AKAMAI UNIVERSITY

DOCTOR OF PHILOSOPHY BY DISSERTATION

FRANCHISOR-FRANCHISEE INTERACTION QUALITY AND PERFORMANCE : A CASE ANALYSIS OF D'MONTE CHILDCARE

Student Name :Goh Ka Tin
Student Number :13062601
Program : Doctor of Philosophy By Dissertation
Subject :Ph.D Dissertation
Supervisor :Dr. Lee Karling

STUDENT DECLARATION

I hereby declare that : I understand the meaning of 'plagiarism' and 'Intellectual Property Right" and Ethics Related to the Principles of Academic Works.

This dissertation is hereby acknowledged as my own work and I have duly acknowledge use of published and unpublished works of other people from the print, electronic and other media.

Goh Ka Tin (601016-07-5298) Date : 3rd Aug 2018

ACKNOWLEDGEMENTS

I would first like to thank the members of my dissertation committee. I am grateful to my advisor, Professor Dr. Lee Karling for her professional guidance and support throughout the graduate program. She has influenced my logical thinking and has been greatly devoted to helping me complete this dissertation, especially her valuable advices and suggestions relating to statistics. She was invaluable as both a mentor and a friend as she inspired my academic and professional development. In addition, I would like to express thanks to EDS Team for their professional opinion and arrangement. I sincerely appreciate help from Mr. Kenny Lee who has provided endless guidance to me throughout my studies and for that I am very grateful.

Last but not least, I would like to express my gratitude to my mother, my dearest husband and family member, my sisters and brothers. Without their support and encouragement, I do not think I could have finished my study and pursued my dream.

I am so lucky to have too many friends to list in my acknowledgements. Each and every one of you will always be in my heart and you will never be forgotten.

Abstract

Franchising has often been widely accepted as an effective way to conduct and expand businesses for both Franchisees and Franchisors. Using the underpinning theory of Resources-Based View (RBV), Agency Theory (AT) and Theory of Constraints (TOC), which loosely coupled together as inter-related factors affecting the success of a business organizational performance, in particular on franchising system. The success factors include consideration of quality interaction between Franchisor and Franchisees, Franchisee's satisfaction and constraints faced. This research is based on qualitative case study, using semi-structure interview involving six top managements (Head Quarter) and twenty one of the D'MONTE Childcare centre principals in the Northern region of Malaysia. It is anchored with the 9-steps setting up of franchising system to derive the underlying assumptions for coming out the boundary of interview questions. The finding revealed that seven assumptions are aligned while three are otherwise. The research result imply that as a Franchisor, they should look into the triangular relationship of the three theories affecting the quality interaction between Franchisor and Franchisees which eventually influence the performance of the whole Franchise system.

Keywords: Franchising, Franchisor-franchisee Relationship, Relationship Quality, Franchisee Competencies, Competitive advantage, Business performance

TABLE OF CONTENT

Acknowledgement 3

Abstract 4

Chapter 1. Introduction

1.0 Introduction 9
1.1 Background of Study 9
1.2 Problem Statement 18
1.3 Purpose of Study 21
1.4 Research Objective 21
1.5 Research Questions 22
1.6 Significant of The Study 22
1.7 Scope of Study 24
1.8 Limitation of The Study 24
1.9 Definition of the Key Terms 25

Chapter 2. Literature Review

2.0 Overview 27
2.1 Background of Study 28
2.2 Definition of Franchise 30

2.2.1 Introduction 32
Type of Franchise
2.2.3 Importance of Franchising 34
2.2.4 Franchising in Malaysia 36

2.3 Franchise Performance 38

2.3.1 Franchisor Perspective 39
2.3.2 Franchisee Perspective 41

2.4 Franchise Theories 45

2.4.1 Resource-Based View (RBV) 45
2.4.2 Theory-Of Constraint (TOC) 48
2.4.3 Agency Theory (AT) 50

2.5 Franchisee as entrepreneur in business 51

2.5.1 SME 53
2.5.2 SME's Contribution to Malaysia's Economy 53
2.5.3 Franchising as a Mean of Business for SME's 54
2.5.4 Franchising in Malaysia for SME's 55

2.6 Franchisee-Franchisor Relationship 57

2.7 The concept of Entrepreneurial Competencies 61

2.7.1 Entrepreneurial Competencies Relevant for Franchising 62
2.7.2 Franchising Competencies 63
2.7.3 Franchise Selection Process 66

2.8 Gaps in Literature 73
2.9 Conceptual Framework 74
2.10 Assumption of Research Outcome 76
2.11 Conclusion 77

Chapter 3. Methodology

3.0 Overview 80
3.1 Research Design 80
3.2 Unit of Analysis 81
3.3 Qualitative Case Study 82
3.4 Company Profile 82
3.5 Research Objective or Participants 83
3.6 Data Collection Method 83
3.7 Proposed Interview Questions

3.7.1 Interview of Franchisor 84
3.7.2 Interview of Franchisee 86

3.8 Data Analysis Method 87
3.9 Ethical Limitation 87
3.10 Conclusion 88

Chapter 4. Findings and Results

4.0 Overview 89
4.1 Company's Profile 89
4.2 Interviewees' Profile

4.2.1 Franchisor's Profile 90
4.2.2 Franchisees' Profile 92

4.3 Preliminary Review

4.3.1 Franchisor 94
4.3.2 Franchisees 98

4.4 Assumption Categorization 102

4.4.1 Analysis Discussion for Research Objective 1 104
4.4.2 Analysis Discussion for Research Objective 2 105
4.4.3 Analysis Discussion for Research Objective 3 116
4.4.4 Analysis Discussion for Research Objective 4 118

4.5 Result 122
4.6 Conclusion 124

Chapter 5. Conclusion and Recommendation

5.0 Overview 125
5.1 Conclusion and Results 125

5.1.1 Concluding Discussion For Research Objective 1 126
5.1.2 Concluding Discussion For Research Objective 2 127
5.1.3 Concluding Discussion For Research Objective 3 127
5.1.4 Concluding Discussion For Research Objective 4 128

5.2 Contribution

5.2.1 Contribution to the Academia
.

Resource-Based View (RBV) 129
Agency Theory (AT) 131
Theory Of Constraints (TOC) 133

5.2.2 Contribution to D'MONTE Group 133
5.2.3 Contribution to Franchising Industry 134

5.3 Recommendation 135
5.4 Future Research Direction 138
5.5 Conclusion 139

Appendix 1 Basic Interview Questions For Franchisor 140

Appendix 2 Basic Interview Questions For Franchisee(s) 144

Appendix 3 Franchisor's Interview Transcript Summary 149

Appendix 4 Franchisee(s) Interview Transcript Summary 172

Appendix 5 Summary of Franchisor's Feedback 192

Appendix 6 Summary of Franchisee(s) Feedback 196

Reference Reference 199

Chapter 1

1.0 Introduction

Franchising has become a popular global format of doing business in a number of industries (Alexander Rosado-Serrano, at. el., 2018).It can be described as a contractually based business arrangement between the franchisor (as the parent company) who develops a product or service, and grants a license to the franchisee (an independent entity) who buys the right to use the franchisor's trade name and sell that product or service in a prescribed manner (e.g., Khan, 1992; Czinkota, at.al., 2004).Small and medium sized firms have used this method to expand their business for over 100 years (Dant&Grünhagen, 2014; ITA, 2016).

Franchising offers opportunities for individuals and business firms who want to expand the number of their distribution outlets carrying their products and services (Khan, 1992), and is becoming an important strategy in both the U. S. and the world markets for business growth, creation of jobs, and economic development (Hoffman and Preble, 1991).Franchisors who understand these dynamics will integrate becoming an "employer of choice" to their strategic plan and fund initiatives to help franchisees attract and retain talented individuals from thinning labour pool. As a result of such initiatives, franchisors able to dissect their entire revenue model and to simultaneously drive new customer growth, increase average ticket, increase customer frequency, and extend the lifetime value of the customer as well as create and perfect recurring revenue models for franchisees (Matthew, 2018).This collaborative relationshipbringsin strategic win-win partnership synergistic benefits tomoreentrepreneurs, customers as well as the national economy development.

In short, franchising generally creates one potentially full-employment economic benefit, often increases wages, which in turn, increases discretionary income and consumer confidence, increases consumer spending and ultimately leading to potential increases in franchisees' and franchisors' sales and profitability.

In such franchisor-franchisee businessrelationship, the franchisee is granted or sold the right to use the franchisor's system of distribution and/or trademark (Khan, 1992). The limits of a franchisor-franchisee relationship are formalized by contract, and thefranchising contracts

represent the products to be sold, standards of quality, prices, and hours of operation, and they also specify the start-up date, the duration of the contract agreements, periods of renewal, and termination clauses (Croonen& Brand, 2013). The relationship at its optimum should be mutually beneficial and involve shared effort,should enhance profits, maximize market share, product sales, and growth for thefranchisor and franchisee (Justis&Judd, 2007). There is much potential for conflict in a relationship where both parties are mutually dependent, bound together by a contract, and must rely on inputs from both parties (Schoorman et al. 2007). Thereforea better understanding of the factors that produce a high-qualityrelationship between franchisor and franchisee would be beneficial to both parties.

1.1 Background For The Study

Franchising is a business form consisting of a franchisor with a market-tested products or services, entering into a long-term contractual relationship with franchisees. Franchisees will operate under the franchisor's trade name to produce, or to market goods or services according to a format specified by the franchisor (Curran & Stanworth, 1983, pp. 11).

Franchising has been extensively researched for more than 40 years. It started in the United States and spread to other parts of the world (Alon & McKee, 1999; Alon, Ni & Wang,2011). Franchising in the United States has been growing rapidly. International Franchise Association (cited in Combs, Michael &Castrogiovanni, 2004) stated that in the United States franchising represents over 40% of retail sales. The PriceWaterHouseCoopersFranchise Report 2009stated that franchise chains account for more than 5% of the United States private-sector output and more than 8% of the United States employment in 2008. The numbers of jobs created by franchising are more than the numbers of jobs created from durable goods manufacturers (Price Water House Coopers, 2009). In the 2011 Franchise Business Outlook Report (PriceWaterHouseCoopers, 2011), the franchise business is estimated to add 42,000 jobs in 2010 and would grow at a 2.5% rate in 2011. Nonetheless, as indicated in Table 1.1 below, we project that the franchise sector grew faster than the overall economy in 2017 and will do so again in 2018 as it has in recent years: (IHS Markit Economics January 2018).

- We estimate the number of franchise establishments increased 1.6% in 2017 and expect them to increase another 1.9% in 2018 to 759 thousand.

- Franchise employment is forecast to grow 3.7% in 2018 after growing 3.1% in 2017, and franchise employment will continue to outpace economy-wide employment growth. Total private nonfarm employment is forecast to increase 1.8% this year after growing 1.7% in 2017.
- The output of franchise businesses in nominal dollars is projected to increase 6.2% in 2018 to $757 billion and grew 5.6% in 2017.
- The gross domestic product (GDP) of the franchise sector will increase by 6.1% to $451 billion in 2018. This will exceed the growth of US GDP in nominal dollars, which is projected at 4.7%. The franchise sector will contribute approximately 3% of US GDP in nominal dollars.

According to Franchise Business Economic Outlook 2018 from International Franchise Association Franchise Education and Research Foundation;strong economic fundamentals and a boost from the tax reform and favourable regulatory environment support the expected above-trend growth in 2018. Consumer fundamentals were already on solid footing entering 2018, attributed to therising incomes and a solid job market. Also the lower tax rates enacted by the TCJA will modestly boost spending further over the next couple years. Even before the TCJA passed, equipment spending was running on all cylinders. Fourth-quarter real spending is expected to be up a whopping 15.8% and contribute 0.9 percentage point to GDP growth; this follows a 10.8% third-quarter gain (The Economic Impact of Franchised Businesses: Volume IV, 2016).These are strong tailwinds for consumer spending, capital expenditures, and housing. Moreover, there are no obvious imbalances that could threaten the expansion, though policy missteps could mute the expansion. (IHS Markit Economics January 2018)

Franchise Business Economic Outlook: January 2018 Forecast					
					Forecast
	2014	2015	2016	2017	2018
Establishments	708,974	720,458	733,297	745,290	759,236
Percent change		*1.6%*	*1.8%*	*1.6%*	*1.9%*
Employment ('000)	7,164	7,379	7,645	7,881	8,172
Percent change		*3.0%*	*3.6%*	*3.1%*	*3.7%*
Output ($Billions)	602.7	637.5	675.7	713.2	757.2
Percent change		*5.8%*	*6.0%*	*5.6%*	*6.2%*
GDP ($Billions)	363.2	382.9	405.0	425.5	451.4
Percent change		*5.4%*	*5.8%*	*5.1%*	*6.1%*

Table 1.1 By IHS Market Economics January 2018

Evidently, franchise is an important organizational format that could contribute to the nation's economy. Miller and Gossman (1990), cited in (Spinelli & Birley, 1996), described franchising as an organizational form structured by a long-term contract whereby the owner, producer, or distributor of a service or trademarked product (Andrea, 1999) grants the non-exclusive rights to a distributor for the local distribution of the product or service "franchisee". In return, the franchisee pays an up-front fee and ongoing royalties, and agrees to conform to quality standards (Justis& Judd,1986). The franchise business concept started in 1900s in the United States (Alon & McKee, 1999; Alon, Ni, & Wang, 2011) and spread rapidly throughout the world.

In Malaysia, the size of franchise industry has already surpassed RM 10.7 billion revenue in 2003 (Ismail, 2004) with a total of 3,781 franchise outlets in Malaysia, contributing to 80,000 jobs to the country. Franchising consistently achieves revenue more than RM 10 billion for the past few years. In 2009, franchising contributed 6% of retail sales in Malaysia (Damodaran, 2009).

In the speech of the then Minister of Defence, Dato' Seri Mohd Najib bin Tun Haji Abdul Razak during the official launching of Franchise International Malaysia 2005, franchising was mentioned and recognized as one of the fastest growing sectors in Malaysia. "… franchising is one of the fastest growing sectors in Malaysia." (Tun Hj Abdul Razak, 2005, para. 5) The franchise business rose rapidly since year 2000 because of Malaysia's strong

economic climate and also because of the Malaysian government has adopted pro-franchise policy and welcomed franchisors from within and outside the country to invest in Malaysia (Tun Hj Abdul Razak, 2005).

A survey done by the Malaysia Franchise Association (MFA) recorded growth of 815% within 10 years, in franchise outlets from 413 in 1993 to 3,781 in 2003 (The Star, 2003). Faiz (2006) mentioned that the growth of franchising in Malaysia is because of four main factors:consumeracceptance; advantages to franchisor; advantages to franchisee; and 100% backing by the Malaysian government (Hamid, 2007).

Franchising in Malaysia is governed by the Franchise Act 1998 (Franchise Act), as amended by the Franchise (Amendment) Act 2012 which came into force on 1 January 2013, and the Franchise Regulations 1999 (amended by the Franchise (Forms and Fees) (Amendment) Regulations 2007).The responsibility of enforcing franchising laws and regulations in Malaysia falls on the Franchise Development Division of the Ministry of Domestic Trade, Co-Operatives and Consumerism, which is headed by the Registrar of Franchises(ROF).

Franchisors do need to register with the Franchise Development Division. Several types of compulsory registrations are provided for both franchisors and franchisees, and different rules and requirements apply to each (Ishak,2010).Failure by a body corporate local franchisor or master franchisee of a foreign franchisor to comply with this requirement is an offence punishable with a fine up to MYR250,000, while non-body corporate face a lesser fine from MYR150,000 and/or imprisonment for a term between one to three years (Ministry of Domestic Trade, Co-operatives and Consumerism, 2012).

Table 1.2 Number of Registered and Active Franchising in Malaysia in 2010

Sector	Registered Franchising	Active Franchising	Percentage Active Franchising
Retail Stores			
Food retail	143	110	
Convenient Store & Supermarket	13	9	
Apparel & Fashion Store	68	59	
Book Store	6	4	
Jewelry Store	5	5	
Time & watch Store	2	2	
Souvenir Store	6	6	
Furniture Store	3	3	
Electrical & Computer Store	6	6	
Spectacle Store	10	8	
Others	7	6	
Sub Total	**269**	**218**	**61.1%**
Business services			
Children & Preschool	54	39	
Business service & Maintenance	48	39	
Healthcare & Beauty	46	30	
IT & Telecommunication	18	9	
Others	31	19	
Sub Total	**197**	**136**	**38.9%**
Total	**466**	**354**	**100%**

Source : PNS Website www.pns.com.my

Investing in a franchise can be a compelling choice. It gives small enterprises the benefit of a well-known brand, something that can take years for an independent venture to build up, as well as the proven business systems of the franchisor. These two factors give franchisees a valuable head start (Samy, 2011).According to Dominique Lamb, CEO of the National Retail Association (NRA), 80% of independent small businesses fail in the first five years – "that's far higher than the 20% failure rate among franchisees" (Sadi and Henderson, 2011). The advantages of franchising go beyond an established brand. "As a franchisee you're not entering a new industry on your own," says Lamb. "You have the support of the franchisor, and this can extend to assistance with human resources, organising business bank accounts,

which can mean securing discounts on equipment and machines (Herold, 2014). According to Kotler and Keller (2012) Franchisors will also often step in to negotiate leases for franchisees or at the least educate franchisees on how to negotiate a commercial lease." Simply being answerable to a franchisor can be a plus. Many people love the idea of working for themselves but they do not always have the necessary discipline to be small business operators (Sadi and Henderson, 2011)

In Malaysia, franchising is a growing importance to the economy especially in the retail sectors. As shown in Table 1.2 above, the retail and store sectors which include food and beverages stores; apparels and fashion stores; convenient stores and supermarket; and other specialized stores consist of 61.6% of all franchise systems in Malaysia. 38.9% of Malaysian franchising is involved in business services such as preschool child care, information technology services, healthcare and beauty treatment services, as well as farming, Water Park trading and catering (PNS, 2010). The popularity of these types of franchise systems is because of the significant increase of demand in Malaysia (Zhen, 2013).The business service franchise is a type of business format franchising, which Franchisor would need to transfer the whole know how of the business to franchisee, this includes Childcare Centres and Preschool, Tuition Centres, Healthcare (Ashkenas, 2014). Business-format franchising is booming in most developed and developing countries worldwide and in most sectors of activity, including retailing and services, most recently in the social sector (Lafontaine, 2014). This corresponds to the application of the main principles of franchising in various social sectors, such as education, healthcare, energy provision and water purification in Asian countries and Malaysia (Zhen, 2013).

One of the sectors gaining prominence is the education sector. One of the main reason this study chooses to only study on the Franchise in Business Service sector especially those involve in education or preschool for young children in Malaysia arethehigh demand for good quality education for young children is the cause for the emergence of franchising in the education sector (Dahari &Ya, 2011). As a result, parents perceived limitations of the public school system to accommodate a broad section of the population and from its lack of resources, which affect the quality of education offered by the government (MAPECE, 2007).

1. Public education in Malaysia is also hampered by lack of funds and inefficiency in administration.

1) Fast Growing Industry

2) Social Dimensions

According to Roslan (2014), There are several social dimensions associated with franchising in the education sector. First franchising provides benefit for the society as a whole. Franchisors, through the use of media, motivate parents to educate their children and promote education. With Franchised schools, students in remote areas have the opportunity to receive quality education at affordable fees (Zhen 2013).

Table 1.3 Number of Franchise Registration and Growth Rate in Malaysia from 2000 to 2010

Year	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Register	115	27	34	25	21	22	27	44	51	30	77
Growth %	-	-77	26	-26	-16	5	23	63	16	-41	157

Source : PNS Website www.pns.com.my 2010

Franchise registration in Malaysia is shown in Table 1.3 above. In year 2000, when Malaysia had just started to implement the Franchise Act 1998, where all previous franchise operations in Malaysia had to be registered with the Malaysian government, the total number was 115. The lowest number of registration for franchising was 21 in 2004 when Malaysia was facing slow economic growth. Similarly in 2009, there was a dip in the number of registration of franchising. In year 2009, the Franchise Industry was hit by the world economic recession.Starting from 2005 to 2008 and 2010, as shown in Table 1.3, new franchising in Malaysia grew by 5%, 23%, 63%, 16% and 157% respectively (Perbadanan National Berhad, 2010). Strong growth rates indicate that the franchising is increasingly acceptable as a viable business venture in Malaysia (Hamid, 2011).Between January 2000 and July 2017, the number of registered franchise businesses from various sectors in Malaysia has increased to 931, up from 830 last year, and of which 574 are local brands.The franchise industry contributed RM27 billion/ US$6.6 billion to the country's GDP in 2017, which is a significant contribution figure on the national economy.Out of this volume, franchising on education and childcare sector, occupied 11% of the total, which placed at second highest along with two other sectors - clothing and accessories and services (both also 11%) after the food and beverage (40%).

Franchise is primarily linked to the development of the small and medium enterprises (SME) where SME is considered the main economic driver for a country (Water 2013).

A few countries have adopted franchising as a means to promote entrepreneurship and SME in the country namely, the United States (Alon & McKee, 1999), Malaysia (Hamid, Mohd, Selamat, &Mastor, 2003; Ibrahim, 2000), Singapore (Foo, Peng, Lee, & Tang-Ng, 1998), Indonesia (Ibrahim, 2000), Brazil (Alvaro &Fabrio, 1999), Austria (Glatz & Chan, 1999), European Community(Chan &Justis, 1992), Ukraine (Peretiatko, et al., 2009), Spain (Chan &Justis, 1992), and Russia (Alon &Banai, 2000; Anttonen, Tuunanen, & Alon, 2005).

The franchisees' entrepreneurship success would help the franchise system to grow by expanding their own businesses (Zhen, et. al.,2015). Notably, the success or performance of entrepreneurship is associated with specific knowledge and skills that are equipped by individuals to perform a job role successfully which result in venture birth, survival and growth (Ahmad, 2007; Ahmad, Ramayah, Wilson, &Kummerow, 2010; Bird, 1995; Man, Lau, & Chan, 2002). Specific skills and knowledge which contribute to the success of a venture are identified as entrepreneurial competencies (Mitchelmore& Rowley, 2010). Entrepreneurialcompetencies are found in a number of studies contributed significantly towards the venture performance for small and medium enterprises in Hong Kong (Man & Lau, 2000), Malaysia (Ahmad, Ramayah, et al., 2010), Australia (Ahmad, 2007), China (Man, et.al., 2012), and the United States (Chandler & Hanks, 1994).

In the context of franchising, franchisee is considered as an independent, small business operator whose entrepreneurial decision-making is independent; however the extent of the independence will vary according to the constraints imposed by each franchise agreement (Withane, 1991). In the competitive environment, franchisees have consistently involved in entrepreneurial activities such as product development, market research, and risk taking as shown in various recent studies (Baucus, Baucus, & Human, 1996; Christensen, Parsons, &Fairbourne, 2009; Combs, Michael, &Castrogiovanni, 2004; Michael & Combs, 2008; Shane & Hoy, 1996; Torikka&Tuunanen, 2009; Tuunanen, 2007). Phan, Butler and Lee (1996, pp 380) strongly argued and explained that "Franchisees are in fact potentially entrepreneurial because franchisor's ability to impose a strategic direction on any franchisee is limited, …" based on the argument that franchisors have incomplete information, unable to

anticipate value beyond the contract and do not have the flexibility to alter the strategic orientation of the contractual relationship with franchisees (Phan, Butler, & Lee, 1996).

Franchisor sets performance and management standards as well as manages the brand image of the franchise network. Franchisees manage the local environment and daily operations to gain profits from the activities to meet the contractual requirements of franchisor (Combs, Ketchen, & Hoover, 2004). In this respect, the profitability of franchisor comes from the effectiveness and performance of franchisees in distributing products and services to customers. The franchisee entrepreneurial performance is important because the success of franchising will depend on the business performance of the franchisee (Harmon & Griffiths, 2008). Gauzente (2003) stated that the performance and satisfaction of franchisee are considered the central of the franchise network's long-term survival. Therefore, the effectiveness of franchisee in managing the franchise business will contribute to the profitability of the franchisor (Gauzente, 2003).

In this regard, franchisee performance is important to understand the survival of franchise network. There are only a few limited streams of research on franchisee performance (Fenwick &Strombom, 1998; Hing, 1995; Withane, 1991). Morrison (1997) revealed that franchisee performance is affected by the satisfaction and personality of franchisee. It is found that higher franchisee satisfaction would lead to better performance from franchisee (Morrison, 1997). Morrison (1997) also suggested that franchisors with management system that cultivates work-related attitudes and a stronger attachment to the network would promote high franchisee performance. When franchisees are satisfied with franchisor, franchisees are more cooperative and will contribute more towards the success of the overall franchise system (Roh& Yoon, 2009).

The nature of interdependence of franchisor and franchisee has made the relationship of franchisor-franchisee a key to franchise performance (Brown & Dev, 1997). In order to obtain better performance, managing relationship and providing constant support to franchisee is one of the most important functions for franchisor (Doherty, 2007; Foo, et al., 1998). The constant support from franchisor would help develop skills and competencies for franchisees. A higher level of competencies would contribute towards the performance of the firm for franchisee, as franchisee is considered as small and medium enterprises (Ahmad, 2007; Man, et al., 2002; Rahatullah&Raeside, 2008).

The franchisor supports, job satisfaction of franchisees, trust and commitment of franchisees will create a value beneficial to the franchise system. This intrinsic beneficial value, conceptualized by Harmon and Griffiths (2008) as Franchisee Perceived Relationship Value, would contribute towards the performance of the franchise system (Harmon & Griffiths, 2008). Harmon and Griffiths (2008) also stressed on the importance of franchisor-franchisee relationship towards the performance of both franchisee and franchisor.

Franchisees' business performance is affected by franchisees' competencies and the franchisor-franchisee relationships (Frazer et al.,2008). Improving the franchisees' competencies and relationships would improve franchisees' performance and eventually would also improve franchisor's profitability (Frazer et al., 2008). Franchisees' competencies and franchisor-franchisee relationships can be built through utilizing internal and relational resources obtained by franchisees (Mogan and Hunt, 1994). Internal resources as stated in the resource-based view refer to all assets, capabilities, organizational processes etc. which are controlled by SMEs that enable the firm to build competitive advantages (Barney, 1991). The relational resources are the resources franchisees obtained from external parties, who are referred as franchisor, by paying franchising fees, licensing fees, royalties etc. (Etgar, 1978; Strutton et al., 1995). A combination of two theories is used in this study to explain the internal and relational factors that contribute to the business success of franchisee. Combined theories in franchise research is gaining popularity (Lafontaine & Kaufmann, 1994). Lafontaine and Kaufmann (1994) had encouraged the study of franchise phenomenon by using combination of various theories. It has been a fact that a single theory is not able to explain the franchise industry. This study will investigate the three main factors that influence the franchisees' performance based on three underlying theories namely 1) Resource-based view; 2) Theory of Constraints; and 3) Agency Theory. A model of franchisees' entrepreneurial competencies and performance will be introduced and competencies that are required by franchisees will be identified (Grace and Weaven, 2011)

Similar to all businesses, franchising is also subjected to the influence of environmental factors (Athanasopoulou, 2009). There are a lot of environmental factors being studied by the academic. In the context of entrepreneurship literature, two of the environmental dimensions, Benign versus Hostile and Stable versus Dynamic, were used to describe business environment (Ahmad, 2007; Zahra, 1993). As this study postulates that franchising is a form

of entrepreneurship, the environmental dimensions of Stable/Dynamic were adopted (Hayes 2013)

As seen in the Table 1.4, the number of franchising registration in Malaysia was affected by the business cycle in Malaysia (Wang and Yang, 2013). In year 2009, during the recession and slow growth of the economy, the number of registration reduced significantly to 30 from 51 in 2008. In 2009, according to the Central Bank of Malaysia (*Bank Negara Malaysia*) GDP growth rate for Malaysia was -1.7, reduced significantly from 4.7 in 2008, which indicated that Malaysia was in recession.

Table 1.4

Malaysia Gross Domestic Product (GDP) from Year 2004 – 2010

Year	2004	2005	2006	2007	2008	2009	2010
Gross Domestic Product	6.8	5.3	5.8	6.5	4.7	-1.7	7.2

Source: *Bank Negara Malaysia*

The above phenomenon observed in the franchising industry is clearly explained by Oxenfeldt and Kelly (1968). During recession, demand will reduce and franchisors will face increasing competition that puts pressure on profits (Oxenfeldt and Kelly, 1968). Franchisors will tend to alleviate pressure by buying back franchises and managing them as outlets of "wholly-owned chains" (Oxenfeldt& Kelly, 1968). Increased competition will also reduce the willingness of entrepreneurs to franchise their business. This explains the effects and importance of environmental uncertainty or dynamism towards franchising industry. This is also consistent with Boyle's (1999) investigation of the effects of environmental uncertainty or dynamism on franchise system by examining the oil companies' petrol retailing franchise over the past 20 years. Increasing environmental uncertainty or dynamism encourages franchisors to adopt business format franchise characteristics in order to tighten franchisee control (Boyle, 1999). Therefore the environmental dynamism would affect indirectly the franchisee performance (Athanasopoulou, 2009).

1.2 Problem Statement

The Malaysian government has identified franchising as one of the key measures to encourage entrepreneurship in the country. In the Eighth Malaysia Plan (*Rancangan Malaysia Ke-8)*, from 1995 to 2000, the government had allocated a big budget amounting to

RM 100 million via the franchise development programme to develop 60 new franchisors (Mohd, Mahad, et.al., 2011). Subsequently, the budget for franchise development in the Ninth and Tenth Malaysia Plans were amounting to RM 20million and RM 50 million respectively (Yaakob, 2010).

Although tremendous effort has been put in by the Malaysian government to encourage franchising, the results were not obvious (Yaakob, 2010). The size of the franchise market in Malaysia has grown from USD 154 million in 1986 to a significant value of USD 214 million (RM 532.86 million) in 1990 and subsequently to RM10.7 billion in 2009. According to the Malaysia Franchise Association, in November 2008, there are 360 franchise systems registered in Malaysia where 235 are home-grown franchise brands and 125 are foreign franchises. Out of the 235 home-grown franchises, 15% or 35 franchisors have expanded into international markets and penetrated into more than 20 countries (Malaysia Franchise Association, 2009). The Malaysian franchise industry has an average growth rate of 9 per cent per annum (Ibrahim, 2000). However, in numbers of franchise establishments, Malaysia is still in an infancy stage for franchising as compared to Singapore or Australia. As in 2008, Malaysia has about 360 franchisors and 8300 franchisees (Malaysia Franchise Association, 2009). Comparing to Australia, a country where the population is similar with Malaysia, there are 747 franchise systems in Australia which is double the franchise systems in Malaysia. As we compare to Singapore, the number of franchise system stands at 354 which is similar to Malaysia but with a quarter of Malaysian population (Malaysia Franchise Association, 2009). The above statistics shows a significant variation in the participation in franchising industry among Malaysians as compared to the neighbouring and other countries.

Mohd and Mahad (2005) also stated that the contribution from franchising in Malaysia is still unsatisfactory. It only covers around 5% of the total domestic retail sales (Mohd& Mahad, 2005). This shows that despite the enormous effort to develop franchising industry, the Malaysian franchise is still lagging behind and there are plenty of rooms for growth.

The growth of franchisors will depend on the growth of franchisees (Allen, D.R. and Rao, T. R.N., 2000). Franchisees' failure is considered as sub-optimal performance of the franchise system where franchise contract is terminated before it expires (Holmberg & Morgan, 2007; Stanworth & Curran, 1999). The lack of performance either in the part of franchisor or franchisee will lead to franchisee failure (Watson and Johnson, 2013). Sub-optimal performance can be directly related to failure because it is antecedents of franchisee failure.

Success or failure dimensions are the end results of business venture in which the business performance will be the measurement (Murphy, Trailer, & Hill, 1996). In the radically changing business landscapes, a company with operational excellence draws better performance and they portray visible corporate branding which in turn, attracts more and better potential talented employees to join the company.However, the product and process innovation on one hand allow the organization to perform better than the rivals, but at the same time, it can lead to the risks of competitive convergence and open innovation (Trompenaars &Coebergh, 2015). This is because, such unique and uniformized ideas can be easily imitated by emerging market players.

A study conducted by Mohd and Mahad (2005) identified the cause of franchisee failure in Malaysia. Mohd et al (2005) stated that 8 major factors caused franchisee business failure, namely; 1) greed of franchisee, 2) franchisee attitude, 3) poor service of franchisee, 4) conflict with franchisor, 5) bad location selected by franchisee, 6) weak financial standing of franchisee, 7) cash flow mismanagement by franchisee, and 8) bad payer franchisee. It was found that franchisees failed due to mismanagement and lack of entrepreneurial skills. This statement triggers the debate whether franchising failure is mainly caused by the lack of entrepreneurial competencies among franchisees in Malaysia (Mohd and Mahad, 2005). Against this backdrop, the present study seeks to investigate the effect of franchisee competencies on franchisee business performance.

Franchisor and franchisee are business partners who are mutuallydependent on each other's objectives and performance to achieve their goals and interest. This is because both parties are bind together by a long-term legal contract. The co-dependency nature of the franchisor – franchisee relationships entails a sharing of benefits and burdens (Grunhagen&Dorsch, 2003). The quality of benefits and burdens shared between franchisor and franchisee would lead to conflict or cooperation and further determined the perceived value or quality of the relationship (Watson and Johnson, 2003). The differences in perceived quality and value of the relationship would affect the efficiency of the system performance (Maritz & Nieman, 2008). Empirical research has indicated that the perception of franchisee would affect the franchise performance (Falbe& Welsh, 1998; Kaufmann & Stanworth, 1995; Morrison, 1997; Spinelli & Birley, 1998). Another study that investigated the franchisee failure rate in the United States and Europe found that the reasons for franchisee failure were mismatch of expectations during early stage of relationship or before signing franchise contract and shift

of franchisee perceived value of the relationship (Holmberg & Morgan, 2007; Holmberg & Morgan, 2003). Having noted that, most of the franchising studies are done in a Western cultural context (Huang &Phau, 2009) whereas there are few studies considering Asian context (Chiou, Hsieh, & Yang, 2004). It is more compelling for studies related to alliance relationships such as franchisor – franchisee relationship, and performance because it is found that cultural differences have a significant impact on the alliance relationship performance (David & Peter, 2004; Dong &Glaister, 2009; Suku&Emilija, 2009). This study attempted to contribute to the gap of literature to investigate franchise relationship in the Malaysian context.

In the franchising literature, there is an emerging interest and debate whether the franchisee should be regarded as an entrepreneur (Fenwick &Strombom, 1998). As summarized by Fenwick and Strombom (1998), there are three views in the literature namely 1) franchisee as an employee because of the constraints imposed by the franchise contract (Anderson, Condon, & Dunkelberg, 1992; Baucus, et al., 1996); 2) franchisee as an independent entrepreneur whose decision making can influence the performance of the outlet (Hoy & Shane, 1998; Kaufmann &Dant, 1999; Merrilees& Frazer, 2006; Williams, 1999); and 3) franchisee as intermediate between employee and independent entrepreneur, and the independence will vary between franchise system according to the constraints imposed by the franchise agreement (Grunhagen&Mittelstaedt, 2005; Knight, 1984; Withane, 1991). There are times when franchisee entrepreneurship and creativity has helped to develop the competitive advantage of the franchise system (Combs, Ketchen, Shook, & Short, 2011). Quote from Ray Kroc,

"The success of additions such as the Filet-o-Fish, the Big Mac, Hot Apple Pie and Egg McMuffin … each evolved from an idea of one of our operators. So, the company has benefited from the ingenuity of its small businessmen." More often franchisors will also have to face with franchisee who acts in a more entrepreneurial manner. Franchisee often breaks the rules set by franchisor, in believing that they have found a better way to enhance their individual performance (Dant and Gundlach, 1999;Quinn and Doherty, 2000; Davies et al.,2009). These actions will frequently challenge the integrity of the franchise system and threaten the franchisor's earnings (Fenwick &Strombom, 1998). This triggers a fundamental question whether franchisees' entrepreneurial characteristics and competencies would affect

the performance of the outlet. This study would attempt to clarify the relation between franchisees' entrepreneurship and the franchisees' venture performance.

