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International franchising: A literature review and research agenda

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ABSTRACT

Albeit scholars have conducted international franchising research for over two decades, our understanding of the antecedents and outcomes of this particular type of internationalization is still limited. In this article, we systematically review the literature related to international franchising and create a road map of extant knowledge. Through this review, we seek to provide a greater understanding of the use of theories, methodologies, and the emergent phenomenon of international franchise partnerships in multiple industries. Additionally, we detected inconsistencies in paradigms that allowed us to offer suggestions for future research. Among the opportunities for future research in the area of international franchising, constructs such as cultural sensitivity, institutional distance, management motivation, network complexity and financial performance need further attention.

1. Introduction

Franchising has become a popular global format of doing business in a number of industries. Franchising is a form of licensing whereby a parent company, the franchiser (franchisor), grants an independent entity, the franchisee, the right to do business in a prescribed manner (Czinkota, Ronkainen, & Donath, 2004). Small and medium sized firms have used this method to expand their business for over 100 years (Dant & Grünhagen, 2014; ITA, 2016). Researchers report that franchising has become a popular way for domestic and international expansion of firms from Australia (Frazer, Merrilees, & Wright, 2007), Spain and newly industrialized countries (Alon & McKee, 1999) while international franchising continues to be one of the most popular distribution channel for U.S exports. Respectively, this business format has received substantial academic attention.

Domestic and international franchising literatures have focused on investigating two main questions: *What are the franchising determinants?* (e.g., profit-seeking, market saturation, strong competition, etc.) (Alon & McKee, 1999; Elango, 2007; Madanoglu, Alon, & Shoham, 2017) or explaining: *Why domestic firms (do not) engage in international franchising?* (e.g., resource constraints, lack of foreign knowledge, limited growth prospects, etc.). International franchising researchers have explored various constructs and variables through five different streams of literature: *Macro-Perspective, Micro-Perspective, Governance Mode, Franchisor-Franchisee Relationship and Driving Forces*. Despite some similarities between domestic and international franchising literature, we found three main significant differences between them. The first difference is the legal context in which domestic franchising occurs. For instance, in the United States & Australia, there are institutions such as International Franchise Association (IFA) and Franchise Council of Australia (FCA) that lobby on behalf of their constituents (Atwell & Buchan, 2014). Similarly, there is abundant legal & public documentation about franchise contracts and conflict resolutions. These conditions place these countries as more stable and reliable for franchising because they provide the necessary regulatory framework for resolving potential conflicts between a franchisor and a franchisee. This scenario is different when firms engage in international franchising. Diverse legal traditions and law enforcement practices across countries, the risk of intellectual property and trademark loss increase the level of uncertainty in international franchising (Kedia, Ackerman, & Justis, 1995). The second significant difference between domestic and international franchising concerns the level of control in the system. Domestic franchisors typically aim for more control over their franchisees than international franchisors, which typically rely on a more collaborative relationship with their franchisees and allow more autonomy (Paik & Choi, 2007). This trust-based relationship takes us to the third significant difference between domestic and international franchising. The relatively common collaborative relationship between the international franchisor and franchisee suggests that knowledge and learning become important components of the business model (Madanoglu et al., 2017). These characteristics position international franchising studies as an independent stream of literature, separate

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from both the domestic franchise literature and the broader entry-modes literature.

International franchising involves more complex dynamics than domestic franchising especially in respect to franchise network configurations. While the key players in a franchise network are still the franchisor and its franchisees, 21st century international franchisors operate within an inter-connected web of relationships, which they do not always control such as market and institutional forces and political constraints, among others. Internationally there is very limited adoption of direct franchising due to the high monitoring costs involved. A more common agreement is for instance master franchising, where a third party is granted the rights to develop and monitor a particular geographic market (Alon, 2006). This type of contracts is very complex and can require more local adaptation in aspects such as the calculation of royalty and franchise fees, among others (Lafontaine & Oxley, 2004). All this increases uncertainty and complicates performance evaluation in international franchising (Buchan, 2014).

During the past two decades, there have been several review articles of international franchising literature (Combs, Ketchen, Shook, & Short, 2011; Combs, Ketchen, & Short, 2011; Combs, Michael, & Castrogiovanni, 2004b; Doherty & Quinn, 1999; Merrilees, 2014; Welsh, Alon, & Falbe, 2006). For example, Combs et al. (2004b) contrasted agency theory and resource scarcity theory against three constructs: franchise initiation, subsequent propensity to franchise and franchise performance. Welsh et al. (2006) focused their review on retail franchising in emerging markets. Combs et al. (2011) focused on franchising antecedents, consequences, and factors moderating these relationships. Combs et al. (2011) published another review the same year focusing on the resource scarcity theory and agency theory to provide directions for future research. Merrilees (2014) divided past research into three chronological phases and provided a theoretical overview of the franchise literature. Albeit informative, these reviews suffer from the same critical shortcoming: they only review a fraction of the literature and theories applied, thus provide a valuable yet somewhat limited overview of the field. We seek to provide a more comprehensive and critical overview of the theories used in the area of international franchising research published by 2016. Another critical limitation of past reviews is the singular focus on franchisors' motives for internationalization and the general lack of attention to the dynamics of franchise partnerships, despite their growing relevance in international franchise practice and research. As suggested earlier, the popularity of the collaborative type of relationships in international franchising requires a closer and more critical attention to issues such as the suitability of theories used to explain international franchise dynamics and possible future research directions.

Considering these shortcomings, first we draw a roadmap to summarize the entire international franchising research and propose a broader framework to guide scholars on what appears to deserve research attention in international franchising. For this, we follow Callahan (2014)'s review structure and use of the 4 Ws (What, Where, Why and HoW). This article is the first to consolidate, review and integrate over 100 prior studies that examine different aspects of international franchising. We believe our review is not only timely but of critical importance. It draws parallels between past studies based on the specific international franchising topics studied, theories used, industries covered, methods applied and findings reported. Prior research had mostly focused on international franchising and franchise partnerships as independent constructs. We consider them mutually inclusive and discuss possible future research avenues based on their interdependence.

In Fig. 1, we present the currently predominant one-dimensional approach of international franchising research that focuses on the franchisor perspective. We build on past research by integrating it in a more dynamic behavioral theoretical model to address possibilities for value creation and performance improvement of franchise systems. We suggest that this can be achieved by introducing a two-dimensional, franchisor/franchisee perspective. Through our detailed theoretical discussion, we demonstrate that the most frequently used theories, Agency theory, Resource Based View and Transaction Cost, fit the predominant practice of providing one-dimensional explanation of a multidimensional phenomenon. Our discussion of far less popular theories, such as Stakeholder theory or Relationship theory, show that further efforts are needed in selecting theories that deal more with the learning process in global franchise groups and address the need to present a more dynamic picture of international franchising.

The structure of this paper is as following. The next section presents information concerning the method used to identify the articles to be included in our review. Later, we present a comprehensive overview of international franchising research. Finally, we provide directions for future research.

2. Review design & structure

2.1. Review design

Following prior reviews (Canabal & White, 2008; Dikova & Brouthers, 2016; Keupp & Gassmann, 2009; Shen, Puig, & Paul, 2017) we began our investigation by searching online databases such as Ebsco Host, Jstor, Proquest, Google Scholar, Academia.edu, Research Gate.net, Sage Journals, Science Direct, Springer Link, Taylor and Francis,

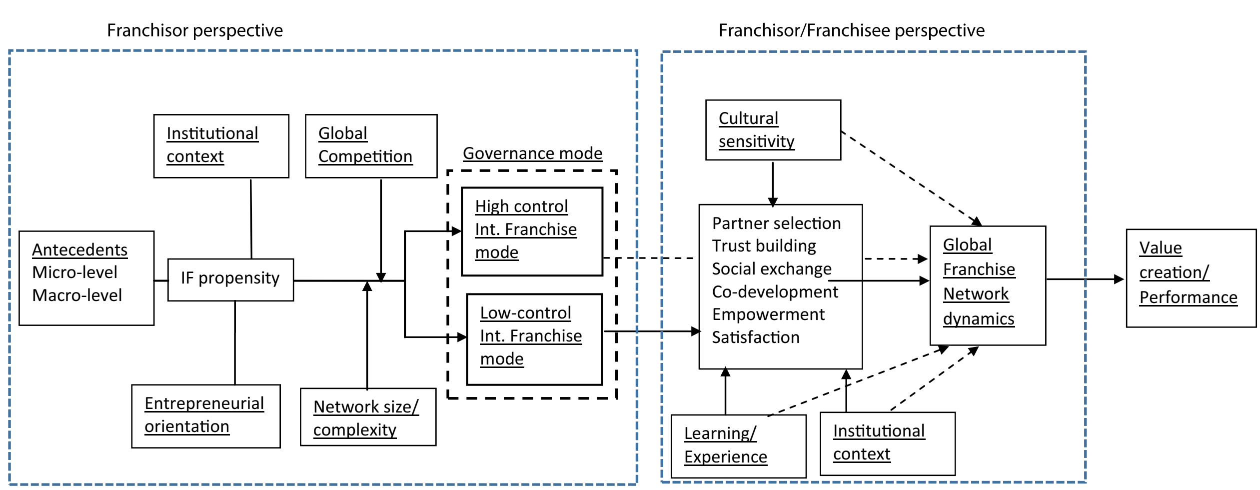

Fig. 1. Model of International Franchising (IF) research.

Emerald and Wiley to identify all research published on international franchising and franchising partnerships. Our choice to review international franchising literature entailed three selection decisions: first, we limited the review to journals that were included in the Association of Business Schools (ABS) list, as shown in Table 1 and Table 2. Second, we limited the search to articles published between 1989 and 2016. We began from the year 1989 because the globalization that paved the way for international franchising slowly created momentum in late 1980s and hence we found that articles in this area published in the journals we included in this review dates back to 1989. Third, the key words used were *international franchising, franchising partnerships, international retail franchising, international franchise marketing, international franchise strategy, franchise partnership, partnership selection, international franchising alliances, franchising research, channel relationship & partner relationship.*

Overall, we identified and included in the review 112 articles, 93 articles focused on international franchising (Table 1) and 19 articles focused on international franchise partnerships (Table 2).

The articles we reviewed were published in 44 different academic journals but five journals, the International Marketing Review, the Journal of Small Business Management, the Journal of Marketing Channels, the International Journal of Hospitality Management and the Journal of Services Marketing published about 30% of all of these papers. Marketing journals published 22% of the research in franchise partnerships. Despite the predominance of marketing outlets, international franchising research was also published in strategy and international business (IB) journals. A systematic review method is well suited for a critical survey of the extant research on international franchising. Following Callahan (2014), we thus use the 4 Ws (What, Where, Why and HoW) to provide a better structure for this review.

2.2. Review structure

2.2.1. *What* do we know about international franchising?

In Section 3 titled "An overview", we present a general picture of how scholars have approached international franchising research. We discuss key predictors in international franchising and international franchise partnerships studies.

Table 1
International Franchising Articles included in our sample.

