results in high satisfaction for franchisees, it improves trust and cooperation in the franchise relationship. More so, closeness has been associated with improved loyalty, sales growth and profitable business operations (Kuvaas, 2008). Indeed, in a franchise partnership characterized with a considerable positive psychological atmosphere and intimate bond between the parties, it is presumed that there will be shared solidarity and tendency for everyone to work for the mutual benefit of all (Diaz-Bernardo, 2013).

By and large, given the position of the literature regarding the importance of a good quality relationship in a franchise network, to what extent could the current poor performance of franchise firms in

Nigerian be explained by the health of the relationship between franchisors and franchisees and what are the specific contextual factors that affect relationship between the two parties? These were the questions this study attempted to answer by gathering relevant data using the methodologies explained below.

Methodology

The design of the study

The objective of the study is to explore and gain a deep insight into the relevant issues: Relationship quality factors and their influences on franchisees' overall satisfaction and intention to remain. The data collection approach adopted for the investigation was qualitative, specifically face-to-face in-depth interviews. The approach is seen to be most appropriate for an emerging research area like franchising (Dant et al., 2011; Ketchen et al., 2011) where not much is understood especially on the application of the business model in different contexts (Dant et al., 2011).

Measurement of variables

The main variables in this study are: Franchisees' overall satisfaction, intention to remain (dependent variables) and relationship quality (independent variable). Relationship quality has such dimensions as trust, commitment, communication, closeness and relationship satisfaction (independent variables). Although this is a qualitative exploratory study, the main questions in the interview protocols were designed based on measures adapted from previous, mostly quantitative studies. These are explained below.

Overall satisfaction: This was measured based on the scale developed by Abdullah and others (2008). Relevant items in the scale were used as the basis to design the appropriate part of the interview schedule. This includes such questions as: "Given your overall experience in the franchise business so far, how happy are you about your decision to choose this particular franchise system?", "please rate your level of happiness on a scale of 1 -10?", "are you satisfied with your level of profit?", "are you satisfied with your relationship with key business partners?", "are you satisfied overall?"

Intention to remain: Questions for measuring intention to remain were designed based on items adapted from Chiou and his colleagues's study (2004). The main questions asked are: "Given your overall experience so far, are you willing to continue business relationship with this franchise system?", "given the resources, are you willing to open new store elsewhere under this franchise system?", "are you willing to encourage others to join this franchise system?".

Relationship quality: This was measured based on such the literature-identified dimensions as trust, relationship satisfaction, communication (Chiou et al., 2004; Frazer et al., 2012), commitment (Caceres & Paparoidamis, 2007) and intimacy (Bordonabe-Juste & Polo-Redondo, 2008). For each of these dimensions (variables), a number of questions were asked. The main questions asked from franchisees include: "How reliable is your franchisor, how much confidence do you have in their promises", "how committed to your outlet's success has your franchisor been", "could you tell me about the quality of communication between you and your franchisor", "do you always feel understood and carried along", "how close are you with your franchisor", "do you think that being very close to your franchisor can have any impact on your outlet performance?" Meanwhile, these are the main questions. Further probes were done with specific questions based on the franchisees' initial responses.

Population and Sample selection

There are currently about 420 franchise outlets in Nigeria with about 350 franchisees operating in such diverse industries as retailing, hotels and hospitality, quick service restaurants, food & beverages, transport, education and IT, and so on (Ndumanya & Quadri, 2014; Olotu & Awoseila, 2011; The Nigerian Franchise Directory, 2013).