1.3 Purpose Of The Study

The purpose of this study is to investigate the significance of the relationship of franchisee competencies and franchisee perceived relationship qualities on franchisee business performance. This would enable franchisors to better manage franchise relationship and eventually enhance the performance of the franchise industry.Companies with higher levels of cooperation and reduced conflict are more willing to improve innovation, expand markets, and reduce costs (Cannon & Homburg, 2010). In fact, good relationship, trust in partners, and commitment should improve organizational performance, given that, in an environment of this nature, exchanges produce greater satisfaction and efficiency (Wang & Yang, 2013). There are many key drivers of Franchisees and Franchisor relationship performance. Palmatier et al. (2007) claim that at least four main theories dominate attempts to understand these drivers. However the main focus in this research is stream down to the quality relationship of Franchisees and Franchisor which affect the business performance, which is reflected by dimensions such as sales growth, net income growth, return on investment, profitability, relative market position, and market shares.

1.4 Research Objectives

Based on the preceding discussion, the main objective of this study is primarily to understand factors leading to franchisee business performance. Specifically, this study intends to:

(1) Review whether the 9-steps process is being followed during the setting up of the Franchise business.

(2) Determine whether Franchisee' commitment and leadership skill have impact on the Franchise business performance.

(3) Identify key factors that affect Franchisee-Franchisor relationship quality

(4) Ascertain whether the business environment has impact on the mutual relationship and franchise performance

1.5 Research Questions

Based on the above-mentioned, the present study seeks to find answers to the following questions:

Research Question 1

Are the 9-steps process of setting up being followed during the set up of the Franchise business?

Research Question 2

Will the Franchisees' commitment and leadership skill impact on the Franchisee' business performance ?

Research Question 3

What are the key factors affecting the quality relationship between Franchisor and Franchisees that will impact both their performance

Research Question 4

Will the business environment affect the Franchisee' business performance and mutual relationship quality ?

1.6 Significance Of The Study

This study hopes to make six contributions to the development of franchise industry in Malaysia.

First, from the theoretical perspective, this study would contribute towards using relational-based view and resource-based view to develop the proposed framework of this study. This study will provide answers to the current call for such research to be done by Combs et. al. (2011). Although multiple theories are used in franchising research, the combination of resource-based view, Agency Theory and Theory of Constraints are pioneered by this study. Therefore, building from these theories, the franchisee performance construction and the consequences of franchising can be developed further.

Second, there are many franchising research done in the world but they mainly focus on the western culture. According to Chiou et. al. (2008) there is limited literature on Asian context. This study would provide insights into the franchising industry in an Asian culture. Franchising in Asia currently has been growing rapid (Wang and Yang, 2013). It is very crucial to have more studies using Asia as the main focus because this would provide guidance to the franchise industry in Asian countries (Wang and Yang, 2013). As the franchise industry in Asian countries blossom, this study is timely to investigate the perspective of Asian franchisees towards relationship and performance.

Third, practically, this study would provide a framework for franchisor to better manage the franchise relationships. The perspective of franchisee regarding the value of the franchise relationship is very important because this will determine whether the franchisee would remain or leave (Wang and Yang 2013). The turnover of franchisee would affect the performance of the franchise system. Therefore, it is very important for franchisor to understand what would encourage franchisee to stay with the franchise system. This study would provide a guide to franchisor in franchisee relationship management and further assist the franchise industry to grow in Malaysia.

Fourth, the debate whether franchisee is an entrepreneur has been on-going and the dominant view has not emerged (Watson & Johnson, 2010). This study would contribute and add into the pool of literature debating the statement. However, the significance of this study is that it is the first in Malaysia to shift the debate from a western country to an Asian country. The findings on how entrepreneurial franchisees are in Malaysia would assist franchisor to strategize and match such entrepreneurship towards the performance and success of the franchise system (Huang &Phau, 2009)

Fifth, although the customer perceived relationship quality is fully explored by the relationship marketing scholar, there is still under-study for the perceived relationship quality in the context of strategic alliance generally and franchising specifically (Chiou et al., 2004; Davies et al., 2009). Franchising is a unique case of strategic alliance where a long-term agreement governs the relationship between franchisor and franchisee (Nathan, 2000). Franchisee perceived relationship quality is important. It would affect the performance of the franchise system and would threaten the integrity of the franchise network (Lafontaine and Slade,1997). This study emphasizes on the importance of the franchisee perceived

relationship quality and, urges and persuades franchisor to put more focus in managing the perception of franchisee to strengthen and to grow the franchise industry in Malaysia.

Lastly, the Malaysian government has been putting a lot of effort to develop entrepreneurship through franchising especially in the survival of franchisees (Faiz, 2006; Hamid, 2007). Plenty of soft loans and grants are given to franchisee to enhance their survival in a competitive environment in Malaysia (Yacob, 2010). This study attempts to find out from the franchisees' perspective, the factors contributing to the franchisees' business performance. Mainly, the study would provide an overview on the competencies of franchisee that would significantly increase the performance and survival of franchisee (Davies et al.,2009). At the same time this study would be a guide for self-improvements for franchisee.

Similar study was done by Ahmad (2007) who applied entrepreneurial competencies framework to study Malaysian SMEs but excluding the franchise industry. With the focus only on franchise industry, this study would complement towards the entrepreneurial competencies study on Malaysian SMEs.

1.7 Scope Of The Study

This study is done in Malaysia which is an Asian country. The respondents are from Malaysian franchise industry. This is a countrywide research to better understand the franchisee perspective in Malaysia. Franchising in different countries has different franchise act governing the franchise relationships. Conducting survey in only one country could help to control the differences caused by the franchise act.

1.8 Limitation Of Study

The limitation of the research is within the childcare outlets of D'MONTE Franchise. Because of the interest of the researcher, and because business-format franchising involves more complicated contracts that include not only sales, but also the entire business concept itself. Important aspects of the business format franchise include the trademark, compensation package, marketing strategy and planning, the management approach, operating manuals and standards, quality control, and a continuing process of consultation with the franchisor. The largest industry to use business-format franchising is not within this industry.

1.9 Definition Of Key Terms

Franchise is a business form consisting of franchisor, with a business package of products or services, entering into a continuing contractual relationship with franchisees, who are self-financed and independently owner-managed small firms, operating under the franchisor's trade name to produce and/or market goods or services according to a format specified by the franchisor (Curran & Stanworth, 1983).

Franchisor is a company who owns the rights to sells products and services and the rights to grants a franchise to a franchisee.

Franchisee is a person to whom a franchise is granted by franchisor.

Motivation is the reason why people would like to be franchisees. In other word, why he or she would seek a franchise rather than operating an independent business.

Evaluation is the franchisee's perception of franchisor's support.

Brand name is the perceived brand value of the franchisor's brand name.

The quality of the relationship is the degree to which franchisees are interrelated withthe franchisor. A high quality relationship can be expected to result in high productivity.

Performance is the franchisee's perception about his or her financial performance or success of the business.

Satisfaction is the franchisee's affective (emotional) response to the relationship.

Commitment is defined as a franchisee's predicting intention to leave the relationship with overall assessment of worthiness or utility in a franchisor's offering, based on what is to be received and what is to be given.

Entrepreneurial Competencies is the underlying characteristics such as generic and specific knowledge, motives, traits, self-images, social roles, and skills which result in venture birth, survival, and growth.

Perceived Relationship Quality is the overall assessment of the strength of the relationship. Prior models of relationship quality have identified three dimensions namely, satisfaction with exchange partners, trust with exchange partners, and commitment to an ongoing relationship.

Environmental Dynamism is characterized by unpredictable and rapid change, which increases uncertainty for individuals and firms operating within them.

Chapter 2 Literature Review

2.0 Overview

Although a considerable variety of business alliances types exist, franchising has emerged as a powerful form of two-party collaboration (Brookes &Altinay, 2011). Both the franchisor and franchisee have substantial incentives to enter a franchising system. Literature in this field shows franchisors choose franchising as a business model because it enables them to grow faster in comparison to other business models (Harmon and Griffiths, 2008; Davies et al., 2009).It may be because franchisees supply human and financial capital to carry out the expansion (Bercovtiz, 1999; Elango& Fried, 1997; Emerson, 1998; Justis & Judd, 2002; Lim & Frazer, 2004). On the other hand, franchisees choose franchising due to the help supplied by franchisors (Justis & Judd, 2002). Many entrepreneurs do not have previous work experience to be successful businessmen; therefore, they prefer appealing to franchisors to receive help and training to start their own business (Lim & Frazer, 2004),continual development and evolution of systems.Consequently, franchisors need to be responsive and attend to franchisees' needs, particularly during the early stages of the partnership (Altinay, Brookes, Yeung, & Aktas, 2014).

Prior to the contractual relationship between the franchisor and franchisee, franchisors direct their potential franchisees towards ideal business locations and help them with the interior designing and material procurement (Harmon and Griffiths, 2008; Davies et al., 2009).They also support franchisees in recruiting ideal employees, while some offer business management training, operation manuals, marketingassistance, etc. (Justis & Judd, 2002; Kaufmann & Stanworth, 1995; Lim & Frazer, 2004; Williamson, 1995). Likewise, a franchisee receiving satisfactory support from the franchisor partner develops confidence in the franchisor's capabilities (Altinay & Brookes, 2012; Flint-Hartle & de Bruin, 2011; Hing, 1995). Therefore, the relationship between the franchisor and franchisee is of vital importance for the development and success of a franchise.

However, while tapping into the benefits that franchising business can offer, the franchisor-franchising collaborative arrangement faces several major operational challenges (Matthew & Evans, 2012) as discussed in the next paragraph.

First, as many new franchisees are first time entrepreneurs; especiallyin a stagnant economy or recession as unemployment rises, first time entrepreneurs often believe the job market looks risky and starting a business appears secure. Thus, this dynamic affects their choice as career opportunity options. Inevitably and predictably the number of franchisees a franchisor recruits may decrease due to high perceived job market opportunity cost. This slow down perception will eventually lead to the franchisor's expectation of the slowerearning growth and cash flow.Consequently, this end up the franchisees labour cost may increase as they struggle to find relevant labour force. Hence, franchisees are less likely to expand in markets when they can't readily find labour. This influence franchisors' prospects for organic growth and new revenue streams from its most cost effective and lowest risk resource, successful franchisees.In order to take care of the uniformity of practice and to protect the corporate values and branding, these wage increases often cannot entirely be passed on to the customer in the form of service fee increases. This resulted in a decrease in the franchisees' EBITDA, and weakening the unit level economic. This dynamic market phenomenon appears in a spiral effect that the franchisor suffers.

Nevertheless, forward-thinking franchisors will create new and more innovative offerings which better aligns franchisees and franchisors risk and reward, and reduce the franchisees' cost of entry.

However, franchisees are not always satisfied with the affiliation, believing they do not receive enough assistance or resources, not only at the beginning, but also at the developmentstage (Morgan and Hunt, 1994; Harmon and Griffiths, 2008). Moreover, franchisees gradually learn the franchisor's operating methods, strategies, and their strengths and weaknesses (Watson et al., 2005). As franchisees' success increases, they attribute the success to their own efforts and business qualities rather than their franchisor (Davies, Lassar, Manolis, Prince, & Winsor, 2011). In franchising, while franchisors seek to maintain uniformity in their standard operations to preserve the integrity of the brand, the franchisees often wish to have greater autonomy in operation (Sorenson & Sorensen, 2001; Weavin & Frazer, 2007). Autonomy is a key component of the wider eudemonic conceptualization of well-being (Deci and Ryan, 2000), a key feature of the enterprising process (Shir, 2015), and a key explanation of entry into entrepreneurship (Carter et al., 2003).On a research project carried out by Anna Berge (2015) relate franchising the property management revealed that a

combination between franchise autonomy and relational forms of governance would be preferable for a franchisor organization to create the greatest possible growth in the long term for the organization and the entire franchise chain.

2.1 Background Of Study

Despite the importance of franchisee and worldwide growth in franchising (Stanworth & Dandridge, 1994), franchising and specifically franchisees' performance are still regarded as the most understudied area of entrepreneurship (Bates, 1995; Fenwick &Strombom, 1998; Withane, 1991). There are very limited streams of franchising research on franchisee, and most of the study focuses only on the role of the franchisee within the franchising network (Anderson, et al., 1992; Hing, 1995; Knight, 1984; Stanworth & Dandridge, 1994; Withane, 1991).

Franchising in today's economy is very important but the scholar has almost no effort to understand what factors contribute to the franchisees' performance (Michael & Combs, 2008). Knowledge on the factors affecting franchisees' performance could help franchisors to adopt better relationship improvement strategies in managing franchisees (Palmatier, 2008). In a more recent review of franchising literature, it was observed that most of the literature in franchisee consequences is lacking in theoretical explanation of relationships and in the guide of selection of variables (Combs, et al., 2011). Combs et al. (2011) commented that most studies are based on three areas namely 1) by "common wisdom" (Grunhagen, DiPietro, Stassen, & Frazer, 2008); 2) by prior findings in other contexts (Chiou, et al., 2004); or 3) by interviews (Frazer & Winzar, 2005).

As stated by Combs, Ketchen, Shook and Short (2011, pp 112):
"A next logical step is for researchers to build a theoretical foundation of explaining franchisee consequences… theories such as resource dependence (Pfeffer &Salancik, 1978) and the relational view (Dyer & Singh, 1998) … would be good candidates to provide such a foundation".

According to the review done by Combs et. al. (2011), there is no research done using resource dependence and relational view to explain the franchisee consequences such as franchisee performance. Combs et. al. (2011) has clearly identified the research gap for this study theoretically.

Answering the call from Combs et. al. (2011), this study utilizes the resource-based view, Agency Theory and Theory of Constraints in explaining the framework. The Agency Theory involves mutual relationship between franchisee and franchisor; whereas the Theory of Constraints explains the franchisee's entrepreneurial competencies and skills in enhancing franchisee business performance (Palmatier 2008). The Resource-Base View emphasises on the value and uniqueness of Franchisor's product (Barney, 2001)

Following the preceding discussion, there are four main research gaps in the franchise industry and specifically in the Malaysian context. The first research gap is to provide an argument whether franchisee is fully responsible for the franchise failure in Malaysia. By investigating therelationship between franchisee competencies and performance would help to determine the effect of franchisees and their capabilities on the franchise failure in Malaysia (Yacob, 2010). Second is to fill the literature gap of franchise relationship and performance in Malaysia, which is an Asian country. Third is to clarify the relationship between franchisee competencies and venture performance, and last is to fill the research gap using Resource-Based View, Agency Theory and Theory of Constraints to explain the franchisee performance (Faiz, 2006; Hamid, 2007).

These issues create tension in the relationship. Indeed, the franchisees begin to doubt the contract's suitability and start to feel dissatisfied. Dissatisfaction can lead to conflicts and negative results (Frazer et al., 2006, 2008, 2010).This ultimately affects the franchisor, whose profitability depends on the success of the franchisees (Harmon & Griffiths, 2008). This is why studying franchisees' satisfaction level provides useful information for franchisors and for determining the relationship success in the chain. This study focuses on the childcare industry (Frazer et al.,2008)

Researchers recognize the need to create a collaborative and cooperative atmosphere to handle tensions (Altinay and Brookes, 2012). Franchisors should identify areas or factors franchisees are dissatisfied with, and areas they are not to deal with these tensions (Altinay and Brookes, 2012). They should also gauge the degree of satisfaction in different areas. Such analysis would enable franchisors to maintain their efforts and relationship in satisfaction areas and improve in dissatisfaction areas (Frazer et al.,2008).Fraser et al. (2008) also stated that Franchisors must also try to rank factors their franchisees are dissatisfied with, as the degree of dissatisfaction may vary with factors.

As stated at the outset, the primary aim of this study is to identify the covariates that could explain franchisee performance in the context of Franchise business in Malaysia. In today's competitive commercial landscape where businesses are seen struggling to remain afloat and surviving in the industry, business practitioners have no choice but to source for ways that could keep their business going (Ahmad, Ramayah, Wilson, & Kummerow, 2010). Similar to other form of businesses, franchising is also subjected to the influence of various factors that could increase or decrease the likelihood of success. As stated earlier, the central thesis of this study is that franchisor-franchisee relationship and franchisee entrepreneurial competencies are both important covariates that could affect the franchisee performance (Weaven et al., 2010). Also, with the realization that businesses do not operate in vacuum and that external forces would affect the way business operates, business environment as proxies by environmental "dynamism" is conjectured as a moderating variable (Dant, et al.,2011).

This chapter provides a summary of the literature review that is relevant to the current study of franchisee performance, competencies and franchise relationship quality dimensions. Each of the key dimensions is discussed in detail, relating to their previous studies, definitions, theoretical construct, and the relationship between the dimensions of interest.

2.2 Definitionof Franchise

2.2.1 Introduction

Throughout the years, the business collaboration trend evolves radically due to globalization and advancement of various technologies and the concept of business innovation, which many adapt to the power of emulation and duplication of innovation business models across different industries.

Before franchising becomes popular, ones can reflect on therationale of having such collaborative business networked model by pondering on the early business partnership outsourcing models.

Fundamentally, this partnership concept implies to certain extend, describes the transfer of the operational responsibility for the provision of a business function, or service to a third party, in order to scale up market base, operational productivity and return of investment, etc., in order to establish a collective win-win economic and social benefits. Both types of

business implementation include provision of training as one of the primary focuses to assist the third party – the franchisees, or the sub-contractor (in the outsourcing case). Indirectly, such spirit of business endeavour exists due to the entrepreneurship aspiration to achieve wealth and successes. In short, franchising, outsourcing and entrepreneurship has their overlapping common objectives while they are differentiated with varying design of operational activities. Another distinguished feature between outsourcing and franchising is that the former one involves partiality of agreeing operational or service levels of responsibilities, while the later one involved full fledge of operational responsibilities, but with the guidance and advices received from the franchisor. The following paragraphs will dwell more insight on the franchising theses as it is the primary aspect for this study.

The definition of franchising has evolved throughout the years as the business environment changes (Stanworth & Curran, 1999). The term "franchising" has been used to describe many different forms of business relationships, including licensing, distributor and agency arrangements. Franchising can be classified into three main development phases (Hoffman & Preble, 1993). The first phase of franchise known as tied-house systems where majority were consist of German brewers, who contracted with taverns exclusively, to sell their brand of beer (Bucklin, Parguel, 1998). The second phase of franchise known as product-trade name franchising appeared in the nineteenth century, pioneered by Singer Sewing Machine Company to sell its products to its sales force, which in turn had to find markets for Singer (Bucklin, Parguel, 1998). Currently franchising is at its third phase of development known as the business format franchising. It was developed by A&W Restaurants in the twentieth century (Boyle, 2002; Hoffman & Preble, 1993, 2003, 2004; Preble& Hoffman, 1994).

In the early literature, franchising was commonly defined as a distribution channel (Hunt, 1972; Stanworth & Curran, 1999). During 1960s, Hunt (1972) who studied the consequences of the franchise system of distribution had adopted definition of Ozanne and Hunt (1971) which defined franchising as:

1) A contract exists which delineates the responsibilities and obligations of both parties.

2) A strong continuing cooperative relationship exists between them.

3) The franchisee operates the business substantially under the trade name and marketing plan of the franchisor.

The first two characteristics defined the collaboration between two firms. Only the third characteristic stated by Ozanne and Hunt (1971) classified the relationships as franchise relationships. Stanworth and Curren (1999) were of the opinion that the definition by Ozanne and Hunt (1971) was incomplete and understated the fact that franchisee is a legally separated business with its own capital base, employees, organizational structure, and specific customer relations which are independent of the franchisor.

In 1978, Rubin defined franchising from the legal point of view which was widely accepted by the researchers. Robin (1978) defined franchising as follows:

> "A franchise agreement is a contract between two (legal) firms, the franchisor and the franchisee. The franchisor is a parent company that has developed some product or service for sale; the franchisee is a firm that is set up to market this product or service in a particular location. The franchisee pays a certain sum of money for the right to market this product."

Robin (1978) further defined franchisee as "franchisee is a separate firm, rather than as part of the franchisor, is a legal and not an economic distinction." According to Robin, a franchise organization is the network composed of a franchisor (the parent company, including company-owned units) and its franchisees. Franchising is the contractual process used to develop and maintain such a network (Castrogiovanni&Justis, 1998). From the contractual perspective, Klein (1995) also defined franchising as a form of transaction where the choice of contract terms would clearly differentiate the franchising from other forms of product distributions. Franchising would permit the transactors to achieve the benefits of large scale which is available in brand name development and organizational design (Klein, 1995).
In a more competitive environment as compared to the eighteenth and nineteenth century, licence owner would choose to tighten the control over their distribution agents (Boyle, 1999). Petrol retailing and other similar product-trade name franchising have evolved their business model and ventured into business format franchising, diversifying into petrol cum convenient store retailing.

In 1983, Curran and Stanworth (1983) had proposed a new definition which covers the most modern varieties of franchising such as quasi-forms, multi-unit and master form of franchising which focus on product franchises such as automobile and petroleum distribution franchises. The definition is as follows:

"A business form essentially consisting of an organization (the franchisor) with a market-tested business package centred ona product or service, entering into a continuing contractual relationship with franchisees, typically self-financed and independently owner-managed small firms, operating under the franchisor's trade name to produce and/or market goods or services according to a format specified by the franchisor" (Curran & Stanworth, 1983, pp. 11).

The main difference between product-trade name franchising and business format franchising is the level of control by the franchisor. Franchisor offers a business package to franchisee which covers from site selection to point-of-sales of franchisee. The definition proposed by Curran and Stanworth (1983) was more complete than the previous definitions which only focus on product-trade name franchising.

The scope of the franchisor-franchisee entities involved in this research work is within the Malaysian context, that is related to the domestic business market, and does not involve international business. Although the common business concerns are the same – mainly the sales, costs and profits, the entrepreneurship between domestic and international lies on the variation in the relative importance of the factors affecting each decision (Hisrich, et.al., 2017) which will not be explored in this study.

2.2.2 Types Of Franchise

The official definition of franchising adopted by the U.S. Department of Commerce stated franchising as "a method of doing business by which a franchisee is granted the right to engage in offering, selling, or distributing goods or services under a marketing format which is designed by the franchisor (Dant, Weaven, 2013). According to the U.S Department of Commerce, franchising can be categorized into three types namely:

Business Format Franchise

Is a franchising arrangement where the franchisor provides the franchisee with an established business, including name and trademark, for the franchisee to run independently (Di Lernia, 2009).The franchisor generally assists the independent owners / franchisee considerably in launching and running their businesses. Importantly, a complete system to run the business operate, marketing, inventory, support and more (Di Lernia, 2009). In return, the business owners pay an initial fees and ongoing royalties. In most cases, the franchisee also buys supplies from the franchiser. Fast food restaurants are good examples of this type of franchise. Prominent examples include McDonalds , Burger King, and Pizza Hut.

Product Franchise

Is a franchising agreement where manufacturers allow retailers to distribute products and use names and trademarks? In this case, manufactures control how retail stores distribute their products (Ramirez-Hurtado et al. 2011). To obtain these rights, store owners must pay fees or buy a minimum amount of products. In a majority of situations, the manufactured products will require pre- and post- sale service or preparation by the franchisee (Ramirez-Hurtado et al, 2011). A product distribution franchise closely mimics a supplier-dealer relationship, with a few unique differences in the degree of the relationship. First, the franchisee may sell/handle the franchisors products on an exclusive or semi-exclusive basis. Second, a franchisee will receive more services from its franchisor than in a typical supplier-dealer relationship.Businesses in the automobile industry and tire store are a good example of a typical product distribution franchise (Ramirez-Hurtado et al, 2011).

Manufacturing Franchise

Is a franchising agreement where the franchisor allows a manufacturer to produce and sell products using its name and trademark ? Through manufacturing franchises, a franchisor grants a manufacturer / franchisee the right to produce and sell goods using its name and trademark (Neuman, 2011). This type of franchise is common among food and beverage companies. For example, soft drink bottlers often obtain franchise rights from soft drink companies to produce, bottle, and distribute soft drinks. The major soft drink companies also sell the supplies to the regional manufacturing franchises (Neuman, 2011). In the case of

Coca Cola, for example, Coca Cola sells the syrup concentrate to a bottling company, who mixes these ingredients with water and bottles the product, and sells it on.

2.2.2 Importance Of Franchising

What Happened In Franchise Businesses

Franchised businesses operated 909,253 establishments in the United States in 2005, counting both establishments owned by franchisees and establishments owned by franchisors. These establishments amounted to 3.3 percent of all business establishments in the United States. Franchised businesses provided 11.0 million jobs, met a $278.6 billion payroll, and produced $880.9 billion of output. Franchised businesses accounted for 8.1 percent of all private sector jobs, 5.3 percent of all private sector payroll, and 4.4 percent of all private sector economic output in 2005 (Creswell, 2013).

To indicate economic size in a different way, franchised businesses provided more jobs in 2005 than all manufacturers of durable goods, such as computers, cars, trucks, planes, communications equipment, primary metals, wood products, and instruments (Patton, 2012).

These numbers illustrate significant growth since 2001. Overall, the number of franchised establishments in the U.S. grew at an average annual rate of 4.3 percent between 2001 and 2005 (Patton, 2012). The number of jobs in franchised businesses grew at an average annual rate of 3.0 percent over the same period. Payroll and output of franchised businesses grew at 5.0 percent and 9.0 percent per year, respectively, since 2001.

Franchise Business Growth Compare To All Businesses

From 2001 to 2005, the franchising sector expanded at a faster pace than many other sectors of the U.S. economy. Direct economic output of franchised businesses grew by over 41%, from $625 billion to $881 billion, while economic output of all businesses grew by 26%, from $16 trillion to $20.1 trillion (Mertens, 2010).

Employment generated by franchised businesses grew by 12.6%, from 9.79 million to 11 million, while employment generated by all businesses grew by 3.5%, from 132 million to 136.7 million. Payroll generated by franchised businesses grew 21.6% compared to 15.4% for all businesses. The number of franchised establishments grew by 18.5% compared to 15.9% for establishment created by all businesses (Neuman, 2011)

What Happens Because Of Franchised Businesses

The economic impact of franchising goes beyond activities inside franchised businesses, because their purchases of products and services and the personal purchases of their owners and workers contribute to the growth of non-franchised businesses. As a result of these spillover effects, the total impact of franchising was to provide 21.0 million jobs (15.3 percent of all private-sector jobs) and $660.9 billion of payroll (12.5 percent of all private-sector payrolls) in 2005. Output produced because of franchised businesses grew from $1.5 trillion in 2001 to more than $2.3 trillion in 2005; an average growth of 10.9 percent per year. In 2005, output produced because of franchised businesses accounted for 11.4 percent of all private-sector output (Watkins, 2014)

Prevalence Of Business-Format Franchising

The key component of any franchise business is the license, or franchise agreement granted to the franchise, allowing the franchisee to trade as their own business under the brand of the franchisor, following a proven business model.

Business format franchising was more prevalent than product distribution franchising in 2005, accounting for about 5.7 times as many establishments and nearly 4.5 times as many jobs. Business format franchises generated 2.9 times the payroll and nearly 3.1 times as much economic output as product distribution franchises. Franchisees owned most (73 percent) of the establishments that operated under a business format franchise (Denzin and Lincoln, 2011).

Among business format franchises, Business Services had more establishments and generated a greater portion of payrolls than other business categories. Quick service restaurants provided more jobs (35%) and generated more economic output (22.9%) than other business categories. Business Services and Personal Services were next in terms of economic output, with 22.7% and 14.4% respectively. Among product distribution franchises, Automotive and Truck Dealers provided the most jobs and the greatest payroll. (2016 ITA Franchising Top Markets Report)

Like the United States, franchise businesses around the world have seen steady growth in the past decade, particularly in Asia region (Grewal et al., 2011). More often, International Franchise Association members are eyeing overseas expansion as an important way to

diversify their portfolios (Grewal, 2011). Data show that the franchising industry outpaces many other sectors in terms of creating new business, new jobs and more economic output, even during tough economic times(Harrison 2013). US IFA President and CEO Matthew Shay said that after the 2000 and 2001 economic downturn, economic output of franchise businesses grew 40 percent compared to 26 percent for all other business sectors and jobs grew 12.5 percent compared to 3.5 percent (Corinne Ruff, 2017). He further elaborates that franchise businesses are critical components of our economy and have a proven track record in creating local business opportunities for entrepreneurs (Corinne Ruff, 2017). Entrepreneurship often energizes positive change in society providing breakthrough commercial or social innovations that contribute to social well-being. Entrepreneurship is also a potential source of personal development, growth, and well-being (e.g.,Shir, 2015;Stephan, 2018).

Small businesses are critical to the economic health of the nation. This is true around the world. Private sector development and the creation of small businesses spur investment, jobs, opportunity, and hope (Hayes. 2013). It empowers the market to meet local needs, whether for food, basic goods, or services.The franchising industry can create jobs and increase the quality of goods and services to improve the quality of life on a faster schedule. International expansion of business-format franchising is not only important for the continued growth of the franchising industry; it is an important component of economic recovery around the world(Hurtado et al, 2006).

In fact, the core objective of franchising is to capitalize the power of ‘duplication’ processes licensed and learned from the relevant franchisor, as the main business win-win strategy to draw larger customer base and keeping customers through strategic alliances between the franchisor, and the networked group of franchisees, and focus to run similar business activities in multiple locationsby taping the cost-benefit aspects described in the previous paragraph.

The implication of business win-win creation is that, franchising is a network of interdependent business relationships that allows a number of interested parties to sharebrand identification, benchmark and adapting successful method of doing business, and implement proven marketing and distribution system.

In summary, the overall franchising goal is to achieve scaled up economic-of-scale of business opportunities with higher potential return on investment through strategic alliance between groups of people who have specific relationships and responsibilities with a common goal to dominate markets, i.e., to get and keep more customers than their competitors.This involves the optimization of resources, distribution network, business modelling duplication power coupled with customization flexibility, contextualized operation aligns with local environment, authorities and demographical opportunities.

The biggest challenge of the successful partnership between franchisor-franchisee is the join accountability promise to take care the legally branded intellectual property under the contractual license, to ensure the reputation corporate branding and business confidential being delivered within the stipulated collaboration contract to trade as their own business under the brand of the franchisor, following a proven business model (Smith, 2012; Johnson, 2015).

2.2.3 Franchising In Malaysia

Malaysia is becoming a popular destination for International franchisors. In his opening speech, The Domestic Trade and Consumer Affairs Minister Datuk Seri Saifuddin Nasution Ismail at the Franchise International Malaysia Exhibition and Conference (FIM 2019), on 5th April 2019, said the government is confident that Malaysia's franchise industry will be able to contribute RM35 billion to the country's gross domestic product (GDP) in 2020 based on the positive performance achieved thus far.Today there are more than 400 franchisors inMalaysia with some (5600) franchisees, comparing that with just a few years ago. According to Malaysia franchise Association (MFA), there are still lots of untapped opportunities in the local franchising sector, some of which are huge enough to generate income worth millions of ringgits every month.

According to Marcel Portman of the IFA, 'Malaysia is the only country that has a ministry dedicated specifically to promoting entrepreneurial development and that has been a key factor in the recent franchise growth in the country'. Malaysian government is actively promoting and encouraging franchise operation in the country (Faiz, 2006; Hamid, 2007). The stimulus package allows for grants and low-interest government loans to be available for

qualifying Malaysian franchises and make Malaysia continue to appeal to international Franchisors to park their business in the country. For several years, according to Malaysia Franchise Association report 2006, Malaysian government has designated the year as 'Franchising Year' to boast the country as the top choice among franchisors and investors in the region. As in other countries around the world, the franchise industry in Malaysia is developing because of the comparatively low failure rate of franchise stores and the successful business models for operating and managing franchised business (Hsieh, et.al.,2003).

The Malaysian franchise sector contains a variety of concepts from snack food kiosks to professional will writing operations,but only account for five percent of the total retail business (Wagner, et. al.,2013). The MFA aims to double the number of franchisor in the retail industry in five years by intensifying effort to identify potential franchisors. The setting up of Franchise Development Corporation by the Ministry of Entrepreneur Development or (KPDNKK) is to help to lure western based franchisor into Malaysia (Wagner, et.al.,2013). These franchisors will be encouraged to sign master franchise agreement in the country which will in return employ native Malays in the franchising sectors. At the same time, the government also want to increase the number of local franchisors. The MFA plans to convert more than half of the Malaysian Retailers Chains Association (MRCA) member companies into franchise businesses. All this in an effort to increase the number of local franchisors and franchisees (Wagner, et.al.,2013).

The country indeed has bright franchising prospects, but franchisor contemplating Malaysia should look before leap. The recent enacted Malaysian franchise law contains some provisions that are troubling to international franchisors including disclosure requirements, regulation of the relationship between franchisor and franchisee, the role of Malaysian government in franchising and some differences of treatment of native and foreign franchisors (Sadiand Henderson, 2011).

The law also closely regulates the relationship between franchisors and franchisees including terms of franchise renewal or extension, compensation and covenants against competition. Very few countries undertake to interfere in the parties' own capacity to strike a bargain. When asked about these provisions, the ministry stated that these provisions were 'carefully

drafted.' 'Do not discriminate against either party.' and 'provide both franchisor and franchisee a place to refer if dispute arises' (Sadi and Henderson, 2011)

The governmental role in the Malaysian regulatory scheme is more pervasive than in most other countries (Yacob, 2010). The power of the government to approve or reject a proposed franchise has very little parallel or precedent elsewhere in the world. Although an application for a proposed franchise has yet to be rejected since implementation of the law, the lack of concrete guideline for rejection remains troubling (Harif, Hoe and Noor, 2011).

The Malaysian government has also undertaken several initiatives to bolster 'Bumiputra' or native Malays participation in franchising (Harif, Hoe and Noor, 2011). Despite the assertion of the ministry that there is no discrimination between a local and a foreign franchisor, as the Malaysian law is written foreign franchisors are treated differently under the law than Malaysian franchisors(Ali and Wong, 2012). All franchisors are required to submit an application to sell a franchise which can be approved or rejected by the registrar. In the case of foreign franchisor, however, the registrar has no obligation to give a reason for rejecting an application (Ali and Wong, 2012). The law also provides that foreign franchisor may be subject to additional unspecified conditions by the registrar (Frazer, et. al., 2012). For instance, although the registration is not technically required by the act, the ministry appears to take the passion that foreign franchisors are being required to submit master franchise agreements;like Subways, McDonald's, Domino's Pizza, Startbucks, Coffee Beans, But just as impressive are the local shops like Secret Recipe, Marrybrown Fried Chicken, Habib Jewelry, Seri Malaysia that have been rapidly expanding (Harif, Hoe and Noor, 2011). Industry sources state that service, education, information technology and even food sectors have been selected by the Malaysian government as likely area to expend and nurture (Harif, Hoe and Noor, 2011). Even the highly restrictive 'halal' dietary certification requirements, common in so many Muslim countries, have not stopped the application for food franchises. Yet again another successful facet of the franchise industry – its ability to adapt to the local culture (Paswan et. al., 2014).

2.3 Franchise Performance

The franchisee is a key element within the franchising system. However, they must have a series of importantcharacteristics to be able to develop their work within thesystem (Dant, 2011). The franchising system can be more appropriate for somefranchisees than for others

(Ramírez et al., 2011). Indeed, some franchisees that enter the franchising system make a greater contribution to the success of the relationship than others that fail (Jambulingam& Nevin, 1999).

Most discussion about the business of franchising usually centre on the franchisee – including which franchise brands they should buy, how to raise the necessary capital and dealing with franchise costs (Watson& Johnson, 2010). However there are a lot of considerations that have to go into deciding to be a franchisor too. Franchising is a fantastic method of raising capital and employing dedicated, passionate and motivated management (franchisees) to grow a business concept quickly and effectively (FASA). When implemented correctly, a good franchise results in a win-win situation as it also reduces the investor's risk. However, if it was easy, every franchise would be a stunning success and sadly that is not always the case. (Hodge et. al., 2013)

2.3.1 Franchisor Perspective

When becoming a franchisor, you are placing yourself in a position of social responsibility. People are going to trust you with their life savings. Normally the main motivation to franchise a business is that the owner wishes to expand and needs additional capital to do so (Doherty, 2009). In addition, the business will acquire dedicated and committed business partners (franchisees) who will help the original owners to achieve their objectives (Haith, 2013). In this way the business will achieve critical mass more speedily and both parties will benefit from.