Journals	Articles	References
Journal of Marketing Channels	7	Buchan, 2014; Merrilees, 2014; Dant & Grünhagen, 2014; Herndon, 2014; Ni & Alon, 2010; Ming-Sung et al., 2007; Cheng et al., 2007
Journal of Business Venturing	7	Altinay et al., 2014a; Barthélemy, 2011; Dant & Nasr, 1998; Fladmoe-Lindquist, 1996; Lafontaine, 1999; Shane, 1996a, 1996b; Williams, 1999
Journal of Small Business Management	6	Elango, 2007; Elango & Fried, 1997; Dant et al., 2012; Mariz-Pérez & García-Álvarez, 2009; Perrigot et al., 2013; Welsh et al., 2006
International Journal of Hospitality Management	5	Altinay, 2006; Heung et al., 2008; Alon et al., 2012; Sun & Lee, 2013; Brookes, 2014
International Marketing Review	5	Aydin & Kacker, 1990; Eroglu, 1992; Huszagh et al., 1992; Kedia et al., 1994; Quinn & Doherty, 2000;
Journal of International Management	3	Contractor & Kundu, 1998a; Hoffman et al., 2016; Jell-Ojobor and Windsperger, 2014
Journal of Business Research	3	Doherty, 2009; Gassenheimer et al., 1996; Wu, 2015
Journal of Retailing	3	Aliouche & Schlentrich, 2011; Blut et al., 2011; Grace et al., 2013
Entrepreneurship Theory and Practice	3	Combs et al., 2011; Grewal et al., 2011; Meek et al., 2011
Journal of International Business Studies	3	Contractor & Kundu, 1998b; Erramilli et al., 2002; Sirmon & Lane, 2004
Strategic Management Journal	3	Chang & Rosenzweig, 2001; Szulanski & Jensen, 2006; Yin & Zajac, 2004
Journal of Management	3	Combs et al., 2004a; Combs et al., 2011; Combs & Ketchen, 2003
International Journal of Retail and Distribution	2	Doherty & Quinn, 1999; Forte & Carvalho, 2013
International J of Service Industry Management	2	Altinay & Wang, 2006; Doherty, 2007
Journal of International Marketing	2	Dow & Larimo, 2009; McIntyre & Huszagh, 1995
Journal of Consumer Marketing	2	Connell, 1999; Hadjimarcou & Barnes, 1998
The Service Industry Journal	2	Altinay & Miles, 2006; Baena & Cerviño, 2012
Multinational Business Review	2	Alon, 2006; Alon & McKee, 1999
Cornell Hospitality Quarterly	2	Lee, 2008; Miller, 2008
British Journal of Management	1	Skarmeas & Robson, 2008
Journal of Economics and Management Strategy	1	Kalnins, 2005
Columbia Journal of World Business	1	Walters & Toyne, 1989
Journal of Service Industry Management	1	Altinay, 2004
International Journal of Emerging Markets	1	Baena, 2012
Latin American Business Review	1	Baena & Cerviño, 2014
Asia Pacific Journal of Management	1	Choo, 2005
European Journal of Marketing	1	Brookes & Roper, 2011
European Journal of Marketing Relationship	1	Doherty & Alexander, 2004
The International Executive	1	Kedia et al., 1995
Journal of Small Business and Enterprise Development	1	Doherty & Alexander, 2006
International J of the Economics of Business	1	Lafontaine, 2014
Journal of Economics and Management Strategy	1	Lafontaine & Oxley, 2004
Journal of Foodservice Business Research	1	Lee et al., 2010
Journal of Macromarketing	1	Alon, 2004
International Journal of Retail and Distribution Management	1	Quinn & Alexander, 2002
Management International Review	1	Burton et al., 2000
Marketing Management	1	Ryans et al., 1999
Management Science	1	Fladmoe-Lindquist & Jacque, 1995
Marketing Intelligence and Planning	1	Thompson & Stanton, 2010
International Small Business Journal	1	Paik & Choi, 2007
Journal of Global Marketing	1	Welsh, 1993
Journal of Marketing	1	Erramilli & Rao, 1993
Journal of Marketing Research	1	Kashyap et al., 2012
Journal of East West Business	1	Baena, 2009

Table 2
Franchise Partnership articles.

Journals	Articles	References
Journal of Service Marketing	3	Altinay & Brookes, 2012; Brookes & Altinay, 2011; Altinay et al., 2014b
Journal of Small Business Management	2	López-Bayón & López-Fernández, 2016; Evanschitzky et al., 2016
The Service Industry Journal	2	Altinay & Okumus, 2010; Wang & Altinay, 2008
Academy of Management Review	1	Jeffries & Reed, 2000
Journal of Academy of Marketing Channels	1	Li & Dant, 1997
Journal of Business Research	1	Altinay et al., 2014a
Journal of Business Venturing	1	Davies et al., 2011
Journal of International Business Studies	1	Gerringer, 1991
Journal of International Management	1	Kedia & Lahiri, 2007
Journal of Marketing	1	Lusch & Brown, 1996
Environment and Planning A	1	Durand & Wrigley, 2009
European Journal of Marketing	1	Al-Khalifa & Peterson, 1999
International Small Business Journal	1	Falbe & Dandridge, 1992
Worldwide Hospitality and Tourism Themes	1	Vaishnav & Altinay, 2009
Tourism Management	1	Altinay et al., 2013

Table 3
Different streams of literature in international franchising.

Streams of literature	Articles	References
Micro-Perspective	9	Alon, 2006; Altinay & Wang, 2006; Aydin & Kacker, 1990; Eroglu, 1992; Huszagh et al., 1992; Alon, 2006; Baena & Cerviño, 2014; Grewal et al., 2011; Fladmoe-Lindquist & Jacque, 1995
Macro- Perspective	7	Aliouche & Schlentrich, 2011; Alon, 2006; Alon & McKee, 1999; Aydin & Kacker, 1990; Baena, 2012; Eroglu, 1992; Huszagh et al., 1992
Governance Mode	11	Aliouche & Schlentrich, 2011; Al-Khalifa & Peterson, 1999; Alon, 2006; Aydin & Kacker, 1990; Baena & Cerviño, 2012, 2014; Brookes, 2014; Kalnins, 2005; Hadjimarcou & Barnes, 1998; Jell-Ojobor and Windsperger, 2014; Yin & Zajac, 2004
Franchisor -franchisee relationship	10	Al-Khalifa & Peterson, 1999; Altinay & Brookes, 2012; Altinay et al., 2014a, 2014b; Altinay & Okumus, 2010; Brookes & Altinay, 2011; Brookes & Roper, 2011; Choo, 2005; Doherty, 2009; Kashyap et al., 2012
Driving forces	9	Alon, 2006; Altinay, 2006; Aydin & Kacker, 1990; Elango, 2007; Erramilli et al., 2002; Eroglu, 1992; Grewal et al., 2011; Huszagh et al., 1992; Fladmoe-Lindquist & Jacque, 1995

2.2.2. ***Why*** *should people need to know more about international franchising?*

We find that there is a need for more clarity in this field of research and aim to uncover the untapped potential for studying international franchising. As firms look for different ways for international expansion to leverage opportunities arising from globalization, better understanding of this phenomenon will provide valuable insights for both research and business practice. In Section 4 titled "Theoretical Underpinnings", we take inventory of all theories used in international franchising research and present different theoretical approaches used to explain this phenomenon. We critically assess each approach to highlight the need for further attention to the theoretical underpinnings of international franchising research.

2.2.3. ***Industries and methodologies in prior research (where*** *and* ***what*** *research has been done)*

To address this question, in Section 5 we highlight the different contexts (industries) and the methods used in prior studies on international franchising to critically assess what specific role context has played in past research and whether the chosen research methods have facilitated sufficient understanding of the issues under investigation. First, we start with Section 5.1- Industries, where we highlight studies for each industry. Then, in Section 5.2- Methodologies used in prior research, we highlight the most widely used methods in international franchising studies.

2.2.4. ***How*** *can this review help fill the gaps in literature and provide a guide for future research?*

In Section 6- Discussion and suggestions for future research, we provide insights to guide future researchers in addressing literature gaps and pursuing future research avenues that can strengthen our understanding of international franchising. Thus, we address the research question -How- systematically and scientifically.

3. An overview

The literature on international franchising dates to early 1990s. Aydin and Kacker (1990) explored the attitudes of US franchisors towards international markets. Eroglu (1992) developed a conceptual model of the internationalization process of franchise systems. Kedia, Ackerman, Bush, and Justis (1994) explored the determinants of internationalization of franchise operations by US Franchisors. Cheng, Lin, Tu, and Wu (2007) describe the developmental process of international franchising systems. The authors proposed a stage model for international franchise system development that included five stages Stage 1: A creative business concept; Stage 2: Pre-international franchising–domestic franchise system development; Stage 3: Initial international franchising–experimental involvement. The third stage required a more systematic exploration of international opportunities (i.e., active involvement stage) which bears similarity with other entry mode and internationalization literature. Stage 4: Developed franchising–active involvement and Stage 5: Mature international franchising (The final stage was the consideration of global opportunities and long-term commitment to franchising in an international context (i.e., committed involvement stage)). Although this pattern might corroborate with the findings of prior studies in the area of international franchising, we cannot say it is a generalizable model for all the firms that want to expand their franchise networks internationally. For example, Pans Granier, a Spanish firm started its operation in 2010. It ventured into first international franchising in 2013 to Miami, Florida, United States and then expanded to Italy, Portugal and Britain by 2015 (Pans Granier, 2016). This case shows that the countries of geographical proximity such as Portugal & Italy were not the first option for their expansion. The decision to expand to Miami was based on a personal tie of this firm founder with this city (Origen, 2016).

Albeit the clear majority of previous research places international franchising as a gradual process with different steps and time-periods, there are still many unanswered questions about the different stages and phases in international franchising. Prior research (Elango, 2007; Elango & Fried, 1997; Jell-Ojobor and Windsperger, 2014) identified four different perspectives of international franchising literature (Table 3). First is the macro perspective, focused on the external environment in the host country, outside the firm control (Aliouche & Schlentrich, 2011; Alon, 2006; Alon & McKee, 1999; Aydin & Kacker, 1990; Baena, 2012; Eroglu, 1992; Huszagh, Huszagh, & McIntyre, 1992). Aliouche and Schlentrich (2011) proposed a global franchise expansion model that underscored franchise systems' preferences for a combination of attractive markets and a stable political and economic context such as those found in highly developed economies (Dant & Grünhagen, 2014). Important country factors to consider were the rule of law, country stability, intellectual property (IP) protection, good GDP growth, the consumer market size, and the potential to achieve an acceptable return on investment (ROI) (Alon, 2006; Eroglu, 1992). The second (micro-level) perspective zoomed in on the firm-specific factors explaining franchisors' propensity to expand internationally. The influence of firm age, past experience, the size of the franchise system (Alon, 2006; Altinay & Wang, 2006; Aydin & Kacker, 1990; Elango, 2007; Eroglu, 1992; Erramilli, Agarwal, & Dev, 2002; Fladmoe-Lindquist & Jacque, 1995; Grewal, Iyer, Javalgi, & Radulovich, 2011; Huszagh et al., 1992) and managers' desire to increase profits (Kedia et al., 1994) were often examined. The third perspective focused on the governance mode, typically investigating the choice of company-operated (high-control) and franchisee-operated operations (low-control) such as master franchise agreements and joint venture franchising. It is worth noting that international franchising fails without the commitment of managers, the commitment of employees in almost every department, dedicated resources, and patience. Hence, the fourth literature perspective focused on the cross-border franchisor-franchisee relationship, which involved resolution of conflicts and management challenges when engaging in international franchising (Al-Khalifa & Peterson, 1999; Altinay & Brookes, 2012; Altinay, Brookes, Madanoglu, & Aktas, 2014a, 2014b; Altinay & Okumus, 2010; Brookes & Altinay, 2011; Choo, 2005; Doherty, 2009). Below we provide a more detailed account of the main findings of these different literature streams. It is important to notice that determinants discussed in Macro-level and Micro-level research coincide with general determinants used to explain market entry but international franchise governance modes are very specific to the franchise context.