Consistent with the qualitative nature of the study, the non-probability sampling techniques of purposive nature, and in a few cases, snowballing were used to select appropriate subjects for the investigation (Alharbi, 2014a; 2014b; Brookes & Altinay, 2011; Frazer et al., 2012). Efforts were made to first contact and get the

consent of key informants to participate in the study. The specific types of respondents were sought and reached with the sampling methods include: Owners, that is, franchisees (or their knowledgeable representative like unit manager) of fairly older outlets (more than three years in operation) as they are likely to have reasonable experience with the focal issues of the investigation and have probably seen the intricacies of the business model generally; owners of well-performing franchise outlets; owners of poorly performing franchise outlet; former franchisees; franchise outlet owners in different parts of Nigeria as experience and observation reveal that there exist some differences in business sophistication and entrepreneurial behaviours of people form these different zones.

Data collection

Initially using contacts of the franchisees found on the websites of most of the franchise systems and subsequently few walk-ins to some outlets, the researchers at first contacted 50 franchisees for possible participation in the face-to-face interviews. Eventually, a total of 26 franchisees in different parts of the country were interviewed and this number is considered to be a reasonable sample size for a study of this nature as it is within the recommended range of 20-30 deemed to be adequate to reach saturation (Corbin & Strauss, 2008; Creswell, 2007).

To guarantee consistency of structure throughout the interviews and enhance the overall reliability of approach (Yin, 2014), the case study protocol was used as a guide. The protocol spells out the steps and procedures that must be undertaken before, during and immediately after each interview. The interview questions which were prepared based on the objective of the study, were designed to seek participants' responses to broad questions relating to the focal issues of the study. Other appropriate follow-up questions were asked as successive interviewees told their stories.

All interviews were conducted within the franchisees' business premises and tape-recorded, their informed consents have been obtained to do so. Each interview lasted for between one to one-and-

half hours. Notes were taken throughout the interviews. In line with the suggestion of Corbin and Strauss (2008), memos were also written by the researcher immediately after each interview. This was done to capture the thoughts and impressions of the researchers with regards to what the participants said. The memos do not form part of the data but merely an instrument to reflect and interpret both the spoken and unspoken words of the respondents.

Techniques of data analysis

The interviews were subsequently transcribed with the help of a manual transcription software called Transcriber Pro (version 1.0.3.1). In order to ensure that what has been transcribed is exactly what the respondents said, the researchers carefully went through each transcript while listening to the corresponding tape. This was done three times. Further, the transcripts of the interviews were sent to the respective interviewee for confirmation. All 26 transcripts were retrieved affirmed with minor corrections.

With the analytical codes developed in advance based on existing the literature (Doherty et al., 2014), the transcribed interviews were manually coded and categorized using Corbins and Straus's (2008) step-wise advice. On the basis of the themes and sub-themes (and in some instances, sub-themes of sub-themes) that emerged, data were loaded into the latest version of NVivo (version 11). NVivo is one of the most popular data analysis software commonly used in qualitative research (Myers, 2013, p. 177). According to QSR International (2015), the manufacturer of the software, NVivo is a powerful platform used for analysing all types of unstructured data. The software has the capacity to quickly code data and appropriately organize at the same time. There are also features to interrogate data, count words and display a descriptive analysis of responses. The researchers used this software to code the data, appropriately organize and link memos and annotations, uncover connections, analyse opinions of different groups of respondents, search for common themes, visualize data, justify findings and assist in report writing.

In all, there were four themes and several within theme issues that emerged as Table 1 shows.

Table 1. Themes and within theme issues explored

Main theme	Issues within theme
Trust in franchisors	- Franchisees' assessment of trust in franchisor - Reasons for state of trust - Influence of trust on franchisees
Franchisors commitment	- Franchisees' assessment of franchisor's commitment - Franchisor' commitment then and now - Influence of commitment on franchisees
Effectiveness of communication	- Franchisees' assessment of communication effectiveness - Reasons for state of communication - Influence of communication on franchisees
Relationship satisfaction and intimacy	- Franchisees' assessment of relationship satisfaction - Reasons for state of relationship satisfaction - Influence of satisfaction on franchisees

Source: Authors' compilation

Results and Findings

A total of twenty-six (26) franchisees participated in the study. The participating franchisees are hereafter referred to as informants. The informants were drawn from across six franchise systems herein labelled simply as SYSTEM 1, SYSTEM 2, SYSTEM 3, SYSTEM 4, SYSTEM 5 and SYSTEM 6, cutting across six industrial sectors including quick service restaurants (QSR), retailing, transportation, telecommunication and mobile devices, and ice-cream vending. Table 2 gives detail business profile of the informants.