From the franchisor's perspective, five arguments of benefits for expanding by means of franchising are discussed below.

2.3.1.1 Lesser Capital Needs

An expansion almost always results in higher capital needs. Supply, inventory, accounts receivable and initial costs tie up capital and cost money. In a franchise, it is generally the franchisee who invests. In this way, the franchisor avoids unnecessarily high employment of capital (Watson & Johnson, 2010).

2.3.1.2 Shared Risk

The inherit risk when expanding with franchisees can be separated into two parts. The purely financial risk is primarily taken by the franchisee. It would be the franchisee's company that suffer the immediate losses were the business to achieve a negative result (Stites, CFE 2012). Although it is not uncommon for franchisors to have taken some hands-on financial risk, such as supplier's credit or IOU's etc.

Quite set apart from the financial risk, the franchisor does take a substantial commercial risk. A bankruptcy on part of the franchisee is a very clear commercial disadvantage for the franchisor (Wang & Yang, 2013). It is a disadvantage when recruiting and financing new franchisees. As a result, suppliers can lose customers which in turn negatively affect the chances of reaching favourable terms between suppliers and franchisors (Wang & Yang, 2013). There is evidently an element of risk for the franchisor as well. Sharing the risk with the franchisee is a common argument in favour of franchising (Gaul et. al., 2011).

2.3.1.3 Quicker Expansion

The rapid rate of expansion is often cited as an argument in favour of franchising. It relies not only with the Franchisor avoiding unnecessary capital binding, but also on using the often unparalleled ambition and zeal of a newly started business (Palmatier, 2007). The motivation that is present in the budding business is an unsurpassed force. This force is carries the business through the initial establishing phase and is difficult or impossible to instil in an expansion with filial companies and employees (Stites, CFE 2012).

2.3.1.4 Local Motivation, Opportunity And Risk

The general consensus is that a self-employed businessman has a higher degree of motivation than an employee (Soontiens& Lacroix, 2009).The self-employed have an incentive in theform of the possibility of increasing her profits. This is well and true, but only part of what constitutes the motivation.

The possibility of earning more money can be included in an employer-employee relationship as well (Jurevicius, 2013). However, the risk of losing money is unique to the businessman and not possible to incorporate into an employment (Soontiens & Lacroix, 2009).

The Financial risk is ever present in business and not only for the businessmen but also to their families. This means that the pressure on the businessman not to fail is present even

outside work (Soontiens& Lacroix, 2009).It is therefore not difficult to consider the risk-taking as part of the motivation.

The financial risk consists in losing the capital put into the company as well as the securities for the company's loans. Withal there is the risk of loss of income during the time which the company cannot afford to pay the businessman, which is common regardless of whether the business is started as a franchise or entirely on its own (Haith, 2013).

Dant (2013), in his research about personality traits said that those who become self-employed businessmen have a very strong will to 'make it'. What 'success' means varies from person to person. It is not only measured in money, even though it is part of the equation (Windsperger, 2011). In whatever way one defines, to be successful and to 'make it' gives as sense of satisfaction and pride that is not to be underestimated as a motivating force (Dant, et.al., 2011).

The other edge of the sword is of course the risk of failure. To fail in ones enterprise perhaps even put the company into receivership is terrible thought. Many view bankruptcy as the definite failure (Dantet.al., 2011).

The combination of the possibility for success and the risk of failure are the two main components of motivation in independent business. This is also true of businessmen within franchise chains (Dantet.al.,2013)

2.3.1.5 Effective Division Of Work Generates Less Overhead And Less Risk

Expanding through franchising does not result in expanding the central administration. To the contrary, franchising offers an opportunity to expand without constructing an elaborate overhead.The pre-condition is that one clearly identifies the division work between franchisor and franchisee from the utmost start.

The division made on two principles. The franchisee attends to issues that require daily presence and insight into everyday details. The franchisor attends to issues that can be done for many at the same time. This division of work enables the franchisor to expand with a smaller central administration (Gaul et. al., 2011)

2.3.2 Franchisee Perspective

Incorporating an entity into a franchising system depends on both the motivation of the franchisee, and the motivation pushing the franchisor. From the point of view of the Franchisee, in choosing the franchisor, certain requirements have to be analyzed such as the investment required, contractual conditions, franchisor's profitability, and reputation of the trademark, evolution of the number of franchisees, its training program, and market available. Tatham, Douglas, and Bush,1972,Jambulingam& Nevin, 1999; Knight, 1986; Ramírez et al., 2011; among others).

The role of the franchisor (brand reputation, marketing, training and assistance) contributes to the relationship development through the creation of trust, and demonstration of commitment, both at the pre and post stages of franchising partnerships (Altinay et al., 2014).

Previous studies have examined advantages of franchising with respect to other organizational forms. Litz and Stewart(1998) showed that franchising brands are a source of strategic advantage, because firm outcomes are positively impacted. Kaufmann (1999) shows the rationale behind the franchisee's decision to acquire a franchise. It depends on industrial factors such as growth, competitiveness, and experience; organizational factors such as personality traits; and financial factors, business factors, and brand aspects such as the franchisor's reputation,terms of the contract, cost, growth of the system, and power of the brand.

According to Kaufmann (1999), some advantages associated with being a franchisee, such as independence and personal involvement in a firm, are valued in the same way as in an independent business. Notwithstanding, obtaining personal benefits is an important advantage of franchising in contrast to other forms of business.
Previous literature paid close attention to the motives that lead a business to become a franchisee. Ramírez and Quattrociocchi (2009) reviewed the main papers about franchisees' motivation for accessing a franchising system. They state that the ranking of motives varies from study to study, and thus between countries. Therefore, the motivation is not as homogeneous as expected by practitioners and researchers (Peterson &Dant, 1990).

Guilloux, Gauzente, Kalika, andDubost (2004)found that the main franchisee motivation in France is advertising and start-up support. Potential franchisees need to be assured

particularly about the initial support provided by the franchisor. Trade name association and the possibility for development are the second-most popular motives for individuals to enter franchising (Watson & Johnson, 2010).

Although their methodological approaches are not the same as those used in previous studies, these two motives are widely used in the literature. Withane (1991)reported that the proven business format is the main motive in Canada. Many prospective franchisees choose to join franchises rather than start an independent business in order to take advantage of the established business format, brand goodwill, and initial and ongoing customer support (Combs & Michael, 2004). This shows the importance of support as a motivational incentive for companies to enter franchising. Peterson and Dant (1990) found that the main motives in the United States are “training provisions,” “greater independence,” and “established name.” “Lower operating costs,” and “less management involvement” were rejected as advantages. Knight (1986) found that in Canada and in the United States, the main motive was the already established commercial name; the second ranked motivation was a greater job satisfaction compared tosalaried employment. J. Stanworth (1985) describes that the main motive was “national affiliation,” which, according to Peterson and Dant (1990), can be considered equivalent to “established name.” Finally, Hough (1986) found that the main motive was ongoing support. Thus, the main criterion varies with country and time.

From The Franchisee's Perspective.

Five Arguments In Favour Of Franchising,

2.3.2.1 A Documented, Tested And Profitable Business Idea

For the one who wishes to start their own business, most often there is no tried and tested business model. It is therefore difficult to predict how profitable the business idea will become.

Although becoming a franchisee does not guarantee a profitable business, the business idea should be extensively tested and be able to demonstrate good profits from the already established operations (Doherty, 2009). This makes for higher security even if one pays a franchise-fee.

There should always be a book of instructions that details how to run the franchise. This is called the 'Manual'. It should give concrete instructions on how the franchise should be run to yield the best results. Such a manual does not exist to the businessman starting out entirely on his own (Lebohang and Thulo, 2016)

2.3.2.2 Support, Counselling And Education

According to Shir (2015), knowing how, when, where, and why entrepreneurship influences individuals in terms of their well-being would take us one step closer to unpacking the drives and motivations of individuals pursuing entrepreneurial activities. The payoff consideration of the process of venture creation in terms of well-being for the franchisee is utmost important. A franchisee receives support and counselling from the franchisor, both at the start and on a continual basis. This is given in all areas essential to running the franchise. This partly includes commercial support such as (Altinay&Miles 2006)

- Purchasing wares and supplies
- Selection composition
- Marketing
- Sale

It also includes administrative support and counselling, for example (Altinay&Miles 2006)

- Staff issues, hiring and resignations
- Economic compliance and control
- Contact with authorities, landlords, banks, unions etc
- Accounts
- IT

The counselling that the franchisor can provide is adapted to the circumstances of the operation. The fact that the franchisor's knowledge derives from practical experience in running the same type of business, is a significant advantage. Such customised counselling is rarely available outside franchising (Knack, Bader et. al., 2005).

A franchise chain most often has educational programs for its franchisees.These tend to become more extensive as the chain grows (Ramírez-Hurtado *et al.* 2011).It is partly education at the start of the franchisee's company and partly continual education. The education is specially adapted to owners and staff running just the same kind of business as

the franchisee. Access to customised education is very advantageous to the franchisee and very rarely available outside the franchising method (Ramírez-Hurtado *et al*. 2011)

2.3.2.3 Economy Of Scale

Schaefer, M. (2014) stated that, every company that reaches a certain scale can often enjoy various advantages related to its size. The advantage for a franchisee is taking part in economies of scale that would not otherwise be available. The most common economies of scale are:

- Purchasing rates and other terms
- Marketing
- Education
- National customer terms
- Quality control
- Product and service development
- Testing of new ideas

As the chain grows, the economies of scale become more potent. These kinds of advantages are uncommon outside franchising (Knack and Bader et. al., 2005)

2.3.2.4 Network Of Other Practitioners

To be an independent business owner is often called 'the loneliest job in the world'. There is rarely anyone else who understands your situation or with its inherited opportunities and problems. A common argument in favour of franchising is that it gives access to a network of colleagues running the same kind of business (Lyle, 2015)

The formal and informal connections that are created within a franchise chain are a great help. The possibility of advice from peers is not to be underestimated. The advisor having in depth knowledge about the business lends a good feeling even if it only involves confirming one’sown ideas (Clarkin, J.E., Swavely, 2006)

Many that become independent business owners often possess a well developed competitive instinct. Not surprisingly, there is often a competitive atmosphere between franchisees that many find stimulating (Dickey et al., 2008).

2.3.2.5 Effective Division Of Labour

To the business owner running his business entirely on his own, the division of labour is quite clear. She has to do everything herself. In a franchise chain however, franchisors and franchisees can divide duties in such a way that one plus one equals more than two. According to Knack and Bader (2005).The franchisor should, as mentioned above, attend to issues that can be done for many at the same time. This gives franchisee more time to devote to issues on a local level. Examples of issues that save time and energy are:

- Negotiations with suppliers
- Negotiations with national clients
- Product development
- Producing marketing material and PR
- Development of the business idea's concept

2.4. Franchising Theories

2.4.1 Resource Based View (RBV)

According to the resource-based model, every organization will perform differently due to their differences in their availability of unique resources (either tangible or intangible) and capabilities (Ireland et. al., 2002). The theoretical framework of RBV (as illustrate in figure 2.1) was suggested by Barney (1991) in 1991, stated that in order for organization to sustain their competitiveness, they must possess resources that are immobile and heterogeneous, must be in the form of valuable resources, rare to the market, imperfectly imitable and non-substitutable (the VRIN framework). In 1998, Barney JB and Wright P changed the VRIN framework to VRIO framework with the O (organization) attribute added to his theoretical framework as an adjustment factor, which Barney concluded that to fully realize a firm's competitive advantage potential, a firm must be organized to exploit its resources and capabilities. Organizational processes such as quality control system, management control system, formal reporting structure, human resource policies, etc. are needed to complement and ensure the firm's valuable, rare and inimitable resources are secured (Shafeey and Trott, 2014).

Value

The resource creates value when it allows the company to devise and implement strategies that will improve its efficiency and effectiveness(Newbert, 2007). Resources are valuable when they contribute to the production of something customers want, at a price they are willing to pay (Collis and Montgomery, 1995); valuable resources enable the firm to do things that lead to economic value (Fiol, 1991); valuable resources have some capacity to generate profits and prevent losses (Miller and Shamsie, 1996).

Rareness

If most competitors hold the same valuable resource, then they will likely explore their use in similar ways, thus implementing the same value creating strategy. This would not result in any company achieving competitive advantage as a result of owning a valuable resource (Barney and Zajac, 1994).

Inimitability,

If valuable and rare resources are easily imitable, competitors would quickly copy them and the potential for competitive advantage would disappear. Resources tend to be more difficult to imitate if: (a) they are path dependent (Dierickx and Cool, 1989; Vergne and Durand, 2011); (b) there is an ambiguous relationship between the resources that enhances competitive advantage (Barney, 1995; Dierickx and Cool, 1989; Reed and DeFillipi, 1990); (c) they are socially complex, for example, if they are beyond the ability of firms to manage and manipulate them in a systematic way (Barney, 1991); (d) there are legal property rights, such as in the case of patents (Wills-Johnson, 2008); (e) the process of their imitation by other companies is lengthy, for example dueto the time needed to train employees or to absorb the knowledge necessary to master the resource (Wills-Johnson, 2008).

Organization

Competitive advantage stems from the way firms operate and interrelate their strategic and non-strategic resources (Pan et al., 2006), exploiting organizational processes, to produce what can be regarded as intermediate products between primary resources and the firm's final products (Amit and Schoemaker, 1993). The DC literature provides a rich hierarchy of capabilities. For example, Collis (1994) argues that there are first, second and third order, aswell as Meta, and ad infinitum Meta capabilities. Danneels (2002) proposes two levels of capabilities (first and second order). Winter (2003) proposes the existence of zero-level, first order and higher order capabilities while Zahra et al. (2006) classify capabilities as substantive and dynamic. They have been described also as incremental, renewal and

regenerative (Ambrosini et al., 2009), or operational capabilities, portfolios of capabilities and constellations of capabilities (Laamanen & Wallin, 2009), or as still capabilities and core capabilities (Wang & Ahmed, 2007). Given the discussion around these hierarchies of capabilities, we propose that capabilities are organizational processes (skills, expertise, know-how, management) firms use to explore their resources and lower level capabilities in the conduction of day-to-day operations. They are intermediary outputs between resources and lower level capabilities (inputs), and final products (outputs). DC is defined as capabilities that endow firms with competitive advantage in changing environments. Both capabilities and DC are "organization". A DC is the VRIO's "O". To be a source of competitive advantage it must be VRI.

Over time, firms have opportunities to improve their organizational processes or routines (which reflect how things are done in the company). Combining this path dependency effect with the fact that, due to their strong intangible component, organizational resources or routines are ambiguous (in the sense that their relationship with competitive advantage is not evident and is often the result of the integration of various packages of resources) and are also socially complex, these processes/routines are difficult for competitors to imitate, which increases the firm's potential to achieve competitive advantage (Teece et al., 1997).

These issues of ambiguity, path dependency and intangibility are so complex that despite having mastered the capabilities firms view them as ambiguous and mysterious (Lado and Wilson, 1994;Reed and DeFillipi, 1990). However, firms that develop better ways of integrating their resources have more and stronger sources of competitive advantage (Gillis et al., 2014).

To summarize, from the RBV, to achieve competitiveadvantage, firms need VRIO resources. The unit of analysis is the resource. From the DC viewpoint, capabilities at the origin of competitive advantage need to be VRI (the "O" is the capability) and so the unit of analysis is organization or capability (Figure 2.1).

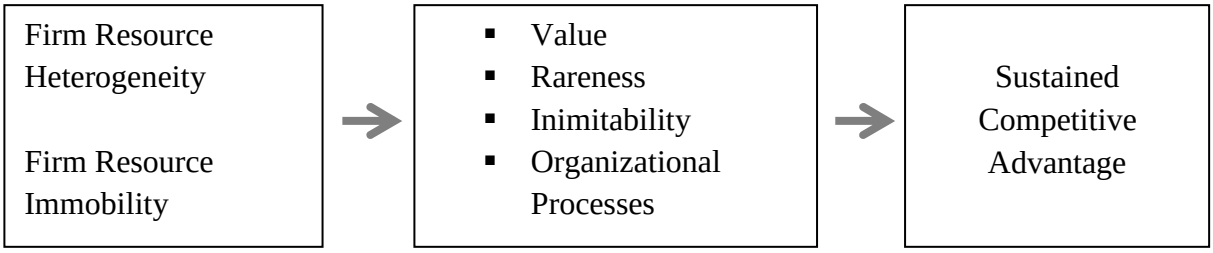


Figure 2.1: The Relationship of Resource-Based View and VRIO framework by Barney (1991)Source: Barney (1991)

Despite RBV is one of the major strategic management theories that widely been accepted, it is never free from any criticism (Shafeey & Trott, 2014). However, the fact is that there is no one management theories that can perfectly fit to explain the best business management practices as business is always operate under the climate of unknown and uncertainty (Tessier &Otley, 2012).

2.4.2 Theory Of Constraint (TOC)

The Theory of Constraints is a methodology for identifying the most important limiting factor (i.e. constraint) that stands in the way of achieving a goal and then systematically improving that constraint until it is no longer the limiting factor (Watson et.al.,2005)

TOC developed by Goldratt (1990)in the 80s has play an important role in identifying, analyzing and systematically eliminating constraints that could actually restrict an organization's value add process and affecting the efficiency (Oglethorpe and Heron, 2013). Since then, TOC has developed and became a management philosophy, whereby its assumed that every company has a basic common goal which is to make money, but having a different degree and types of constraints in achieving that goal, which lead the company's management to focus on these constraints and resolved them (Alsmadi, Almani and Khan, 2014). These constraints, however, can be physical constraint as in limitation of the machine capacity, or policy constraint such as company's policies does not change as the company evolve, or constraint of behaviour of specific personnel and market(Souza and Pires, 2010).

Embedded in the Theory of Constraints (TOC) is the notion of prioritizing improvement activities. The top priority is always the current constraint. In environments where there is an urgent need to improve, TOC offers a highly focused methodology for creating rapid improvement (Watson et. al., 2007).

The Five Steps (Goldratt and Cox, 1984; Goldratt and Cox, 1992)

1. Identify the System Constraint**:** The part of a system that constitutes its weakest link can be either physical or a policy.
2. Decide How to Exploit the Constraint: Goldratt (1990)instructs the change agent to obtain as much capability as possible from a constraining component, without undergoing expensive

changes or upgrades. An example is to reduce or eliminate the downtime of bottleneck operations.

3. Subordinate Everything Else: The non-constraint components of the system must be adjusted to a setting that will enable the constraint to operate at maximum effectiveness. Once this has been done, the overall system is evaluated to determine if the constraint has shifted to another component. If the constraint has been eliminated, the change agent jumps to step five.
4. Elevate the Constraint: Elevating the constraint refers to taking whatever action is necessary to eliminate the constraint. This step is only considered if steps two and three have not been successful. Major changes to the existing system are considered at this step.
5. Return to Step One, But Beware of "Inertia": The Thinking Processes: Tools for Analyzing and Resolving Problems

TOC has been viewed as a general theory in the area of operations management, where the thinking process (Figure 2.2) of the TOC has been able to contribute to the finding of the problems' root causes through identification of central problems and overcoming the potential obstacles as the solutions (Librelato et. al., 2014).

Central Question	Tools	Target
What to change?	Current Reality Tree – CRT	The essential goal of the Current Reality Tree (CRT) is the definition of the central problems found in a specific system
What to change it into?	Evaporating Clouds – EC	The Evaporating Clouds aim at verbalizing assumptions that cause the central problems, seeking innovative solutions (injections)
	Future Reality Tree – FRT	The goal is to ensure the effectiveness of the solution and check the positive and the negative effects that may arise
How to cause the change?	Prerequisite Tree – PRT	The Prerequisite Tree is used to split the injection well. Intermediate goals that must be achieved so that the injection is implemented are set
	Transition Tree – TT	The Transition Tree is responsible for setting up an action plan objective, seeking to eliminate the core problems identified above

Figure 2.2: Thinking process of the Theory of Constraints tools. Source: Librelato et. al. (2014)

2.4.3 Agency Theory

Agency theory is another management theory relates to the delegation of authority, such as decision making authority, from one party (the principal) to another party (the agent) within an organization (Fayezi, O'Loughlin and Zutshi, 2012). Agency theory talks about the agency cost which arise due to the conflict between company's managers (the agent) and

stakeholders (the principal), or the interests between both parties are not perfectly aligned, causing the managers tend to place their own utility above the value and interest of the company (Dawar, 1994).

In the research by Zu and Kaynak (2012), it is mentioned that two potential problems may arise in agency relationship, which are the agency problem and risk-sharing problem; agency problem occurs when it is difficult to verify if the agents have performed their work appropriately or ethically; while risk-sharing problem happens when both the principal and the agents have conflict attitudes towards risk absorption on the action to be taken.

Although the business model of franchising is expected to lower the monitoring cost as the franchisees are perceived to be better than employees as they are self-profit-motivated, the potential risk of opportunism and moral hazard may exist on another facet (Doherty et. al., 2014). According to research, most of the conflicts between franchisors and franchisees are due to inadequate due diligence prior to entering the franchising agreement, such as franchisees did not review the franchise business concept thoroughly or unrealistic expectation of performance and the return of their investment (Weaver, Frazer and Gidding, 2010). Research also shown that the weak relationship between the franchisor and their franchisees due to the absence of mutual understanding as well as monetary conflicts and strategic partnership conflicts could result in failure of any franchising partnership collaboration (Altinayand Brookes, 2012).

Applications of Agency Theory may explain potentially beneficial ways to organize relationships in which one party (the principal) determines the work that another party (theagent) undertakes (Castrogiovanni, Bennett and Combs, 1995).Furthermore, Agency Theory argues that the two most common agency problems are adverse selection and moral hazard. Adverse selection pertains to the condition under which the principal cannot determine if the agent possesses the ability to do the work for which he is being paid. Moral hazard addresses the doubt that the principal incurs when considering if the agent has put forth maximum effort to fulfil his duties (Mathieu, 1997).

The underlying problems of adverse selection and moral hazard debate the issue of fixed wage contracts and incentive-based contracts between a principal and an agent (Mathieu, 1997). A fixed wage contract may encourage agents to shirk on his duties since his compensation will be the same regardless of his quality of work or effort level (Mathieu, 1997). While a totally incentive based contract may encourage agents to act in their own

interest without consideration of the agent. For example, a CEO may participate in corrupt behaviour in an attempt to gain capital for himself without considering the effect that such behaviours would have on the company's overall profitably or trust among the shareholders. Therefore, applications of Agency Theory (Mathieu, 1997) suggest that some form of ownership reduces the incentives for agents' adverse selection and moral hazard since it makes their compensation dependent on their performance/actions.

Perhaps this is why franchising is so effective. The franchisee has to assume accountability and responsibility for his actions within his franchised unit. Ifthe franchisee acts inappropriately or does not involve him in operations, his personal compensation will suffer not to mention the possible retributions that the corporation may impose on the Franchise (Pizanti& Lerner,2003)

Measuring a franchise's performance is one of the key factors for success from the Franchisor's (principal's) standpoint. The Franchisor must ensure that all members of the system work to develop and maintain its brand name/image without attempting to take a "free ride" off of the efforts of other Franchisees/Franchisor that work hard to develop and maintain the brand name/image (Seshadri, 2002). If each Franchisee (agent) does not work to uphold the principals and beliefs set forth by the Franchisor, the Franchisor's reputation and business could start to deteriorate (Seshadri, 2002).For example, a customer visiting an unfriendly and dirty franchised McDonald's would probably not visit another McDonald's elsewhere due to association of a bad experience. Eventually, this kind of discouragement of repeat customers may affect other franchisees or the overall corporation.

2.5 Franchisee As Entrepreneur In Business

Franchising and Entrepreneurship are two different business concepts that share many facets and aspects, even though they also have significant differences (Suzanna Musial, 2016).

One major difference with the franchise model is that franchisors offer extensive training for all of the above aspects of the business. Instead of having to figure things out on your own, you get lots of help and guidance about how to run the business day-to-day. Depending on your franchise agreement, instead of having to do everything on your own, you may also get help with the financial aspects of marketing.

Surely, entrepreneurship means different things to different stakeholder. From the perspective that franchisor-franchisee for the people who aspire to gain wealth and prosperity through the concept of entrepreneurship business models, we need to look at the macro view through complex patterns of interrelatednessbetween the global, national, industry, organization and individual levels what drive the primary interests and goals when venturing into the entrepreneurship world for each party. Shir (2015) pointedly mentioned, from a national-economic perspective entrepreneurship is an important factor of production, from a market perspective it is a force that drives the market, from an organizational perspective it is the dynamics underlying the emergence of new organizations and/or a strategic framework for successful management, from an individual perspective it is a number of other things: a work-related alternative (career choice), a personal engine of change and development, the intended process (i.e., the personal goal) of establishing new and successful ventures, and/or a role or source of individual identity. Regardless of definition, and regardless of, or even due to, the great dynamics involved in the practice of entrepreneurship, from an individual perspective, entrepreneurship has specific features that exert various effects on individuals' psychology and behaviour.

According to Lindblom and Tikkanen (2010), business format franchising able to gain vast popularity and worldwide acceptance as an effective way of business expansion are mainly because this business format able to provide access to financial capital, knowledge capital and human capital; whereby the substantial amount of initial fee paid by the franchisee and the subsequent fees paid on periodically basis are good source of financial capital to the franchisors to strengthen their business position; the knowledge and network of the franchisees to deal with the respective local market can tremendously reduce the entry risk into a foreign community; while franchisees themselves are good workforce who are able to take risk, motivated and possess abilities to resolve crisis.

As such, we must also take into account the motivational driver at the employee level who forms the resource capability, are willing and decided to ventured into the franchised endeavour.(Krause, 2013) realised that predictive of positive future outcomes such as higher income and reemployment are important elements to understand the psychological, behavioural and performative outcomes of employee. This is critical to resolve the scarcity of manpower helping franchisee to operate successfully while in turn benefit the franchisors as the main investors.

Research of Paswan et. al. (2009) suggested that the impact of relationship between the franchisor, the franchisee(s) and the customers whereby the contribution of different sets of knowledge (franchisor as in business knowledge, franchisee as in local market knowledge and customer as in sharing their knowledge in value experience) are vital to make the franchise network works. As an extension to this relationship, the emerge of "conversion franchising" in recent years, whereby the franchisors recruit the independent businesses or franchisees from other franchised system to overcome their shortcoming in recruitment, lack of expertise and market saturation is proven to be another workable business strategy to gain competitive advantages and business growth under the name of franchising. Hodge et. al., (2013)

Nonetheless, no business system is perfect without any dispute or conflict between the stakeholder especially when the business system grows larger, so does the case in franchising where compliance issues, communication problems, arguments on the fees and so on are part of the conflicts that may harm the business if is not being managed well (Frazer et. al., 2012). Boonstra, J. J. (2013) addressing the cultural changes especially in the situation of franchisor-franchisee partnership, explained the co-evolution and close interactivity through good communication and leadership is the inevitable essential components required in any successful join business venture.

Franchising as a business model being adopted globally (Gamez-Gonzalez et. al., 2010), the implications to business organization especially SMEs have been researched extensively (Hua and Dalbor, 2013; Sadi and Henderson, 2011). Many researches were carried out to test on the Agency theories within the franchising business, especially on the franchisor-franchisee's foreseeable conflicts (Doherty, Chen and Alexander, 2014; Frazer et. al., 2012). Research by researchers Gillis, Combs and Ketchen (2014) which focused on the relativity of RBV (Resource-Based Theory) to franchising has shown preliminary evidence that RBV theory has merit on the explanation of franchising business model.

According to Ali and Wong (2012), due to the recognition by Malaysian government on the value of franchising business with the implementation of various incentives and initiatives, such as tax incentives, assistance of micro-financing and the introduction of National Franchise Blueprint, the franchise industry in Malaysia has surpass more than RM20billion a year. However, as stated in the official portal of Malaysia External Trade Development Corporation (MATRADE)(2015), despite the growing trend, franchising business in

Malaysia is still relatively small at below 10% as compare to some of the developed economies whereby franchising business contribute to 40% of the retail business.

Nonetheless, with more experience gained throughout the years on the knowhow to run the franchise business, many local Malaysia Franchise businesses have successfully established their footprint to overseas, from Middle East to China, such as Secret Recipe, Old Town, Marry Brown and Smart Reader (Roslan, 2015).

2.5.1 SME

SMEs which account for the majority of businesses globally (Brickley and Dark, 1991) has been the driving force of a market economy as well as being a major source that contribute to a nation's economic growth (Saunders, Gray and Goregaokar, 2013). However, with the ease of global competitive entities entering into local markets, has posted a big challenge to the survival of SMEs, which directly demands SMEs to identify and sharpen their competitive advantage to face the challenge and therefore secure their long-term survival (Darcy et. al., 2014).

2.5.2 SMEs Contribution To Malaysia Economy

Of all the total business establishments in Malaysia, 99% of the companies are SMEs, which employs 55% of the total workforce, contribute to approximately 31% to nation's GDPin 2011 (Razak, 2011). SMEs in Malaysia therefore have a big role to play in driving the national economies as well as providing job opportunities (Ali and Yusuff, 2011). As mentioned by the Malaysia's Minister of International Trade and Industry (MITI), Datuk Seri Mustapa Mohamed, SMEs in Malaysia are expected to contribute as much as 41% of the country's GDP by 2020 (The Star Online, 2014).

Referring to Figure 2.3 below, based on statistics, 79% of the SMEs in Malaysia comprised of micro enterprises and have been the primary drivers in Malaysia's economic transformation process with 86% of those SMEs serving the services sector, followed by 7% in manufacturing and 6% in agriculture (Hooi & Ngui, 2014).

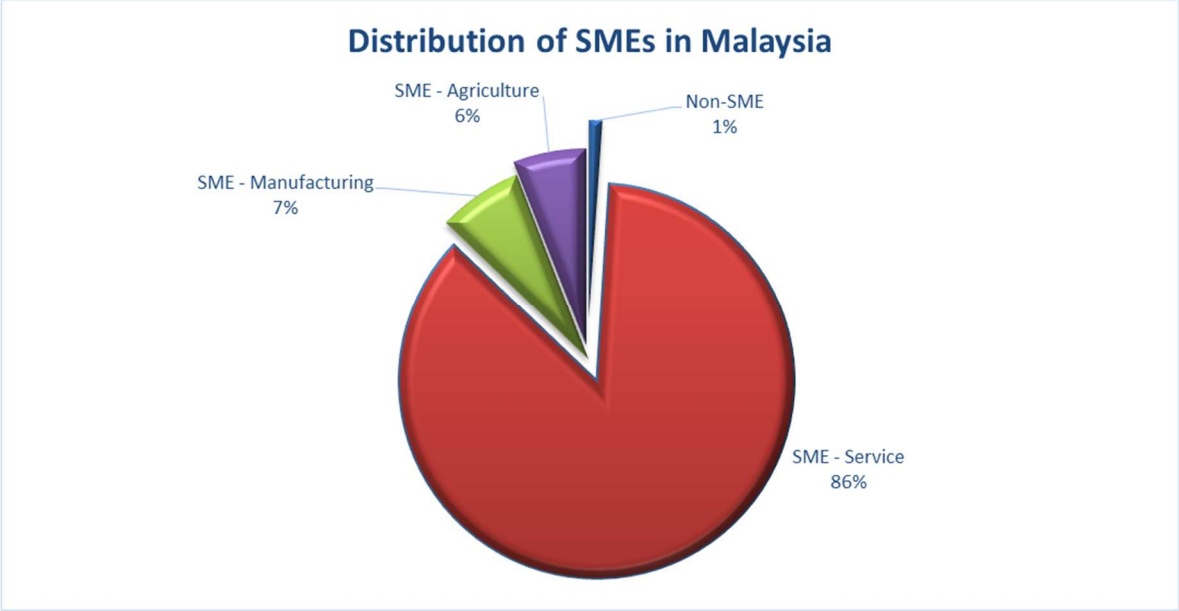


Figure 2.3: Distribution of SMEs in Malaysia

Source: Ali and Yusuff (2011) and Hooi and Ngui (2014)

According to Hashim (2012), on general perspective, SMEs in Malaysia despite getting various support from the government, are struggling in the international market due to lack of market knowledge, absence of technological and skill capabilities to produce higher quality products that being able to compete on global platform.

2.5.3 Franchising As A Mean Of Business Expansion By SMEs

Franchising is said to be a good way for SME business owners to expand and grow their business around the world effectively which enable the small business owners to be a franchisor in order to overcome the problem of finding financial resources, human resources as well as market knowledge (Sadi and Henderson, 2011). On the other hand, franchising allows small business owners to start-up a business venture with lower risk through acquiring an already proven business format which inclusive of gaining the access to training, operational and marketing support (Altinay et. al., 2014).

Globally, franchising had helped many SMEs expand into foreign market and becoming a larger corporation that stands a better chance of survival in the dynamic and competitive business arena via better access to talents acquisition and power of leverage (Sadi and Henderson, 2011).

2.5.4 Franchising in Malaysia For SMEs

Minister of Prime Minister's Department of Malaysia, Datuk Seri Abdul Wahid Omar envision that in order for Malaysia to achieve high-income nation by year 2020, the country's SMEs, which will be one of the main pillars of the country's economic development, will need to grow and become world-class players (Zieman, 2014). While growing a business to achieve world-class standard is a big challenge, according to survey, 8 out of 10 entrepreneurs who start their business will fail within the first 18 months due to various reasons from disconnection with customers, absence of product UVP (unique value propositions), communication breakdown, leadership breakdown or attempting a wrong business model (Wagner, 2013). Obviously, many entrepreneurs did not manage to get their way to the top of business world, with many of them rolled up their business and take away huge debts and mental stress with them (Bruder, 2014).

In a statement made by the Minister of Domestic Trade, Cooperative and Consumerism, Datuk Seri Hasan Malek, franchise industry in Malaysia contributed 2.6 percent to the country's 2014 GDP, and sixty local franchise firms has successfully made their global footprint in 55 countries with a total of 2,380 outlets (Roslan, 2015). Malaysia government has in fact put in much effort to stimulate the franchise industry within the country with several programs launched to aid the business development and funding to convert a conventional business to a franchise business (Abdullah, 2012). Apparently, with the government aid, the success rate should be higher for entrepreneurs who involve themselves in franchising business.

Statistic of Registered Franchise Business in Malaysia 2015 according to Industry

No.	Sector	Total	Percentage
1	Food and Beverages	298	37
2	Clothing and Accessories	87	11
3	Service and Maintenance	89	11
4	Learning Centre and Nursery	89	11
5	Health and Beauty Care	81	10
6	Convenient shop and Supermarket	18	2
7	ICT and Electronics	28	4
8	Other Businesses	107	14
	Total	**797**	**100**

Table 2.5; Source from Ministry of Trade and Consumerism 2015 report

Statistic of Registered Franchise Businesses according to States in Malaysia (2015)

Sector	Perlis	Kedah	Penang	Perak	Selangor	N. Sem	Melaka	Johor	Pahang	Trang a	Kelantan	Sabah	Sarawak	KL	**Total**
Food & Beverages		10	18	4	139	3	7	20		1	1	4	6	85	**298**
Clothing & Accessories		1	5	2	30	1	2	6					1	39	**87**
Service & Maintenance		1	1	2	35	1	4	5		1	2		2	35	**89**
Learning Centre & Nursery			5	4	34	1		6	1	1		2		35	**90**
Health and Beauty Care		1	2	1	34	1	2	7	1		2	2	2	26	**81**
Convenient shop & Supermarket		4	1		6									7	**18**
ICT & Electronics		1	2	2	9		2	1				1		10	**28**
Other Businesses		2	4	6	48	1	2	4	1		2		2	35	**107**
Total	**0**	**20**	**38**	**21**	**335**	**8**	**19**	**49**	**3**	**3**	**7**	**9**	**13**	**271**	**797**

Table 2.6

2.6 Franchisee-Franchisor Relationship

A research on franchisee performance for a case of education setting demonstrated that the quality of relational relation is important in improving franchisee performance results(Sanny, et. al., 2017).According to the literature, a conflict situation may arise when the costs ofremaining in a franchise relationship are greater than the perceived costs of leaving therelationship (Kaufmann & Stern, 1988; Ping, 1990). Franchise relationships are undertaken when the parties perceive that the efficiency produced in the relationship willresult in increased value. The viewpoint of Stephenson and House (1971) is that forfranchise relationships, the benefits are based on the potential for greater gains throughgroup membership than through operating independently. The characteristics of the

franchise relationship raises questions about how much latitude the parties have forindependent action, and about constraints on decision-making autonomy. The authors reached the conclusion that there was no particular benefit in a high degree of franchiseeautonomy (Schaefer, 2014).