3.1. Macro-level research

In Table 4 we highlight the main determinants derived from our international franchising review. We found five macro-environmental determinants in international franchising from a limited sample of studies. Market conditions such as low economic growth, intense competition, and unpredictable demand favor the establishment of master international franchising (Alon, 2006). Some studies show that firms have a higher propensity to franchise internationally when environmental uncertainty in the host country is high (i.e. high political, economic and currency instability), in order to maintain flexibility, minimize investment risks and transaction costs, such as monitoring costs, adaptation costs and switching costs (Castrogiovanni, Combs, & Justis, 2006; Contractor & Kundu, 1998a, 1998b; Fladmoe-Lindquist & Jacque, 1995). Geographic and cultural distances negatively affect the franchisor's desired level of internationalization—a franchisor might decide not to enter into a market that has high growth potential due to substantial geographic or cultural distances (Alon, 2006; Baena, 2012). Political, economic, and legal factors affect international franchising. Many legal and governmental barriers can ease or increase risk while engaging in master franchise agreements in foreign countries (Alon, 2006; Buchan, 2014; Huszagh et al., 1992). Economic factors such as domestic competitive pressures reduce domestic profits and increase the desire to expand into international markets through franchising (Alon, 2006; Eroglu, 1992; Huszagh et al., 1992). Albeit these determinants have been used by several scholars to explain international franchising phoenomena, there is limited empirical evidence to support these claims.

3.2. Micro-level research

From a micro-level (firm-level) perspective, seven articles considered the motivation of management to expand overseas a key determinant in international franchising (Alon, 2006; Aydin & Kacker, 1990; Baena & Cerviño, 2014; Eroglu, 1992; Fladmoe-Lindquist & Jacque, 1995; Grewal et al., 2011; Huszagh et al., 1992). Aydin and Kacker (1990) indicated that successful domestic franchisors were reluctant to expand internationally when they lacked international experience and had limited financial resources. Grewal et al. (2011) found that management capabilities and collective learning have a strong influence on international expansion through franchising. Reversely, lack of experience, familiarity with the foreign market, and low risk tolerance discouraged motivation to expand internationally (Aydin & Kacker, 1990; Eroglu, 1992). Similarly, international experience, market knowledge, and growth opportunities facilitated franchisors' decision to expand overseas (Alon, 2006; Altinay & Wang, 2006; Aydin & Kacker, 1990; Fladmoe-Lindquist & Jacque, 1995). Fladmoe-Lindquist and Jacque (1995) indicated that general international experience created confidence for firms to engage in international licensing and franchising. Altinay and Wang (2006) considered that franchisor and franchisee's prior experience could reduce the uncertainty associated with international franchise partnerships.

These determinants of international franchising, as shown in Table 4, coincide with several antecedents and predictors of the High Control governance modes such as company-owned stores and joint ventures (Aliouche & Schlentrich, 2011; Al-Khalifa & Peterson, 1999; Baena & Cerviño, 2012;Kalnins, 2005; Yin & Zajac, 2004; Wu, 2015) and the choice of Low Control modes such as master franchising and area development (Aliouche & Schlentrich, 2011; Alon, 2006; Aydin & Kacker, 1990; Baena & Cerviño, 2012, 2014; Jell-Ojobor and

Table 4
Determinants of international franchising.

	Articles	References
Macro- Environmental Determinants		
Cultural Distance	6	Eroglu, 1992; Huszagh et al., 1992; Alon, 2006; Altinay & Wang, 2006; Baena & Cerviño, 2014; Fladmoe-Lindquist & Jacque, 1995
Political Context	4	Eroglu, 1992; Huszagh et al., 1992; Alon, 2006; Baena, 2012
Geographic Distance	4	Alon, 2006; Baena, 2012; Baena & Cerviño, 2014; Dant & Grünhagen, 2014
Economic Development	3	Eroglu, 1992; Huszagh et al., 1992; Alon, 2006
Legal Context	2	Huszagh et al., 1992; Buchan, 2014
Micro-level determinants		
Motivation to Expand Overseas	7	Aydin & Kacker, 1990; Eroglu, 1992; Huszagh et al., 1992; Alon, 2006; Baena & Cerviño, 2014; Grewal et al., 2011; Fladmoe-Lindquist & Jacque, 1995
International Experience	4	Alon, 2006; Altinay & Wang, 2006; Aydin & Kacker, 1990; Fladmoe-Lindquist & Jacque, 1995

Windsperger, 2014; Yin & Zajac, 2004). Firms use Low Control modes in countries when there are legal restrictions (Baena & Cerviño, 2012), unstable political markets (Jell-Ojobor and Windsperger, 2014) to name a few.

3.3. International franchise governance modes

Past research has identified three generic governance modes: direct franchising, area development, and master franchising (Alon, 2006; Ryans, Lotz, & Kramp, 1999). Direct franchising involves selling a business concept on an individual basis to franchisees in the host country (Baena & Cerviño, 2014) where franchisee manages resulting network directly without the use of any intervening organization (Petersen & Welch, 2000). In area-development governance, franchisors allow a defined territory to the franchisee in which they can develop units (Jell-Ojobor and Windsperger, 2014; Ni & Alon, 2010). In this type of franchisee agreement, the franchisee is an independent company licensed to establish, develop and manage individual units or outlets, but, unlike master franchising, these are company-owned units by the area developer rather than sub-franchised units (Petersen & Welch, 2000). Master franchising allows the franchisee to be both the agent to the franchisor and principal to others (sub-franchisees) (Ni & Alon, 2010). Master franchise agreements are more complex than other franchise modes of entry, because the master franchisor has the right to operate franchise units and/or grant franchise rights to third parties (Brookes, 2014; Brookes & Roper, 2011).

Table 5 highlights the different governance (organizational) modes and the research attention they have received in the past. We note that there has been limited attention paid to explaining area development and master franchising organizational modes. We identified three articles examining plural modes of international franchising referring to the coexistence of franchise outlets and company-owned outlets within the same network (Perrigot, López-Fernández, & Eroglu, 2013), three on master franchising, and three on multi-unit franchising. The remaining five governance modes categories in international franchising were present in two articles or less. In general, all franchise governance modes share some similarities, for example, the amount and type of knowledge transfer between the franchisor and the franchisee. However, different franchise governance mode brings about different complexity that has evolved due to changes in international regulations of franchise systems across the world.

3.4. International franchise partnerships

The establishment of a franchise partnership involves a mutual and careful evaluation between franchisors and franchisees to assess whether their partnership criteria are compatible. In the international franchisee partner selection process, the parent firm, ideally takes into account several factors such as governance choice, support mechanisms, relationship management, required capabilities, and so forth (Merrilees, 2014). International franchisees or partners tend to possess extensive and comprehensive local information and knowledge, such as local customers' preferences and national regulations (Lee, 2008). Working with a local partner is crucial because accessing local market knowledge accelerates the process of integrating of the transnational retailer within local networks and improves the bargaining position with the local government and suppliers (Durand & Wrigley, 2009).

Altinay and Okumus (2010) developed a three-stage model of franchise-partner selection: initial lead, selection, and approval of a partner. These stages tend to overlap and do not follow a simple, linear sequence. Brookes and Altinay (2011) provided an excellent literature review of the selection criteria for foreign franchising partners. They split the criteria into partner-related and task-related and discover that partner-related criteria dominated most studies (Altinay et al., 2014a, 2014b; Davies, Lassar, Manolis, Prince, & Winsor, 2011; Evanschitzky, Caemmerer, & Backhaus, 2016; Jeffries & Reed, 2000; López-Bayón & López-Fernández, 2016; Vaishnav & Altinay, 2009; Wang & Altinay, 2008). Numerous partner-related criteria refer to the quality of the franchisee management team, their marketing skills, their financial skills, and their local market knowledge (Merrilees, 2014). Brookes and Altinay (2011) discussed the following seven point criteria used in the partner selection and negotiation process: ability to retain control through ownership structure, perception of mutual value/risk, chemistry between individuals, similarity of organization vision/goals/values, local expertise, reputation/credibility and credit worthiness. One of the most efficient ways of reducing risk was to select franchisee partners who will adopt a more system-wide perspective for their individual activities and contribute to the attainment of system-wide goals (Altinay & Wang, 2006). Table 6 presents the different approaches in franchise partnership research.

International franchising partnerships face a particular set of challenges. Prior research suggests that cultural differences among partners affect their relationship. Partners must proactively manage cultural differences, demonstrate an awareness of and sensitivity to language barriers, business practices, and political and legal differences, and adapt accordingly to local market conditions. Cultural sensitivity, in turn, enhances the development of a relationship of trust (Altinay et al., 2014b). Trust has a positive impact on the long- term viability of the franchise partnership as it minimizes possible conflicts (Altinay et al., 2014a; Altinay & Brookes, 2012).

Another factor that can affect international franchising partnerships is relational contracting. In this type of contracting, relational norms govern "acceptable behavior between exchange partners" (Lusch & Brown, 1996, p.19) and develop over time, based on social consensus or mutual understanding. Thus, relational contracting is long-term-oriented, reciprocal, and extends beyond mere buying and selling (Li & Dant, 1997). It establishes the basis for the development of shared, long-term relational norms and behaviors between partners. Within a given franchise system, franchisors generally exercise the same level of relational contracting (Evanschitzky et al., 2016). Some of the key exchange characteristics between partners in relational contracting involve flexibility, information exchange, and collegiate problem-solving (Evanschitzky et al., 2016).

Vaishnav and Altinay (2009) used profitability as part of the partner selection criteria. If international franchisors follow a poor selection process and do not consider the financial strength and capabilities of host country franchisors, they expose themselves to accepting a foreign partner that can affect the system's performance. On the other hand, if the partner selection criteria considers the financial capabilities of the foreign franchise partner, a capable foreign partner can bring positive results to the franchise system. Cultural differences could lead to compliances failures with local government regulations and can negatively affect local partner relationships; this in turn can strain financial performance. Therefore, partner selection in international franchising is an indispensable component in the decision to expand the franchise system. This process combines elements such as country selection and

Table 5
Studies on governance modes in international franchising.

Organizational form	Articles	References
International Master Franchising	4	Alon, 2006; Brookes, 2014; Brookes & Roper, 2011; Dant & Grünhagen, 2014
Plural forms of Entry	3	Alon, 2006; Combs et al., 2011; Perrigot et al., 2013
Master Franchising	3	Brookes & Altinay, 2011; Doherty & Quinn, 1999; Lafontaine, 2014
Multi-Unit Franchising	3	Dant & Grünhagen, 2014; Garg & Rasheed, 2003; Lafontaine, 2014
Area Development	2	Ni & Alon, 2010; Jell-Ojobor and Windsperger, 2014
Joint venture	2	Altinay, 2006; Doherty & Quinn, 1999
Direct Franchising	1	Doherty & Quinn, 1999

Table 6
Franchise partnership approaches in studies.