Table 2. Business profiles of informants

S/N	Informants/ Panelists	Designation	Organization	Unit Size	Sector	Location	Years in business
1.	Informant 1	Franchisee	SYSTEM 1	Small	QSR	S/West	4Years
2.	Informant 2	Franchisee	SYSTEM 2	Medium	QSR	N/Central	4Years
3.	Informant 3	Franchisee	SYSTEM 2	Small	QSR	N/Central	3Years
4.	Informant 4	Franchisee	SYSTEM 1	Medium	QSR	S/South	5Years
5.	Informant 5	Franchisee	SYSTEM 1	Medium	QSR	S/East	3Years
6.	Informant 6	Franchisee	SYSTEM 1	Medium	QSR	N/West	7Years
7.	Informant 7	Franchisee	SYSTEM 1	Large	QSR	S/West	6Years
8.	Informant 8	Franchisee	SYSTEM 1	Medium	QSR	S/West	6Years
9.	Informant 9	Franchisee	SYSTEM 3	Large	Retail	S/West	5Years
10.	Informant 10	Franchisee	SYSTEM 2	Medium	QSR	S/South	4Years
11.	Informant 11	Franchisee	SYSTEM 1	Large	QSR	N/Central	8Years
12.	Informant 12	Franchisee	SYSTEM 2	Medium	QSR	N/Central	7Years

Continue Table 2. Business profiles of informants

S/N	Informants/ Panelists	Designation	Organization	Unit Size	Sector	Location	Years in business
13.	Informant 13	Franchisee	SYSTEM 1	Medium	QSR	S/West	6Years
14.	Informant 14	Franchisee	SYSTEM 2	Small	QSR	S/West	6Years
15.	Informant 15	Franchisee	SYSTEM 1	Small	QSR	S/West	7Years
16.	Informant 16	Franchisee	SYSTEM 1	Medium	Mob.-Tele	S/West	6Years
17.	Informant 17	Franchisee	SYSTEM 3	Medium	Retail	S/West	10Years
18.	Informant 18	Franchisee	SYSTEM 4	Medium	Ice-C	N/Central	5Years
19.	Informant 19	Franchisee	SYSTEM 5	Medium	Trpt	S/East	4Years
20.	Informant 20	Franchisee	SYSTEM 2	Small	QSR	N/West	8Years
21.	Informant 21	Franchisee	SYSTEM 3	Large	Retail	N/West	6Years
22.	Informant 22	Franchisee	SYSTEM 1	Medium	QSR	S/South	8Years
23.	Informant 23	Franchisee	SYSTEM 4	Medium	Ice-C	S/West	5Years
24.	Informant 24	Franchisee	SYSTEM 1	Small	QSR	S/West	6Years
25.	Informant 25	Franchisee	SYSTEM 6	Medium	Mob-Tele	S/West	4Years
26.	Informant 26	Franchisee	SYSTEM 2	Medium	QSR	S/West	6Years

Source: In-depth Interview, 2016

Due to the dominance of QSR sector which represents nearly 85% of the players in the Nigerian franchise industry (The Nigerian Franchise Directory, 2013), about two-third (18) of the informants were drawn therefrom. Three of the interviewees come from the retail sector, two from ice-cream vending and related products, two are from mobile phone sector and one runs a transportation firm. Nearly 50% of the respondents are from South West (particularly Lagos), the commercial hub of the country where more than 50% of all franchise units in Nigeria operate. Other franchisees are from such other cities as Abuja (North Central), Port Harcourt (South South), Ibadan (South West), Abeokuta (South West), Kaduna (North West), Kano (North West), Jos (North Central), Lafia (North Central), Enugu (South East), Asaba (South South), and Lokoja (North Central). Effectively, five of the six geo-political zones of the country are represented in this study. Security challenges did not permit the researchers to visit and interview franchisees in the sixth zone, the North-East where insurgent activities were going on.