Kaufmann and Stern (1988) used, in their research, relational exchange theory, which investigates the nature of transactions between entities. They cite franchising as a prototype for relational exchange, and suggest that the conditions that are detrimental to the exchange relationship are not easy to identify. According to Hunt and Nevin (1974), franchisee cooperation might be obtained through the use of power to manipulate the franchisee's behaviour, or by convincing the franchisee of the benefits to be gained in the relationship. A study by Felstead (1994) concentrates on the tendency for power to becentralized in the organization, and for the franchisor to use that power to achieve goals.The stability of the relationship is important to any composite organization (Borys & Jemison, 1989). Although the literature portrays the relationship as one where the franchisee is the recipient of the franchisor's expertise and knowledge, it is important torecognize the franchisee as an intelligent participant who is capable of contributing to thesystem. A study by Zeller, Archabal, and Brown (1980) discovered that the goals offranchisors and franchisees are in conflict, in that the franchisor strives to maximize profits for the entire system, and the franchisee would like to maximize profits in itsterritory, and particularly unit profits.

Early research focused on the tendency of the franchise relationship to be conflictprone, and involving a great deal of dissatisfaction due to the imbalance of powerbetween the participants (Parsa, 1996; Gaski, 1984, 1986). The use of interorganizationalpower and the satisfaction of distributors were studied in the context of heavy industrial machinery (Gaski and Nevin, 1985). In this context, and based on aprevious study by Hunt and Nevin (1974), the authors dichotomized measures of powersources and exercised power as "coercive" and "reward." They found that if franchisorsrelied more on non-coercive power sources and less on coercive power sources, franchisee satisfaction would be greater. The authors further stated that the membershipcontract builds into the relationship the direction of power for decision-making. In astudy of franchised automobile dealers, Lusch (1976) investigated the relationshipbetween power sources and intra-channel conflict. He found that conflict in theautomobile distribution franchise system was increased by the use of non-coercive power.

Another approach to the study of franchising is the micro-economic theory, whichplaces franchising theme of intangible assets-sharing in a theoretical structure (Groonen, 2013). In thistheory, the reduction of costs or the increase of revenue is seen to result from a divisionof tasks between two independent firms (Williamson, 1975). The assumption underlyingthis theory is that both the franchisor and the franchisee are seeking to maximize profits (Hayek, 1989). The franchisor-franchisee relationships are affected by differences in theperceived value of a franchise. In the initial contract negotiations, franchisors specifyuniform contract terms for all franchisees (Pizanti and Lerner, 2003).As highlighted, relational development is assumed that the contract terms take into account the value of the franchise and its brand name, should include estimations of theretail outlets financial performance, and should specify the costs of providing services (Schaefer, 2014).The contract terms are contained in disclosure documents, used by prospective franchisees as a "menu" from which they can choose franchise opportunities.Prospective franchisees are more likely to choose franchisers with a higher brand namevalue, and with proven success formulas. Such franchisors find easier entry into newmarkets. Since franchisor revenue is generated primarily through franchise fees,royalties, and sales of goods and services to franchisees, successful franchisors are likelyto charge higher fees to franchisees, and be more strict in selecting potential franchisees (Wang & Ahmad, 2007).Hunt (1977) found that franchising benefits society by offering more opportunities forminorities and women, and because franchisees have higher success rates thanindependently owned businesses.

Arrow (1969) used a cost-economics approach to study franchising relationships.In this theory, the principal burden of analysis lies in the comparisons of the various costsinvolved in running the economic system under investigation. It is assumed that theparties in the relationship are acting out of economic self-interest and will enhance theirown positions by engaging in opportunistic behaviours (Bergen, Dutta, and Walker, 1992).In transaction-cost economics, the basic unit of analysis is the transaction (Williamson,1975). Analysisof transactions involves examining the basic dimensions on which they differ, and the implications of those differences for the design of management systems.Transaction-cost analysis (TCA) regards asset-specificity as a primary concept(Williamson, 1985). TCA is utilized as a technique to safeguard transactions againstpossible opportunism by either party (Simpson, 1990). In any franchising relationship,the formal safeguard is the license agreement that specifies the terms of the commonownership and the responsibilities of both parties with reference to their common asset.Williamson (1991) has found that transaction-

cost economics analysis extends fartherthan marginal analyses, in that it investigates efficiency in resource allocation. His conclusion is that franchising has more benefits than autonomy in transactions, in that itis multilaterally dependent, a situation that reduces the costs and risks.

Conflict reduction and the maintenance of the relationship are linked withfranchisee satisfaction in the relationship exchange (Frazier, Gill, and Kale, 1989).Among the researchers in the area of conflict in franchise channels of distribution areLusch (1976), and Brown and Day (1981). These authors have focused primarily onidentification of the reasons for conflict. Two major areas of conflict are deception in theselling and granting of franchises, and unfair practices in operating franchise systems (Nevin, Hunt, and Ruekert, 1980). The interrelated goals of the franchisor and franchisee tend to generate high degrees of trust and solidarity in the relationship. Kaufmann and Rangan (1990) have proposed a mathematical model to resolve the problem of conflictbetween the franchisor and franchisee during the process of adding new franchised units.This model includes an integration of store choice, site allocation, and a proactive systemof management that optimizes the dichotomous effects of competitiveness and systemattractiveness.

Sharing economic rent becomes an issue when a franchisor-franchisee relationship is entered into. Franchisors have available as revenue sources the initialfranchise fees, royalties, property rentals, the sale or leasing of equipment, supplies andraw materials, franchise products' sales, and the sale of territorial rights (Woll, 1968). Itwas found, by Baucus, Baucus, and Human (1996), that both the industry and franchisorcharacteristics determined base fees and royalty rates. The applicable franchisorcharacteristics included age of the company, market share, number of employees in the system, the types of services offered to franchisees, and the value of the franchisor'strademark value.

The assumption arises, from an examination of the franchisor's theoretical coststructure, that the franchisor's cost is fixed. Therefore, the franchisor's revenue curve is linked to that of the system's franchisees, and, as previously described, will slopedownward and to the right. However, this assumption must be modified to include thetiered placement of overhead and the marginality of product and services sales tofranchisees. A proposal by Hayek (1989) suggests that the price-system is very efficientas a means of communicating information and bringing about change. In this proposal,the central objective of economic organizations is

adaptation, with a marketplace focus.These findings were congruent with those of Sen (1993), who reported that the totalinvestment per unit, the tie-in sales requirements, and the percentage of franchised unitsset the initial fees required by franchisors. A positive relationship was found by Combs and Castrogiovanni (2004) between the number of franchised units and the amount ofroyalties charged by the franchisor.

In the economics literature, the choice of the franchisee to purchase a franchise is seen as a rational response to an appealing investment opportunity (Kay, 2010). However, this view point does not take into account the personal characteristics of the franchisee.Peterson and Dant (1990) describe the franchisee as being subject to a "large number ofsituational, personality, and economic correlates are likely to influence perceptions" about franchising. It is important to understand the franchisee's economicmotivations, but such an inquiry should be augmented by a consideration of thefranchisee's personal characteristics, which may have both economic and social origins (Baker, Dant, 2013)

Schul, Little, and Pride (1985) discovered that franchisee satisfaction is related tohow the franchisee perceives the quality of the interactions with the franchisor, thequality of the franchisor's operational support, the appeal of the reward structure, and thefairness and autonomy of the relationship. Similar results were found by Lewis and Lambert (1991), that franchisees were satisfied if they felt that the success of theirfranchise was due to the franchisor. Franchisee satisfaction or franchisee's fulfilment ofits goals has been used as a performance measure in some studies (Elango and Fried, 1997). Another performance measure that has been used for franchising is system-widegrowth in sales or units. Carmen and Klein (1986) have suggested that these measures may be flawed in that they fail to recognize the multi-layered features of franchising performance. Most research has measured franchising only from the perspective of thefranchisor, and it should be understood that the performance impact on franchisees mightbe different. An example of this difference is the fact that increasing the number of unitsmay be of benefit to the franchisor, whose revenues depend on royalties from units in thesystem, while, on the other hand, such increases may be detrimental to the franchisee, whose market may be decreased by the existence of new franchisees (Grewal &Weaven, 2011). Morrison (1996) found that in the contractual relationship between franchisor and franchisee, each partyhas a role to play in ensuring that financial satisfaction will result for both, and that thefranchisee will experience job satisfaction.

The legal problems involved in franchising have been studied by Hunt and Nevin (1975). They suggest that legal problems currently facing franchising fall into three mainareas: “(1) misrepresentations by franchisors to potential franchisees about the operationof the franchise (the disclosure problem), (2) restrictions by franchisors on the source ofsupplies or services purchased by their franchisees (the tying agreement problem), and (3) onerous termination provisions in the franchise agreement (the capricious termination problem)”. Tying agreements are justified by advocates of franchising on the basisof mass purchase and quality control (Cadario & Parguel, 2014). They recommend that when tying agreements areused by franchisors in order to achieve higher prices than the competitive market offers, they may have negative effects on franchisee’s revenues and hence with his satisfactionwith the franchise relationship. In a study of franchisees by Porter and Renforth (1978), it was found that the three most common legal problems encountered by franchisees werecooperative advertising, franchisor inspection and evaluation, and minimum performancerequirements. Franchising tie-in contracts can be seen as reducing the monitoring coststhat could prevent franchisee free-riding on the franchisor’s trade name (Klein and Saft, 1985).

2.7 The Concept Of Entrepreneurial Competencies

From an economical standpoint, franchising is an attractive business system.One of the reasons for this is that the entrepreneurs realize that their entrepreneurial project faces many risks if they try to develop their business ontheir own (Grewal, lyer, javalgi&Radulovich, 2011). For them, franchise represents the opportunity to set up a businesswhile benefiting from the "security" of an organized system: the franchisenetwork.

The long-term survival of a franchise system depends on the willingness of thefranchisees to pursue the relationship with the franchiser (Morrison, 1997).The relationship management can be conceived as an evolutionary phenomenonin which the initial tie is the decision to purchase a franchise. Hence the decision process is the initial, crucial step that will condition the relationship between thefranchised entrepreneur and the franchiser (Dant, Grunhagen, &Windsperger, 2011). The work of Nerilee Hing (1993, 1995) demonstrates clearly the importance of initial steps toward the choice of afranchise. In reviewing franchising literature, several types of reasons for choosing a franchise can be observed.

Stanworth & Curran (1999) acknowledged that there is still a debate concerning themotivations of the entrepreneur who chooses a franchise. While some authorshave

assimilated the franchisee to an ordinary entrepreneur, seeking profitmaximization, others indicated that franchisees' choice is mainly driven by selfactualizationand risk aversion. They state (Stanworth & Curran op. cit., pp335): "At the heart of the above debate lies the issue of precisely where, on acontinuum ranging from self actualizing on the one end to profit maximizing onthe other, the franchisee resides." These authors then call for researchpropositions reflecting the high complexity of franchisee motivations.

Two additional reasons for joining franchise : (1) the evolution of economic situation and (2) the nationalculture (Huntley, 2006). First, current lists of reasons need to be updated by including the unemployment phenomenon: a certain number of franchisees decide to buy afranchise in order to pursue a professional activity and to have a source ofrevenue. In such cases, the "entrepreneurial spirit" (that is cited as a classicalreason to choose to franchise) is not a pivotal incentive for these individuals tochoose franchise. Unemployment hence has a fearful effect; individuals mainlyseek to earn money in the future (Huntley, 2006). Second, franchise is restricted to a defined geographical area which appeals to the Malaysian as they are not known for beingvery mobile, and this is partly reflected in the reasons for choosing franchise.

2.7.1 Entrepreneurial Competencies Relevant For Franchisee

Dant et al. (2013) find that common goals and sustainable coordination between a franchisee and a franchisor spurthe strength of the networks as a whole. Franchising is an expansion form permitting easyaccess to capital, rapid market penetration, development of a network distribution system, cooperation with striving entrepreneurs, and quick growth rates (Hoffman, Preble 1991, pp. 76; D.Ahlert& M. Ahlert 2010, pp. 158; Alon 2006, pp. 69). The franchising world has developedover time to be a more and more sophisticated environment. Within this environment, certainkey questions arise. One of these questions is how to choose an adequate franchisee. This quest is perceived as the franchisor’s most pervasive operating problem. Proper selection offranchisees can have outstanding results, while poor choices can lead to continuing problemsfor the franchise system (Jambulingam, Nevin 1999, pp. 363 cited in Clarkin, Swavely 2006, pp.134; Justis, Judd 1989 cited in Saraogi 2009, pp. 32).

The individual units within vertical cooperation systems depend on each other. For this reason, it is necessary to select partners carefully. They have to meet necessary requirements and bear sufficient potential. As Friedrich Schiller in his famous poem states: “Whoever

would form external bonds. Should weigh if heart to heart responds. Folly is short – repentance long." (German original version: "Drum prüfe, wersichewigbindet, obsich das Herzzum Herzen findet Der Wahnistkurz, die Reu ist lang.") (Schiller 1799, German writer 1759–1805, "Das Lied von der Glocke" (English: The Song of the Bell); 8 paragraph). This statement is not only true in various spheres of life, but also in franchising. Wrong decisions may influence the business environment for a long time and bear great risk, to the extent of the loss of existence.

Finally the research supports effective partner management and spurs the prospering potential of franchise partnerships. Long-term positive relationships are the basis for a positive image of the partnerships, the respective company, and the business type (Grace & Weaven, 2011)

2.7.2 Franchising Competencies

Doherty clarifies that financial background, business know-how, local knowledge,shared understanding of business are key aspects for suitable prospects (Doherty, 2009, pp.532–533). This shows that the decision for a potential candidate has strong influence onseveral future steps of the business, as it reflects the market possibilities the candidateperforms in. Altinay uses Geringer's task and partner-related criteria to group certainintangible assets and to infer an adequate choice for future franchisees in the hotel industry(Geringer, 1991) first came up with the task and partner-related grouping of characteristics).

Altinay names important partner-related aspects, such as reliability, commitment, culture, experience, and defines significant task-related aspects, such as operational skills andresources. Depending on the stage in the selection process, task or partner-related criteria are of greater or less importance. In the divisional / company level the emphasis is on the task relatedcriteria, which can be seen in the importance given to managerial experience (Altinay, 2006).

Besides, financial resources are highly important, as they, together with managerial experience, areseen as vital point in successful operation of a franchise unit. Within marketing, customerperception reaches high importance (Altinay 2006, pp. 124–126). This results in the need for afranchisee to understand intangible asset issues. Nevertheless, relationships are of greatsignificance and should be based on mutual evaluation long before an agreement is struck (Liao &Kickul, 2009)

Partner-related characteristics are the centre of Clarkin and Swavely's (Clarkin, Swavely 2006, pp. 138–140) study of a variety of industries, in which personal characteristics arecompared and related. The characteristics examined are consistent with JambulingamandNevin's categories of financial, individual background, and personal characteristics. Though,in Clarkin and Swavely's study personal interviews were rated most important, followed bythe applicant's financial net worth, and general business experience.

Industry experience was rated least important. Stanworth, Clarkin and Swavely announce that many franchisors stilltake their intuition and gut feeling into account. This finding stresses the importance ofattitude and personality of candidates (Stanworth, Kaufann 1995 cited in Clarkin & Swavely, 2006, p. 140). It goes hand in hand with Jambulingam and Nevin's finding, which alsoemphasizes the influence of personal attributes when selecting a franchisee. In a previouscontribution, Clarkin and Swavely (2003) had similar outcomes, as personal interviews wererated highest.

The component of financial background is interesting, as the majority rated it asthe third and the fourth. Formal education and specific industry experience are seen to be lessimportant and therefore support Jambulingam and Nevin's importance ranking. Should formal education influence a potential franchisee's ability to learn, the training provided by thefranchisor may or may not produce the desired effect. As seen in the results franchisors try toovercome this challenge, by rating formal education higher, and by providing more trainingdays to their franchisees (Watson et. al., 2007).

Franchisors who rate a franchisee's background highly important, offer more training. It is the same group that emphasizes business experience in theirselection criteria (Clarkin, Swavely 2003, pp. 17–18). Considering the findings of Olm et al., and comparing them to the results of this study, the required financial background is different.Their sample shows a suitable financial qualification as the second most important criterionout of four.

The other qualifications are personality, skills, and background. The academicbackground appears not to be rated vital to the franchisors. Rather general business experience is rated vital to measure the financial qualification indicators, such as credit ranking, personal cash, personal assets, business reference, and family assets were taken into consideration (Dant&Weaven, 2013). In addition, this sample suggests franchisees to be primarily female

entrepreneurs combined with a hard-working and self-motivated attitude to perform successfully.

When ranking other general franchisee characteristics, the top three are reputation, followed by family commitment, followed by health. Afterwards, self-employment, citizenship, disabilities, residency, celebrity status, and marital status are ranked in the order respectively.

This study makes clear that franchisors in this sample by noting family commitment and family assets evaluate not only the applicant, but also the family surrounding (Olm *et al*. 1988, pp. 10–16). Over time, this seems not to have changed, as already in 1976 the study by Edens et al. investigated family background to learn more about the personal situation of the applicant (Edens*et al*. 1976, pp. 40). This is of particular interest in countries where franchise companies are characterized and seen as family-run businesses (Altinay, Miles 2006, pp. 430).

Olm et al. 2009 outlay the indicators for personality and attitudes in detail: industrious behaviour, motivation, perseverance, attitude towards others, precision work capability, energy, sincerity, decision-making initiative, sense of business autonomy, leadership, and risk aversion, respectively. Knowledge and capabilities are measured and ranked according to the following criteria: general management, previous work experience, management of personnel, expertise in the field, public relations, accounting and book keeping, merchandising, and grade point average.

Ramirez-Hurtado et al. describe the service sector ranking desirable attributes and profiles of a franchisee candidate. In their work of the Spanish national service industry, they have found out that the most important attributes are loyalty to the franchisor, managerial capacity, and willingness to work hard. The least important attributes are financial capacity, and previous experience. The method of this simulation is based on four hypothetical franchisee profiles, in order to proceed with a conjoint analysis, onto which the empirical work is building up.

In another study of the Spanish market within the same period Ramírez-Hurtado, Rondán-Cataluña, et al. came to very similar results. Also in that case the conjointanalysis was used (Ramírez-Hurtado *et al.* 2011, pp. 59). However, that study included otherbusiness sectors apart from the service sector, and therefore resulted in a larger sample size. Ina previous work, Hurtado et al. consider three business sectors: beauty and cosmetics, fashionand accessories assessors, and hotel and restaurant businesses. Final outcomes show lessimportant attributes,

such as professional work experience, entrepreneurial character, andextroversion. However, overall loyalty and honesty towards the franchisor is a characteristicthat has turned out to be the basis for any future cooperation. Especially in the hotel industry high level of leadership skills and the ability to work hard are absolutely necessary, compared to the fashion industry, where leadership skills are not relevant (Hurtado *et al*. 2006, pp. 24, 30–31).

The overall preferred profile is an individual with good leadership skills, withentrepreneurial character, extroverted, who fully dedicates all time available to the franchisedunit, who is loyal to all instructions from the franchisor, who wishes to succeed, who hasbusiness experience of some kind, who has perseverance, and who is financially capable toinvest in more than only to meet the initial requirements (Martin Schaefer, 2014).

2.7.3 Franchise Selection Process

Common goals and sustainable coordination between a franchisee and a franchisor spur the strength of the networks as a whole (Schendera 2008). Franchising is an expansion form permitting easy access to capital, rapid market penetration, development of a network distribution system, cooperation with striving entrepreneurs, and quick growth rates (Hoffman, Preble 1991, pp. 76; D. Ahlert& M. Ahlert, 2010, pp. 158; Alon 2006, pp. 69). The franchising world has developed over time to be a more and more sophisticated environment. Within this environment, certain key questions arise. One of these questions is how to choose an adequate franchisee. Thisquest is perceived as the franchisor's most pervasive operating problem. Proper selection offranchisees can have outstanding results, while poor choices can lead to continuing problemsfor the franchise system (Jambulingam, Nevin, 1999, pp. 363 cited in Clarkin, Swavely, 2006, pp.134; Justis, Judd 1989 cited in Saraogi 2009, pp. 32).

The individual units within vertical cooperation systems depend on each other. For thisreason, it is necessary to select partners carefully. They have to meet necessary requirementsand bear sufficient potential. As Friedrich Schiller in his famous poem states: "Whoeverwould form eternal bonds. Should weigh if heart to heart responds. Folly is short – repentancelong." (German original version: "Drum prüfe, wersichewigbindet, obsich das HerzzumHerzenfindet! Der Wahnistkurz, die Reu ist lang.") (Schiller 1799, German writer 1759–1805, "Das Lied von der Glocke" (English: The Song of the Bell); 8 paragraph). Thisstatement is not only true in various spheres of life, but also in franchising. Wrong

decisionsmay influence the business environment for a long time and bear great risk, to the extent ofthe loss of existence.

Considering partner selection, two points of views can be recognized. For the purpose of this research, the author only considers the point of view of the franchisor.Doherty clarifies that financial background, business know-how, local knowledge,shared understanding of business are key aspects for suitable prospects (Doherty, 2009, pp.532–533). This shows that the decision for a potential candidate has strong influence onseveral future steps of the business, as it reflects the market possibilities the candidateperforms in. Altinay uses Geringer's task and partner-related criteria to group certainintangible assets and to infer an adequate choice for future franchisees in the hotel industry(Geringer, 1991) first came up with the task and partner-related grouping of characteristics).Altinay names important partner-related aspects, such as reliability, commitment, culture, andexperience, and defines significant task-related aspects, such as operational skills andresources.

Depending on the stage in the selection process, task or partner-related criteria are of greater or less importance. In the divisional / company level the emphasis is on the taskrelatedcriteria, which can be seen in the importance given to managerial experience. Besides, financial resources are highly important, as they, together with managerial experience, areseen as vital point in successful operation of a franchise unit. Within marketing, customer perception reaches high importance (Altinay 2006, pp. 124–126). This results in the need for afranchisee to understand intangible asset issues. Nevertheless, relationships are of great significance and should be based on mutual evaluation long before an agreement is struck.Partner-related characteristics are the centre of Clarkin and Swavely's (2006, pp. 138–140) study of a variety of industries, in which personal characteristics arecompared and related. The characteristics examined are consistent with Jambulingam and Nevin's (1999) categories of financial, individual background, and personal characteristics. Though,in Clarkin and Swavely's study personal interviews were rated most important, followed bythe applicant's financial net worth, and general business experience. Industry experience was rated least important. Stanworth, Clarkin and Swavely announce that many franchisors stilltake their intuition and gut feeling into account. This finding stresses the importance ofattitude and personality of candidates (Stanworth, Kaufann 1995 cited in Clarkin, Swavely2006, pp. 140). It goes hand in hand with Jambulingam and Nevin's finding, which alsoemphasizes the influence of personal attributes when selecting a franchisee. In a previouscontribution, Clarkin and Swavely(2003) had

similar outcomes, as personal interviews wererated highest. The component of financial background is interesting, as the majority rated it asthe third and the fourth.

Formal education and specific industry experience are seen to be less important and therefore support Jambulingam and Nevin's importance ranking. Should formaleducation influence a potential franchisee's ability to learn, the training provided by thefranchisor may or may not produce the desired effect. As seen in the results franchisors try toovercome this challenge, by rating formal education higher, and by providing more trainingdays to their franchisees.

Franchisors who rate a franchisee's background are highly important too. It is the same group that emphasizes business experience in theirselection criteria (Clarkin, Swavely 2003, pp. 17–18). Considering the findings of Olm et al., 2009 and comparing them to the results of this study, the required financial background is different. Their sample shows a suitable financial qualification as the second most important criterionout of four. The other qualifications are personality, skills, and background. The academicbackground appears not to be rated vital to the franchisors. Rather general businessexperience is rated vital. To measure the financial qualification indicators, such as creditranking, personal cash, personal assets, business reference, and family assets were taken intoconsideration.

In addition, this sample suggests franchisees to be primarily male entrepreneurscombined with a hard-working and self-motivated attitude to perform successfully. Whenranking other general franchisee characteristics, the top three are reputation, followed byfamily commitment, followed by health. Afterwards, self-employment, citizenship,disabilities, residency, celebrity status, and marital status are ranked in the order respectively.This study makes clear that franchisors in this sample by noting family commitment and family assets evaluate not only the applicant, but also the family surrounding (Olm *et al*.1988, pp. 10–16). Over time, this seems not to have changed, as (Edens*et al*. 1976, pp. 40) in 1976 the study already being investigated by family background to learn more about the personal situation of theapplicant (Edens*et al*. 1976, pp. 40). This is of particular interest in countries where franchisecompanies are characterized and seen as family-run businesses (Altinay, Miles 2006, pp. 430).Olm et al. 1988 outlay the indicators for personality and attitudes in detail: industrious behaviour,motivation, perseverance, attitude towards others, precision work capability, energy, sincerity,decision-making initiative, sense of business autonomy, leadership, and risk aversion,respectively.

Knowledge and capabilities are measured and ranked according to the followingcriteria: general management, previous work experience, management of personnel, expertisein the field, public relations, accounting and book keeping, merchandising, and grade pointaverage. Ramirez-Hurtado et al. (2011) describe the service sector ranking desirable attributes andprofiles of a franchisee candidate. In their work of the Spanish national service industry, they have found out that the most important attributes are loyalty to the franchisor, managerial capacity, and willingness to work hard. The least important attributes are financial capacity, and previous experience. The method of this simulation is based on four hypotheticalfranchisee profiles, in order to proceed with a conjoint analysis, onto which the empiricalwork is building up. In another study of the Spanish market within the same period Ramírez-Hurtado, Rondán-Cataluña, et al. came to very similar results. Also in that case the conjointanalysis was used (Ramírez-Hurtado *et al.* 2011, pp. 59). However, that study included otherbusiness sectors apart from the service sector, and therefore resulted in a larger sample size. Ina previous work, Hurtado et al. consider three business sectors: beauty and cosmetics, fashionand accessories assessors, and hotel and restaurant businesses. Final outcomes show lessimportant attributes, such as professional work experience, entrepreneurial character, andextroversion.

However, overall loyalty and honesty towards the franchisor is a characteristic that has turned out to be the basis for any future cooperation. Especially in the hotel industry ahigh level of leadership skills and the ability to work hard are absolutely necessary, comparedto the fashion industry, where leadership skills are not relevant (Hurtado *et al*. 2006, pp. 24, 30–31). The overall preferred profile is an individual with good leadership skills, withentrepreneurial character, extroverted, who fully dedicates all time available to the franchisedunit, who is loyal to all instructions from the franchisor, who wishes to succeed, who hasbusiness experience of some kind, who has perseverance, and who is financially capable toinvest in more than only to meet the initial requirements.

Empirical studies on franchisee selection criteria deal with several factorslike age and business or industry experience, personality, or financialstrength (Altinay, 2006; Clarkin &Swavely, 2006; Jambulingam& Nevin, 1999; Wang &Altinay, 2008). Using various criteria (Choo, Mazzarol,&Soutar, 2007; Doherty, 2009) to evaluate potential franchisees is a franchisor’sinput control strategy. Franchisors use these criteria to select potential wellperforming franchisees. Commercial franchisors typically use criteria like financial net

worth, general business experience, formal education, localmarket knowledge, ties to local community, and psychological profile. Weshall discuss these criteria and indicate their relevance in social franchiseeselection.

Financial Net Worth

In commercial franchising, financial net worth (Combs &Ketchen, 2003) is a very significant factor. It decides franchisee investment capability andcontinuance profitably. Commercial viability is crucial for the franchisor andthe franchisee. Financial net worth is an indicator of the ability to manage abusiness. In addition, it reflects the risktaking ability and an understanding of cost management. Monitoring of financial net worth (Doherty, 2009) offranchisees is crucial for sustaining the franchise business. Thus, financialnet worth is a key component of self-sustainable business operation.Initial investment may not be a major criterion for social franchisee. Afranchisor or donor emphasizes self-sustainability. In such cases, a socialfranchisee must demonstrate capability for attracting donor funding tosustain services provision. In addition, she might be required to convinceconsumers to accept a minimum service fee. This would be ableto recover at least service operating costs. A fee could ensure a revenuesource other than donor dependence for securing a franchisee's financialnet worth (Leavy, 2003).

Business Experience

A commercial franchisor expects a franchisee to have at least some businessexperience (Williams, 1999; Kalnins& Mayer, 2004). Without businessexperience, the franchisor will find it tough to train this franchisee in businessoperations. Business experience ensures that the franchisee starts herbusiness as soon as she signs a franchising contract. Moreover, exposure to business or being a business owner helps appreciate the uncertainty inherent in business. It also helps in reducing a greater dependence on the franchisor for sustaining the business. Many researchers (Yang et al., 2008;Xiao, O'Neill, & Wang, 2008;Wang &Altinay, 2008) have found the most important factors in the selection process to be general management knowledgeand previous work experience.In social franchising, for example, a health care franchisee needs experience serving the local population's health care needs. Such a requirement ensures experience in serving a social cause but not in a business setting. (Sivakumar and Schoormans, 2011).

Formal Education

A commercial franchisor also looks out for a franchisee with (some) formaleducation. Formal education (Jambulingam& Nevin, 1999) helps the franchiseeto face uncertainmarket environments and be a continuous learner.Absence of higher-level formal education can result in susceptibility to failureamong franchisees. Tertiary education of the franchisee is important sothat she understands the implications of a franchise contract. The rights, responsibilities, and clarity of roles are aided with education. These help inavoiding potential conflicts in franchising.Similarly, in social franchising, a qualified social worker with formal education will provide better expertise in counselling and treatment. She can apply learning to the specific social cause that she serves. Thus, formaleducation is a requirement for both social and commercial franchising entities.

Local Market Knowledge

Franchisees are agents of franchisors serving local geographical areas. Local market knowledge (Jambulingam & Nevin, 1999; Killion, 2008) can bean important reason for a commercial franchisor to select a franchisee.Franchisee's local market knowledge helps the franchisor in popularizingthe franchise through acquisition of economical local inputs, best local processes,and superior local marketing strategy (Choo et al., 2007). Franchiseescan exercise entrepreneurial initiative and adopt their own standards ofquality and conduct. Local market knowledge helps in site selection, localadvertising, and local consumer behaviour.For a social franchisee, understanding of local social context is animportant requirement. In health care franchising, knowledge on diseasesthat are present in the local community ensures better communication (Wilson et al., 2009). It also helps in communication with franchisors ordonors about franchisee contribution to the community. Franchising as aretailing form depends greatly on community involvement in the enterprise.Thus, better franchisee social standing in local community and franchisee involvement in supporting community activities are significant in commercialfranchising. They become even more important therefore in socialfranchising.

Personal Profile

In commercial franchising, franchisors accord a high degree of importanceto franchisee personal characteristics (Clarkin & Swavely, 2006; Y. Huang & Phau, 2007). Franchisee cooperation with the franchisor depend greatlyon the franchisee's attitude. While the franchisor can transfer business orFranchisee Selection process skills to the franchisee, the

franchisee's attitude (Harmon & Griffiths, 2008) is an inherent trait that significantly determines franchising success.Therefore, franchisors typically interview potential candidates and administertests to gauge commitment level, risk-taking ability, and innovativeness.Conflict in channel management avoided with a fit between the franchisorand franchisee personal profiles (Zhang, 2007; Kidwell et al., 2007). Effective franchisees should be dedicated entrepreneurs, good team-players, and ableto work within the system (Vazquez, 2008).

In social franchising, personal integrity, persuasiveness, entrepreneurship,confidence, enthusiasm, and commitment to social causes are key ingredients for success. These franchisee traits are important even if shedoes not possess strong financial background or experience in social sector. Thus personality related factors are significant in both commercial and social franchising.

2.8 Gaps In The Literature

There are more than 2700 childcare centres and kindergartens set up throughout Malaysia. Those registered with Jabatan Kebajikan Masyarakat (JKM) and Jabatan Pendidikan Negara (JPN) are less than 15%. Among the 15% of registered childcare and kindergarten, those that were accredited with a franchise license were only a handful. Among the popular one are Smart Reader, Krista, Q Dees and D'MONTE. There were very few researches done on Kindergarten or childcare franchise in Malaysia. This chapter concludes by identifying the research gap and formulating the research question as the starting point for further analysis.

2.9 Conceptual Framework

The overall conceptual framework of this study is as follow.

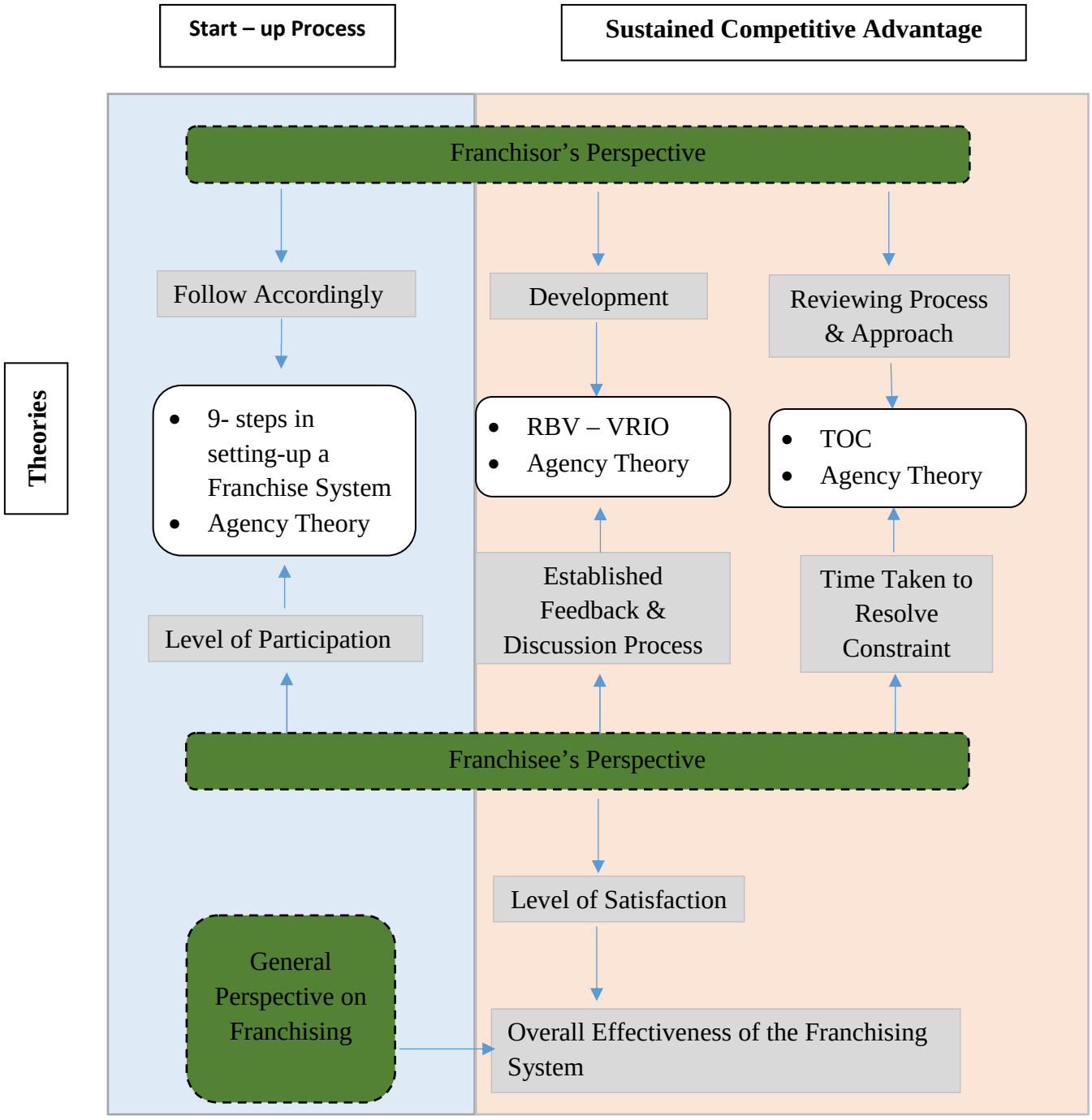


Figure 2.7: Conceptual Framework

Based on Figure 2.7 above, the critical success factors for D'MONTE Childcare Centreis identified based on the influences (franchisee, franchisee-franchisor interaction and franchisor management) in the business environment followed by the measurement of the overall level of performance. It starts with the 9 steps of setting

up a Franchise system which observed the proper use of each of the 9 steps to develop a favorable relationship between Franchisee and Franchisor. The RBV-VRIO theory was chosen as the grounded theory for this research as childcare centre such as D'MONTE Childcare Centre operate in highly competitive and complex business environment and therefore need to sustain their competitive advantages based on differences in resource and capabilities (Barney, 1995). It has to continuously develop and enhance that the products are valuable, rare, inimitable and well organized in order to sustain a competitive advantage in a highly ccompetitive business environment (Barney, 1995). Processes has to be continuosly reviewed to identify any constraints that may affect the growth of the business, and to ensure the actions are taken to overcome the constraints that procrastinate the growth of the business. It becomes an important factor affecting the quality relationship of Franchisee and Franchisor if constraints are unable to resolve (Gaylen L & Troy A, 2013).