Franchise Partnership Approaches	Articles	References
Franchise Partner Selection	7	Altinay, 2006; Altinay & Brookes, 2012; Brookes, 2014; Brookes & Altinay, 2011; Doherty, 2007, 2009; Thompson & Stanton, 2010
Franchise Partnership	4	Altinay & Brookes, 2012; Altinay & Wang, 2006; Doherty, 2007; Grewal et al., 2011
Task-Partner Related Criteria	2	Altinay, 2006; Brookes & Altinay, 2011
Franchise Relationships	2	Davies et al., 2011; Doherty & Alexander, 2004
Partner Empowerment	1	López-Bayón & López-Fernández, 2016
Relationship Development	1	Altinay et al., 2014a
Master Franchise Partnership	1	Brookes & Altinay, 2011

Table 7
Theories used in international franchising articles.

Theory	Articles	References
Agency Theory	13	Garg & Rasheed, 2003; Alon et al., 2012; Fladmoe-Lindquist, 1996; Altinay & Wang, 2006; Baena & Cerviño, 2012; Baena & Cerviño, 2014; Choo, 2005; Combs & Ketchen, 2003; Doherty & Quinn, 1999; Garg & Rasheed, 2003; Kashyap et al., 2012; Jell-Ojobor and Windsperger, 2014; Ni & Alon, 2010
Transaction Cost Theory	6	Alon, 2006; Altinay & Brookes, 2012; Baena, 2012; Baena & Cerviño, 2014; Hoffman et al., 2016; Jell-Ojobor and Windsperger, 2014
Resource Based View	5	Alon, 2006; Fladmoe-Lindquist, 1996; Altinay & Wang, 2006; Jell-Ojobor and Windsperger, 2014; Mariz-Pérez & García-Álvarez, 2009
Power Dependence Theory	3	Altinay & Brookes, 2012; Altinay et al., 2014b; Altinay et al., 2014a
Organizational Capability Theory	2	Merrilees, 2014; Jell-Ojobor and Windsperger, 2014
Stakeholder Theory	2	Altinay & Miles, 2006; Merrilees, 2014
Property Rights Theory	1	Jell-Ojobor and Windsperger, 2014
Strategy Based Theory	1	Alon, 2006
Social Exchange Theory	1	Altinay et al., 2014b
Relational Exchange Theory	1	Davies et al., 2011
Stage Model Theory	1	Ming-Sung et al., 2007
Theory of the Firm	1	Huszagh et al., 1992
Signaling Theory	1	Baena & Cerviño, 2012

cultural differences (Altinay & Brookes, 2012), host country managers prior knowledge (Altinay & Wang, 2006), and financial capabilities of the foreign partner (Sun & Lee, 2013). As franchisors successfully optimize the partner selection process, the posibility of success in international franchising increases.

4. Theoretical underppinings

Through our analysis, we identified different theoretical frameworks/lenses used in international franchising research (see Table 7). Of all papers we analyzed, eleven papers used agency theory, six used transaction cost theory, and five used the resource-based view. Twenty-three percent of the studies included in our review applied one of the three theoretical frameworks. A small percentage of the remaining papers apply theories such as Capability theory, Relationship theory, Stakeholder theory and Governance mode theory, which we cover in brief. The majority of the international franchise studies neither specifically mention any particular theoretical framework nor use subjectively elements and concepts of various theories.

4.1. Agency theory

Agency Theory, also referred to as the "principal agent theory" (Alon, Ni, & Wang, 2012) suggests that an agency relationship exists between a franchisor (the principal) and the franchisee (the agent). Parties in this relationship may have divergent goals and agency costs rise along with the risk of opportunism. Franchisees can act as independent entrepreneurs and engage in opportunistic behaviors (Brickley & Dark, 1987) that enhance their unit (Caves & Murphy, 1976) but not that of the overall franchise system (Hoffman, Munemo, & Watson, 2016). Principals can reduce agency costs and opportunism through direct observation and monitoring or through a system of aligned incentives (Alon, 2006). Managers (agents) of company-owned units are less motivated to perform efficiently than owners of franchise units because much of their compensation is a fixed salary (Fladmoe-Lindquist, 1996).

Agency problems arise from behavioral uncertainty, caused by potential shirking and free riding especially when market conditions are difficult to predict (e.g., generally speaking this is typical for most foreign-market conditions) and information asymmetry is high (Doherty & Quinn, 1999). Agency costs are typically reduced by increasing monitoring and/or creating stronger incentives for the franchise network partners (usually at the expense of higher monitoring costs). Agency theory has proven particularly useful for studying franchising as a business form in the international context, with research showing that franchise companies tend to increase their proportion of franchised outlets as they become more international (Hoffman et al., 2016). Agency theory holds that managers tend to underperform in their duties when their salary is fixed, leading to higher monitoring costs for firms. The general idea propelled in literature is that lower-control governance modes may mitigate agency problems. Garg and Rasheed (2003) argued that in the international context, master franchising addresses agency problems — such as bonding, adverse selection, information flow, shirking, inefficient risk-bearing, free-riding, and quasi-rent appropriation — more effectively than single-unit franchising does. The intuitive nature of this argument partially explains the popularity of agency theory in the past literature, albeit it overlooks critical issues such as the role of context (e.g. cultural and institutional environment in the host location) and its impact on agency-cost reduction. Furthermore, the diversity of international context and the receptiveness of both franchise parties to learning, cooperation and joint-asset development can also exert and effect on behavioral uncertainty and agency costs.

4.2. Resource-based view theory

Resource-based view (RBV) and the related organizational capabilities theory and resource scarcity theory, argue that firms franchise to exploit rare and valuable resources abroad, to access scarce resources, especially capital and managerial resources, and to expand rapidly (Alon & McKee, 1999). According to the RBV, a firm possesses a unique set of resources, some of which form the basis of capabilities, or the capacity to deploy resources efficiently or effectively, in ways that are often difficult for other firms to imitate (Hoffman et al., 2016). The types of resources and capabilities, needed in general for successful internationalization, include international experience, size, performance, and technology, among others (Erramilli & Rao, 1993). These resources can also be the main drivers of an international franchisor's competitive advantage and value-creation in a host country (Jell-Ojobor and Windsperger, 2014). Resources and capabilities that create competitive advantages are often embedded in the franchisor so codification and transfer of such assets across national borders is difficult.

Alon (2006) examined the decision to use master franchising from the resource-based perspective and concluded that franchisors that were small, with obscure brand names, few resources, and little knowledge of international operations may prefer externalizing international expansion to a master-franchisor. Fladmoe-Lindquist (1996) developed a conceptual framework for international franchising based on both resource-based and agency theories. This framework was contingent on the capabilities to process information for the creation of knowledge. These capabilities were the basis for the evolution of new franchise strategies for an international franchisor. Jell-Ojobor and Windsperger, 2014 use the resource- based view and organizational capabilities theory to explain the governance mode in international franchising and concluded that an appropriate codification and transfer of know-how and assets across the firm's boundaries and between the franchisor and its local partners, determined the competitive advantage of the system.

Specifically, in the context of studies examining franchise governance modes, we have noticed a predominant focus on the issue of control over the franchise network, which is not a primary concern for RBV or the other related theories. For example, master franchising exerts less control, followed by area development, joint venture franchising and wholly-owned subsidiary which has the highest control over the network. It is naturally important to investigate the problem of safeguarding unique resources and capabilities; however, this approach also leads to a one-dimensional (limited) use of RBV. What remains underexplored is the focus on the specific role of franchising partners and their set of unique resources and capabilities, which can further advance our knowledge on how to enhance the overall competitiveness of the global franchise network and increase its ability to adapt locally.

4.3. Transaction cost theory

Transaction cost theory (Williamson, 1975) views companies as efficient agents who subcontract activities to external agents (Coase, 1937) who are able to provide them at less cost in comparison to performing in-house. It posits that firms choose to internalize or externalize exchange relationships based primarily on costs incurred during the exchange process (Baena & Cerviño, 2014; Hennart, 2000). Because these exchanges occur between foreign agents, country-level and firm-level factors can constrain the international franchise expansion. The franchisor's choice of governance mode is central in this research, and it depends on the level of uncertainty (external and behavioral) and the transaction-specific investments (assets) involved. Environmental uncertainty for example requires local responsiveness and adaptation of the franchise business model to the specifics of the local environment but it also reduces the ability of the franchisor to evaluate the political, economic and sociocultural context of its operation (Jell-Ojobor and Windsperger, 2014). By transferring some controlling rights to a local partner (e.g. by choosing a lower-control franchise governance mode), franchisors reduce some of the challenges arising from environmental uncertainty. However, opting for a lower-control franchise model exposes the franchisor to the other type (behavioral) uncertainty, which can lead to elevated monitoring costs and require management by introducing stimuli such as partner-empowerment and goal-alignment.

Baena and Cerviño (2014) found that from the country-level perspective, political instability discourages the willingness to enter those markets because of the high business risk. Furthermore, they report that firms preferred adopting a franchising model that allows the transfer of responsibilities concerning business management to local partners; however, the transfer of management skills to partner firms in countries that were culturally dissimilar involved higher transaction costs. When transaction-specific assets are involved in the transfer (e.g., equipment and facilities specific to the partnership and the transaction), and depending on the (a)symmetry between local partner and the franchisor, the latter would choose either lower or higher-control franchise governance modes (Jell-Ojobor and Windsperger, 2014). As is the case with Agency theory, despite the popularity of TCE its application is limited in the context of international franchising mostly because of the focus on cost-reduction, mitigation of agency problems and the general of assumption of imminent opportunistic behavior by potential franchisees (which we consider an exaggerated and outdated concept in modern international business). Going beyond examination of main constructs of the theory (behavioral and external uncertainty) to include contemporary issues in international franchising such as co-development of franchise-network-specific assets, managing network dynamics and local market responsiveness versus the extent of desired standardization may be problematic as exclusive cost-optimization is unlikely to be a key concern in any of these cases.

4.4. Other theories

The Relationship theory explains the initial partner-selection process and contextualizes business-to-business relationships by focusing on the importance of trust (Doherty & Alexander, 2004). The selection and management of distribution partners has always been important in international marketing literature. Franchise partners appreciate relationships built on trust, communication, and mutual support rather than on the threat of negative consequences in case of contract-breach (Merrilees, 2014). Doherty and Alexander (2006) extend this theory from the perspective of power and control; franchisors use a blend of franchise contract, support mechanisms, franchise partner selection, and the franchise relationship to exert control over their international franchise networks.

Stakeholder theory provides a benchmark reference to examine the decision-making process in international franchising agreements (Altinay & Miles, 2006). The application of this theory has been to explore the implicit contracts that exist at the identification and selection stages of franchising. Altinay and Miles (2006) empathize through the stakeholder analysis the importance of managing cultural incompatibility between potential business partners and the franchisor and throughout the entire franchising network.

The Governance mode theory explains how franchise-firms operate in foreign markets based on the allocation of ownership and decision rights between the franchisor and its partners (Jell-Ojobor and Windsperger, 2014). Among all governance modes in international franchising, wholly-owned subsidiary, joint franchise venture, area development, and master franchising have been the most widely researched. Master international franchising is a unique form of governance because it involves managing agents (the master and its sub-franchisees) at arm's length, transferring intangible and valuable assets (namely the brand and the business format of the franchisor) to the agents, and enabling the master to possess the power and skills of a franchisor (Alon, 2006).