Relationship quality factors and their influences

The key relationship factors that majority of respondents indicated as having impact on their overall satisfaction and decision to continue business relationship include:

- Trust in Franchisor
- Commitment of Franchisor
- Effectiveness of Communication
- Intimacy and Relationship Satisfaction.

Trust in franchisor

Majority of the franchisees that participated in this study indicated that the amount of trust they have in their franchisors is low. From the various accounts, this group of franchisees could be categorized into two categories, (1) those who believe that trust is low but improving (2) and those who feel that trust is deteriorating with no improvement. The first group, who are in minority, cited a number of bases for their optimism including change of management in the franchisor organizations. Informants 26 and 4 are among these optimists.

"Reliability is still an issue even as our relationship improves. But from what I have seen recently, I am sure things will change for the better." (Informant 26)

"They have not been too reliable but there have been some improvements recently, maybe because of the new management." (Informant 4)

The franchisees that believe that trust in their franchisors is deteriorating described the state of affair using such terms as "they are not reliable" (Informant 26); "they are inconsistent" (Informant 4); "I have little confidence in them" (Informant 14); "they are deceptive" (Informant 23); and "they are dishonest" (Informant 10). Elaborating on the chain of events that led to the present low-trust relationship with her franchisor, Informant 14 explained:

"The first two years were good but from then till now, they have broken every single promise they made to me before we started. They tried to increase my royalty. They opened a new outlet close to me. They do not provide the quality of support they promised. They almost stopped giving me promotional materials. They became arrogant in relating with me. They treated me like I do not matter."

Another informant noted that low trust in the franchisor is gradually killing the brand as she stated:

"Our brand is dying now because they have failed to honour their promise to increase marketing and promotional activities. So, with all these, trusting and relying on them becomes difficult." (Informant 10)

One area that franchisees feel the impact of trust most is in the alleged deception of franchisors in terms of their marketing contribution. Many franchisees that participated in this study believe that the money they contribute is never used for what it is meant for. Informant 11's expression captures this most succinctly:

"…on the issue of marketing, I find it very annoying that they would collect our money, our 2% marketing contribution and yet we do not see any marketing. Neither do we get quality promotional materials these days."

The negative impact of low trust is also felt in franchisees' inability to plan and do well generally in the business. As some noted, low trust in franchisor creates a very unstable business environment and sets them back in so many ways. The consequence is that many are contemplating not renewing their licenses. Informant 18's explanation is representative of the general feeling of franchisees in this regard.

"…they understand the intricacies and have ideas on how to make success of it. Those are the things that we are paying for by joining the business. Now, they do not come through in guiding us appropriately and in doing right by us, and it has really affected me personally and I don't think I can continue this way."

Commitment of franchisor

Commitment is simply the desire of parties in a partnership to go the extra miles in ensuring that the interest of the other party is protected. In a franchise relation where franchisor shows high commitment to the success of the franchisees, it is reasonable to expect that franchisees will exhibit cooperative attitude in helping to implement the system strategies, avoid opportunistic behaviours and feel motivated to not only continue relationship with the franchisor but also recommend others to join the system.

Analyses of the in-depth interviews showed that less than a third (7 out of 26) of franchisees believe that their franchisors show high

commitment to their outlet's success. More than half (14 out of 26, that is 50%) of the informants rate their franchisors' commitment to be just fair while five (19%) think that their franchisors show no commitment to their outlets' success. It must be emphasized that amongst this last group are three franchisees currently having highly dysfunctional relationship with their franchisors and since they mostly do not currently pay royalties and other obligations required of franchisees, it is fairly understood why they receive no commitment from their respective franchisors. The statements in Table 3 capture the different assessments that franchisees have of their franchisors' commitments.