The 9 Steps In Setting Up Of A Franchise

The 9 steps begins with drawing up of a business plan or busines proposal. The plan is essential as it sets the roadmap for the business in the future. Advice and guidance from a professional or consultant is needed to make sure the plan is carried out accordingly in the rightful manner. Developed and documented every processes of operation. And conduct an intellectual property audit. Once every processes is documented, it can be compiled into a manual or standard operating procedure. Nest is to plan an advertising and promotional strategy for the new farnchise business and develop a franchise training program. Develop a team to carry out the processes for the franchise system and tarin the sales team to screen and recruit the prospective franchisees. Once Franchise contarct is granted, the team has to assist the new Franchisee from site selection to the opening of the outlet.

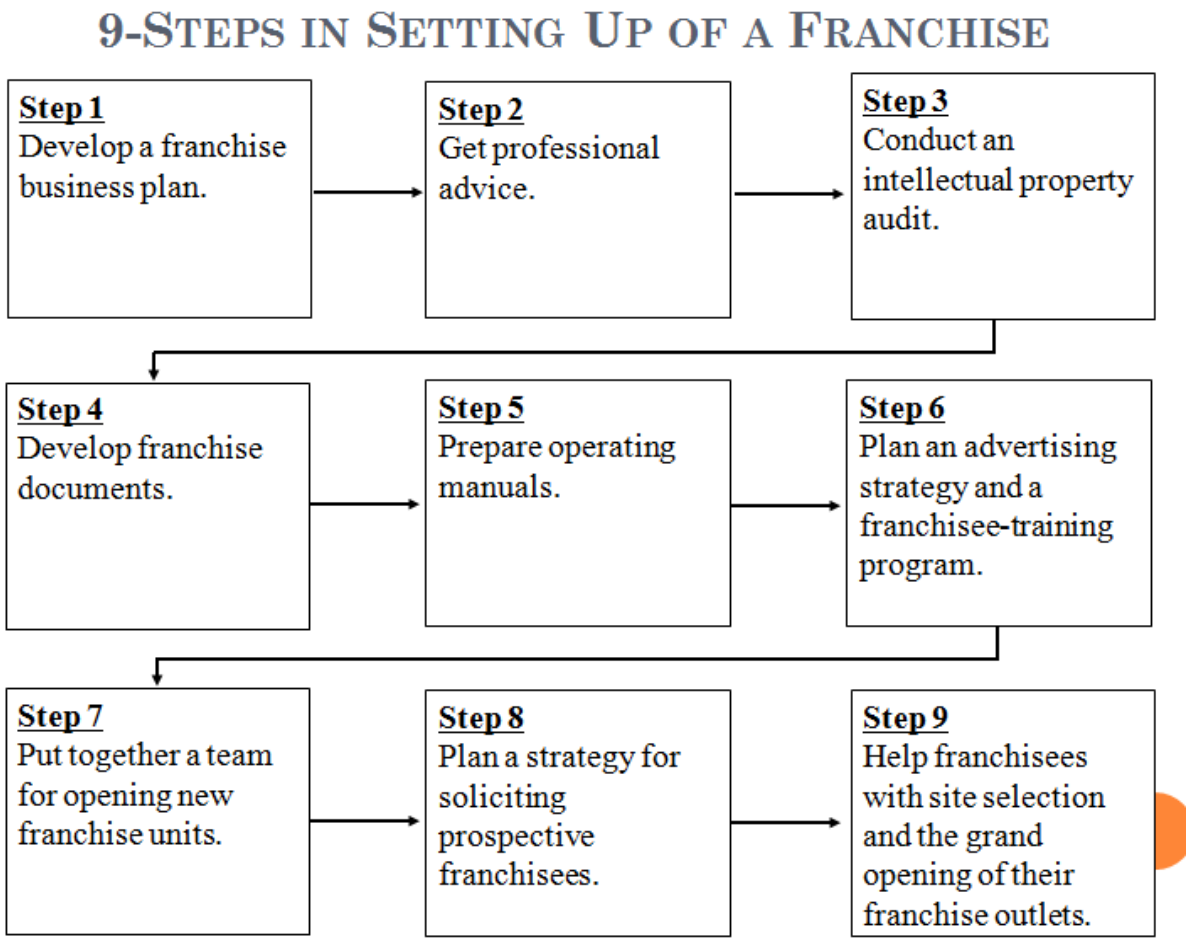


Table 2.8; 9-steps of seeting up of franchise system

2.10 Assumptions of Research Outcomes

This research will review D'MONTE Childcare & Development Centre from the perspective of three key stakeholders, the management team of the childcare centre (Franchisor), The owner operator of the childcare centre (Franchisee) and customers (parents). This research will discuss one SM theory, the Resource-Based model. The assumptions as below were derived from the conceptual framework to ascertain the VRIO and determine the CSF for growth and sustainability.

A1: Franchisor practiced in sequence according to the 9-steps process during the setup of its Franchise system.

A2: Franchisee(s) had fully participated in those activities that were stated in the 9-steps process of franchising set-up.

A3: The Franchisees leadership skills, competencies and commitment will impact the business performance of the franchise.

A4: The leadership skills, competencies identifies by both Franchisor and Franchisees are aligned.

A5: Franchisor has products and services that are valuable, rare, inimitable and well organized in the market, thus helps improve business performance.

A6: Franchisees are able to give feedback and discuss their ideas or suggestions with the Franchisor through an established process.

A7: Franchisor agrees that it is more effective for the outlets (or branches) to be run or managed by the franchisees than hiring a manager.

A8: Franchisees' major constraints were resolved by the Franchisor promptly

A9: Franchisees has high level of satisfaction towards the business approach of the Franchisor.

A10: Franchisor is constantly reviewing their process and approaches to identify any potential constraint arise within their Franchisee business network, and find solution to resolve the constraints.

2.11 Conclusion

This chapter comprises a review of selected literature relating to franchising and the franchisor-franchisee relationship. The chapter reviews franchising literature from the viewpoint of organizational structure, which includes literature that is primarily a mixture of descriptive and empirical studies. Also reviewed are research perspectives from capital theory, resource constraints, agency theory, and literature concerning the franchisor-franchisee relationship, including relational exchange theory. Most usually, research attempting to explain the creation of franchise systems has focused upon the franchisor's motivation to open a franchise. These studies do not attempt to explain why some people want to be franchisees. The motivation of individuals who join franchise systems and the antecedents that predict which individuals are likely to be interested in becoming franchisees have received little attention (Bradach and Kaufmann, 1988). The majority of theoretical and empirical support has been found in the organizational efficiency perspective, which views

the optimal franchise contract as one which extracts rents, and minimizes free-riding by either party.

Chapter 3 Methodology

3.0 Overview

This chapter introduces an overview of methodology used in this study. The discussion in this Chapter is structured around the research design, unit of analysis, focus of research, case profile, research objects and data collection followed by statistical treatment of the empirical data. The research design will be linked to the conceptual framework discussed in Chapter 2. Besides that, the technique and analysis methodology is reviewed to ensure questions, analysis tools and theories are suitable for this study.

3.1 Research Design

Organization studies generally employ quantitative research methods as these are considered as objective in comparison to qualitative research methods, which are subjective and therefore, less reliable (Boodhoo&Purmessur, 2009). However, according to Avis (1994), there is no one research method that is superior to another, the quality of research design depends on the ability of the researcher to understand the strength and weakness of the obtained data (Harwell, 2011). Aryee et al. (2013) also mentioned that researchers today are more concerned on the goal of improving all types of educational inquiry as its complexity requires a whole range of research methods. Therefore, this research will adopt qualitative research method on a single case study, as it will help the researcher to have a better understanding of the relationship between Franchisor and Franchisees of a childcare centre, and therefore, improve the performance of the business for Franchisee and eventually improving the business performance of the Franchisor (Boodhoo&Purmessur, 2009).

This research will be based on the single case study method as suggested by Harder (2010) to obtain data, which would be categorized and analyzed; its nature is qualitative, with statistical treatment to support the data. The research will focus on data collection from interviews of D'MONTE Childcare Franchisees to collect primary data to support the study.The single case study approach was chosen as it met several criteria by Yin (2014); the study focuses to answer 'how' and 'why' questions on critical success factors; the behaviour of individuals interviewed in the study cannot be manipulated; the researcher wants to consider contextual evidence as he/she believes it is relevant to the studied phenomenon and, additionally, boundaries are blurred among phenomenon and context.

According to Baxter and Jack (2008), the case study approach is to explore a phenomenon within its context using various data sources. The type of case studies are often selected based on the goal of research, and among the most common types include, exploratory, opportunist,descriptive, experimental case, explanatory and illustrative case studies (Ryans, Scapens& Theobald, 2002).This research is exploratory and explanatory in nature as suggested by Yin (2013), as it seeks to explore the phenomenon of CSFs within an organization using various sources of data, and to answer questions that explain causal links in real-life interventions that are too complex for the survey or experimental strategies. This research seeks to answer questions that explore and explain critical success factors (CSF) for a specific childcare centre franchise, which will be used in the balanced scorecard to assess the level of performance in the centre, and as the CSFs are unique in different companies, they are too complex for survey or experimental designs (Grunert & Ellegaard, 1992).In-depth face-to-face interviews (Silverman, 2010) will be conducted with the franchisor and franchisees of the D'MONTE Childcare and Development Centre, and frequent visits will be made to the franchisees' centres to observe the daily operations.

3.2 Unit Of Analysis

The unit of analysis for this research is the organization, as the focus is on a Franchisor (D'MONTE Childcare Centre), with interviews of the Childcare Franchisees and Franchisor top management team in Penang Island and Mainland Butterworth. Consequently, the operational definition is used to identify the way in which values are assigned to variables in the study (McNabb, 2013).The time scale for this study will be cross sectional as the interview of the target population and data collection will be conducted at a single moment in time, that is at the moment the interview is recorded and the moment the questionnaires are collected (Levin, 2006). The setting of this study is treated as non-contrived (Mudaki et al, 2012) as it involves studying the opinions of respondents in an interview within the work environment (childcare centres).According to Plowright (2011), the ecological validity of the case study will be higher if research is conducted in a non-contrived environment; the method used in this study. However, as this study only focuses on one business entity, the research outcome may not be applicable to the overall Malaysian childcare industry.

3.3 Qualitative Case Study

One of the most important decisions in case study design involves choosing between either a single case, or a set of multiple case (Robson, 2011). There are four case study designs according to Yin (2013); holistic (single-unit of analysis) single-case design, embedded (multiple-units of analysis) single-case design, holistic (single-unit of analysis) multiple-case study designs and embedded (multiple-units of analysis) multiple case designs.A holistic single case study was selected for this research as the aim was to understand the mutual relationship of franchisor and franchisee (childcare centre) in depth, instead of discovering findings true of the general target population (Laws &Leod, 2004).

3.4 Company Profile

D'MONTE Childcare Centre was established in 1996 to cater for children 18 months to 6 years old. The founder set out to start a career in early childhood education with a very simple minded as to create a conducive environment for young children to play and learn. After having some experience with hands on teaching, the founder discovered that early childhood education was not as easy as she thought. There was much more than just teaching children how to read and count. Instilling value in children, developing social, emotional and physical skills become some of the important elements required besides intellectual development. As a result much of the effort and resources were invested in developing its educational syllabus into a holistic educational program in the early years of D'MONTE's set up. After 10 years in business, there were already 10 D'MONTE centres in Penang Island and mainland Butterworth. The ability of the owner to identify the potential of her own staff and parents of children (customer) who display interest towards opening their own centers enable D'MONTE to further extend its wing across the state and region. In 2006 D'MONTE was awarded the ISO 9001: 2000 certification standard by the United Kingdom Accreditation Service (UKAS) for complying with the international standards. The hard work and investment in the business did not go unnoticed when D'MONTE received a series of awards and recognition from government and NGO bodies, such as 'Enterprise 50 awards', 'SME award', 'SMI award', 'SOBA award' and 'Dr. Sun Yat Sin achievement award'. The company took leverage on the ISO 9001 certification to pursue business expansion through franchising in 2010. Not only did they successfully obtain the Franchise License from the Ministry of Domestic Trade and Consumerism of Malaysia, D'MONTE also reached out to

obtain National Mark of Malaysian Brand certification from the Ministry in 2015 – a certification scheme jointly organized by SME Corp and SIRIM QAS International that distinguished selected brands that are associated with quality, excellence and distinction. The company continues to expend and currently has 21 centres, including 10 franchise outlets, all in the northern region of Malaysia. Dedicated to their brand promise 'Your Partner In Parenting', D'MONTE will continue to spread its wings throughout Malaysia as mentioned in its Vision statement 'A D'MONTE centre in every major city in Malaysia'.

3.5 Research Object Or Participants

This D'MONTE Childcare Centre was selected as the object of study due to the ease of access to it, making this an opportunistic case study as averred by Otley & Berry (1994). The researcher also aims to seek details as to what makes a childcare franchisee successful as a business organization, and decided to choose D'MONTE Childcare, as despite management and external environment challenges (low entry barriers and high competitive rivalry), it continues to operate post-1996. Among research objects for this case study include the owner (Franchisor), operator (Franchisee), employee (Management personal from both Franchisor and Franchisee) and parents. The children are not included in this research study as they are too young, and parents always make the choice for kindergartens for students in Malaysia.

3.6 Data Collection Methods

In the case study protocol, data can be collected through six sources of evidence; "documentation, archival records, interviews, direct observation, participant observation, and physical artifacts" (Yin, 2013). According to Tellis (1997), one of the most important sources of case study information is the interview method, which could take either the open-ended, focused, or structured forms. In this study, data will be collected through standardized structured open-ended question interviews, in which the questions are identical but worded to ensure open-ended responses from participants (Gall, Gall & Borg, 2007). This will encourage participants to contribute detailed information as desired, as well as allow the researcher to ask follow-up probing questions (Turner, 2010). It is important for the researcher to be flexible with questions asked due to the complexity of human interactions and unpredictable responses to the questions (Guion, Diehl & McDonald, 2011). In fact, respondents may even answer the question asked in a later question, and thus, the questions

must be constructed in a manner that will ensure participants remain focused with their responses to the questions asked (Creswell, 2007). In this study, four-in-depth interviews were undertaken with the centre operators (franchisees), and owner of D'MONTE Childcare and Development Sdn Bhd top management team, on measurable organizational performance aspects. Questionnaire on relevant organization aspects were distributed to 21 principals or centre operators who own or operate a D'MONTE Childcare centre, based on the adaptation of the proposed interview questions.

3.7 Proposed Interview Questions

The interviewer decided to adapt questions from Huang (2007) and Mazjub (2013) studies. Huang (2007) developed a balanced scorecard based on the Franchisor and Franchisee, while Majzub (2013) identified several issues critical for preschool education in Malaysia.

3.7.1 Proposed Interview Questions For Franchisor

1. How long have you been in franchising?
2. How many franchise outlets are you running at the moment?
3. Where are the outlets located?

4. Can you demonstrate your capacity to provide the necessary follow-up services?
5**.** How many franchise business failures have been experienced by your franchisees?
6. On what basis do you choose your franchisees — how selective are you?

7. What does your head office organisation consist of?

On Costs
7. How much does your franchise opportunity cost, what does this price include and what capital costs will be incurred in addition to this price? And what for?
8. How much working capital do I need?
9. What will be the gross profit margin and what costs will I incur in arriving at a net profit? (Do these figures take my salary and depreciation into account?)
10. Did you run your own pilot schemes before franchising?
11. What financing arrangements can you make and what terms for repayment will there be?

On Methods

12. Is the franchise business seasonal?

13. Do you take any commission on supplies of goods or materials to a franchisee? Do I have to purchase all or just scheduled items from you? Does this apply to equipment?

14. Will I be obliged to maintain a minimum fee or minimum purchase of goods? What happens if I fail to meet this commitment?

15. What advertising and promotional expenditure do you expect from your franchisee?

16. What initial services do you offer?

17. How often do you conduct teachers / principals training? And who pays for it ?

18. What continuing services do you provide after the franchise business has commenced?

19. Do you sign a franchise contract with the franchisee?

20. Does this contract permit me to sell my business? What restrictions are there affecting my rights to sell the business?

21. For how long is the franchise granted?

22. What happens at the end of that period?

On Your Involvement

23. Can a franchisee choose to terminate a contract? What is the consequences of termination?

24. Is there any audit conducted after outlet's operation? Who is the auditor?

25. Do you supply any marketing material to help franchisees in their promotion of the business?

26. What type of assistant do you provide in boosting the sales?

27. What will be the opening hours of the franchise business?

28. What if the franchisees do not follow the operating hours?

29. Do the franchisees advice to budget for centre image branding?

30. Do franchisees upgrade their centre image according to schedules?

On Communications & Operations

31. What systems do you have for keeping franchisees in touch with you and each other?

32. What are the local advertising and promotion do you help the franchisees?

33. Are the franchisees briefed or clear of the dos and don'ts?

34. Do you provide instruction and operation manuals?

35. What would happen if you misjudged the site and it did not produce the anticipated figures but resulted in a loss?

36. Do you have a proper channel where franchisees can approach when facing operational problems?

37. For franchisees request that you are unable to deliver, what is your action?

38. Is your company a member of the MFA? If not may we know the reason?

3.7.2 Proposed Interview Questions For Franchisee

1. Was the training the franchisor offered helpful in getting the business off the ground?

2. Did franchisor assist or advice in site selection / least negotiation / construction and design?

3. Did the franchisor provide any financial assistance or advice in getting financial support?

4. Did the franchisor help in obtaining the necessary permits or license to operate the business?

5. Is the franchisor responsive to your needs or providing advice for problem solving?

6. Tell me about a typical day for you.

7. Have there been problems you didn't anticipate?

8. Has your experience proved that the investment and cost information in the FDD was realistic?

9. Have you incurred any hidden expenses?

10. Are the advertising fees reflected in the marketing support (for example, local advertising or in-store signage) that you receive?

11. What are your sales patterns like? Are they seasonal? If so, what do you do to make ends meet in the off-season?

12. Have your sales and profits met your expectations? Tell me about the numbers in the business.

13. What do you feel about your relationship with the franchisor in

- Supportive
- Caring
- Consistent
- Responsive
- Effective
- Organized
- Trustworthy

14. Are there expansion opportunities for additional franchise ownership in this system?

15. Knowing what you know now, would you make this investment again?

3.8 Data Analysis Method

Several types of validity are important to the overall contribution of validity to a study, the main ones being internal and external validity in quantitative research (Kumar, 2014). However, in qualitative research, trustworthiness is often questioned as the concept of validity and reliability cannot be addressed in a similar manner as quantitative research (Shenton, 2004).Therefore, the researcher should instead maintain the quality of the case study during all stages to ensure rigor and relevance of the findings are established from the beginning of the research (Runeson et al., 2012).

The aim of qualitative data analysis is to ensure the deconstruction of data into a collection of categories, which is then related to in terms of concept and theories besides making assumptions about the phenomenon being studied (Jones, 2007).In this research, two data analysis method is being used :

Strategic Objectives are the continuous improvement activities that we must do to implement strategy (Creswell, 2013). It breaks down the more abstract concepts like mission and vision into actionable steps. Creswell (2013) also mentioned that actions that the organization takes should be helping the company to achieve the strategic objectives. Examples might include: Increase Revenue, Improve the Customer or Stakeholder Experience, or Improve the Cost-Effectiveness of Our Programs.

3.9 Ethical Limitation

There is a need for researchers to collect data in an ethical manner in order to maintain the quality and integrity of a research (Banyard & Flanagan, 2005). Data in this study were collected in an ethical manner, with participants voluntarily sharing their opinions without confusion. The researcher assured participants that all personal information is kept confidential and data from their interview would not be exploited in the future (DiCicco-Bloom & Crabtree, 2006). Consequently, this would allow participants to trust the interviewer and give honest answers to the questions asked. Participants of these interviews were also provided with a briefing sheet of their respective language to help them understand the research topic better and the reason for this research (Creswell, 2013).

Moreover, secondary data based on literature review were obtained from sources that are authentic and adequately referenced to prevent plagiarism of any material (Marshall & Rossman, 1999). The interview was prepared based on the research assumptions and

conducted in simple language to ensure participants understood the questions asked (Mason, 2010). As the interview questions and conceptual framework were adopted and developed from past researches on critical success factors and balanced scorecard (Belassi & Tukel, 1996; Kaplan & Norton, 1996; Hanafizadeh et al., 2008; Zohrabi & Manteghi, 2011; Trkman, 2010), follow alphabetical orderthey helped to improve internal validity and enhanced the external validity of the research (data was collected from the kindergarten, the natural work environment for the participants).

3.10 Conclusion

This chapter has developed the research framework based on the overall research methodology and literature reviewed in Chapter 2. The highly complex and competitive business environment require private childcare such as the organization used in this research (D'MONTE Childcare) to be able to differentiate in terms of resource and capabilities, hence, the use of the Resource-Based View and Agency Theory as grounded theory is to explain this phenomenon under study, and to relate to the Theory Of Constraints for preschools and childcare centre. This chapter has also explained in detail the research design, unit of analysis, research focus, case profile, research objects, data collection, statistical treatment of the empirical data and ethical limitation for this research. In-depth interviews with open-ended questions will be used to explain critical success factors for preschool and childcare centres, which will then be used in the data analysis according to the four perspectives to assess the level of performance in the childcare centre. Chapter 4 will assess the results of this case study research.

Chapter 4 Findings And Results

4.0 Overview

This chapter covers all findings that were captured throughout the research. Detailed explanation will be given to describe the profile of the interviewees and how the interview is being conducted. The output from the interview will be used to testify the assumptions, identify key findings and also for comparative analysis (Mertens (2010). Conclusions from the findings will be provided at the end of the chapter. The chapter begins from the profile of the organization and interviewees, followed by preliminary results, Assumptions, finding and discussions, and detailed analysis of the Franchisor and Franchisees perspectives as well as their perception in terms of mutual relationship quality and improvement for the betterment of the business as a whole.

4.1 Company's Profile

D'MONTE Childcare Centre was established in 1996 to cater for children 18 months to 6 years old. The founder set out to start a career in early childhood education with a very simple minded as to create a conducive environment for young children to play and learn. After having some experience with hands on teaching, the founder discovered that early childhood education was not as easy as she thought. There were much more than just teaching children how to read and count. Instilling value in children, developing social, emotional and physical skills become some of the important elements required besides intellectual development. As a result much of the effort and resources were invested in developing its educational syllabus into a holistic educational program in the early years of D'MONTE's set up. After 10 years in business, there were already 10 D'MONTE centres in Penang Island and mainland Butterworth. The ability of the owner to identify the potential of her own staff and parents of children (customer) who display interest towards opening their own centres enable D'MONTE to further extend its wing across the state and region. In 2006 D'MONTE was awarded the ISO 9001: 2000 certification standard by the United Kingdom Accreditation Service (UKAS) for complying with the international standards. The hard work and investment in the business did not go unnoticed when D'MONTE received a series of awards and recognition from government and NGO bodies, such as 'Enterprise 50 awards', 'SME award', 'SMI award', 'SOBA award' and 'Dr. Sun Yet Sin achievement award'. The company took leverage on the ISO 9001 certification to pursue business expansion through franchising in 2010. Not only did they successfully obtain the Franchise License from the

Ministry of Domestic Trade and Consumerism of Malaysia, D'MONTE also reached out to obtain National Mark of Malaysian Brand certification from the Ministry in 2015 – a certification scheme jointly organized by SME Corp and SIRIM QAS International that distinguished selected brands that are associated with quality, excellence and distinction. The company continue to expend and currently has 21 centres, including 10 franchise outlets, all in the northern region of Malaysia. Dedicated to their brand promise 'Your Partner in Parenting', D'MONTE will continue to spread its wings throughout Malaysia as mentioned in its Vision statement 'A D'MONTE centre in every major city in Malaysia'.

4.2 Interviewees' Profile

A total of six top management personal from the Franchisor and 21 Franchisees (census) were interviewed, the roles and responsibilities, leadership skill, competencies level and commitment of Franchisees were discussed in depth in the interview. The information may be potentially biased as it is based purely on each respondent's personal experiences and opinion in operating the business. Throughout the interview sessions, the researcher observed that respondents may have differing opinions toward the same issue experienced in the business. However, the researcher assumed that they are all free from influences of past experiences that are unrelated to the research questions

4.2.1 Franchisor's Profile

Referring to Table 4.1 below, four of the participants have been in the board member roles for more than 10 years and one participant with eight years exposure in Board of Director roles. And one junior staff with 2 years experience. Although one of the participants did not hold any board position, she has been working as a Principal in one of our Franchise outlet for more than five years, and as such is the only and best candidate to represent the Franchisees sector. Based on the profile, the researcher was able to tap the opinions not only from both senior and junior staff, but also from the point of view from an ex-principal / franchisee. It is interesting to find out the opinions from those who have been in the decision making position for more than 10 years and those who are considered relatively new to the role. The participants also came from diverse background, which help to provide a broader perspective for the research.

Franchisor	Gender	Position	Experience
Linna Lim Poh Bee	Female	R&D and Curriculum Development Director	11
Vivien LohvPohKhoon	Female	Admin and Finance Director	11
Witney EngEan Ling	Female	Advertising and Promotion Director	11
Joanne Lim Yoke Inn	Female	Event and Function Director	11
Chung Bee See	Female	Chief Curriculum Development Executive	8
ZorysYeam Chai Ee	Female	Marketing and Event Manager	2

Table 4.1 Franchisor's representative profiles

All the 6 interviewees representing the management of the company being studied are females with a minimum of two (2) years' experience, but, with the majority having about 11 years of experience with the company. Therefore, these representatives are deemed appropriate to conduct the interview on due to the knowledge inherent within them on the company's franchising operations.

4.2.2 Franchisees' Profile

	Franchisee	Gender	Qualification	Duration in franchise
1	Ashen Lye	Female	Diploma	8
2	Linna Lee Ling Hong	Female	Degree	8
3	Lina Leong	Female	Diploma	2
4	Michelle Lye	Female	Degree	9
5	Celes Khoo Ting Li	Female	STPM	3
6	Venus Ho	Female	SPM	4
7	Avril Ong Ching Yi	Female	Degree	3
8	Elaine Ooi	Female	Diploma	2
9	Julia Ooi	Female	MCE	1
10	Tracy Poh Lay Ying	Female	Diploma	4
11	OoiGeok Wah	Female	MCE	4
12	Susan Ng Soo Shan	Female	Diploma	9
13	Mary Tan Lay Eng	Female	MCE	9
14	Chee Shook Khoon	Female	Diploma	9
15	Michelle Chee Shook Kum	Female	Degree	9
16	Lee Jian	Female	STPM	4
17	Ooi Gin Ling	Female	Diploma	4
18	Loh Shi Lin	Female	Diploma	8
19	Lim Poh Bee	Female	Diploma	9
20	Teh Siew Kim	Female	STPM	6
21	Cheah	Female	Diploma	5

Table 4.2 Franchisees Profiles

After the researcher obtained Ethics Approval notification from the Franchisor, an official invitation note was sent out to identified interviewees through email to seek their permission to participate in the interview. In the invitation note, researcher explained the purpose of the research, that the participants are free to participate or withdraw at any time and the research will provide anonymity. The researcher also explained to them there will be no harm or risk shall result from taking part in this research, or by no participating. Data or conversation during the interview will be kept private and confidential and for the purpose of this research only.

Once the participants agreed to participate, the researcher scheduled the session date, time and venue based on the participants' availabilities. It was a challenge for the researcher to gather all participants into one interview session as all participants are prominent individuals with tight working schedules. Due to this, the researcher had to make appointment with each individual interviewee at their convenient time and location to conduct the interview. Interview is carried out in one-to-one basis as to encourage active, precise and accurate interview. With this one-to-one interactive session, the researcher is also lead to look at situations from different perspectives. Four of the interview sessions were conducted through online Skype meeting due to researcher's inability to arrange face to face meeting with the participants due to schedule conflicts.

The interview started with participant being briefed on the background of the research and also some basic guidelines of the interview. Throughout the process, the interviewer remained silent so as not to interrupt the flow of discussion but most importantly not to introduce biasness or influence to the participants. Nevertheless, there were times when interviewer has to be involved in order to curtail non-productive discussions and to ensure that the desired topics are discussed. During the interview, participants also asked questions for clarifications and also to go deeper on the topic. The face-to-face interview went smoothly except for occasional phone calls that interrupted the discussions. Nonetheless, it did not significantly disturb the overall interview process. However the skype interview faces more disruption as the intermittent of the wifi line. As such researcher has to decide on a plane tele-communication interview with the participants.

The group dynamics within the Focus Groups' interviews needed to be observed, encouraged, but at the same time curtailed if the thread sways away from the focus of the probing and deep questions asked. The interviewer or researcher not only asked the questions, but also observed the group dynamics during the Focus Groups' interviews.

In this research, the interviewees are made up of 100% ladies, disregard it is from Franchisor or Franchisees. The workforce in these settings is predominantly female. In social context, men are normally perceived as less responsive to young children than women. Mothers' sensitive interaction with children is more focused on proximity and caring comparing to men. From a traditional perspective, fathers are thought to provide security in exciting situations through sensitive and challenging support, whereas secure attachment to mothers provides comfort and relaxation. Therefore women are perceived as possessing a more caring nature

towards children. Therefore parents would prefer their children to be taken care off by a gender which they perceived as a better care giver or at least equivalent to the comfort level that a mother is able to provide.

Fathers achieve the affectionate bond with their children by being more physical during play, following the child's lead, motivating and challenging children to perform at a higher level and behaving like age-mates (John, Halliburton and Humphrey, 2013; John, A., A. Halliburton & J.Humphrey, 2013). Also, fathers tend to actively engage in and initiate play with boys (Ross and Taylor, 1989; Ross, and Taylor, 1989), and teach children to cope with unfamiliar situations and stand up for themselves by encouraging risk taking in (Paquette, 2004). Overall, boys are being activated more by their fathers than girls (Gaumonand Paquette, 2013). Thus, fathers play a unique role in the development of children's autonomy and their openness to the outside world (Paquette, D., 2004), which contributes to the development of children's social competences (Bögels & Perotti, 2011). In line with this, it can be concluded that fathers seem to stimulate children to expand their outside world, whereas mothers provide security ina child's inner world (Perotti, 2011). Therefore it will be beneficial if the care centre is able to engage male caregiver to provide certain activities to the children.

4.3 Preliminary Review

4.3.1 Franchisor

Referring to Table 4.3 below, as the Franchise business in this study has been established since 2006, in its 12 years of inception. The Head Quarter of this Franchise business consists of six top management officers providing the support to the whole franchise chain. Under their arms there are 21 outlets and 250 staff and around 2000 students enrolled under the business brand name. 14 of the outlets are in Penang Island, four outlets in Butterworth mainland and three outlets in Kedah state. The company is trying to expend its wing to the central and south of Malaysia in the near future.

All the six top management personals are all female in their mid forties. When interviewed, four out of the six interviewees said that they do follow the 9-step process in setting up the franchise business 11 years back when they just started. Two of the interviewees were not as sure as they were not with the company when the system was set up. But they do understand

what the 9-step process is all about and were also briefed by the top management after they joined the company.

As through the interview with the Franchisor, certain facts are highlighted by the interviewees and feedbacks were recorded and summarized as below:

Summary Of Franchisor's Feedback

No	Assumption	Agree	Disagree	Remark
1	Franchisor practice in sequence according to the 9-steps process during the set-up of the franchise (RO1)	4 (67%)	2 (33%) (not sure)	4 (67%) of the interviewees said they follow the 9 steps during the setting up stage of the franchise system, while 2 (33%) of the interviewees were not sure cause they joined the company at the later stage.
2	Franchisees had fully participated in those activities that were stated in the 9-steps process of franchise set-up (RO1)	6 (100%)	Nil	All the 6 (100%) interviewees said that the management team from the franchisor office take up the responsibility to train the Franchisee according on their respective portfolio. Therefore there were at least 6 personals involved in the training. 9 steps were carried out in stages as stated in the manual. But at times due to contingency, some of the steps may have to be carried out at the same time, making the set up schedules very tight. And at times one step may precede another due to urgency or due to schedule of the contractor itself.
3	Franchisees • Leadership skill, • Competencies and • Commitment will impact the business performance of the franchise (RO2)	6 (100%) 6 (100%) 6 (100%)	NIL NIL NIL	All 6 interviewees agreed that leadership, competencies and commitment of franchisees will impact business performance. They prefer to look for qualities such as commitment and ability to communicate as the two most important factors during the start-up phase of the franchising relationship.

4	• Leadership skills, • Competencies and • Commitment identifies by both franchisees and franchisors are aligned (RO2)	6 (100%) 6 (100%) 6 (100%)	NIL NIL NIL	Even though both Franchisor and Franchisees point of **view is aligned** in this assumption, The Franchisor, in this case said that they are doing their best and strive to help motivate, encourage and even make the commitment easier for the franchise owner. In fact, that's what the franchisee signed up for: "I want to own my own business and I need the support to stay committed to my success." "As a franchisor we are here to provide a supportable system that leads to franchisees' success." but in the opinion of Franchisees to be effective, Franchisor has to genuinely care about the success of the Franchisees. Good relationship start with a Franchisor that is, first and foremost, committed to Franchisees success. That commitment, more than anything else, needs to permeate the Franchisor organization at every level. If Franchisees don't sense the commitment from Franchisor, the relationship can quickly become adversarial. If on the other hand, Franchisees see Franchisor breaking their back to help them succeed, there's almost nothing they won't do for Franchisor.
5	Franchisors has product or service that is valuable, rare and inimitable in the market and thus help improve business performance (RO4)	6 (100%)	NIL	All the six interviewees in this study see that the competitive advantage of D'MONTEwas assessed in terms of two financial indicators, growth in turnover and market share.The ability of the brand to help Franchisees to generate desirable income and create more value than our

				competitors. The concept and the strategy used by D'MONTE is always seen as the leader in this industry. And the syllabus used were designed in house by our expert team. Therefore the six (100%) interviewees confirmed that the product and system used by D'MONTE are VRIO
6	Franchisees are able to give feedback and discuss their ideas or suggestions with the franchisor through an established process (RO3)	4 (67%)	2 (33%)	Four of the interviewees (67%) said that for major problems, Franchisor gather the feedback and discuss within the management team and come out with a solution or suggestion to the feedback. And the area director is assigned to discuss the suggestion or plan of action with the franchisee. They believe that successful Franchisors are 'Franchisee driven' and Franchisor should have multiple ways to get information from Franchisees about all topics, but have different groups on each topic. It does mean engaging Franchisees to make decision all the time. From what do they want, need, like or think. What are their markets and customers calling for? Find out and give them solution. On the other hand one of the interviewee is not so sure about the correct way of doing it.
7	Franchisor agreed that it is more effective for outlets to be run or managed by the franchisee than hiring a manager (RO3)	6 (100%)	NIL	All Six interviewees (100%) agreed that outlets should be managed by Franchisees especially at the first two years of operation. And once the operation is on track, subsequently Franchisee is allowed to hire a manager to run the daily operation.