We believe that the greatest limitation of most theories applied to international franchising is the lack of clarity in explaining the complex dynamics that occur in global franchise networks. Agency theory, resource based view and transaction cost are one-dimensional

Table 8
Industries in international franchising studies.

Industries	Articles	References
Comparative Industry Studies	17	Aliouche & Schlentrich, 2011; Alon, 2004; Altinay, 2006; Altinay et al., 2014a; Blut et al., 2011; Combs & Ketchen, 2003; Dant, Grünhagen, & Windsperger, 2011; Elango, 2007; Eroglu, 1992; Grace et al., 2013; Hoffman et al., 2016; Kashyap et al., 2012; Kedia et al., 1994; López-Bayón & López-Fernández, 2016; Mariz-Pérez & García-Álvarez, 2009; Meek et al., 2011; Wu, 2015
Restaurant and Food Service Industry	9	Gassenheimer et al., 1996; Hadjimarcou & Barnes, 1998; Kalnins, 2005; Lee, 2008; Lee et al., 2010; Miller, 2008; Ni & Alon, 2010; Paik & Choi, 2007; Sun & Lee, 2013; Yin & Zajac, 2004
International Retail	9	Doherty & Alexander, 2006; Doherty, 2007, 2009; Doherty & Quinn, 1999; Durand & Wrigley, 2009; Petersen & Welch, 2000; Quinn & Alexander, 2002; Thompson & Stanton, 2010; Welsh et al., 2006
Fashion and Clothing Industry	6	Choo, 2005; Doherty & Alexander, 2004; Doherty, 2007, 2009; Doherty & Alexander, 2006; Petersen & Welch, 2000
Service Industry	3	Brookes & Altinay, 2011; Davies et al., 2011; Fladmoe-Lindquist, 1996

attempts to explain a multidimensional phenomenon; even if extended, they cannot present a comprehensive and dynamic picture of international franchising. Efforts have been done in introducing other theories, but they have come short in the operationalization of constructs (e.g., partner-selection process using relationship theory). Further efforts are needed in selecting theories that deal more with the learning process in global franchise groups rather than focusing on cost-reduction or agency issues. In addition, we call for theory development that adequately addresses the role of national and supranational institutions and global competition. Moreover, future research should consider theoretical approaches that allow the examination of a complex set of issues in international franchising such as constraints in developing franchising relationships (e.g., cultural, linguistic, institutional to name only a few), trust-building, and franchise-system performance evaluation.

5. Where and what research has been done

5.1. Industries

About 60% of the articles in our review did not report any specific industry scope. This high percentage demonstrates there is a gap in industry studies. As reported in Tables 8, 17 articles on international franchising compared different industries. Among the single industry studies, nine articles focused on international retail industry, nine articles on the restaurant and food service industry, six articles on the fashion and clothing industry, and three focused on service industries. Sun and Lee (2013) explored the performance and expansion of U.S. based publicly traded firms in the restaurant industry. They found that mix-type restaurants were more likely to expand operations to international markets than full-service restaurants. Food service industry studies focus on international system performance (Gassenheimer, Baucus, & Baucus, 1996; Kalnins, 2005; Ni & Alon, 2010; Sun & Lee, 2013), flexibility and adaptation (Lee, 2008; Paik & Choi, 2007; Yin & Zajac, 2004), partner selection (Hadjimarcou & Barnes, 1998), and the role of language and culture (Miller, 2008).

Alon et al. (2012) examined the determinants for hotel chain expansion through international franchising. They found that franchising provides hotel companies the potential to overcome many of the cultural, linguistic, technical, legal, and employment problems commonly associated with internationalization. Hotel industry studies deal specifically with cultural sensitivity and diversity (Altinay, 2004, 2007; Altinay & Brookes, 2012; Heung, Zhang, & Jiang, 2008), the possession (or lack) of prior knowledge (Altinay & Wang, 2006), and high capital investment (Alon et al., 2012). We note that the findings in these studies may not be generalizable to other franchise industries (Altinay & Brookes, 2012; Altinay & Wang, 2006). Franchise research in the fashion and clothing industry is limited to studies on retail operations such as Marks & Spencer and Tie Rack (Doherty & Alexander, 2006), while more exclusive fashion brands like Louis Vuitton, have received far less attention specifically focusing on the importance of geographic location choice (Paul & Feroul, 2010).

Burt, Dawson, and Sparks (2003) focused on the causes for failed internationalization efforts in the retail industry and grouped their findings into four categories. The first category was market failure related to the risk and stability of the foreign market. The second was competitive failure based on poorer than average market performance. The third was operational failure due to an inability to adapt and transfer marketing and operating routines to the foreign market. The fourth category was business failure due to difficulties within the home market. Furthermore, while technology-based products (including electronic goods or cars) were similar across the globe, foodstuffs or cosmetics were directly influenced by national culture. Retailers, who manage to adequately modify their product offerings, pricing strategies, and other marketing features to meet local specific requirements serve better these markets (developed or emerging) than retailers who do not (Walters & Toyne, 1989).

Several papers related to international franchising compared different industries. For instance, Altinay (2006) explored the complexity of partner selection between USA- and UK-based franchises in 75 different industries and reported that the franchisor employed both partner and task related criteria to select potential franchisees. The process was a multidimensional organizational activity that involved human dynamics. Aliouche and Schlentrich (2011) explored how a firm achieved market penetration and market propinquity through a modified gravity model. They found that market propinquity facilitates the flow of franchises between nations. López-Bayón and López-Fernández (2016) explored the specific elements that affected disputes between franchisor and franchisees through a survey of 163 different franchise chains across many industries. Their results showed that delegating decision rights on local advertising personnel reduced early terminations, while delegation of pricing increased them regardless of the size of the franchising system.

According to Kaufmann and Dant (1999), franchising is increasingly popular in nontraditional US sectors such as telecommunications (e.g., franchise systems of National Telecommunications of Bloomfield, NJ; Voice-Tel Enterprises of Cleveland, OH), financial planning, business consulting, and entrepreneurial advising (e.g., franchise systems of Creative Asset Management of Iselin, NJ; International Mergers & Acquisitions out of Scottsdale, AZ; American Institute of Small Business of Minneapolis, MN), medical and dental products and services (e.g., franchise systems of Miracle Ear of Golden Valley, MN; Americare Dental Centers USA of Phoenix, AZ; American Vision Centers of NY, NY), travel and transportation services (e.g., franchise systems of Cruise Holidays International of San Diego, CA; TPI Travel Services of Tampa, FL; Air Brook Limousine of Rochelle Park, NJ). It is only logical to assume that some or most of these franchise operations have internationalized. We know much about McDonalds, Starbucks, Subway and Burger King's use of international franchising to penetrate foreign markets. We also know of hotel brands that have expanded into foreign markets using international franchising (e.g., Marriot, Hilton, Best Western and Ramada). Future studies should refocus from examining traditional franchise industries (e.g., retail, food, hospitality) to incorporate insights from the internationalization of less traditional franchise sectors.

5.2. Methodologies used in prior research

Eighteen articles, out of all studies reviewed, followed an empirical analysis (quantitative research), eighteen articles followed the case study (qualitative research) approach. Most of the authors used interviews (nine articles) and the rest (five articles) chose document analysis. The case study approach was used to evaluate factors that influence the relationship development between franchisors and franchisees in international service franchise partnerships (Altinay & Brookes, 2012; Brookes, 2014; Brookes & Altinay, 2011; Doherty, 2007, 2009). Brookes and Altinay (2011) found that role performance, asset specificity, and cultural sensitivity influence relationship development in franchise partnerships. They also found that the establishment of franchise partnership involved a mutual and careful evaluation among franchisors and franchisees. Vaishnav and Altinay (2009) used semi-structured interviews to provide insight into the franchise-partner recruitment process. The partner selection process was described as a multidimensional activity, which included an assessment of profitability, brand name, operations support as decision-making criteria (Altinay & Wang, 2006; Doherty, 2007; Doherty & Alexander, 2004). Doherty and Alexander (2004) concluded that franchise relationships can be explained through the core benefits that can be derived from a more comprehensive marriage analogy. We believe that interviews are valuable as they facilitate exploration, however the downside of most qualitative studies is the limited generalizability of the findings.

Table 9 summarizes the research methods most commonly used. Table 10 presents a summary of the methods, hypotheses, variables and main findings of the quantitative articles.

Eighteen articles followed a quantitative empirical methodology. Table 10 provides a detailed account of the methods employed, hypotheses tested, operationalization of variables and the reported findings on international franchising. We provide a brief account of this research, focused primarily on antecedents in international franchising (Alon et al., 2012; Baena, 2012; Hoffman et al., 2016; Mariz-Pérez & García-Álvarez, 2009; Ni & Alon, 2010). Baena (2012) found that geographic distance, uncertainty avoidance, individualism, political stability, corruption, gross domestic product, efficiency of contract enforcement, and nascent entrepreneurship can constrain the spread of franchising across emerging nations. The author used secondary data on about 2836 outlets of 63 Spanish franchisor companies expanding in emerging nations and used ordinary least squares regression. Hoffman et al. (2016) used a sample of U.S. franchise firms and data from secondary sources to test determinants of the scope of franchise internationalization using a panel regression model. The study reported that favorable business climate was a significant predictor of the scope of franchise operations. Alon et al. (2012) used Bayesian logistic regression to examine the decision to internationalize or not. The authors reported that opposite to predictions, the decision to internationalize was negatively related to firm size. Perrigot et al. (2013) also studied the propensity to internationalize or not but used a Manova test to compare group differences between purely domestic and internationalized franchise firms originating from the USA and France. No substantial differences across the two nationality firms were discovered and firm-ownership did not seem to stimulate internationalization. Mariz-Pérez and García-Álvarez (2009) performed discriminant analysis to test the propensity to internationalize and found that franchisor experience was not a significant predictor but older franchisors were more likely to expand internationally.

The methods we describe next were used less frequently in international franchising. Merrilees (2014) used a content analysis method to review 10 specific articles and explore the evolution of the theory of international franchising over a twenty-year period. Heung et al. (2008) used mixed methodology. First, they combined two rounds of in-depth interviews to general managers of 12 state-owned and international franchised hotels in China. Second, they did a content analysis on the qualitative data obtained from the interviews. Binh and Terry (2014) used a content analysis from law journals, World Trade Organization (WTO), U.S. and Vietnamese government pages, among others. This method showed an innovative approach of studying franchising from a developing country. Coding analysis was used specifically in studying the hotel industry (Altinay & Wang, 2006; Connell, 1999). Connell (1999) open coded the text from open interviews, transcribed, categorized and synthesized the data. This approach enabled a comparative analysis of franchisers from the same industry but with different involvement in international franchising. Altinay and Wang (2006) also used survey and document analysis to cross-classify variables, generate themes and illustrate interrelationships.

6. Discussion and suggestions for future research

Following prior reviews (Dikova & Brouthers, 2016; Paul & Benito, 2018) our objective was to review international franchising research and derive an agenda for future research. Our study consolidates knowledge in this area and highlights several ways to improve the understanding of international franchising. We showed that a large number of theories appear within the scope/purview of international franchising, yet we still do not have a widely accepted theoretical framework that considers the relationship between franchise partners and international franchise performance despite many studies examining the link between international franchise expansion and firm performance. The general understanding is that such international expansion yields positive performance benefits because it allows firms to leverage their internal resources across more markets (Grewal et al., 2011). Kalnins (2005) explored the performance of the franchise system based

Table 9
Widely used methods used in international franchising and partnership studies.