Table 3. Sample responses on franchisees' assessment of franchisors' commitment

High commitment	Fair/Average commitment	Low/No commitment	Total
7	14	5	26
Their commitment level is high. Maybe it is because they know that I am committed to the success of this business too. You know sometimes, when you need something from someone badly, you would only need to give that same thing to get it. (Informant 16).	They are showing some sign of commitment now. The new management is desirous of rebranding and reinventing the business and they communicate that to us frequently. They have come up with many programs and initiatives to change things for the better. (Informant 10)	The commitment has been almost zero for sometimes now. It is just once in a while we see them. Say for about a year now, they do not even bother visiting our outlet. They no longer invite me for meetings and I do not bother too. (Informant 14)	-

Source: In-depth interviews, 2016

Generally, franchisees believe that franchisor's commitment is a key influencer of not just the quality of their relationship but also their unit performance. In describing the influence of franchisors' commitment on their business success, franchisees made such expression as: "High level of commitment from them is really helping us to do better" (Informant 12); "yes, when their commitment was good, it assisted us. Their advice and guidance were really very helpful at the beginning" (Informant 14); "that has helped especially early on when we just started to put our job on track and avoid costly mistakes" (Informant 17).

Communication effectiveness

In franchising, mutual understanding is recognized as an important asset and in order to create and sustain such a vital asset, communication needs to be effective. When communication is effective, franchisees are kept informed and this keeps them aligned in the implementation of system's strategies.

Analysis of the in-depth interviews revealed that there are issues with communication. Only one out of 26 franchisees believes that there is an effective communication in her relationship with her franchisor. Eleven franchisees think that communication in their relationship is just average while fourteen franchisees maintain that communication between them and their franchisors is poor.

The majority of franchisees who feel that communication with their franchisors have been largely ineffective cited many reasons as being responsible. These include lack of culture of listening on the part of franchisors (Informant 1), bureaucracy and absence of proper channels of communication (Informants 10, 12), lack of openness (Informant 2), monologue (one-sided) kind of communication, it is a lot difficult for franchisees to reach and pass messages across to franchisors (Informants 2, 9, and 12), non-consultation and general feeling of not being carried along (Informants 9, 15), confusing and conflicting messages from franchisors (Informants 7, 16), franchisors' unnecessary delay in responding to inquiries and requests (Informant 20), irregular communication (Informants 14, 21), franchisors' tendencies to always lecture instead of dialogue (Informants 1) and franchisees' own culpability in not responding to communication on time (Informants 11, 20, 26) and so on.

The poor state of communication has had some negative impact on franchisees' overall satisfaction, outlet performance and intention to remain. Informant 17 highlighted one of these impacts thus:

"They do not care to know if we are fully prepared for the implementation of whatever decision. This has really caused many problems. But if we are always communicated with, not to, even before the decisions are arrived at, implementation would be very easy."

More so, the experience of Informant 23 shows that when franchisees get inconsistent and poor communication from their franchisors, it becomes a lot difficult for them to do well especially in an already very difficult business environment like Nigeria.

"It has been very frustrating not knowing what is coming at you. The unstable environment they create due to poor inconsistent communication and the fact that we are always not being carried along makes the already very difficult business environment a lot more difficult for us."

Relationship satisfaction and Intimacy

Relationship satisfaction is understood to be the feeling of happiness with business partner and it is achieved when a party in a relational exchange has affective positive feelings about his interaction with the other party. As Frazer and others (2012) submit, not all franchisees are in it for the money. Some cherish a satisfactory personal relationship with their franchisor more than just making money. However, findings of this study show that most franchisees in Nigeria do not derive maximum satisfaction from their business relationship with franchisors.