8	Franchisee's major constraints were resolved by the franchisor promptly (RO3 + RO4)	4 (67%)	2 (33%)	Four of the interviewees (67%) have the opinion that the major constraint of the Franchisor is to deal with Franchisees who are not following instruction and acting on their own way. To resolve the problem, Franchisor conduct frequent audit to the outlet and regular meeting with the individual Franchisee Two of the interviewees (33%) see the major constraints as the insufficient fund to help Franchisees to promote their business. This issue was unable to resolve promptly as it involve financial planning.
9	Franchisees have high level of satisfaction towards the business approach of the franchisor (RO3)	4 (67%)	2 (33%)	Four of the interviewees (67%) said that the management team from Franchisor office is implementing a mentor/mentee program where a mentor will be assigned to each Franchisee to meet at least twice a month to discuss issues pertaining to the business performance. Feedback will bring forward to discuss during management meeting. In the opinion of these four interviewees, they felt that the Franchisees should be satisfied with the hand held support from the Franchisor. Two other interviewees (33%) felt that the financial constraint or disability to meet the desire profit is the major dissatisfaction which the Franchisor was unable to solve immediately.
10	Franchisor is constantly reviewing their process and approach to identify any potential constrain arise within their franchise business network. And find	6 (100%)	NIL	Franchisor is facing a dilemma in standardizing or flexibility in their system. Cost minimization, brand image and innovation are the main reasons that push towards

	solution to resolve the constraints (RO3 + RO4)			standardisation, while flexibility is claimed in order to achieve a higher adaptation to local markets and enhance franchisees' entrepreneurial attitudes.

Table 4.3 Summary of Franchisor's feedback

4.3.2 Franchisees

The company under this research has 21 Franchise outlets under its wings. The operators of the Franchise outlets are 100% female. In the opinion of the Franchisees, parents have a perception that a lady operator is a better candidate to take charge of the children's well being. Out of the 21 outlets 10 outlets has survive thru the first cycle of franchise tenure, and isgoing for its second cycle. This figure contributes to 48% of the total outlets. Six more outlets are going to finish their first cycle and to consider of renewing the contract for another five years. Out of the 21 Operators, 10 of them are having more than five years experience in this industry.

These are some of the reasons given by Interviewees on why they choose D'MONTE brand

- Track record of success: The Company has developed a method of doing business that works well and produces successful results.
- Strong Brand: The company is building a strong brand on northern regional of Malaysia and has value in the eye of customers.
- Training Program: An established training program for franchisees to successfully operate their business.
- Ongoing operational support: The Company has staff dedicated to providing ongoing assistance to Franchisees. You are not alone when you are building and running your business, and you can always call on experienced people when you hit a rough spot or want to share new ideas for growing the business.
- Marketing assistance: Has marketing assistance to provide you with proven tools and strategies for attracting and retaining customers. The team from HQ helps to develop the actual marketing plans and budgets for your grand opening as well as ongoing efforts to market your business effectively.
- Real Estate assistance: The Company have manuals and other documentation, as well as staff, to help franchisees to find the right site and negotiate the best possible deal

on the site. This is a very important advantage that can hold cost down and provide the best possible chance of success in our site driven business.

- Purchasing Power: Franchisees can take advantage of the buying power of the entire system to negotiate prices for everything they need at significantly lower levels than they could achieve as an independent operator. This applies not only to initial furniture and equipment purchases, but also to the supplies, inventory, uniforms and everything else they will need on an ongoing basis.
- Construction assistance: Franchisor provide a wonderful benefit in helping in the design and layout of the business and select the right contractor to do the necessary renovation on the building and making sure franchisees get the exact mix of furniture and equipment they need to maximize the efficiency of the initial investment.

Referring to Table 4.4 below, in this case study, D'MONTE Childcare's 21 outlets Principals were interviewed. Appointment was made through phone call, prior to the interview. Venue for interview was set at the centre of the respective interviewees in order to provide a comfortable and neutral ground for the Franchisees. Each interviewee was expected to spend 1.5 hour in the interview process. The remarks and feedbacks were recorded and transferred to a summary of interview as below:

Summary Of Franchisee(s) Feedback

No	Assumption	Agree	Disagree	Remark
1	Franchisor practice in sequence according to the 9-steps process during the set-up of the franchise (RO1)	12 (57%)	9 (43%)	12 (57%) of the interviewees confirmed that they have been following the 9-steps process during the set up of their outlets. While nine (43%) others were not sure because they took over the centre from previous owner. Out of the nine, Eight (88%) of the interviewees also confirmed that they have been trained using the training manual and brief on the SOP in the operating manual.
2	Franchisees had fully participated in those activities that were stated in the 9-steps process of	12 (57%)	9 (43%)	Out of the 12 franchisees that confirmed 100% following the 9-steps process said that the management team from the

	franchise set-up (RO1)			franchisor office take up the responsibility to train the Franchisee according on their respective portfolio. Therefore there were at least six personals involved in then training. 9 steps were carried out in stages as stated in the manual. But at times due to contingency, some of the steps may have to be carried out at the same time, making the set up schedules very tight. And at times one step may precede another due to urgency or due to schedule of the contractor itself.
3	Franchisees • Leadership skill, • Competencies and • Commitment will impact the business performance of the franchise (RO2)	14 (67%) 14 (67%) 18 (86%)	7 (33%) 7 (33%) 3 (14%)	All the 21 Franchisees agreed that Leadership skill and competencies in Franchisor and Franchisees is the most important quality that both must have. And all the 21 Franchisees reiterate that when they make a leap, at least part of their investment is in with the Franchisor. They bought into the Franchisor's ability to help them grow a business.
4	• Leadership skills, • Competencies and • Commitment identifies by both franchisees and franchisors are aligned (RO2)	14 (67%) 14 (67%) 18 (86%)	7 (33%) 7 (33%) 3 (14%)	Even though both Franchisor and Franchisees point of view is alignedin this assumption, but in the opinion of Franchisees to be effective, Franchisor has to genuinely care about the success of the Franchisees. Good relationship start with a Franchisor that is, first and foremost, committed to Franchisees success. That commitment, more than anything else, needs to permeate the Franchisor organization at every level. If Franchisees don't sense the commitment from Franchisor, the relationship can quickly become adversarial. If on the

				other hand, Franchisees see Franchisor breaking their back to help them succeed, there's almost nothing they won't do for Franchisor.
5	Franchisors have roduct or service that is valuable, rare and inimitable in the market and thus help improve business performance (RO4)	7 (33%)	14 (67%)	Competitive advantage is based on valuable, rare, inimitable resources and organization (VRIO). But Franchisor is lacking in continuous upgrading and reconstruction of its core capabilities in response to the changing environment and to remain competitive
6	Franchisees are able to give feedback and discuss their ideas or suggestions with the franchisor through an established process (RO3)	12 (57%)	9 (43%)	D'MONTE is facing a big challenge in establishing a feedback loop with Franchisees. They have to be vulnerable enough to accept feedback from people in the trenches.
7	Franchisor agree that it is more effective for outlets to be run or managed by the franchisee than hiring a manager (RO3)	14 (67%)	7 (33%)	Franchisees and Franchisors agreed that outlets should be managed by Franchisees especially at the first two years of operation. And once the operation is on track, subsequently Franchisee is allowed to hire a manager to run the daily operation.
8	Franchisee's major constraints were resolved by the franchisor promptly (RO3 + RO4)	6 (28%)	15 (72%)	Franchisees feel that although Franchisors were able to solve certain operational constraints in a prompt manner, but majority of the problems faced were regulatory, infrastructure, and human resource constraints which are out of the control of Franchisor and cannot be resolved overnight.
9	Franchisees has high level of satisfaction towards the business approach of the franchisor (RO3)	9 (43%)	12 (57%)	A happy Franchisee makes for a strong franchise system. This is the factor that determines whether a Franchisee will exit or remain in the system. The dissatisfaction was mainly due to some of the above factors.
10	Franchisor is constantly	18 (86%)	3 (14%)	Franchisor is facing a dilemma

	reviewing their process and approach to identify any potential constrain arise within their franchise business network. And find solution to resolve the constraints (RO3 + RO4)			in standardizing or flexibility in their syst. Cost minimization, brand image and innovation are the main reasons that push towards standardisation, while flexibility is claimed in order to achieve a higher adaptation to local markets and enhance franchisees' entrepreneurial attitudes.

Table 4.4; Summary of Franchisees Feedback

4.4 Assumption – Categorization

Detailed Thematic Categorization

No	Assumption	RO	Themes	Align	Not Align
1	Franchisor practice in sequence according to the 9-steps process during the se-up of the franchise system (57%)	RO1	• Franchisor : Yes • Franchisees : Yes	√	
2	Franchisee(s) had fully participated in those activities that were stated in the 9-steps process of franchising set-up (57%)	RO1	57% of the interviewees confirmed that they have been following the 9-steps process during the set up of their outlets. Nine steps process were carried out in stages. 43% others were not sure because they took over the centre from previous owner. They have missed out the 'location selection' and 'grand opening' process. 88% of those owners who took over the business from former owner also confirmed that they have been trained using the training manual and brief on the SOP, marketing strategy, sales promotion, and customer service.	√	
3	The Franchisees leadership skill, competencies and commitment will impact the	RO2	• Leadership skill (A3) 67% - Communication skill - Motivational skill - Delegation skill	(A4) √ √	

	business performance of the franchise		- Positive mind set - Trustworthiness - Creativity - Responsibility - Goal setting • Competencies (A3) 67% - Education level - Language Proficiency - Management skill - ECE knowledge • Commitment (A3) 86% - Follow guideline - Uphold brand name - Collaborate with Franchisor and other Franchisees - Smooth operation of the system - Welfare of staff and customers	√ √ √ √ (A4) √ √ (A4) √ √ √ √ √	 √ √ √
4	The leadership skill, competencies and commitment identifies by both Franchisor and Franchisees are aligned	RO2	• Refer to item 3	√	
5	Franchisors have products or services that is valuable, rare, inimitable in the market and thus helps improve business performance (33%)	RO4	• Agree : 33% • Disagree : 67%		√
6	Franchisees are able to give feedback and discuss their ideas or suggestions with the Franchisor through an established process (57%)	RO3	• Support • Communication • Training • Operational matters	√ √ √	√
7	Franchisor agreed that it is more effective for the outlets to be run or managed by the Franchisee(s) than hiring a manager	RO3	• Agree : 67% • Disagree : 33 %	√	
8	Franchisee(s)'s major constraints were resolved by the Franchisor promptly	RO3 RO4	• Handling feedback • Communication Channel		√ √
9	Franchisees have high level of satisfaction towards the business approach of the Franchisor	RO3	• Trust • Commitment • Interdependence • Respect • Cost of Operation	 √ √ 	√ √ √

10	Franchisor is constantly reviewing their process and approach to identify any potential constraints arise within their franchise business network. And find solution to resolve the constraints	RO3 RO4	• Cost minimization • Brand Awareness • Innovation	 √ √	√

Table 4.5; Thematic Categorization

4.4.1 Analysis Discussion For Research Objective 1

To review whether the 9-steps process is being followed during the setting up of the franchise business

Assumption 1: Franchisor practice in sequence according to the 9-steps process during the set-up of the franchise system (RO1)

A Franchise consultant was enlisted to guide through all the processes. They used their industry-specific knowledge in drawing up Franchise contract, dealt with legislative matter including submission of the Franchise license application and preparation of disclosure documents.

Assumption 2: Franchisee(s) had fully participated in those activities that were stated in the 9-steps process of franchising set up (RO1)

Referring to Table 4.6 below, 12 (57%) of the interviewees confirmed that they have been following the 9-steps process during the set up of their outlets. Nine steps were carried out in stages as stated in the manual. But at times due to contingency, some of the steps may have to be carried out at the same time, making the set up schedules very tight. And at times one step may precede another due to urgency or due to schedule of the contractor itself. While 9 (43%) others were not sure because they took over the centre from previous owner. They have missed out the 'location selection' and 'grand opening' process. But out of the nine, eight (88%) of the interviewees also confirmed that they have been trained using the training manual and brief on the SOP in the operating manual which include marketing strategy, sales promotion, and customer service.

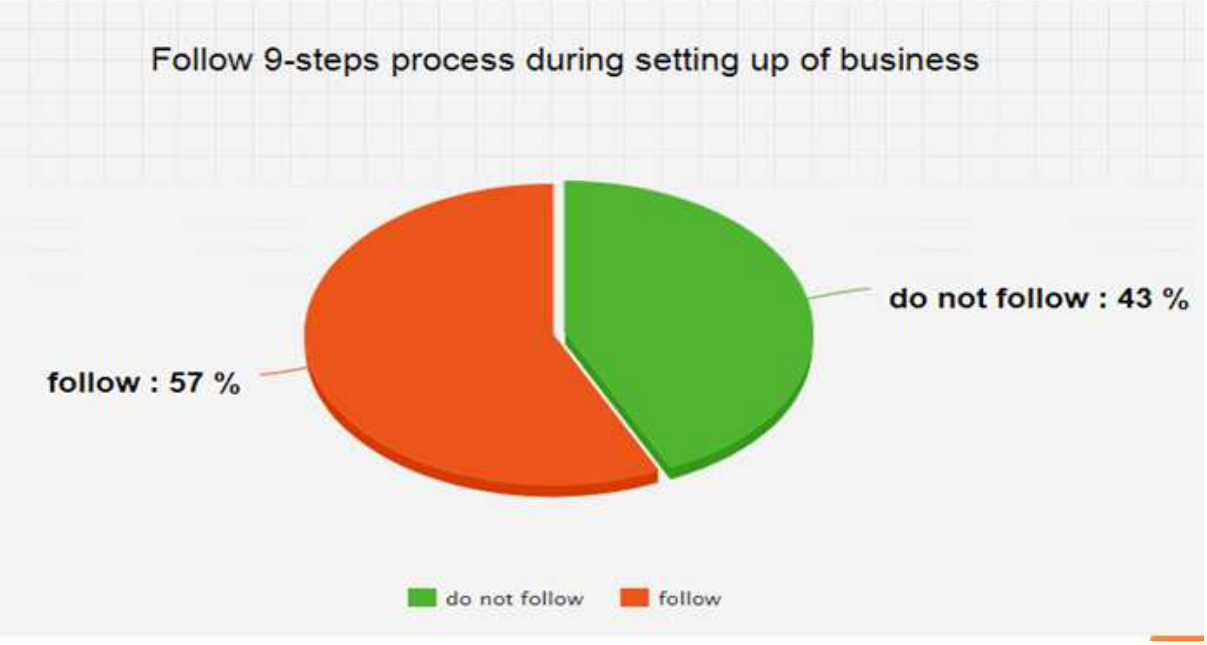


Table 4.6: pie chart showing the percentage of interviewees agreed on using of 9-steps set up

4.4.2. Analysis Discussion For Research Objective 2

To determine whether Franchisee' commitment and leadership skills have impact on the franchise business performance

Assumption 3: The Franchisees leadership skill, competencies and commitment will impact the business performance of the Franchise (RO2)

All six (100%) representative from Franchisor agreed that leadership, competencies and commitment of franchisees will impact business performance. They prefer to look for qualities such as commitment and ability to communicate as the two most important factors during the start-up phase of the franchising relationship. Whereas in the opinion of the Franchisees, the experience, business acumen and commitment of company leaders have a greater impact on the outcome of the business than the other factors. Great leadership is essential in any company and a franchise is certainly no different. Both a Franchisor and Franchisees are expected to delegate, inspire and off course, achieve results.

Leadership skills which in their opinion a Franchisee must have :

- **Communication skill**: All of the six (100%) representatives from Franchisor agreed that ability to communicate with their staff, other business associates and Franchisor

are the most important skill to have. And in the opinion of 14 (67%) of the Franchisees feel that one of the most important skills you can have as a franchisee is the ability to communicate and interact with people. Not only do you need to interact in a positive manner with your customers to build a reputation for having good customer service, but you also need to instil confidence in your employees and motivate them to be productive. You will also need to be on good terms with your franchisor if you expect your franchisor to help you.

Two-way communication is vital to get message across. It is not only Franchisees must be able to communicate well with their customers and staff; they need to have frequent communication with the Franchisor as well. “If people aren’t aware of your expectations, and they fall short, it’s really your fault for not expressing it to them. Communication is a balancing act.

However, when asked what factors are important to see franchisors and franchisees out of the conflict stage and into the interdependent phase. 12 (60%) of the interviewees said that it is crucial for franchisee to be loyal to the franchise, while the franchisor has the ability to instil trust in the franchisee. Both parties must be able to communicate effectively and be willing to commit their resources for long-term benefits.

By working together, franchisors and franchisees ensure the success of each other (Williamson 1995). Franchisees normally viewed themselves as the weaker party in the event of franchising disputes. A proper communication between franchisors and franchisees in times of conflict helps reduce the possibility of misunderstanding. It allows both parties to understand the underlying reasons behind the actions and conflict and provides opportunities to remedy the situation. This may result in a higher level of trust between the parties.

The communication channel should also redresses the balance of power through the requirement that the complainant must tell the respondent in writing the nature of the dispute and the outcome which the complainant wants, as well as the action the complainant thinks will settle the dispute (Franchising Code of Conduct 1998). This gives franchisees the opportunity to remedy the situation should they be in the wrong,

rather than have the franchisor terminate their contracts based on a minor transgression.

- **Motivation skill**: Four (67%) of the representative from Franchisor said that the ability to motivate their worker and co-workers are very important factors that moves the business forward. Whereas the other two said Franchisee can hire professional motivator to do the job periodically.

  Only five (24%) out of twenty one Franchisees felt that motivational leadership is necessary skill for Franchisees. They do agree that as a manager or operator of a business must possess some leadership quality, but they do believe the motivation and leadership should be from Franchisor more than from Franchisees. They want the Franchisor to lead and motivate them and also their co-workers. Motivational Leadership refers to someone who is able to lead others by motivating them to strive for certain goals rather than simply act on orders. The leader tries to create a safe and trusting environment, and ensure the organization is positioned for success in its domain—a motivational leadership in principles is able to establish strong ethics, clear vision, definable values, authentic communication, and be genuinely motivated to promote collaboration and a positive working environment. So Franchisees do believe that Franchisor is the one that should have the necessary leadership quality to lead the Franchisees and to motivate their staff and employees as well. After all, for a Franchisee to buy a Franchise business is to follow what have been set by Franchisor and operate the business and get full support from the Franchisor.

- **Delegation skill:** Four (67%) of the representatives from Franchisor agreed that the Franchisees that possess this ability would be able to distribute the job and responsibility equally among the staff so as to expertise the whole process to meet target or at least able to conclude the task in a smooth manner. Whereas the other two interviewees look at this as to pass the message clear enough to an assistant, and let the assistant do delegate and follow up after that.

  12 (57%) of Franchisees agreed that the ability to wisely and effectively delegate is the quality that is most crucial to a leader’s success and achieving goal. Delegating

free you up to tackle the truly important task. In this case Franchisees should be in charge of the overall direction of the team, looking ahead, steering the course and making needed correction to avoid getting off track. Instead if buried the small details, leaders may lose in the big picture and fail to see that the mission is falling apart until it is too late.

- **Positivity mind set**:Six (100%) of the representatives from Franchisor all agreed that positive mind set is important as it is a force to push the whole organization forward from setting a goal to execution to achieving the target.

  18 (86%) of the franchisees feel that they are positive, that is why they take up the challenge to invest in a Franchise business and go along with the leadership of Franchisor. The truth is, leaders need to keep an open mind while being flexible. In order to achieve greatness, Franchisees must create a culture of optimism. There will be many ups and downs, but the prevalence of positivity will keep the company going. It is easy to be positive when things are going well but a good leader will remain confident when things go wrong. They are confident that Franchisor should be in front of them to lead. And they embrace failures and able to inspire Franchisees to consider such events as opportunities to learn. A positive outlook will not only help Franchisees but also their staff to remain encouraged and create an overall upbeat environment where people will want to remain. Thinking and acting positive go hand-in-hand. You have to truly believe in making the impossible possible.

- **Trustworthiness**: Six (100%) of the representatives from Franchisor agree that as a business owner, especially in education industry, trustworthiness is of utmost important to parents and other business associates.

  Franchisees in this research found that Franchisor's credibility, trustworthiness and integrity is an important driver in their relationship. In order to ensure longevity of the relationship, as well as the reduction of any destructive conflict escalation. Trust play a key role in any collaboration relationship, therefore in the opinion of the Franchisees interviewed in this researched raised an important point that Franchisor should encourage, established and make sure the presence of trust, trustworthiness, fairness, loyalty and unity in the franchise system

- **Creativity**: Three interviewees said Franchisee which is creative is able to bring the business to another level as they are able to come out with different ideas to improve their CRM and strengthen the relationship with customers and improve on recurring sales. They are also able to guide their teachers to come out with more creative and fun lesson for the children. Whereas the other three interviewees do not look at it the same way. They merely agreed that the Franchisees just follow strictly on what has been given by Franchisor and implement it accordingly

  18 (85%) of the Franchisees said that creativity does not imply in this business. As they are managing a franchise outlet which you cannot choose to paint the building in another colour code nor having a different set of furniture or using a different syllabus in the teaching. What the franchisees need to do is to follow strictly as the instruction and guideline set by franchisor.

- **Responsibility**: All six interviewees agreed that the Franchisees as a business owner, is responsible to make sure the brand image is well taken care of and the business is carry out and progressing well according to the instruction and steps planned out by the Franchisor.

  21 (100%) or all the franchisees interviewed in this research understand their responsibility well.

  1. Follow the franchise's system and operations
  2. Manage the success and growth of the Franchised business
  3. Marketing and uphold the brand image

- **Goal setting**: Despite the fact that Franchisor is responsible to set a short term and long term goal for their franchise business, three of the interviewees agree that the Franchisees should set their own goal as well, such as the student enrolment number, teachers performance and KPI, KPI for CRM and so on. The other three interviewees said that it is not necessary for the Franchisees to set their own goal, just follow strictly to the Franchisor's plan and if they have doubts, just refer to the HQ for clarification and help.

In the opinion of sixteen (76%) of the Franchisees interviewed, they would leave the goal setting to Franchisor. They prefer the Franchisor to inform them on the latest market / industry development and franchisor's focus on the future development and direction of the company. Franchisees feel that develop a clear vision and plan is the responsibility of the Franchisor. And they feel that Franchisor in this study is lacking of a clear and consistent plan. These leaves the team to struggle for direction and spend time putting out fires instead of taking constructive action. This is like taking a journey without a map.

In terms of competencies level must include ;

- **Educational level**: Three (100%) of representative from Franchisor agree that educational level play an important role in handling the business, especially helping the business to expend. The more knowledgeable you are, the better it is to make decision pertaining to the business circumstances. Three others do not think the same way, as to them experience is more important than education.

  Fourteen (65%) of the Franchisees in this study disagree with having a higher education will help them to succeed in the Franchise business. Not having a college degree has not hindered a personal success, but is it something that franchisors look for. Most franchisors are going to give little weight to a person's degree during the selection process, "When it comes to owning a franchise, does it really matter whether you have a college degree or not? "Having a college degree is no guarantee of franchise success," state some of the interviewees. "At the end of the day, a franchisor is in the business of selling franchises," says one of the Franchisee. "While they may be very good at telling the story and getting you to sign, they may not be a good match for you." Instead Franchisor should look for transferable skills that the franchisee can leverage in order to be successful as an owner. Skills like marketing, management, team building, administration, and others are most often built during a person's working years, not their college years. The bottom line? Education is important, but it's not always the determining factor in a franchisee's success. The most important is getting off to the right start. In addition, the education provided by the franchisor can be more important that any university when it comes to applying that knowledge to a franchise.

- **Language proficiency**: All six interviewees agreed that if a Franchisee is fluent in all three languages, it will definitely be a big bonus. This ability is needed in complementing with their communication skill.

  From a practical standpoint an English language proficiency requirement for Franchisees make sense. Franchisees which are the owner cum operator in this study, must be able to communicate in English with customer, employees and suppliers and the Franchisor. Further, operating manual and other written materials are essential to the operation of the Franchise business are often in English. English proficiency in Preschool and day-care is particularly important as parents demand in their children learning of English is increasing.

- **Management knowledge and skill**: Four (67%) of the representatives from Franchisor agree that Franchisees is merely the operation manager of the outlet. While managing their outlet, they should be able to plan and control the available resources, deciding how the resources available to the operations and ensuring the resources are used to complete the task in full. She must have a clear vision on how the operation is carryout efficiently to produce quality services. Continually monitoring and improving the overall performance of the outlet operation. The other two interviewees said that management skill of the Franchisee is important, however, they can refer to Franchisor's operation guideline /manual and follow strictly.

  Whereas from the Franchisees, 16 (75%) of the interviewees agreed that having sound financial management skills will help you to run your business profitably and protect your financial investment. Being able to effectively managing your finances is a critical. You will need to be able to forecast your cash flow and sales, as well as, monitor your profit and loss. You will also need to declare your income tax at the end of business financing year. Other than these, they feel that the Franchisor should be able to help them in their business planning and marketing strategising.

- **Early childhood knowledge and skill**: Four (67%) of the representatives from Franchisor interviewed said that Franchisees must have some knowledge, skill and disposition regarding the development and learning of young children, provide the foundation for sensitive, responsive care giving and high quality early childhood

practice. This also encompasses an understanding of major development theories and practice. Most importantly, the health and safety expect for early childhood care. The other two interviewees agree that it would be better if Franchisees do possess the early childhood knowledge, but experience from their motherhood will be sufficient to handle situations.

From the Franchisees point of view, seventeen (81%) of the interviewees said that ECE knowledge is important for the business owner in this case, but it is not compulsory. At the set-up stage, it is the duty of the Franchisor to brief or guide Franchisees on the important aspects in ECE. Nevertheless, they still feel that it is necessary to acquire the knowledge for the long run.

- **Establish system for smooth program functioning**: All six (100%) representatives from Franchisor agreed that the Franchisees / Operation manager should continually monitoring and strive for improvement in overall operation, such as reduce operation cost by increase staff efficiency, increasing revenue by delivering good services, reducing investment needed in operation by effectively increasing the capacity of the operation.

- **Manage the staff to carry out the mission of the program**: Five (83%) of the representatives from Franchisor agreed that as a leader in the outlet, Franchisees must have the ability to inspire / motivate the staff to perform effectively and efficiently by award and recognition system. Develop a policy that encourage transparency and improving the communication in the outlet can increase productivity.

And in terms of commitment :

- **To follow the guideline set by the Franchisor**: All six (100%) of the representatives from Franchisor agreed that Franchisees have to commit to follow the steps set by Franchisor. Follow it to a tee, do not deviate. As time goes by, the Franchisee may learn a way to tweak within his market. The Franchisee should make sure the Franchisor knows what he is doing differently, and together, both continue to grow the system.

The nature of the franchise relationship depicts the need for commitment, supported with comments by one franchisee stating, “you have got to be fully committed and your other half has to be fully committed”. As the franchise relationship constitutes a business-to-business relationship, formal commitments are necessary, usually in the form of franchise agreements (e.g. both parties possessing financial and legal obligations to each other). All franchisees interviewed possessed such contracts, commitment bound legally and financially. All respondents recognised the legal (and subsequent financial) commitment to the franchise relationship (through the franchise agreement) however outcomes of the research revealed the manifestation of this relationship needed to be personalised of particular interest, the varying levels of commitment amongst respondents. Mature franchisees showing less of an interest in remaining fully committed and new franchisees expressing a stronger commitment mindset. One franchisee stated when he needed help it was important to know that “they are (franchisor) going to be there for me” in times help is required. . Further, commitment expressed on a personal level enhanced the professional nature of the franchising arrangement. Thus, franchisors that were able to instil a friendly, positive organisational culture enhanced system trust and commit

- **To uphold the brand name of the business**: In the opinion of all the six (100%) of the representatives from Franchisor, the major duty of the Franchisor is to safeguard and police the use of trade mark by Franchisees and to protect the public from being misled about the quality and consistency of the product and services under the Franchisor’s trade mark. In the absence of a Franchisor’s control, Franchising would create the danger that product and services bearing the same name may have diverse qualities. Therefore, the Franchisees have to be committed to uphold the brand image of the Franchise business.

  In the opinion of the 21 (100%) of the interviewees, they have to treat the brand as their own. They bear the responsibility to uphold the brand name. When Franchisor accepts a Franchisee, they are bearing the brand image and brand name in the hand of the Franchisees
- **To work hand in hand with Franchisor and collaborate with other Franchisees in terms of event and marketing**: Be committed to each other, and encourage each other to commit. The six (100%) of the representatives from Franchisor all agreed that

the reason of acquiring a Franchise business is take advantage of the brand image and the system which the Franchisors have and share the system to expend their business. Therefore, the Franchisees in one way or another have to strive to work hand in hand with the Franchisor and work as a team with other Franchisees to strengthen the brand image of the Franchise business.

All 21 (100%) of the interviewees agreed that this is important as we may need help not only from Franchisor but other Franchisees as well. Building good relationships through networking will help to grow the business and the support that we may need in the cause of operation.

- **To make sure the system runs smoothly in the outlet**: Four (67%) of the representatives from Franchisor agreed that the Franchisor should treat the business as their own baby and take good care of the business operation especially in the early state of the business inception. Whereas the other two interviewees said that the Franchisees may choose to hired an experience principal or manager to run the business. And the duty of the manager is to supervise the running of the daily routine to make sure it is operate in its full capacity and on the track set by the Franchisor.

  All the 21 (100%) of the interviewees agreed that managing time effectively may mean delegating responsibility to someone else in the business or outsourcing. “Identifying who we can delegate tasks to allows us to concentrate on those tasks that generate revenue.” said one of the interviewee.

- **Make sure the welfare of the staff and children under our care is well taken care off**: In the opinion of all the six (100%) representatives from Franchisor, taking good care of the customer is one of the CRM program that the Franchisor must have and the Franchisee should follow strictly to the conditions set. However not to forget the well being of the internal customers, that’s the employee’s benefit and appraisal system to work well in order to ensure the retention of good employees and assurance of quality services to the customers.

  From the Franchisees interviewed, 21 (100%) have the opinion that customers form the foundation of how their employees make money to support their families. “The more delighted customers we have, the more opportunities my team members have to

take care of the people most important to them. That's why we never stop talking about customer service." Said one of the

Assumption 4: The leadership skill, competencies and commitment identifies by both Franchisee(s) and Franchisor are aligned (RO2)

As referring to Table 4.7 below, even though both Franchisor and Franchisees point ofview is aligned in this assumption, but in the opinion of Franchisees to be effective, Franchisor has to genuinely care about the success of the Franchisees. Good relationship start with a Franchisor that is, first and foremost, committed to Franchisees success. That commitment, more than anything else, needs to permeate the Franchisor organization at every level. If Franchisees do not sense the commitment from Franchisor, the relationship can quickly become adversarial. If on the other hand, Franchisees see Franchisor breaking their back to help them succeed, there's almost nothing they will not do for Franchisor.

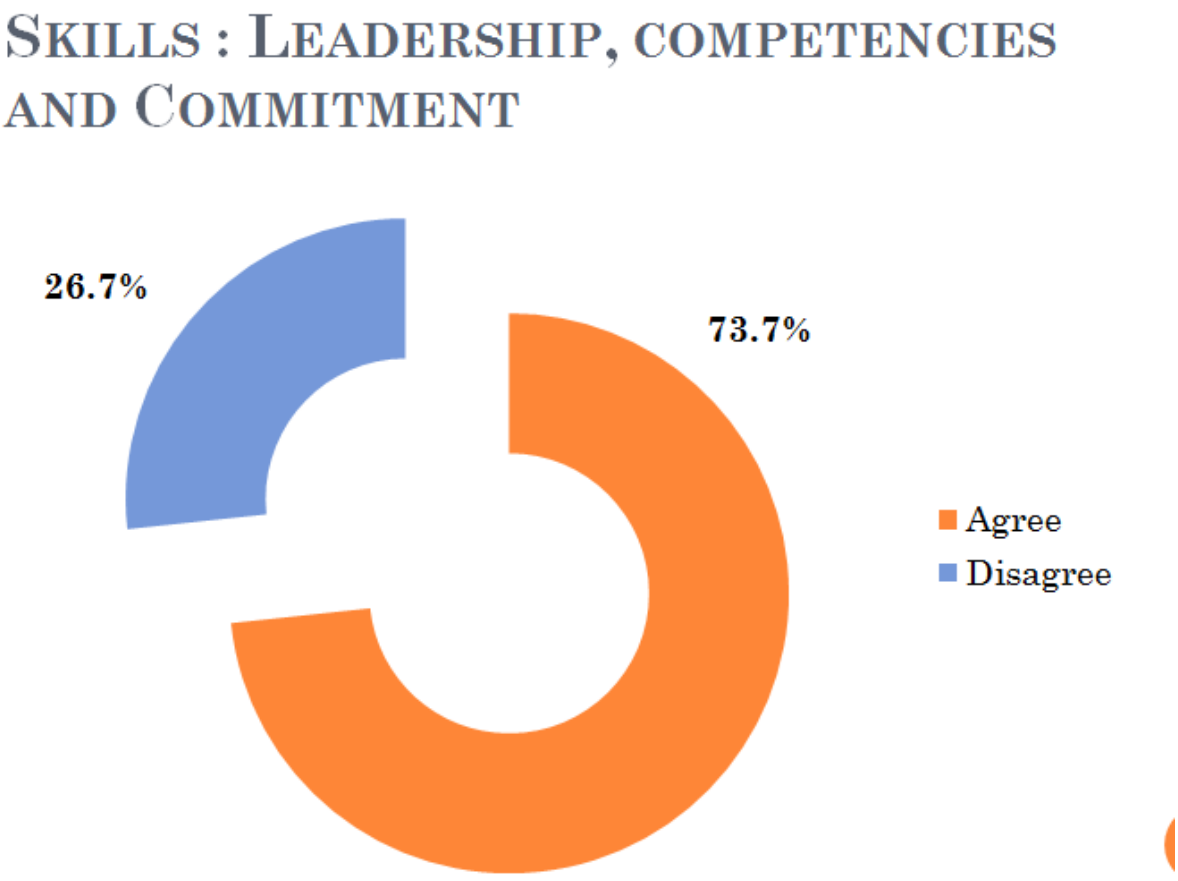


Table 4.7; chart showing the alignment of thought amongst Franchisee and Franchisor

4.4.3. Analysis Discussion For Research Objective 3

To identify key factors that affect Franchisee-Franchisor relationship quality

Assumption 6: Franchisee(s) are able to give feedback and discuss their ideas and suggestions with the Franchisor through an established process (RO3)

Franchisor has a scheduled meeting with Franchisees at least once a month. Four (67%) of the representatives from Franchisor said that for major problems, Franchisor gather the feedback and discuss within the management team and come out with a solution or suggestion to the feedback. And the area director is assigned to discuss the suggestion or plan of action with the franchisee. They believe that successful Franchisors are 'Franchisee driven' and Franchisor should have multiple ways to get information from Franchisees about all topics, but have different groups on each topic. It does mean engaging Franchisees to make decision all the time. From what do they want, need, like or think. What are their markets and customers calling for? Find out and give them solution. On the other hand one of the interviewee is not so sure about the correct way of doing it.

A happy Franchisee makes for a strong franchise system. It is simple and true, yet perhaps one of the biggest challenges in all of franchising is for Franchisor and Franchisees to stay in harmony.

As a franchise brand owner, D'MONTE is facing a big challenge in establishing a feedback loop with Franchisees. They have to be vulnerable enough to accept feedback from people in the trenches. Out of the 21 interviewees:

Twelve (57%) of them was in the opinion that D'MONTE should enhance their feedback loop to listen to the franchisees, what are their hopes and dreams, their highs and lows, how are they doing in the field.

Sixteen (76%) of them would like to receive even a simple call from one of the executives to see how a valued franchisee is doing can go a long way.

Only four (19%) of them was impressed with the spontaneous check-ins from one of the executive member from the HQ. According to them this shows the commitment from Franchisor.