Method	Articles	References
Empirical	18	Alon et al., 2012; Altinay et al., 2014a; Altinay & Okumus, 2010; Baena, 2012; Barthélemy, 2011; Combs et al., 2004a; Dant & Nasr, 1998; Hoffman et al., 2016; Kalnins, 2005; Lafontaine, 1999; Mariz-Pérez & García-Álvarez, 2009; Meek et al., 2011; Ni & Alon, 2010; Perrigot et al., 2013; Petersen & Welch, 2000; Sun & Lee, 2013; Williams, 1999; Wu, 2015
Case Study	18	Altinay & Brookes, 2012; Altinay et al., 2014b; Altinay & Wang, 2006; Alon & McKee, 1999; Aliouche & Schlentrich, 2011; Brookes, 2014; Brookes & Altinay, 2011; Connell, 1999; Doherty, 2007, 2009; Doherty & Alexander, 2004, 2006 Elango, 2007; Forte & Carvalho, 2013; Hadjimarcou & Barnes, 1998; Lee, 2008; Miller, 2008; Ming-Sung et al., 2007
Interviews	9	Altinay, 2004, 2006; Altinay et al., 2014b; Altinay & Wang, 2006; Brookes & Altinay, 2011; Connell, 1999; Forte & Carvalho, 2013; Heung et al., 2008; Vaishnav & Altinay, 2009
Document Analysis	5	Altinay, 2004, 2006; Binh & Terry, 2014; Brookes & Altinay, 2011; Merrilees, 2014
Content Analysis	3	Brookes & Altinay, 2011; Heung et al., 2008; Kalnins, 2005
Mix Method	4	Altinay, 2004, 2006; Brookes & Altinay, 2011; Forte & Carvalho, 2013
Regression	4	Hoffman et al., 2016; Alon et al., 2012; Ni & Alon, 2010; Perrigot et al., 2013.
Exploratory Study	2	Choo, 2005; Paik & Choi, 2007
Questionnaire	3	Alon et al., 2012; Altinay et al., 2014b; Lee et al., 2010
Coding Analysis	2	Altinay & Wang, 2006; Connell, 1999

Table 10
Summary of quantitative methods and findings in international franchising studies.

Author	Models & Estimation Methods	Dependent Variables	Independent Variables	Hypotheses	Findings
Alon et al. (2012)	Bayesian logistic regression	International Expansion (IE) is binary	• FRratio = franchising fee/royalty rate • Disper = US states • Fexp = Years Franchising • USscale = US units • FranPer = franchise units/total units • Multi = area development agreement exists	H1: The greater the price bonding the hotel franchisor stipulates in its contracts, the more likely it will seek international franchisees H2a: The greater the domestic geographical scope of the hotel franchisor, the more likely it will seek international franchisees H2b and H2c: The bigger (number of outlets) and older the hotel franchisor, the more likely it will seek international franchisees. H3: The greater the proportion of franchising in the hotel franchisor's system, the more likely it will seek international franchisees. H4: Hotel companies that use area development or sub-franchisees contracts to expand are more likely to seek international franchisees.	decision to go international is negatively related to size, which contradicts that more resources help expansion.
Baena (2012)	Ordinary least squares	• OUTLETS = in foreign countries • FRANCHISOR = Spanish franchisors doing business in each emerging country. • FRPENETR = the number of franchisors in certain emerging nations divided by the number of franchisee outlets located in such countries	• GEODIST = kilometer distance between Spain and emerging country • CULTDIST = Hofstede (2001) • Uncertainty avoidance = Hofstede (2001) • Individualism = Hofstede (2001) • Political Stability = data from IMF and Transparency International • Corruption = data from IMF and Transparency International • Lawsuit = Doing Business Index (World Bank) • days in resolve dispute = Doing Business Index (World Bank) • Cost of court fees = Doing Business Index (World Bank) • Risk aversion = Nascent Entrepreneurship Rate (NER) from GEM (Global Entrepreneurship Monitor)	H1a: The expansion of franchising across emerging nations will be positively associated with high geographical distance between the home and the host country. H1b: The expansion of franchising across emerging nations will be negatively associated with high geographical distance between the home and the host country. H2a: The expansion of franchising across emerging nations will be positively associated with higher cultural distance between the home and the host country. H2b: The expansion of franchising across emerging nations will be negatively associated with higher cultural distance between the home and the host country. H3a: The expansion of franchising across emerging nations will be positively associated with national cultures possessing high uncertainty avoidance. H3b: The expansion of franchising across emerging nations will be positively associated with national cultures possessing low uncertainty avoidance. H4a: The expansion of franchising across emerging nations will be positively associated with national cultures possessing high individualism. H4b: The expansion of franchising across emerging nations will be positively associated with national cultures possessing low individualism. H5a: The expansion of franchising across emerging nations will be positively associated with countries possessing high political stability. H5b: The expansion of franchising across emerging nations will be positively associated with countries possessing low political stability. H6: The expansion of franchising across emerging nations will be positively associated with national cultures possessing low transparency (high corruption).	Observed variables are able to constrain the spread of franchising across emerging nations

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Table 10 (*continued*)

Author	Models & Estimation Methods	Dependent Variables	Independent Variables	Hypotheses	Findings
Barthélemy (2011)	One-way ANOVA	● Use of Franchising = number of franchise outlets/total outlets	● Local managerial inputs ● Threat of franchise opportunism ● Successful competitors use of franchising ● Chain Size ● Geographic dispersion ● Industry segments	H1. There is a positive relationship between the importance of local managerial inputs and the focal chain's use of franchising. H2. There is a negative relationship between the threat of franchisee opportunism and the focal chain's use of franchising. H3. There is a positive relationship between successful competitors' use of franchising and the focal chain's use of franchising. H4. The relationship between local managerial inputs and the focal chain's use of franchising is more positive when successful competitors have a high proportion of franchised outlets. H5. The relationship between the threat of franchisee opportunism and the focal chain's use of franchising is less negative when successful competitors have a high proportion of franchised outlets.	successful competitors' use of franchising explains variance in the focal chain's use of franchising beyond what is explained by the importance of local managerial inputs and the threat of franchisee opportunism
Dant and Nasr (1998)	Two-way MANOVA	Franchisees willingness to provide information to franchisors Measured by: 1) Willingness 2) Completeness 3) Promptness 4) Relevancy/usefulness 5) Accuracy 6) Market Information 7) Directionality	● Repeat versus non repeat industry ● Age of the relationship ● Level of competition ● Multi-unit franchising	H1: Franchisees in repeat purchases industries provide more information to their franchisors than those in non-repeat industries. H2: Longer established franchisees provide more information to their franchisors than their more recent counterparts. H3: The level of competition faced by franchisees is positively related to franchisees' provision of information to their franchisors. H4: Multi-unit franchisees will provide more information to their franchisors than their single-unit counterparts.	There is a positive relationship between the age of the franchise relationship and the franchisees' willingness to provide information to franchisors.
Hoffman et al. (2016)	Panel Regression model	Franchise expansion: (number of units planned for a particular country/urban population of country) from IFA Smartbrief	● Voice and Accountability ● Political Stability and Absence of Violence ● Government Effectiveness ● Regulatory Quality ● Rule of Law ● Control of Corruption ● Communication infrastructure All of this data was collected from the World Bank's Worldwide Governance Indicators and the Doing Business Project.	H1: A country's governance quality is positively related to franchise expansion into the country H2a: Low levels of business entry regulations in a host country will be positively related to franchise expansion into the country. H2b: High levels of business entry regulations in a host country will be negatively related to franchise expansion into the county. H3: A country's tax rate will be negatively related to franchise expansion into the country H4: A country's institutional communication infrastructure, as measured by its level of internet access, will be positively related to franchise expansion into the country. H5a: According to the risk aversion hypothesis, the 2008–09 financial crisis will be negatively related to franchise expansion into foreign markets. H5b: According to the adaptation hypothesis, the 2008–09 financial crisis will be positively related to franchise expansion into foreign markets.	Favorable political governance, country business climate are important predictors of foreign firm's expansion into that country.
Kalnins (2005)	Binary logit model	Venture Survival. It has three outcomes: 1. If it has survived until the end of period	Development Commitment Size. Two dimensions used to measure for 11 countries: Commitment contracts (in $ Millions) & Total Units	Two questions asked:	Franchisors and franchisees initially overestimate the potential markets, but are willing to negotiate contracts.

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Table 10 (*continued*)

Author	Models & Estimation Methods	Dependent Variables	Independent Variables	Hypotheses	Findings
		2. Level of investment still productive 3. Proportion of initial commitment at end		1) Why development commitments of US fast food franchisors tend to be so large relative to the actual number of units that survive? 2) Why the initial development commitment size appears negatively related to important venture-level outcomes?	Large development commitments are more likely the result of overestimation by franchisee
Mariz-Pérez and García-Álvarez (2009)	Discriminant Analysis	ESTABROAD 1 = International 0 = Domestic	• Growth = % increase in # of outlets • TY = Years Franchising • Size = Total outlets of chain • Years firm did not franchise • SECTOR • Entry fees • number of years started Franchising • DUR = contractual duration • %FRAN = Franchise proportion	H1: The lower the growth rate in the national market and, therefore, the higher the saturation of the domestic market, the greater the possibility of finding the chain adopting the decision to expand abroad. H2: Trademark value and chain reputation, measured through the number of years the firm has been in business, are expected to have a positive influence on internationalization activity. H3: Trademark value and chain reputation, measured through the total number of outlets of the chain, are expected to have a positive influence on the decision to internationalize activities.	Franchisor expertise has no significant effect expansion decision Firms that had franchise for longer periods would likely expand abroad
Ni and Alon (2010)	Semi-parametric logistic regression	Yes/No International Expansion (dichotomous)	• FR ratio = Franchising fee/royalty rate • LogAveTinv = Logarithm of average total investment • Fexp: #of years franchising • Franper: franchise units/total units • logUscale: log of # US units • Domestic Saturation = 1- largest units/domestic units • Dispe: U.S States where is present	H1: The higher the level of the franchise fee to the royalties bonding ratio, the more likely that the franchisor will seek international franchisees. H2: The higher the level of franchise investment that is required, the more likely will that the franchisor will seek international franchisees. H3: The greater the franchising experience of the franchisor, the more likely that the franchisor will seek international franchisees. H4: The greater the percentage of franchised outlets in the company's system, the more likely that the franchisor will seek international franchisees. H5: The greater the number of U.S. domestic outlets, the more likely the franchisor will seek international franchisees. H6: The greater the dispersion of domestic outlets across the United States, the more likely the franchisor will seek international franchisees. H7: The greater the level of saturation of the domestic market, the more likely that the franchisor will seek international franchisees.	Many variables are non-linear in their effects Effects of scale and investment are curvilinear and concave Parametric variables tend to be linear
Perrigot et al. (2013)	Logistic regression model	Internationalization (INT) 1 = International 0 = Domestic	• SIZE = Worldwide network size • AGE = network age • DUR = contract duration (years) • SEC = “not clearly defined by author” we assume its sector • PCOW = percentage of company owned outlets	H1: Brand-name recognition, as measured through the total number of outlets in the franchise network, exerts a positive influence on network internationalization. H2a: Monitoring ability, as measured through network age, exerts a positive influence on network internationalization. H2b: Monitoring ability, as measured through franchising contract duration, exerts a positive influence on network internationalization. H3: The ability to transfer know-how, as measured through the particular business industry (retailing versus services), exerts an influence on network internationalization H4: The percentage of company-owned outlets exerts a	Intangible resources have a positive impact on network Company-owned outlets have a negative impact Drivers of internationalization are not found to be statistically different in USA and France