Analysis revealed that only 3 out of 26 franchisees indicated that they maintain a highly intimate or close relationship with their franchisors. Eight franchisees believe that they maintain just some closeness with their franchisors while more than half, 14 franchisees to be precise, indicated that they have no close relationship with their respective franchisors. The statement of Informant 1 (who worked and rose to the position of director before retiring and buying a franchise from the company) represents the common expression of this sentiment.

"They do not even regard us in any way. Unlike the culture of the company that I worked in and know very well before, it is all pure business now. No effort for personal connection."

Some franchisees offer some reasons why they do not maintain close relationship with their franchisors. These reasons range from frequent change in franchise representatives and compliance team,

poor communication, franchisors' consistent failures to deliver, franchisors' lack of efforts and interest in maintaining a close relation and franchisees' own personality type, some consider themselves to be reserved and anti-social.

However, it is striking to note, as finding revealed, that many of the franchisees seem not to necessarily crave physical or emotional closeness. They are more concerned with unconditional care and the feelings that their franchisors have their interests at heart. This sentiment can be seen from the expressions of many of the respondents like Informant 3.

"I do not really care about being personally close to them. If only they are reaching out to me regularly and delivering on their promises, I will be okay."

The experience of many franchisees show that poor personal relationship satisfaction has some negative impacts on their business performance and will likely affect their decision to commit to long-term relationship with their system. Respondents believe that many issues that have set them back in terms of performance could be attributed to lack of close relationship with their franchisors. These issues include ineffective communication (Informant 17), slow resolution of conflicts and misunderstanding (Informant 15), increased mistrust (Informants 6), over-bloated bureaucracy (Informant 12), and general poor business performance (Informants 1)

By and large, relationship quality has been found to be a major factor that influences the overall satisfaction and long-term commitment of franchisees in the Nigerian franchise system. The key factors that respondents believe can strengthen relationship quality in the system include trust in franchisors, commitment of franchisors, effectiveness of communication, and franchisors' efforts at maintaining close personal relationship with franchisees.

Discussions

The main objective of this study was to examine the major relationship factors that influence franchisees' overall satisfaction and intention to remain. Through personal in-depth interviews involving

26 franchisees drawn from across different franchise systems and sectors in Nigeria, this study found that trust in franchisor, commitment of franchisors, effectiveness of communication as well as the closeness of the relationship between the two parties are the key relationship factors that have varying degree of influence on franchisees' overall satisfaction and intention to remain. These factors along with the implications that each has for franchising practice are hereby discussed.

This investigation unravels empirical evidences that show the importance of good quality franchise relationship in assuring franchisees' overall satisfaction and the long-term health of a franchise system, a finding which is consistent with such previous studies as Doherty and others (2014) and Altinay and colleagues (2014b). First, in support of the findings of Davies and others (2011) and Frazer and collegues (2012), it emerged that trust is a key factor in the relationship dynamics between franchisors and franchisees in Nigeria. At present, many franchisees in Nigeria have little trust in their franchisors. As found in other settings (Dickey et al., 2008), this situation has manifested in high rate of non-compliance and opportunistic behaviours by franchisees. Ultimately, it has destroyed business relationship and led to many franchisees indicating lack of willingness to continue business relationship with their present franchisors. While responsibility for creating a high trust environment is obviously for both parties, the experience of most of the franchisees is that franchisors have not shown leadership in this matter. Promises of supports and other services have been broken many times, prompting franchisees to describe their franchisors with such words as "unreliable", "inconsistent", "deceptive" and "untrustworthy".

This investigation also demonstrates the role of franchisors' commitment in building a robust relationship with their franchisees. More than two-thirds of franchisees (across different industries and operational bases) in Nigeria think that their franchisors do not show enough commitment to their outlets' success. Confirming the conclusion of the previous research (e.g. Wright & Grace, 2011), this study provides empirical evidence to show that when franchisees

perceive franchisors to be less committed to their success, relational conflicts increase and increased relational conflicts is the foundation of less overall satisfaction for franchisees and possibility of eventual exit from the system (Frazer et al., 2012).