Assumption 7: Franchisor agreed that it is more effective for the outlet to be run or manage by Franchisee(s) than hiring a manager. (RO3)

All six (100%) of the representatives from Franchisor greed that outlets should be managed by Franchisees especially at the first two years of operation. And once the operation is on track, subsequently Franchisee is allowed to hire a manager to run the daily operation

In the opinion of 67% of franchisees, they prefer to manage the outlet themselves as it is difficult and costly to employ a manager who is able to oversees the business and has responsibility for all the activities in the centre and can significantly contribute to the success of the business. To achieve this, the manager must be creative, innovative and energetic in her efforts to improve processes, while using available resources to efficiently provide services to ensure customer satisfaction.

Assumption 9: Franchisee(s) have high level of satisfaction towards the business approach of the Franchisor (RO3)

Based on the effort, support and strategic plans organized by the Franchisor for Franchisees, all the four (67%) interviewees from the Franchisor felt that Franchisees are satisfy with the services given by the Franchisor. Two of the interviewees felt that Franchisees are not so easy to satisfy as they are very profit oriented. And there are lots of financial constraints when come to issues that involve capital investment.

A happy Franchisee makes for a strong franchise system. This is the factor that determine whether a Franchisee will exit or remain in the system. The dissatisfaction were mainly due to some of the above factors. (No. 5 and No. 8)

4.4.4. Analysis Discussion For Research Objective 4

To ascertain whether the business environment has impact on the mutual relationship and franchise performance

Assumption 5: Franchisor has product or services that is valuable, rare and inimitable in the market and thus helps improve business performance (RO4)

For the Franchisors, they see their product and services as a unique, rare, inimitable and well organized based on the facts that D'MONTE brand is well accepted by customers / parents (Industrial force) and syllabus were designed by in house experts (competitive advantage). And Franchisor is planning to conduct a series of training and workshops for principals and teachers to enhance their performance (organizational competency).

In the opinion of Franchisees, to be unique and gaining the market share, Franchisor's service has to be a strategic resource that is valuable, rare, difficult to imitate, and non substitutable or competitors have a hard time replicating. Fifteen (72%) of Franchisees felt that Franchisor's asset does not have competitive advantage over its competitor. The competitive advantage was seen from the perspective of business profitability. Franchisees do not foresee much increase in revenue and profit in the near future.

In other words only (28%) of the Franchisees do see the Franchisor's product as unique and irreplaceable. They assess the competitive advantage in terms of two financial indicators, growth in turnover and market share. This is reflected in Table 4.8 below.

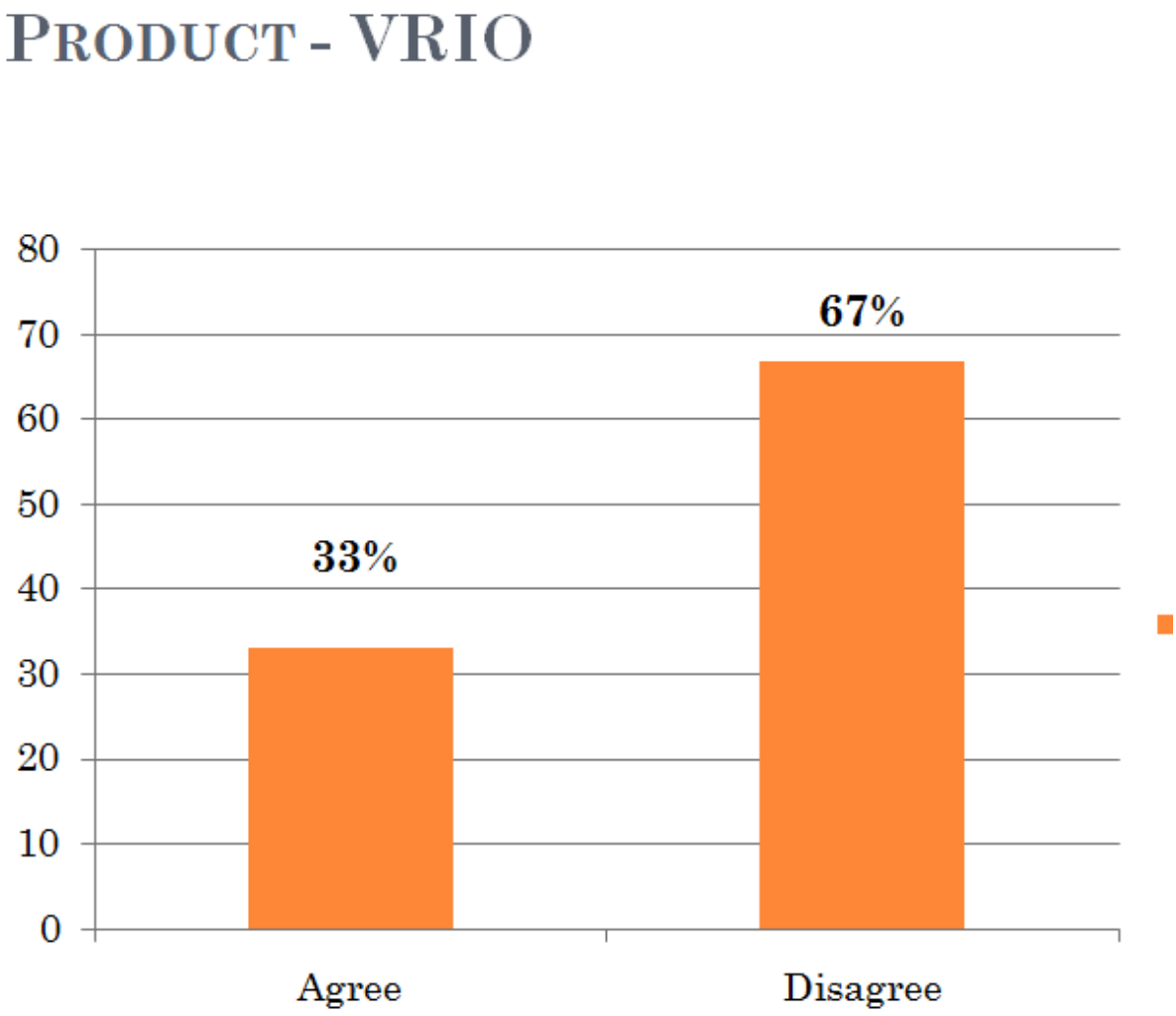


Table 4.8; chart showing the percentage of Franchisees agreed on VRIO of Franchisor's product

Assumption 8 : Franchisee(s)'s major constraints were resolved by the Franchisor promptly. (RO3 + RO4)

Major constraints faced by Franchisees are :

- Shrinking disposable income: As the cost of living increases due to number of economic factors, parents are spending less. This is one the biggest threat
- Rising cost: it is inevitable that the operation cost is increasing due to high inflation rate. As parents are already struggling with shrinking disposable income, it is difficult to pass on these costs to them.

- High turnover of staff: This problem will lead to poor performance by student, and lack of human resources to carry out extra activities and event for children and parents. And eventually it will affect the brand image.
- High cost in recruiting and training of staff: the frequent turnover of staff will lead to high cost in recruiting and training of new staff.
- Increasing competition: A number of foreign owned brands have now been incorporated into local market. While this has a positive economic impact and gives parents more choice, it significantly increases competition and put more pressure on the business performance.
- Adapting to consumer need: Convenient and innovation in technology is increasingly becoming important to customers. So we have to stay ahead of industry development and continue to grow and remain a step ahead of the competitors.

  Franchisee in this case claimed that Franchisor is lack of forecasting/ planning. (86%) of the Franchisees interviewed said that they need guideline from Franchisor for yearly plan and strategy their business.

  Most of the constraints that Franchisees faced were due to economical situation of the society and country which is out of hand of the Franchisor. So they feel quite hopeless. Based on the result shown in Table 4.9 below, 72% of the Franchisees felt that Franchisor is unable to solve their constraints and only 28% of the Franchisees have faith in Franchisor in helping them to resolve their constraints.

Assumption 10 : Franchisor is constantly reviewing their process and approach to identify any potential constraints arise within their franchise business network. And find solution to resolve the constraint (RO3 + RO4)

Franchisor is facing a dilemma in standardizing or flexibility in their system. Cost minimization, brand image and innovation are the main reasons that push towards standardisation, while flexibility is claimed in order to achieve a higher adaptation to local markets and enhance franchisees' entrepreneurial attitudes.

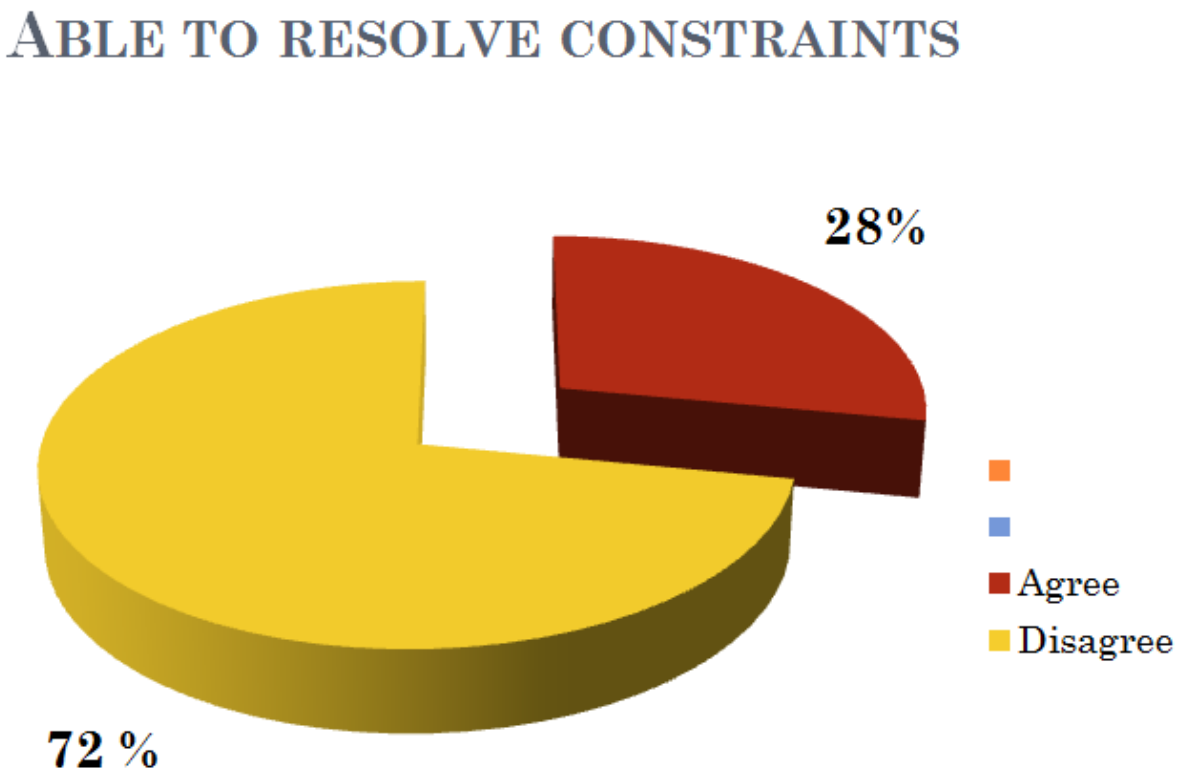


Table 4.9; Chart showing the percentage of Franchisee agreed that problems faced can be resolved

4.5 Result

Summary of Result

No	Assumption	Verified / Refuted
1	Franchisor practice in sequence according to the 9-steps process during the se-up of the franchise system (57%)	**Verified**
2	Franchisee(s) had fully participated in those activities that were stated in the 9-steps process of franchising set-up (57%)	**Verified**
3	The Franchisees leadership skill, competencies and commitment will impact the business performance of the franchise (73%)	**Verified**
4	The leadership skill, competencies and commitment identifies by both Franchisor and Franchisees are aligned (73%)	**Verified**
5	Franchisors has products or services that is valuable, rare, inimitable in the market and thus helps improve business performance (33%)	**Refuted**
6	Franchisees are able to give feedback and discuss their ideas or suggestions with the Franchisor through an established process (57%)	**Verified**
7	Franchisor agree that it is more effective for the outlets to be run or managed by the Franchisee(s) than hiring a manager (67%)	**Verified**
8	Franchisee(s)'s major constraints were resolved by the Franchisor promptly (28%)	**Refuted**
9	Franchisees has high level of satisfaction towards the business approach of the Franchisor (43%)	**Refuted**
10	Franchisor is constantly reviewing their process and approach to identify any potential constraints arise within their franchise business network. And find solution to resolve the constraints (86%)	**Verified**

Table 4.10; Summary of Result

In this research finding, referring to Table 4.10 above, Franchisees and Franchisors' view were aligned in seven out of 10 assumptions (70%)

Both Franchisor and Franchisees agreed that they have followed the 9-steps process while setting up the centres. (RO1)

Both also agreed that the level of commitment from both side as an important factor in order to drive the success of business. Good relationship start with a Franchisor that is, first and foremost, committed to Franchisees success. And Franchisees have to commit to follow the steps set by Franchisor, and uphold the brand name of the business. Leadership skill and

ability to lead the operational team is an important element to have for Franchisees to run the business smoothly. And Franchisees competencies in terms of language and management skills, at certain level will also help to promote the smooth running and decision making. (RO2)

Both Franchisees and Franchisors also agreed that there are established channels online or offline to encourage both parties to communicate at any one time. They believe that successful Franchisors are 'Franchisee driven' and Franchisor should have multiple ways to get information from Franchisees about all topics, but have different groups on each topic. It does mean engaging Franchisees to make decision all the time. From what do they want, need, like or think. What are their markets and customers calling for? Find out and give them solutions. (RO3)

Both parties also agreed that outlets should be managed by Franchisees especially at the first two years of operation. And once the operation is on track, subsequently Franchisee is allowed to hire a manager to run the daily operation. (RO3)

Franchisees also agreed that Franchisor has done their part in regular and periodical reviewing of their processes and approaches to identify the constraints. Process being reviewed such as teachers' performances, students progress, customers feedback and complaints, students recruitment and growth in revenue, competition among market players etc. However again, Franchisees do feel that Franchisors should put a high priority in terms of adopting and developing curriculum that suite the demand and trend that customers are looking for. (RO3 + RO4)

However the view of Franchisees and Franchisors were not aligned especially in Assumption No. 5, which stated that Franchisor's product and services are valuable, rare, inimitable and well organized. Due to the fact that Franchisees see the product and services offered by Franchisor do not have a competitive advantage whereby it does not offer the potential for profitability. And the threat of new entrance and intensity of rivalry among competitor is huge. And the straight rule of increasing competition and reducing of profit is very clear in the part of Franchisees. (RO4)

Having said that, Assumption No. 8 which stipulates that Franchisees' major constraints were able to resolve by Franchisor promptly are also affected due to the fact that the improvement of product and services to meet the demand of customers in order to gain the market share

will take time. This involves the evolution and innovative development of syllabus, time spent in research and development of the syllabus and testing and adjusting of the whole system. Therefore Franchisees do not foresee their problems will be resolved in a short period of time. (RO3 + RO4)

Lastly, the Assumption No. 9 which mentioned the satisfactory level of Franchisees towards the business approach of the Franchisor was not aligned. In the perspective of Franchisor, they were trying their level best to provide support in terms of organizational competency to the Franchisees so that they are skilful enough to handle the intense competition posted by competitors, the threat of new entries and also facing the evolutional changes in the industry.

But to the Franchisees, the biggest satisfaction derived from franchisee's experiences compares with their expectations. Satisfaction levels will be high when expectationsare met or exceeded. And Franchisees expected their experiences are unique and add value in terms of the brand, product and service offering, operations and procedure manual, training and support systems, relationships withfranchisees and staff, etc. But in this case study, the satisfactory level of Franchisees towards the business approach of the Franchisor is not up to expectation. The main cause is due to the profitability and market share. And they see this as the asset of the Franchisor do not have competitive advantage over the competitors as it does not have unique features or product differentiation that are perceived by the target market as significant and superior compare to the competitors. (RO3)

4.6 Conclusion

In this case study, out of the 10 assumptions made on the Franchisees and Franchisors perception on the business approaches, seven assumptions were verified and three assumptions were refuted (Table 4.10). The non alignment of the perceptions is basically caused by one major factor; that is the VRIO effect. When a differentiation strategy that focuses on the cost value of the product versus other similar products on the market, it creates a perceived value among consumers and potential customers. A strategy that focuses on value highlights the cost savings or durability of a product in comparison to other products.

The product differentiation strategy also allows business to compete in areas other than price. In this case study, D'MONTE Childcare can focus the differentiation strategy on the quality services and innovative and wholesome development program for children that enable the company to gain a competitive advantage in the market without decreasing their price.

Chapter 5 Conclusion And Recommendation

5.0 Overview

The purpose of this paper is to extend the idiosyncratic dynamics of the franchisor-franchisee relationship. Although this research focuses on the behavioural attributes of Franchisees and Franchisors. The key component of commitment, competencies and leadership skill, is reflected in this research as successful business relations and requires further insight. This sentiment was a dominant theme throughout the findings where those suffering in a competitive business environment were generally negative toward their franchisor, as they tended to blame the franchisor for their misfortune. However, it is still necessary in the franchising relationship for the franchisor "to deliver…the personality behind it".

This research shows that the resource based view is applicable to D'MONTE Childcare franchise, whether it brings above average returns, especially in terms of financial returns, remains inconclusive. The application of RBV-VRIO theory reflects the status of Franchisor's assets, both tangible and intangible, which is affecting the Franchisor-Franchisee relationship, and it is aligned with the Agency Theory which focuses on the influences that affect the Franchisor-Franchisee relationship. However, we are not so sure whether it will affect both Franchisee and Franchisor financially.

It is an external factor that influences enrolment at D'MONTE Childcare. Therefore, for the business to be able to sustain long-term operations, it should improve other measures in their operation, especially those that translate to brand awareness. This is as parents tend to choose preschools based on their recognition of brands, they have emotional association with brand which creates trust and loyalty, and thus, associate it with quality of teaching and qualified teachers as well as strong syllabus which promote wholesome fun learning and growth.

Overall, according to the comment made by (Joe Mathews and Deb Evans, Franchise Performance Group) in addition to marketing their products and services, franchisors must recruit high-quality franchisees, train them to become peak performers and collect as much as they can in royalties and recurring revenue. Franchisors can clean carpets or make tacos brilliantly but still fail as franchisors because they fail to recruit high quality franchisees and teach them how to win.

5.1 Conclusion Of Results

Key findings suggest that VRIO are limited or non-existent within D'MONTE Childcare franchise systems.Franchisees view Franchisor's asset as not valuable, rare, inimitable and well organized to lead the business to a competitive advantage. "Is this resource or capability valuable to the firm?" In this case, the definition of value is whether or not the resource or capability works to exploit an opportunity or mitigate a threat in the marketplace. Franchisees felt that the D'MONTE syllabus is very academically developed to suite children of average to high learning ability. But young parents nowadays have change their perception to a more relaxing and fun learning style for their children. Therefore this group of young parents do not see the value in high academic standard of syllabus and curriculum.

Ten Assumptions in terms of the factors affecting the relationship of both Franchisee and Franchisor were made in this research. However, seven assumptions were aligned in the view of Franchisee and Franchisor. These may be the success factors for D'MONTE Childcare to be in this industry for 21 years. It can also be reflected in the stream of effort and commitment by the Franchisor to continuously improving their operational and functional aspect in their business.

The other three assumptions which were not aligned in their views are related to RBV-VRIO, which Franchisees perceived the assets of Franchisor as do not have a competitive advantage in the marketplace. Franchisees believe that parents tend to choose preschools based on their recognition of brands; they have emotional association with brand which creates trust and loyalty, and thus, associate it with quality of teaching and qualified teachers as well as strong syllabus which promote wholesome fun learning and growth. Once the enrolment of student is affected, it directly affects the revenue and income flow of the business. The satisfactory level of the Franchisee is very much based on the result of the business profitability. If the problem with the competitiveness of the Franchisor's asset cannot be resolved in a short term, it may very much affect the satisfactory level of the Franchisee.

5.1.1 Concluding Discussion For Research Objective 1

To view whether the 9-steps processes is being followed during the setting up of the Franchise business.

Both Franchisees and Franchisors agreed on the used of 9-step process during the set up of outlets. Even though the 9-step were sometimes being used simultaneously, or not in the

sequence as listed, due to the availability of resources and timing restriction of the contractors. Nevertheless, both agreed that they did go through every step. Standard operating procedures were also used to guide the Franchisee on the setting up, monitoring and managing the operation process. Therefore, Both Franchisor and Franchisee were deemed not having much problem and Franchisees were quite contented in the beginning of the relationship

5.1.2 Concluding Discussion For Research Objective 2

To determine whether Franchisees' commitment and leadership skill have impact on the Franchise business performance

The experience, business acumen and commitment of company leaders have a greater impact on the outcome of the business than the other factors. Great leadership is essential in any company and a franchise is certainly no different. Both a Franchisor and Franchisees are expected to delegate, inspire and off course, achieve results.

As the franchise relationship constitutes a business-to-business relationship, formal commitments are necessary, usually in the form of franchise agreements (e.g. both parties possessing financial and legal obligations to each other). All respondents recognised the legal (and subsequent financial) commitment to the franchise relationship (through the franchise agreement) however outcomes of the research revealed the manifestation of this relationship needed to be personalised of particular interest, the varying levels of commitment amongst respondents. Mature franchisees showing less of an interest in remaining fully committed and new franchisees expressing a stronger commitment mindset. Further, commitment expressed on a personal level enhanced the professional nature of the franchising arrangement. Thus, franchisors that were able to instil a friendly, positive organisational culture enhanced system trust and commit

5.1.3 Concluding Discussion For Research Objective 3

To identify key factors that affect Franchisee-Franchisor relationship quality

In the perception of Franchisees, D'MONTE Childcare's available resources in terms of syllabus, intellectual property, organizational capabilities, company goodwill and reputation are deemed as decreasing in differentiation with the product of its competitors. It is unable to help the company to grow perceived customer value. And it is unable to exploit and alleviate a threat in the marketplace. As denoted by assumption A5, A8 and A9.

The product differentiation decreases may also be caused by demographic changes, technological changes, economical climate, cultural changes, legal and political conditions and globalization changes increases. And this leads to the threat of suppliers, the threat of substitutes, the threat of buyers, the threat of rivalry and threat of new entries.

The product is also view as rare in the marketplace if it is absolutely unique among its current and potential competitor. Whenever there is a shift or decreasing product differentiation, it tends to experience a shift in customer preferences. That imposed a competitive disadvantage for the Franchisor's asset.

The prevailing of a Franchise system perceived by current or potential Franchisee is its profitability and support by the Franchisor. If one of these factors is negatively affecting the business, it will directly impact the relationship quality of both parties.

5.1.4 Concluding Discussion For Research Objective 4

To ascertain whether the business environment has impact on the mutual relationship and franchise performance.

Business environment in this case refers to the social and economical environment. The social environment is referring to the preference of the customer based on the influence by the peer or words of mouth on the product. In this case customers choose not to register their child because the product is not attractive enough in terms of value and uniqueness.

It is because the Franchisor's product is not at a competitive advantage. In the economical point of view the product perceived at a value which do not match the expectation of the customer. And the customer is willing to pay a higher price for the competitor's product or settle for a less expensive product.

Looking at these two factors, in order for the Franchisor continue to be competitive with the competitor in terms of the product, the Franchisor has to upgrade and improve it's products to make it valuable, unique, inimitable and well organized to attract more customers. In the trend driven innovation society, an upward cycle in product and service quality, and in customer expectations of quality is inevitable as a result of creative destruction which are fuelled by the incredible democratization and globalization of emerging product and service innovations (Mason, et., al. 2015).

5.2 Contribution

5.2.1 Contribution To The Academia

Resource Base View (RBV)

From the finding result, the researcher concludes that first and foremost resources must be valuable. According to the RBV, resources are seen as valuable when they enable a firm to implement strategies that improve a firm's efficiency and effectiveness by exploiting opportunities or by mitigating threats. If non of the resources possessed by Franchisor are considered valuable, the Franchisor is unlikely to have a competitive disadvantage (Berney JJ, 2001).

Secondly, resources must be rare. Resources that can only be acquired by one or few companies are considered to be rare. If a certain valuable resource is possessed by a large amount of players in the industry, each of the players has a capability to exploit the resource in the same way, thereby implementing a common strategy that gives non of the players a competitive advantage (Bowman & Ambrosini, 2007). Such a situation is indicated as competitive parity or competitive equality (Bowmen & Ambrosini, 2007). In case a company does possess a large amount of resources that are valuable and rare, it is likely to have at least temporary competitive advantage (Collis, 2008)

Although valuable and rare resources may help companies to engage in strategies that other competitor cannot pursue since the other competitor lack the relevant resources, it is no guarantee for long-term competitive advantage (Wang & Ahmad, 2007). It may give the Franchisor a first-mover advantage but competitors will probably try to imitate these resources (Wang, Ahmad, 2007). Another critirion that resources should meet is therefore that they should be hard and costly to imitate or substitute. According to the RBV, resources can be imperfectly imitable due to a combination of three reasons (Cardeal, Antonio, 2012)

- **Unique historical conditions**: choices made in the past influence the options a company has in the present and future (path-dependency). Similarly, a company that has located its facilities on what turns out to be a much more valuable location than initially anticipated, has an imperfectly imitable physical resource (Cardeal, Antonio, 2012).
    - **Causal ambiguity**: causal ambiguity exists when the link between the resources controlled by the Franchisor and its sustainable competitive advantage is not fully

understood. Competitors will not be able to duplicate, since they simply don't know which resources they should imitate (Makadok R, 2011).

- **Social complexity**: if the most important resource of Franchisor is a combination of the strength of its social network, interpersonal relations, a company's culture and its reputation among both suppliers and customers, it is very hard for competitors to build an identical social network since it is dependent on so many different factors(Newbert SL, 2008).

  If Franchisor's resources are both valuable, rare and inimitable due to the reasons mentioned above, the Franchisor has a high potential to gain a competitive advantage that is sustainable over time. There is however one more important criteria that needs to be present within the company.

  The resources themselves do not create any advantage for the group if the Franchisor is not organized in a way to adequately exploit these resources and capture the value from them (Berney JB, 2001). The Franchisor therefore needs the capability to assemble and coordinate resources effectively. Examples of these organizational components include a company's formal reporting structure, strategic planning and budgeting systems, management control systems and compensation policies (Beyney JB, 2001).Without the correct organization to acquire, use and monitor the resources involved, even companies with valuable, rare and imperfectly imitable resources will not be able to create a sustainable competitive advantage. When all four resource attributes are present, a company is safe to assume it has a distinctive competence that can be used as source of sustainable competitive advantage (Collis, 2008).Below is a diagram (Table 5.1) that sums up the four VRIO attributes and the resulting advantages the company has in different situations.

Valuable?	Rare?	Difficult to Imitate?	Organizationally Compatible?	Result
✘	✘	✘	✘	Competitive Disadvantage
✔	✘	✘	✘	Competitive Equality
✔	✔	✘	✘	Short-Term Advantage
✔	✔	✔	✘	Unused Competitive Advantage
✔	✔	✔	✔	Sustainable Competitive Advantage

Table 5.1; VRIO Framework

Agency Theory (AT)

In a typical franchise agreement, the franchisee purchases the rights to the profits from a particular unit by putting up an initial investment fee and participating in an agreement to pay ongoing sales royalties to the central franchisor. In return, the franchisee has the right to use the trademark and operating procedures of the company at that location while maintaining autonomy to hire personnel, advertise, etc. Ultimately, the franchisor reserves the right to monitor the quality of the product and services and the value of the trademark in relation to the corporate image.

So in essence, franchise type relationships benefit the franchisor and the franchisee mutually. The Franchisor makes money from self owned locations as well as collecting royalties from independently ran units without all of the costs and hassles associated with everyday business associated with said units. The franchisee, on the other hand, benefits from the Franchisor by utilizing trademarks and business operations of an established, successful company.

Although the above-mentioned situation seems ideal, every business deal comes with potential risks and costs associated with it. Perhaps the theory that is most applicable to such an agreement of incomplete information and uncertainty is Agency Theory (Mathieu, 1997). Applications of Agency Theory may explain potentially beneficial ways to organize relationships in which one party (Franchisor) determines the work that another party (Franchisee/agent) undertakes (Combs, Michael, 2004). Furthermore, Agency Theory argues that the two most common agency problems are adverse selection and moral hazard. Adverse selection pertains to the condition under which the Franchisor cannot determine if the Franchisee possesses the ability to do the work for which he is being paid (Mathieu J, 1997).

Moral hazard addresses the doubt that the Franchisor incurs when considering if the Franchisee has put forth maximum effort to fulfil his duties, in which the Franchisee has to assume accountability and responsibility for his actions within his franchised unit (Mathieu J, 1997)

Measuring a franchise's performance is one of the key factors for success from the Franchisor's (principal's) standpoint. Franchisor must ensure that all members of the system work to develop and maintain its brand name/image without attempting to take a "free ride" off of the efforts of other Franchisees/Franchisor that work hard to develop and maintain the brand name/image. If each Franchisee (agent) does not work to uphold the principals and beliefs set forth by the Franchisor, the Franchisor's reputation and business could start to deteriorate. For example, a customer visiting an unfriendly and dirty franchised McDonald's would probably not visit another McDonald's elsewhere due to association of a bad experience. Eventually, this kind of discouragement of repeat customers may affect other franchisees or the overall business image of the Franchisor.

A solution to insure that the franchisee is adhering to the contractual terms of the franchise agreement is to closely monitor the Franchisee's activities through impromptu and routine visits. If the Franchisee fails to meet the standards, the Franchisee should be forced to submit and implement a plan to bring the unit up to par pending further discipline from the corporate headquarters (including but not limited to fines and loss off privileges to use the corporate name).

Another problem to consider is the moral hazard associated with the inability to transfer information in a non-hierarchical setting of business. If the franchisor (principal) has misinformation about the franchisee's (agent's) ability to perform certain tasks, the principal will have difficulty ensuring that the tasks are being performed correctly which in turn might encourage the Franchisee to shirk on the proper performance of the task. In essence, if the Franchisee realizes that there is a glitch in the monitoring system due to inability to check up on their performance, he may not be willing to put forth the amount of effort that is necessary to ensure adequate job performance. Conversely, if a Franchisee (agent) is not able to get a message to the Franchisor (principal) in a time of need, operations may halt or fail. For example, a Franchisee may become frustrated when put on hold by the corporate office in an attempt to ask an important question concerning sales forecasting for the quarter. This

inability to communicate would probably cause undue stress and a lack of confidence in support from the Franchisor.

The solution to this problem is to establish a method of daily communication between the Franchisor (principal) and the Franchisee (agent) via email, log books, teleconferencing, etc. This system would allow information to be exchanged easily while eliminating the possibility of misinformation and simultaneously alleviating anxiety. It would be ridiculous to think that the aforementioned problems are the only issues faced in a Franchise based relationship but they are a good illustration of the types of moral hazard and adverse selection that thefranchisers and franchisees face in relation to Agency Theory.

Theory Of Constraints (TOC)

A constraint is anything that prevents the system from achieving its goal. There are many ways that constraints can show up, and constraints can be internal or external to the system. An internal constraint is in evidence when the market demands more from the system than it can deliver. If this is the case, then the focus of the organization should be on discovering that constraint and following the five focusing steps to open it up (and potentially remove it). An external constraint exists when the system can produce more than the market will bear. If this is the case, then the organization should focus on mechanisms to create more demand for its products or services.

Types of (internal) constraints

- Intellectual property / syllabus: The way these tangible assets that currently used limits the ability of the system to recruit more students and generate more revenue.
- People: Lack of skilled people limits the system. Mental models held by people can cause behaviour that becomes a constraint.
- Policy: A written or unwritten policy prevents the system from making more.
- Financial :

The constraint is the limiting factor that is preventing the organization from getting more throughput (typically, revenue through sales) even when nothing goes wrong.

The Theory of Constraints (TOC) is an important tool for improving process flows. The implications of the theory are far reaching in terms of understanding bottlenecks to a process and better managing these bottlenecks to create an efficient process flow. Simply put the

theory states, “the throughput of any system is determined by one constraint (bottleneck).” Thus, to increase the throughput, one must focus on identifying and improving the bottleneck or constraint.

Every system has at least one weakest point. The main aim of every company is increasing the profit, and constraints are the main obstacles restricting the company’s grow in achieving their goal.

5.2.2 Contribution to D’MONTE Group

As the research is done based on D’MONTE Childcare’s case study, and the research finding has shown the strength and weaknesses of the Franchisor as a whole. It has indicated that Franchisor has a strong leadership, competence and commitment towards their business and their Franchisees. And their Franchisees also agreed with the Franchisor that strong leadership is needed at the Franchisees end in order to promote and manage the business towards a healthy growth and profitable end result. They have to be committed to their new set up at least for the beginning two to three years after business being set up.

In the contrary, in this research, the researcher also proved that one of the very important factor for the Franchisor to continue survive in this industry is it has to find a way out to be at a competitive advantage comparing to its competitors. Which means the Franchisor’s product has to be perceived by customers as valuable, rare, inimitable and well organized.

If the product does not have a competitive advantage, customer may choose to purchase from competitors who are able to provide a more valuable product at a better price. In loosing the business to the competitor, meaning the effect is directly towards their profitability. One the profitability is affected, the whole financial of the business is affected. The largest constrain in a business is non other than it is financial constrain.

This may impact the Franchisee and their preserve of the Franchisor as incapable in helping them to reach their goal or target. And the sense of dissatisfaction can be reflected directly from this impact.

Therefore the researcher would highly recommend the Franchisor to put their priority in looking into their research and development of their product seriously. And first and for most,

to make their Franchisees feel satisfy with the product that they are selling and confidence to convince customers to register their kids with D'MONTE .

5.2.3 Contribution To Franchising Industry

The finding of this research gives a very good signal to the Franchising industry as no matter how strong the Franchisor may be in terms of leadership, commitment, and competencies. No matter how reliable and how much trust their Franchisees may have towards the Franchisor (Agency Theory). But the constraint that arises due to certain factors, be it human constrains or constraints in the product form (Theory of constraints), may create a vast impact on the inter relationship of the Franchisee and Franchisor.

The relationship of resource based view (RBV-VRIO), Theory of constrains (TOC) and Agency theory (AT) are inter related. The mild function of one may loosen the link of the other two. Refer to Table 5.2 below, as a successful Franchisor, the management team has to always take into account these three inter related theories in their franchising system.

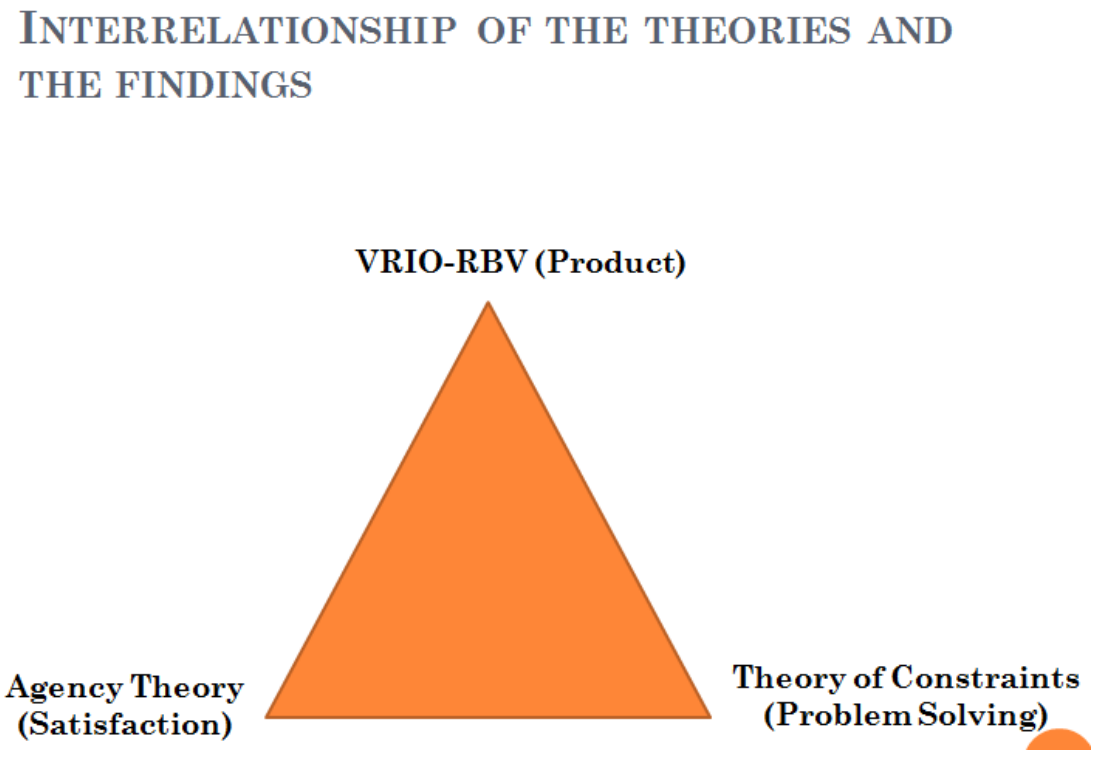


Table 5.2; Chart showing inter-relationship of the three theories

5.3 Recommendations

There is no doubt that the franchisor and the franchisee together play a role in the success of the overall franchise company. However, what or who makes the franchisee committed to making his business successful? Can any one person force another person to be committed to anything? Dr. Robert Schuller, pastor and motivational speaker, tells us, “If it’s to be, it’s up to me.” Commitment to “whatever” is a personal devotion. How then does a franchisor enhance the franchisee commitment? Think about this: I can be me, you can be you, but we can’t “be” each other.