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Table 10 (*continued*)

Author	Models & Estimation Methods	Dependent Variables	Independent Variables	Hypotheses	Findings
				significant and negative influence on network internationalization.	
Sun and Lee (2013)	Generalized Least Squares	Degree of Internationalization (DOI) = dividing the number of properties operated in foreign countries by the total number of the firm's properties	● Tobin q H: firm Tob Q ● Tobin q I: Industry Tob Q ● ROA H: Firm ROA ● ROA I: Industry ROA ● Franchising = Franchising revenue/total revenue ● RTYPE_FULL: 1 = Full service ● RTYPE_Fa: 1 = Fast food	H1: The relationship between a restaurant firm's relative performance and degree of internationalization is inverted U-shape, curvilinear. H2: The degree of franchising has a positive effect on the degree of a restaurant's internationalization H3: Degree of internationalization of mixed-type restaurants is higher than that for fast-food and/or full-service restaurants.	A curvilinear, inverted, U-Shape relationship between Tobin's q and the degree of internationalization (DOI) and a positive impact of franchising on the DOI
Wu (2015)	Structural Equation Modeling	Franchising Strategy	● Firm performance ● Brand reputation ● Relational resources	H1. Brand reputation affects franchisees' intention to remain in the franchise system. H2. Brand reputation affects franchisees' performance in the franchise system. H3. Franchisees' intention to remain in the franchise system positively relates to franchisees' performance. Franchising H4. Relational resources positively affect franchisees' intention to re- main in the franchise system. H4a. Franchisors' knowledge sharing positively affects franchisees' intention to remain in the franchise system. H4b. Franchisees' perceived inter-firm trust in a franchisor positively affects franchisees' intention to remain in the franchise system. H4c. Conflict management by franchisors positively affects franchisees' intention to remain in the franchise system. H5. Relational resources positively affect franchisees' performance. H5a. Franchisors' knowledge-sharing positively affects franchisees' performance. H5b. Franchisees' perceived inter-firm trust in a franchisor positively affects franchisees' performance. H5c. Conflict management by franchisors positively affects franchisees' performance.	Knowledge sharing, trust, conflict management, and brand reputation are key factors in reinforcing franchisees' intention to remain and financial performance within the franchise system

on the amount of funds invested and concluded that size affected firm survival. Sun and Lee (2013) used an empirical approach to measure financial performance of U.S. restaurant firms and found that when a franchise system expanded internationally, profits started to grow until a certain point of expansion whereupon profits started to decrease. Although informative, past research on international franchising has a limited consideration of factors that have direct and/or indirect impact on overall firm performance. To remedy this shortcoming and provide a more detailed account of international franchise performance implications, we propose an overarching framework (Fig. 1). It integrates current approaches to studying international franchising that focus on international franchise antecedents and governance modes (forms), and in addition introduces a number of potential moderators. We specifically highlight our two-dimensional approach, one retaining the traditional focus on the franchiser and the second more contemporary approach zooming in on franchiser/franchisee dynamic interaction. A more partnerhsip-centered research would in turn demand the consideration of extended behavioral theoretical models as an alternative to the traditional TCE/Agency theory or RBV approach.

6.1. The franchisor's perspective

Traditionally international franchise research has adopted a franchisor's perspective by either focusing on the antecedents of international franchising (IF) or the preferred international franchise governance mode. The antecedents (determinants) earlier classified as macro- or micro-level, have so far received much of the research attention (Aliouche & Schlentrich, 2011; Alon & McKee, 1999; Baena, 2012). Alon and McKee (1999), Aliouche and Schlentrich (2011) and Baena (2012), among others, explored the macroeconomic conditions that determine how firms select foreign markets. At the firm level, the international experience of managers, their market knowledge, and growth opportunities influenced the decision to expand overseas (Alon, 2006; Altinay & Wang, 2006; Aydin & Kacker, 1990; Fladmoe-Lindquist & Jacque, 1995). A similar approach (e.g., distinguishing between macro- and micro-level determinants) was applied to the second most studied phenomenon, the governance mode in international franchising. Our greatest criticism is the single-dimensional approach suggesting that previously investigated IF and governance mode antecedents affect all franchise firms in a similar manner. Below we further elaborate on the idea of introducing complexity to the field by introducing several possible boundary conditions future studies should explore.

6.1.1. Entrepreneurial orientation

Although the issue of managers' motivation has received less attention in research, we should not forget that it is, largely, motivation that determines the success or failure of franchise adoption. When managers have strong entrepreneurial orientation, they could easily commit to developing franchise opportunities in foreign markets. On occasion, managers might have entrepreneurial orientation, yet they might not have all of the required resources to pursue international franchising. Hadjimarcou and Barnes (1998) explored the Silver Streak restaurant case in Mexico where this firm management did not consider they were in a position to enter into that geographically close yet cultural distant market. Silver Streak management demonstrated commitment and adaptability in order succeed in this entrepreneurial venture. Past research indicates that entrepreneurial orientation and a mutual, balanced sense of dependence between the franchisor and franchisee drives the speed, scale and scope of international growth (Combs et al., 2011; Grewal et al., 2011; Jell-Ojobor and Windsperger, 2014). We believe that entrepreneurial orientation is a viable positive moderator of the relationship between established micro- and macro-level factors and the propensity to engage in international franchising. Entrepreneurial orientation could possibly be a critical condition for the success or failure of the franchise system. Kaufmann and Dant (1999) suggest that franchising provides a unique and fertile setting for research in entrepreneurship: franchisor as entrepreneur, franchisee as entrepreneur, and the franchise relationship as an entrepreneurial partnership. We hope that both entrepreneurship scholars and franchising scholars will increasingly see the benefits of this intersection.

6.1.2. National institutions and institutional distance

Cultural distance (Alon, 2006; Altinay & Wang, 2006; Baena & Cerviño, 2014; Eroglu, 1992; Fladmoe-Lindquist & Jacque, 1995; Huszagh et al., 1992) and geographic distance (Alon, 2006; Baena, 2012; Baena & Cerviño, 2014; Dant & Grünhagen, 2014) have been widely used in the past as macro-level determinants of international franchising. For example, geographic-distance lens in international franchising literature refers specifically to the role of physical space in decisions related to franchising expansion. Eroglu (1992) recognized the importance of cultural distance and its influence on the organization's intention to internationalize its franchise system. The findings of this study indicated that cultural distance is often a threat to the organization's further international expansion attempts (Altinay, 2006; Eroglu, 1992). Cultural distance was also considered as a determinant of the likelihood to engage in low-control franchising governance modes (e.g. partnerships) but there is no consensus on its effects on relationship development (Altinay & Brookes, 2012). Altinay and Wang (2006) explored how cultural distance influences prior knowledge of the franchise partner recruitment process from a single case study. Their findings suggested that cultural differences and ways of doing business in different country/markets magnified the complexity of franchise partnerships.

We acknowledge the significance of studies focusing on national culture and geographic distance but we suggest a different approach. First, an extension of the concept of distance by introducing institutional distance (e.g., regulatory, political and social) and its effect on perceived uncertainty by international franchisors and second, a consideration of institutional distance as a moderator of the relationship between various micro- and macro-level antecedents and the propensity of the firm to opt for a specific IF governance mode. The extent of differences of law, regulations, social norms and customs around the world cannot have the same effect on all firms that either consider the internationalization of their franchise network or decide on how to govern the franchise system globally. Rather, these differences create various levels of uncertainties for different franchisers. For example, they are less for those with managers with prior international experience. Therefore, institutional distance effects should be considered primarily as a moderator rather than a direct predictor of international franchise propensity and governance mode.

6.1.3. Competition

Understanding competitors and their strategies is a difficult task because such information is normally not publicly available and competitive signals are often distorted. Despite these limitations, consideration of potential competitive moves is likely an important part of making decisions regarding franchise internationalization and franchise governance mode. Franchise firms often enter foreign markets due to high levels of domestic competition. The preference for a low or high-control franchise governance mode is also likely to be affected by the extent of competitive pressures in a specific foreign market and the desire to establish or maintain brand positioning in that market. A consideration of competitor actions and the potential threat they create is therefore relevant. Thus, there is potential for developing robust measures of competitor actions (e.g., competitor willingness and ability to make similar international commitments or competitive preemptive measures in specific foreign markets) and examining their moderating effect on the relationship between franchise antecedents, the extent of internationalization of the franchise and its governance mode choice in a specific international context.

6.1.4. Network complexity

International franchising strategy is primarily adopted as a relatively fast growth strategy. A key challenge for the franchisor is the identification of the optimum number of franchise outlets and the size of territory assigned to a particular foreign franchisee because this decision is taken under conditions of imperfect information (e.g., due to cultural and other differences). The downside of assigning too small a territory to a given foreign franchisee is the inability to achieve a satisfactory return, while assigning too large a territory might result in an inability to exploit demand fully. Restructuring the original franchise network design can be tainted by unforeseen franchisor-franchisee conflicts (Fock, 2001). Network design has clearly an effect on performance and perhaps on the survival of the franchise system. However, Cox and Mason (2009) note that research has not given much attention to the design of the franchise network and the development of methods of restructuring that could minimize conflicts with franchisees. Szulanski and Jensen (2006) indicate that effective knowledge transfer entail rapid network growth, when the system follows a conservative approach. There is clearly a gap in scholarly literature on how franchise systems evolve spatially and temporally. We suggest future research to focus on how such network dynamics affects both the link between macro- and micro-level predictors of both propensities to expand internationally and the choices franchise firms make regarding governance modes.

When firms expand their operations internationally, their operational performance tends to increase (Sun & Lee, 2013; Ni & Alon, 2010) but so is their organizational/network complexity. It is important for managers to consider how their decisions (which include their operating strategies, growth plans, number of outlets, to which countries to expand, and partner-selection) affect the fundamental value of the firm, the stock price, and its intangible value (brand name). In addition to looking into franchise system performance in isolation or assume a linear relationship between international franchising and performance, we suggest an approach that would allow determining the role of franchise dispersion and complexity, as a condition for further internationalization and governance choices in the franchise system. Too much system complexity is likely to curb further internationalization efforts, despite a positive impact of various micro- or macro-level antecedents of international franchising. Similarly, too much complexity in the franchise network would influence the governance choice. Therefore, future research should investigate what specific boundary conditions it would create for international franchise systems.