Further, the study builds on previous researches (e.g. Altinay et al., 2014b; Bordonabe-Juste & Polo-Redondo, 2008) and avails empirical evidences highlighting the importance of effective communication in franchise relationship. Poor communication currently characterizes franchise systems in the country. This state of affairs, from the experience of franchisees, has led to poor understanding of system objectives and strategies, misunderstanding and increased conflicts, bureaucracy, lack of competitiveness, poor business performance and ultimately low overall satisfaction.

Additionally, contrary to the position of some conceptualizations (e.g. Nijmeijer et al., 2014), this study finds that relationship satisfaction and intimacy are not two distinct dimensions of relationship quality. Intimacy was found to be an antecedent of relationship satisfaction which in turn leads to high quality overall relationship. Intimacy, otherwise called closeness, in franchise relationship is not just about franchisors' physical and emotional presence in the relationship, it is about genuine efforts of the franchisors in reaching out to franchisees and treating them as valuable members of the system.

Limitation, conclusion and implication for sranchise practice

This study used the approach of qualitative inquiry and therefore generalization may be limited to the context in which it was carried out. However, the researchers took rigorous measures to guarantee reliability and validity of findings. The objective was to explore and gain deep insights into the practice of franchising in Nigeria especially as related to the important relationship factors that affect franchisees' overall satisfaction and intention to remain. Analysis of the in-depth interviews revealed key findings that formed several conclusions and thereby some recommendations for improving franchising practice in the country.

Franchisees' trust in franchisor is found to be a key factor determining the quality of relationship between the two parties. The current low level of trust in franchisors has resulted in such undesirable situations as poor compliance with system standards, increased relationship conflicts and indeed, expensive litigations. There is a need for franchisors to take a long-term view of their relationships with franchisees. Tendency to over promise franchisees to lure them into the system must be avoided and there should be a system of keeping tabs on responsibilities to be met to franchisees. Further, more than ever before, franchisors need to treat trust-building as a strategic issue. Business processes and systems must be organized in ways that establish and maintain trust. When it comes to establishing trust, there should be no holiday. Every contact with franchisees, every promise (explicit or implicit) must be fulfilled. Where there is a reason not to come through, franchisees need to be informed beforehand in order to help them manage their expectations. As much as possible, promises have to always be made explicit so that everyone can better manage their responsibilities and expectations.

More so, franchisors' genuine commitment to the success of franchisees emerge strongly as a factor that can strengthen franchise relationship. Hence, it must be noted that the success of both parties are intertwined and this is especially so for systems that are purely franchised. It is imperative that franchisors go the extra mile in helping franchisees to succeed. Supports need to be delivered as at when due and new initiatives that assist franchisees to run more profitable outlets must always be explored. This may be expensive in the short-term but will pay off hugely over the long haul.

Meanwhile, poor communication from franchisors has resulted in series of misunderstanding and franchisees' misalignment with system objectives and strategies. Sometimes, franchisees feel that it is difficult to reach franchisors and they are not being carried along in important decisions. There is a need to have a platform such as functional corporate intranet where routine information about the business is readily accessible to franchisees. It is important to remember that the effectiveness with which franchisees carry out

system strategy depends on how well they feel the ownership of the strategy, so there is a need to involve them in taking major decisions. More specifically, there is a need to cultivate and sustain a culture of listening and efforts need to be made to reduce bureaucracy and establish proper channels of communication. Indeed, communication has to be more of a dialogue rather than monologue and franchisees need to be consulted and be carried along on important issues.

More so, this study found that franchisees care for a more intimate and reasonably informal interaction with their franchisors. It enhances their satisfaction in the relationship and gives them a sense of being treated as valuable members of the network. Regular programs should be created to bring the two parties together in a relax setting and efforts should be made to train and improve the interpersonal skills of franchisors' compliance officers who regularly interact with franchisees.

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