6.2. The franchisor/franchisee's perspective

Much of the extant international franchising literature has been presented from the perspective of the franchisor (i.e., why would a firm choose to organize as a franchise chain and recruit franchisee partners). Expanding the approach to allow for a more holistic view is needed (Dant & Grünhagen, 2014). The focus of past research is investigating issues related to the selection of the right partner, as this is considered key to the future success or failure in international franchising. We argue that this approach is rather limited. Altinay (2006) indicated that the interactions and attempts to create a co-operative environment among partners cannot be established overnight or before the actual agreement is struck. No one doubts that certain benefits accrue to both franchisers and franchisees such as access to a proven business concept and system for the franchisee and access to local market opportunities and knowledge for the franchisor (Altinay, Brookes, & Aktas, 2013). However, resolving the tension between maintaining global brand uniformity and allowing sufficient autonomy to respond to local market demands is compounded in geographically dispersed and differentiated markets (Weavin & Frazer, 2007). There is a clear need to focus on studying supportive and cooperative franchise environments that provide the mechanisms to manage such tensions. Frazer et al. (2007) argue that promoting a cooperative environment requires managing the power and control in franchise relationships by zooming in on the role of trust, satisfaction, communication and cultural sensitivity.

6.2.1. Cultural sensitivity

An emergent approach in this line of research is the focus on cultural sensitivity instead of cultural differences, broadly suggesting that the franchise partners should develop cultural sensitivity for the relationship to flourish. Altinay et al. (2014b) indicate that cultural sensitivity enhances the development of trust, which in turn has a positive impact on the long-term viability of the franchise partnership. High cultural sensitivity provides support to the franchise partnership. Cultural sensitivity of franchisors is very important for relationship development and for performance, especially in view of the cultural differences extant between the home and the host markets (Altinay et al., 2014b). Therefore, we suggest future researchers to focus more on issues related to cultural sensitivity of both the franchisee and the franchisor; this will reveal new insights into the likelihood of franchise partnership adoption and its prospective success. Many of the current issues discussed in the literature on franchise partnerships (e.g., partner selection, trust building, social exchange, co-development, empowerment, satisfaction) are directly or indirectly influenced by the extent of cultural sensitivity of the franchise partners. However, prior research has overlooked potential boundary conditions to the effectiveness of such cooperation-building measures.

6.2.2. Institutional context and organizational learning

Institutional distance, reflected in the differences in business practices in different countries, influences the nature of franchise relationship development in international markets. For example, the role of institutional context, and the level of international experience of the franchise-partners are entirely overlooked in current research. Countries where informality in the business practices is very high, affect the legitimacy (and legal enforcement) of the franchise contracts, which in turn decrease trust-building in international franchise systems. However, the extent to which successful trust-building or co-development is possible within geographically and internationally diverse franchise system depends on the quality (or diversity) of the institutional framework and/or the ability of the partners to facilitate cooperation. Therefore, in addition to looking into cultural sensitivity issues, we consider that more research on the moderating role of institutional distance and experience is necessary in order to understand the determinants of success in international franchise partnerships.

6.3. A dynamic network view of international franchising

Franchise network governance was mostly viewed as a static structure, whereas its dynamics remained relatively less understood. Scholars have drawn on several focused theories to develop hypotheses for examining international franchise expansion. For example, both agency theory and transaction cost theory address the risks involved in franchising, and the need for the franchiser to monitor and control its international franchise units to prevent costs incurred by opportunism and self-interest. The risks in international markets are perceived as substantial due to uncertainty posed by economic, political, and cultural differences. According to another view, the RBV, franchisors initially export their competitive advantage abroad (e.g., brand name, business model). The majority of extant studies use these theories to determine the franchise governance mode (high- or low-controlled), however we suggest a shift in focus to the dynamic development and evolution of the franchise system as a whole (rather than focusing on singular and static governance-mode choices in individual foreign markets).

Franchisors often advance their competitive advantage by combining relationship-specific assets with franchisees and permitting the franchise system to develop additional resources and capabilities which neither party could develop on their own (e.g., management and operating system, support and training). We suggest that the ultimate success of the franchise system is not solely determined by the agency/transaction costs of the franchisor or by the resources and capabilities transferred abroad, but by the complementary resources and capabilities of potential partners in international markets (both franchisees and other stakeholders). The dynamic evolution of the system is therefore a complex phenomenon which requires an integration of local institutional and industry factors, the specific contributions of franchise partners and stakeholders (e.g., resources, network links etc.) and the ability of the franchise system to advance the level of trust, cooperation and empowerment (among others). A purposeful combination of social and bureaucratic coordination mechanisms within the franchise network governance would stimulate positively intellectual property creation and exploitation. New theoretical frameworks should be considered in the future. For example, relational exchange theory can be useful in determining how distinct forms of trust are instrumental in developing joint intellectual property, resolving conflicts and reaching mutual satisfaction in the international franchise system (Davies et al., 2011).

6.4. Overcoming data limitations: performance measurement

Prior studies have focused on franchise performance mostly in a domestic context by examining for example the performance of franchisees vis-à-vis franchisors (e.g., Michael & Moore, 1995) or investigating performance effects of the franchisor's decision to use franchising. There is no clear consensus among the latter group of studies: Shane (1996b) found that franchises boost growth and enhance the probability of survival among young franchisors, Michael (2002) reported indirect evidence of a franchising–performance relationship while Combs and Ketchen (1999) failed to see a clear relationship between franchising and performance. As suggested by Combs, Ketchen, and Hoover (2004a) the limited research establishing the franchising–performance relationship seems to present a gap in the literature.

One of the limitations in international franchising research is the availability of data. Most of the franchise systems are privately owned, which reduces the amount of publicly available information. Because of this, the most common methodology used in international franchising research is the case study. This is also evident from the limited number of quantitative research, and the narrow scope of empirical investigation (Table 10). Case studies provide a tool to explore a new phenomenon, but it also limits the relevance of the results to the observed situation and firms. Franchisors are heterogeneous so perhaps aggregating disparate firms and searching for linear relationships might mask important insights (Miller, 1987). We suggest future research to follow a mixed methods approach. A combination of case study, interviews, questionnaires, and content analysis would help researchers explore international franchising and the dynamics of IF networks. We found a few studies that used methods such as cluster analysis (Navarro-García, Rondán-Cataluña, & Rodríguez-Rad, 2014) and Bayesian analysis (Alon et al., 2012) which appear to provide new avenues for analysis. Coding analysis (Altinay & Wang, 2006; Connell, 1999) also can provide new opportunities to explore content analysis. We urge future studies to address the international franchising phenomenon and its different dimensions by exploring the applicability of new methodologies.

7. Conclusion

Our review showed that international franchising research was mainly approached from three theoretical perspectives: agency, resource-based, and transaction cost theory. Research in this area can benefit from exploring new theories that can fill the knowledge gap in the new (more collaborative) organizational forms that are gaining popularity in the international franchising industry. The majority of the analysis used qualitative methodologies, mainly due to data shortage. We suggest that future research considers using mixed methodologies as well as multidisciplinary examination between entrepreneurship, marketing and international business. Such approach could help, for example, understand the complex dynamics that occur within IF partnership relationships. Studies that combine the richness of interviews with empirical analysis could also derive new frameworks, contribute towards the development of new theories, and serve to strengthen existing models.

We developed an overarching framework that integrates past approaches to studying international franchising with a more contemporary focus. In such a way, we addressed one of the main limitations of current literature, the exclusive focus on one-directional relationships and the predominant franchisor's point of view. Our framework suggests a shift from the traditional focus on the franchisor to a more contemporary, mixed franchiser/franchisee approach. We trust our framework for IF partnership-centered research would in turn stimulate scholars to better utilize behavioral theoretical models rather than continue to apply traditional TCE or RBV theories.

Our review summarized the knowledge in the field and discovered that studies in areas such as partner-dynamics in international franchising and subsequent performance implications are particularly lacking. This presents promising research opportunities. We presented our ideas about new ways of integrating financial performance into a multi-level and dynamic analysis of international franchising. We hope that our suggestions are inspirational and pave the way towards more insightful future research on international franchising.

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Appendix A. List of 112 articles analyzed for this literature review

Aliouche & Schlentrich, 2011	Fladmoe-Lindquist & Jacque, 1995
Alon, 2004	Forte & Carvalho, 2013
Alon, 2006	Garg & Rasheed, 2003
Alon & McKee, 1999	Gassenheimer et al., 1996
Alon et al., 2012	Gerringer, 1991
Al-Khalifa & Peterson, 1999	Grace, Weaven, Frazer, & Giddings, 2013
Altinay, 2004	Grewal et al., 2011
Altinay, 2006	Hadjimarcou & Barnes, 1998
Altinay & Brookes, 2012	Herndon, 2014
Altinay et al., 2014a	Heung et al., 2008
Altinay et al., 2014b	Hoffman et al., 2016

Altinay & Miles, 2006	Huszagh et al., 1992
Altinay & Okumus, 2010	Jeffries & Reed, 2000
Altinay & Wang, 2006	Jell-Ojobor and Windsperger, 2014
Aydin & Kacker, 1990	Kalnins, 2005
Baena, 2009	Kashyap, Antia, & Frazier, 2012
Baena, 2012	Kedia et al., 1994
Baena & Cerviño, 2012	Kedia et al., 1995
Baena & Cerviño, 2014	Kedia & Lahiri, 2007
Barthélemy, 2011	Lafontaine, 1999
Blut et al., 2011	Lafontaine, 2014
Brookes, 2014	Lafontaine & Oxley, 2004
Brookes & Altinay, 2011	Lee, 2008
Brookes & Roper, 2011	Lee, Khan, & Ko, 2010
Buchan, 2014	Li & Dant, 1997
Burton, Cross, Rhodes, & M., 2000	López-Bayón & López-Fernández, 2016
Chang & Rosenzweig, 2001	Lusch & Brown, 1996
Cheng et al., 2007	Mariz-Pérez & García-Álvarez, 2009
Choo, 2005	McIntyre & Huszagh, 1995
Connell, 1999	Meek, Davis-Sramek, Baucus, & Germain, 2011
Combs & Ketchen, 2003	Merrilees, 2014
Combs et al., 2011	Miller, 2008
Combs et al., 2004b	Ming-Sung, Yin-Chao, Tu, & Wu, 2007
Combs et al., 2011a	Ni & Alon, 2010
Combs et al., 2011b	
Contractor & Kundu, 1998a	Paik & Choi, 2007
Contractor & Kundu, 1998b	Perrigot et al., 2013
Dant & Grünhagen, 2014	Petersen & Welch, 2000
Dant et al., 2012	Quinn & Alexander, 2002
Dant & Nasr, 1998	Quinn & Doherty, 2000
Davies et al., 2011	Ryans et al., 1999
Doherty, 2007	Sashi & Karuppur, 2002
Doherty, 2009	Shane, 1996a, 1996b
Doherty & Alexander, 2004	Sirmon & Lane, 2004
Doherty & Alexander, 2006	Skarmeas & Robson, 2008
Doherty & Quinn, 1999	Sun & Lee, 2013
Dow & Larimo, 2009	Szulanski & Jensen, 2006
Durand & Wrigley, 2009	Thompson & Stanton, 2010
Elango, 2007	Vaishnav & Altinay, 2009
Elango & Fried, 1997	Walters & Toyne, 1989
Erramilli et al., 2002	Wang & Altinay, 2008
Erramilli & Rao, 1993	Welsh, 1993
Eroglu, 1992	Welsh et al., 2006
Evanschitzky et al., 2016	Williams, 1999
Falbe & Dandridge, 1992	Wu, 2015
Fladmoe-Lindquist, 1996	Yin & Zajac, 2004

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