There are ways a franchisor can help motivate, encourage and even make the commitment easier for the franchise owner. In fact, that’s what the franchisee signed up for: “I want to own my own business and I need the support to stay committed to my success.” The mindset of the franchisor should be to provide a supportable system that leads to franchisees’ success. Conversely, the mindset of the franchise owner should be: “I am committed to be number one, I am committed to win the race and I am committed to outsell my competition.”

Both the franchisor and the franchisee must define what success means to them. Then each party must be committed to one thing: the success of each other. While there is a multitude of ways to help someone succeed, here are five suggestions that may help enhance the commitment level of the franchisee:

1. The franchisor must have a proven and easy-tofollow system and the franchisee must follow that system.

2. The franchisor should have a mentor program in place and the franchisee should take advantage of that program.

3. The franchisor should strive to ensure decisions are field driven and the franchisee must share knowledge from the field to make those decisions.

4. The franchisor should have reward systems and programs in place to motivate the franchisee and the franchisee should strive to achieve these rewards.

5. The franchisor must strive to keep things simple and the franchisee should focus on the simple and not overcomplicate the process.

Have a Proven, Executable System and Follow it: What is that? It’s the brand, the “how to” of the system. Having a cookie-cutter system in place helps franchisees focus on the things that add to their commitment. Remember, some parts of the system are simply non-negotiable.

That is the must do's: the aspects of the business that deal with the brand. Other parts of the system can be tweaked by the franchisees. There are usually two ways to do something, two ways to get from point A to point B, without breaking the law. We all have to follow the laws and rules of both paths. A rubber gavel is a great way to enforce a system and lead the franchisee to commitment.

For the franchisee, his role is simple: he bought or was awarded a franchise system. Follow it. In the beginning, follow it to a tee. Do not deviate. As time goes by, the franchisee may learn a way to tweak within his market. The franchisee should make sure the franchisor knows what he's doing differently , and together, they can continue to grow the system.

Have a Mentor Program : One of the best ways to enhance franchisee commitment is to establish and promote a mentor program. The International Franchise Association has a program in place, so take advantage of it to learn how to match the good with good and the like with like. The goal is to help new and even struggling franchisees by matching them with successful franchisees. People learn from and thrive by rubbing shoulders with successful people. A mentor program provides opportunities to network with success. For the franchisee, take advantage of those who "have been there and done that," but not of those who "have been there and didn't do that." There's a big difference. Do not listen to the bad apple. The saying, "Every market is different" is true; "Every market is different." The difference is the franchisee. "If it's to be, it's up to me (you)." Franchisees should listen to, learn from and grow with their mentor. Above all, the franchisee should ask his mentor to hold him accountable to succeed.

Ensure decisions are field driven. Successful franchisors are franchisee and field driven. Franchisors should have multiple ways to get information from franchisees about all topics. Get input and advice. That does not mean a franchisee council all the time, but instead, different focus groups on each topic. It does mean engaging franchisees to make decisions all the time. What do they want, need, like or think? What are their markets and customers calling for? Find out and give them solutions. Listening to and providing the need adds to the franchisee commitment as they learn firsthand it's a partnership, give and take.

For the franchisee, offer advice, not commands. Provide suggestions. Take advantage of participating in focus groups. Franchisees in the field can provide their unique knowledge. Together, franchisees can help lead the franchisor to great commitments.

Have reward systems in place. Franchisees like to be recognized and win, no matter what the prize is. The satisfaction of being first or winning goes a long way toward developing commitment. Set up company or regional reward systems and award top franchisees for various achievements. Franchisors can have different levels of achievement with bigger prizes as the accomplishment grows. Franchise systems can set up contests for franchisees to compete with each other. Set up contests that motivate franchisees to achieve the main goal of the business. Make sure the contest is fair and has clear objectives. For franchisees, they should participate in all rewards programs and contests to win. They might consider motivating their staff and adding their own prize for them to win. And even if they don't win every time, play the game to win every time. Being part of the contest shows commitment and encourages your staff to commit to win as well.

Keep it simple, do not overcomplicate : In today's ever-changing world, simple must outweigh complex; don't make it hard. Rid your system of the stuff that bogs it down of time and money. Franchisees want easy in and out. Clients are looking for companies that are easy to do business with, so be that company. It's been proven that simple works; keep it that way.

Franchisees should not undercut and overcomplicate, but instead follow the system and make it easy for themselves and their staff.

Be committed to each other. If it's to be, it's up to me. I can't commit for you and you can't commit for me. But together we can encourage each other to commit. Through providing and following a proven system, by having a mentor program, by making sure decisions are field driven, by having a rewards program in place, and by keeping it simple, both the franchisor and franchisee and focus on that one thing: success. Commit to it.

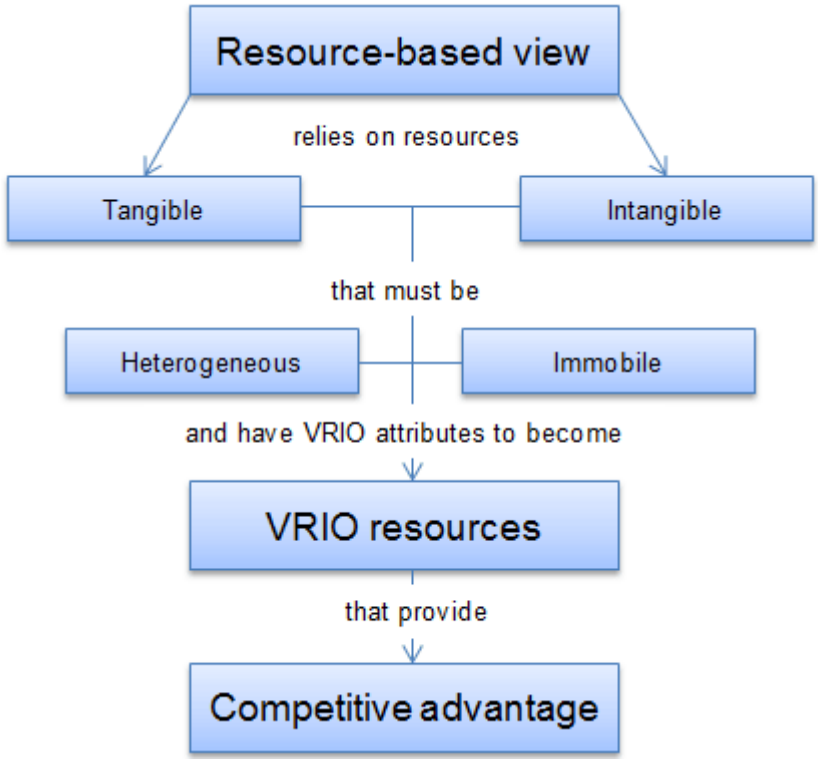
5.4 Future Research Direction

Conduct a research using VRIO framework with the help of Micheal Porter 5 forces analysis and Agency Theory framework.

VRIO and other resource-based models suggest that a firm's competitive advantages are a result of its ability to derive value from the resources that it controls. The better a firm can identify and utilize its resources, the better it will compete in the marketplace.

Five forces analysis helps organisations to understand the factors affecting profitability in a specific industry, and can help to inform decisions relating to: whether to enter a specific

industry; whether to increase capacity in a specific industry; and developing competitive strategies.



5.5 Conclusion

To be effective, Franchisor has to genuinely care about the success and shortfall of the Franchisees. Be alert with the constraints faced by Franchisees, and always be there to rectify and improve the system. Good relationship starts with a Franchisor that is, first and foremost, committed to Franchisees success by always look into improving their Franchise facilities, such as the products and the processes. Eliminate the constraints in the system, and enhance the product and processes to make it valuable, rare, inimitable and well organized so that they always have the competitive advantage in the competitive market. That commitment, more than anything else, needs to permeate the Franchisor organization at every level. If Franchisees do not sense the commitment from Franchisor, the relationship can quickly become adversarial. If on the other hand, Franchisees see Franchisor breaking their back to help them succeed, there is almost nothing they will not do for Franchisor.

Appendix 1

Basic Interview Questions For Franchisor (4)

No	Interview Questions	Follow-up Questions	Relate to Research Objectives &Propositions
1	What position do you currently hold?	How long have you been in this industry	Basic information about interviewee
2	What is the size of your company? a) Number of outlets b) Number of staff c) Number of students	What is the average tenure for your Franchise contracts?	
3	Where are the outlets located?	How many outlets does your company have?	
4	Do you follow the 9 steps process when setting up the outlets? (RO1)	If not, what are the guidelines that you use? Were the Franchisees involved in the 9-step process during set-up? Why/ why not?	**RO1:**To review whether the 9-steps process is being followed during the set up of the franchise business **A1:**Franchisor practise in sequence according to the 9 steps process during the set-up of its franchise system. **A2**: Franchisee had fully participated in those activities stated in the 9 steps process of franchising set up.

Probing Questions: (10)

		Follow-up Questions	Relate to Research Objectives / Propositions
5	In your Opinion, do you think the leadership skills, competencies and commitment of the Franchisee will impact the business performance? (RO2)	What are the leadership skills and competencies you are looking for when selecting a Franchisee? Why do you think those skills, competencies are important for franchising success? Do you also focus on the franchisee's commitment level? Why?	**RO2:**To determine whether Franchisees commitment and leadership skills have impact on the franchise business performance. **A3:**Franchisees leadership skill, competencies and commitment will impact the business performance of the Franchise

6	What is the key factors affecting the quality relationship between Franchisor and Franchisees that will impact both their performance	Do you think that the cost of operation will affect the relationship between Franchisor and Franchisee (RO2) Can you list out the major expenses that are of highest concern in franchising to the franchisees.	**RO3**:To identify key factors that affect Franchisor/Franchisee relationship quality **A5**:Franchisor has services that are valuable, rare and inimitable in the market and thus helps improve business performance
7	Do you think that D'MONTE brand is considered as valuable, rare (unique), inimitable and well organized (VRIO-RBV)	Why do you think so ?	**RO3:**To identify key factors that affect Franchisee / Franchisor relationship quality **A5**: Franchisor has product or services that is valuable, rare, inimitable in the market and thus helps improve business performance
8	Who do you prefer the outlet to be managed by?	Franchisee? Why Employed manager? why	**RO2:**To determine whether Franchisees commitment and leadership skills have impact on the franchise business performance. **A7**: Franchisor agree that it is more effective for the outlet to be managed by the Franchisee than hiring a manager.
9	How often do you have meeting / discussion with Franchisee in order to obtain feedback (ideas and suggestions) relating to the business performance	How do you deal with their feedback and suggestions? Do you work out a common action plan?	**RO3**:To identify key factors that affect Franchisor/Franchisee relationship quality **A6 :**Franchisee are able to give feedback and discuss their ideas or suggestions with the franchisor through an established process
10	In your opinion do you think the location of the outlet play an important part in the business performance (RO4)	Who decides for the selection of location? How do you ensure that the location is feasible for business success of the franchisee?	**RO4**:To ascertain whether Business environment and the impact on mutual relationship
11 12	Do you help your Franchisee in obtaining the required licenses from authorities (RO4) Would it be easier for franchisee to apply those licenses themselves?	If yes, what are the constraints that you faced with the Authorities? If no, why not?	**RO4**:To ascertain whether Business environment and the impact on mutual relationship and franchise performance **A8**:Franchisees' major constraints were resolved by the Franchisor promptly

13	Do your existing Franchisee renew their contract after the initial 5-year term?	If yes, Is there any incentive? If no, what are the reasons?	**RO3**:To identify key factors that affect Franchisor/Franchisee relationship quality **A9**:Franchisee has high level of satisfaction towards the business approach of the Franchisor
14	In your opinion what are the major constraints faced by the Franchisor when franchising?	Do you have a plan / strategy to resolve these constraints? If yes, how would you do it? If no, why not? Do you also support and assist your franchisees to resolve their constraints?	**RO4**:To ascertain whether Business environment has impact on mutual relationship and franchise performance **A10**:Franchisor is constantly reviwing their process and approach to identify any potential constraints arises within their franchise business network, and find solution for it.

Deep Questions: (8)

	Interviews Questions	**Follow-up Questions**	**Relate to Research Objectives / Propositions**
15 16	As Franchisor, how do you help your Franchisee to acquire the necessary skills and competencies in operating the business to the fullest? Is there a structure for the systematic development of the skills and competencies of the franchisees?	Is there a system to measure the level of commitment of the Franchisee along with their business performance? How do you measure the skills and competencies of franchisees? And how frequent?	**RO1**: To review whether the 9-steps process is being followed during the setting up of the franchise business. **A2**:Franchisee had fully participated in those activities stated in the 9 steps process of franchising set up.
17	How can you as a Franchisor to further ensure D'MONTE brand to become more valuable, rare, inimitable and well organized ?	Do you think by enhancing the VRIO will strengthen the Franchisor / Franchisee relationship ?	**RO3:**To identify the key factors that affect Franchisor / Franchisee(s) relationship quality **A5:**Franchisor has product or services that is valuable, rare, inimitable and well organized in the market and thus helps improve business performance
18	In your opinion, what are the factors that will help to improve the relationship between Franchisor and Franchisee?	Please rank those factors in terms of importance to franchisor Why those factors are considered important?	**RO3**:To identify key factors that affect Franchisor/Franchisee relationship quality that impact the business performance **A9**: Franchisee has high level of satisfaction towards the business

			approach of the franchisor
19	How do you respond to the feedback and suggestion of the Franchisee after meetings and discussions?	Do you have an effective channel to convey messages to Franchisees? If yes, are they being used to its fullest? If no, why? Do you consider to establishing one in the near future?	**RO3**:To identify key factors that affect Franchisor/Franchisee relationship quality that impact the business performance **A6**:Franchisee are able to give feedback and discuss their ideas and suggestions with the Franchisor through an establishing process
20	How often do you evaluate and review your process and approach to identify the constraints and ways to improve?	Kindly provide possible strategies or action plan that you are currently adopting	**RO3**:To identify key factors that affect Franchisor/Franchisee relationship quality that impact the business performance **A10**:Franchisor is constantly reviewing their processes and approach to identify any potential constraints arise within the Franchise system
21	What are the guidelines given to the Franchisees in selection of location?	Can you provide a list on what are the ideal location and what are the locations to avoid? How do you know those are locations that are suitable? Do you assess them together with the potential franchisees?	**RO4**:To ascertain whether Business environment and the impact on mutual relationship **A10 :**Franchisor is constantly reviewing their processes and approach to identify any potential constraints arise within the Franchise system and find a solution to resolve the constraints.
22	Besides providing the routine audits and trainings and other development activities, what are your current action that helps to improve the relationship between Franchisor and Franchisee?	Does your current action involve any cost and time on the Franchisee's part? In your opinion, generally, would the Franchisees agree with your action plan? Why or why not?	**RO2**:To identify key factors that affect Franchisor/Franchisee relationship quality that impact the business performance **A10 :**Franchisor is constantly reviewing their processes and approach to identify any potential constraints arise within the Franchise system and find a solution to resolve the constraints.

Appendix 2

Basic Interview Questions For Franchisees (5):

No	Interview Questions	Follow-up Questions	Relate to Research Objectives &Propositions
1	What position do you currently hold?	How long have you been in this industry	Basic information about interviewee
2	What is the size of your company? a) Number of outlets b) Number of staff c) Number of students	What is the average tenure of your Franchise contracts? Why did you decide to obtain this franchise?	
3	Where are the outlets located?	How many outlets do you have?	
4	Do you follow the 9 steps process when setting up the outlets? (RO1)	If not, what are the guidelines that you use? How involved was the franchisor in the 9-step process during set-up of your outlets? Why/ why not?	**RO1:**To review whether the 9-steps process is being followed during the setting up of the franchise business **A1:**Franchisor practise in sequence according to the 9 steps process during the set-up of its franchise system. **A2**: Franchisee had fully participated in those activities that were stated in the 9 steps process of franchising set up
5	Do you agree that franchising is a better model for expanding a business?	Why or why not?	**RO1**:To identify key factors that affect Franchisee / Franchisor relationship quality **A2**: Franchisee had fully participated in those activities that were stated in the 9 steps process of franchising set up

Probing Questions: (9)

		Follow-up Questions	Relate to Research Objectives / Propositions
6	In your Opinion, do you think the leadership skills, competencies and commitment of the Franchisee (you) will	What are the leadership skills, competencies and commitment you need as a Franchisee? What about for the	**RO2**:To determine whether Franchisees' commitment and leadership skills have impact on the franchise business performance **A3:** Franchisees leadership

	impact the business performance? (RO2)	franchisor? What do you look for in the leadership skills and competencies of the franchisor? Why do you think those skills, competencies are important for your franchising success? How would you rate your current commitment level to this franchise business? Why?	skill, competencies and commitment will impact the business performance of the franchise
7	What are the key factors affecting the quality relationship between Franchisor and Franchisees that will impact their performance? (RO3)	Do you think that the cost of operation will affect the relationship between Franchisor and Franchisee (RO2) Can you list out the major expenses that are of highest concern in franchising?	**RO3**:To identify key factors that affect Franchisor/Franchisee relationship quality that impact the business performance **A5**:Franchisor has services that are valuable, rare and inimitable in the market and thus helps improve business performance
8	Do you think that D'MONTE brand is considered as valuable, rare (unique), inimitable and well organized (VRIO-RBV)	Why do you think so ?	**RO3:**To identify key factors that affect Franchisee / Franchisor relationship quality **A5**: Franchisor has product or services that is valuable, rare, inimitable in the market and thus helps improve business performance
9	How often do you have meeting / discussion with Franchisor in order to obtain the support and sharing that is needed to improve business performance?	Do you discuss together with the franchisor to arrive at an action plan when there are challenges? Do you think you obtain sufficient support and inputs from the franchisor? Do you work out a common action plan?	**RO2**:To identify key factors affecting Franchisor / Franchisee relationship quality that impact the business performance **A6:**Franchisee are able to give feedback and discuss their ideas or suggestions with the franchisor through an established process
10	In your opinion do you think the location of the outlet play an important part in the business performance	Who decides for the selection of location How do you ensure that the location is feasible for business success of the business?	**RO4**:To ascertain whether the Business environment has impact on mutual relationship and Franchisees' performance **A8:** Franchisee's major constraints were resolved by the Franchisor promptly

11 12	Does your franchisor helps you to obtain the relevant licenses from appropriate authorities? Would it be easier if you were to apply those licenses yourself?	If yes, what are the constraints that you faced with the Authorities? If no, why not? Why? Or why not?	**RO3**:To ascertain whether the Business environment has impact on mutual relationship and Franchisees' performance **A8**:Franchisee major constraints were resolved by the Franchisor promptly
13	Would you renew the franchising contract after the initial 5-year term?	If yes, Is there any incentive? If no, what are the reasons?	**RO3**:To identify key factors that affect Franchisee-Franchisor Relationship quality **A9**:Franchisee has high level of satisfaction towards the business approach of the Franchisor
14	In your opinion what are the major constraints faced by you as the franchisee when involved in a franchising business?	Do you have a plan / strategy to resolve these constraints? If yes, how would you do it? If no, why not? Do you get support and assistance from your franchisor to resolve the constraints?	**RO3:**To identify key factors affecting Franchisor / Franchisee relationship quality that impact the business performance **RO4**:To ascertain whether the Business environment has impact on mutual relationship and Franchisees' performance **A8**:Franchisee major constraints were resolved by the Franchisor promptly **A9**:Franchisee has high level of satisfaction towards the business approach of the franchisor **A10**:Franchisor is constantly reviewing their process and approach to identify any potential constraints arises within their franchise business network, and find solution to resolve the constraints.

Deep Questions: (8)

	Interviews Questions	**Follow-up Questions**	**Relate to Research Objectives / Propositions**
15	Does your franchisor help you to acquire the necessary skills and competencies in operating	Is there a system to measure the level of commitment along with business performance of the business?	**RO2:**To determine whether Franchisee' commitment and leadership skills have impact on the Franchise Business.

16	the business to the fullest? Is there a structure for the systematic development of the skills and competencies of you as the franchisees?	Are your skills and competencies being measured by the franchisor? If so, how frequent? What factors would engage you to continue to acquire the needed skills and competencies need to commit to the franchised business? Why?	**A1:**Franchisor practise in sequence according to the 9 steps process during the set-up of its franchise system. **A2**:Franchisee had fully participated in those activities that were stated in the 9 steps process of franchising set up
17	In your opinion, what are the factors that will help to improve the relationship between Franchisor and Franchisee?	Please rank those factors in terms of importance to franchisee Why those factors are considered important?	**RO3**:To identify key factors affecting Franchisor / Franchisee relationship quality that impact the business performance **A9**:Franchisee has high level of satisfaction towards the business approach of the franchisor
18	How does the franchisor normally responds to the feedback and suggestion of the Franchisees after meetings and discussions?	Do you have an effective channel to convey messages to Franchisor? If yes, are they being used to its fullest? If no, why? Do you consider to establishing one in the near future ?	**RO3**:To identify key factors affecting Franchisor / Franchisee relationship quality that impact the business performance **A6**:Franchisee are able to give feedback and discuss their ideas and suggestions with the Franchisor through an establishing process
19	How do you think the Franchisor can further ensure D'MONTE brand to become more valuable, rare, inimitable and well organized ?	Do you think by enhancing the VRIO will strengthen the Franchisor / Franchisee relationship ?	**RO3:**To identify the key factors that affect Franchisor / Franchisee(s) relationship quality **A5:**Franchisor has product or services that is valuable, rare, inimitable and well organized in the market and thus helps improve business performance
20	How often do you evaluate and review your process and approach to identify the constraints and ways to improve? Do you work with the franchisor to review the processes and approaches needed to improve and enhance the franchised	Kindly provide possible strategies or action plan that you are currently adopting Is there a better way to further strengthen the franchised business? Would the franchisor listen to the franchisees? Why?	**RO3**:To identify key factors affecting Franchisor / Franchisee relationship quality that impact the business performance **A10**:Franchisor is constantly reviewing their processes and approach to identify any potential constraints arise within the Franchise network and find solution to resolve the constraints.

	business?		
21	What are the guidelines given when selecting a location for the branch?	Can you provide a list on what are the ideal location and what are the locations to avoid How do you know those are locations that are suitable? Do you assess them together with the franchisor?	**RO3**:To ascertain whether the Business environment has impact on mutual relationship and Franchisees' performance
22	Besides the franchisor providing the routine audits and trainings and other development activities, what are your current action that helps to improve the relationship between Franchisor and Franchisee?	Does your current action involve any cost and time on your part? In your opinion, generally, would you agree with the action plans developed by the franchisor? Why or why not?	**RO2**:To identify key factors affecting Franchisor / Franchisee relationship quality that impact the business performance **A8:**Franchisor is constantly reviewing their processes and approach to identify any potential constraints arise within the Franchise system and find a solution to resolve the constraints.

Appendix 3

Interview Transcript Summary

Franchisor	
Basic Questions	**Summary from 6 Interviewees**
1. Position	a) R&D Curriculum Development Director b) Admin and Finance Director c) Advertising and Promotion Director d) Event and Function Director e) Training and Operation executive f) Marketing and Event Manager
a) Duration of the business	7 Years
2. Size of the company	b) 21 outlets c) 250 Staff d) 2000 students
a) Tenure for Franchise contract	5 years
3. Location of the outlets	b) 14 outlets in Penang Island c) 4 outlets in mainland Butterworth d) 3 outlets in Kedah
a) Total number of outlets	21 outlets
4. Following 9-steps when setting up	Four interviewees said they follow and 2 was not very sure
Probing Questions	
5. Impact on business performance	All 6 interviewees agreed that leadership, competencies and commitment of franchisees will impact business performance. They prefer to look for qualities such as commitment and ability to communicate as the two most important factors during the start-up phase of the franchising relationship.
a) Leadership skills	According to the interviewees, below are the leadership skills which in their opinion a Franchisee must have • Communication skill: All of the six interviewees agreed that ability to communicate with their staff, other business associates and Franchisor are the most important skill to have. • Motivation skill: Four of the interviewees said that the ability to motivate their worker and co-workers are very important factors that moves the

	business forward. Whereas the other two said Franchisee can hire professional motivator to do the job periodically. • **Delegation skill**: Four of the interviewees agreed that the Franchisees that possess this ability would be able to distribute the job and responsibility equally among the staff so as to expertise the whole process to meet target or at least able to conclude the task in a smooth manner. Whereas the other two interviewees look at this as to pass the message clear enough to an assistant, and let the assistant do delegate and follow up after that. • **Positivity mind set**:6 of the interviewees all agreed that positive mind set is important as it is a force to push the whole organization forward from setting a goal to execution to achieving the target. • **Trustworthiness**: Six of the interviewees agree that as a business owner, especially in education industry, trustworthiness is of utmost important to parents and other business associates. • **Creativity**: Three interviewees said Franchisee which is creative is able to bring the business to another level as they are able to come out with different ideas to improve their CRM and strengthen the relationship with customers and improve on recurring sales. They are also able to guide their teachers to come out with more creative and fun lesson for the children. Whereas the other three interviewees do not look at it the same way. They merely agreed that the Franchisees just follow strictly on what has been given by Franchisor and implement it accordingly. • **Responsibility**: All six interviewees agreed that the Franchisees as a business owner, is responsible to make sure the brand image is well taken care of and the business is carry out and progressing well according to the instruction and steps planned out by the Franchisor. • **Goal setting**: Despite the fact that Franchisor is responsible to set a short term and long term goal for their franchise business, three of the interviewees agree that the Franchisees should set their own goal as well, such as the student enrolment number, teachers performance and KPI, KPI for CRM and so on. The other three interviewees said that it is not necessary for the Franchisees to set their own goal, just follow strictly to the Franchisor's plan and if they have doubts, just refer to the HQ for clarification and help.

b) Competencies	• **Educational level**: Three interviewees agree that educational level play an important role in handling the business, especially helping the business to expend. The more knowledgeable you are, the better it is to make decision pertaining to the business circumstances. Three others do not think the same way, as to them experience is more important than education. • **Language proficiency**: All six interviewees agreed that if a Franchisee is fluent in all three languages, it will definitely be a big bonus. This ability is needed in complementing with their communication skill. • **Management knowledge and skill**: Four interviewees agree that Franchisees is merely the operation manager of the outlet. While managing their outlet, they should be able to plan and control the available resources, deciding how the resources available to the operations and ensuring the resources are used to complete the task in full. She must have a clear vision on how the operation is carryout efficiently to produce quality services. Continually monitoring and improving the overall performance of the outlet operation. The other 2 interviewees said that management skill of the Franchisee is important, however, they can refer to Franchisor's operation guideline /manual and follow strictly. • **Early childhood knowledge and skill**: Four interviewees said that Franchisees must have some knowledge, skill and disposition regarding the development and learning of young children, provide the foundation for sensitive, responsive care giving and high quality early childhood practice. This also encompasses an understanding of major development theories and practice. Most importantly, the health and safety expect for early childhood care. The other 2 interviewees agree that it would be better if Franchisees do possess the early childhood knowledge, but experience from their motherhood will be sufficient to handle situations. • **Establish system for smooth program functioning:** All six interviewees agreed that the Franchisees / Operation manager should continually monitoring and strive for improvement in overall operation, such as reduce operation cost by increase staff efficiency, increasing revenue by delivering good services, reducing investment needed in operation by

	effectively increasing the capacity of the operation. • **Manage the staff to carry out the mission of the program:** Five interviewees agreed that as a leader in the outlet, Franchisees must have the ability to inspire / motivate the staff to perform effectively and efficiently by award and recognition system. Develop a policy that encourage transparency and improving the communication in the outlet can increase productivity.
c) Commitment	• **To follow the guideline set by the Franchisor**: All six interviewees agreed that Franchisees have to commit to follow the steps set by Franchisor. Follow it to a tee, do not deviate. As time goes by, the Franchisee may learn a way to tweak within his market. The Franchisee should make sure the Franchisor knows what he is doing differently, and together, both continue to grow the system. • **To uphold the brand name of the business**: In the opinion of all the six interviewees, the major duty of the Franchisor is to safe guard and police the use of trade mark by Franchisees and to protect the public from being misled about the quality and consistency of the product and services under the Franchisor's trade mark. In the absence of a Franchisor's control, Franchising would create the danger that product and services bearing the same name may have diverse qualities. Therefore the Franchisees has to be committed to uphold the brand image of the Franchise business. • **Towork hand in hand with Franchisor and collaborate with other Franchisees in terms of event and marketing**: Be committed to each other, and encourage each other to commit.The six interviewees all agreed that the reason of acquiring a Franchise business is take advantage of the brand image and the system which the Franchisors has and share the system to expend their business. Therefore, the Franchisees in one way or another has to strive to work hand in hand with the Franchisor and work as a team with other Franchisees to strengthen the brand image of the Franchise business. • **To make sure the system runs smoothly in the outlet:** Four interviewees agreed that the Franchisor should treat the business as their own baby and take good care of the business operation especially in the early state of the business

	inception. Whereas the other two interviewees said that the Franchisees may choose to hired an experience principal or manager to run the business. And the duty of the manager is to supervise the running of the daily routine to make sure it is operate in its full capacity and on the track set by the Franchisor. • **Make sure the welfare of the staff and children under our care is well taken care off**: In the opinion of all the six interviewees, taking good care of the customer is one of the CRM program that the Franchisor must have and the Franchisee should follow strictly to the conditions set. But not to forget the well being of the internal customers, that's the employee's benefit and appraisal system to work well in order to ensure the retention of good employees and assurance of quality services to the customers. Can any one person force another person to be committed to anything? Dr. Robert Schuller, pastor and motivational speaker, tells us, "If it's to be, it's up to me." Commitment to "whatever" is a personal devotion. How then does a franchisor enhance the franchisee commitment? Franchisor should strive to help motivate, encourage and even make the commitment easier for the franchise owner. In fact, that's what the franchisee signed up for: "I want to own my own business and I need the support to stay committed to my success." The mindset of the franchisor should be to provide a supportable system that leads to franchisees' success. Another important factor mentioned by all the six interviewees was the loyalty franchisees need to have for the franchise system. 'It is upsetting and damaging to the franchise system if the franchisee is not loyal to the franchise, or does things that are negative to the franchise' They also felt that mutual trust and commitment by both parties were essential ingredients to make the relationship work. They compared the franchising relationship to a 'marriage' and said that these were the two most important factors to make the marriage work.Following the start-up phase, the franchisor and franchisees may experience some disharmony as their relationship matures (Nathan 1996; McCosker and Frazer 1999). It was expected that franchisees would tend to refer to the provisions of the contract during this phase of the relationship where disputes and disagreements may occur. Therefore it was proposed that the contract would be the most beneficial to them during the conflict phase.

1. Cost of operation	All 6 interviewees agreed that cost of operation is one of the major factors that affect the relationship quality among Franchisee and Franchisor
a) High cost concern	Below are some of the high cost items suggested by interviewees: • Salary: All the six interviewees unanimously agreed that salary consumed the most from their Profit. Take up about 40% of the profit • Rental: All the six interviewees also agreed that rental is ranked number two in the expenditure list. Around 20% of the profit goes to rental • Marketing: 4 of the interviewees in their opinion, both Franchisee and Franchisor should set some budget for marketing. Whereas the other two interviewees said that since there is no marketing fees collected from Franchisees, therefore all the marketing expenses should be on the Franchisees part. But all the six interviewees agreed that marketing expenses is a must in order to up hold the brand image of the business, and to keep the prospects aware of our existence • Training: all the six interviewees agreed that on-going training of Franchisees in term acquiring new knowledge on the latest business development, strategy and technology is a must in order for the Franchisees to successfully manage and handle the business. Besides that, the periodical training for their employees to improve their teaching skills and classroom management skill especially for new staff is also a must
6. Key Factors that affect the quality relationshipbetween Franchisor and Franchisees	6 of the interviewees (100%) agree that the financial status and profitability of the business the the key factors that affect the relationship of both parties.
• Fees structure	4 interviewees (67%) said the fees charged by the centre is reasonable and the ROI should be around 1 to 2 years and 2 (33%) interviewees said that the fees charged is too low. ROI will be dragged to 3 years
• Cost of operation	Cost of operation in terms of Salary/wages (variable cost) are considered the highest and most difficult to manage in service industry. It takes up to 40% of the total revenue. All the 6 interviewees (100%) all raised their concern in this case, as the high labour cost will lower the profit margin. If Franchisees do not attain the desire profit margin as promise, definitely they will put the blame on the franchisor.
• Other major cost concerned	The fix operation cost such as rental is also another

	concern raised.
7. D'MONTE brand is valuable, rare, inimitable and well organized	All the 6 interviewees in this study see that the competitive advantage of D'MONTEwas assessed in terms of two financial indicators, growth in turnover and market share.The ability of the brand to help Franchisees to generate desirable income and create more value than our competitors. The concept and the strategy used by D'MONTE is always seen as the leader in this industry. And the syllabus used were designed in house by our expert team. Therefore the 6 interviewees confirmed that the product and system used by D'MONTE are VRIO
8. Prefer outlet to be managed by	All Six interviewees (100%) agreed that outlets should be managed by Franchisees especially at the first two years of operation. And once the operation is on track, subsequently Franchisee is allow to hire a manager to run the daily operation.
9. Frequency of meetings and discussion between both parties a) Handling feedback and common action plan	Franchisor have a schedules meeting with Franchisees At least once a month Four of the interviewees (67%) said that for major problems, Franchisor gather the feedback and discuss within the management team and come out with a solution or suggestion to the feedback. And the area director is assigned to discuss the suggestion or plan of action with the franchisee. They believe that successful Franchisors are 'Franchisee driven' and Franchisor should have multiple ways to get information from Franchisees about all topics, but have different groups on each topic. It does mean engaging Franchisees to make decision all the time. From what do they want, need, like or think. What are their markets and customers calling for ? Find out and give them solution. On the other hand one of the interviewee is not so sure about the correct way of doing it.

10. Location and impact on business performance	All 6 unanimously agree that the location of the franchise outlet is a major impact on the business performance
a) Who decide for location	4 of the interviewees said that both have to agree on the selection of location. Whereas the other two prefer the Franchisees to suggest on an area and the Franchisor choose the exact location for the Franchisee set up
b) Feasibility of location	In the opinion of the interviewees, below are the some of the factor to consider while choosing a suitable location • High Population density: All six interviewees agreed that upon choosing of a suitable location, this is the first in the list to consider. Choose a location with high population density will give a high assurance to the student enrolment rate. • Near to primary school: 3 of the interviewees said that if the centre is set near to a primary school will help in their student enrolment rate as parents look at it as a convenience drop off point for the older child who is enrol in the primary school and the younger child to D'MONTE centre which is near to the primary school. • Building is visible from main road: It is indirectly a publicity if the centre is able to catch the attention of the passer-by. Therefore all the six interviewees agreed that if the outlet is at allocation which is visible from the busy main road, it will add to the advantage in terms of awareness and publicity. • Easy access to customers: In the opinion of the six interviewees, they unanimously agreed that customer mostly from busy working class parents. One of the factors that they consider while sending their children to a preschool is on convenient of pick up and drop off. Therefore easy access to the centre is vital to most parents. • Safety aspect in terms of picking and dropping children: All six interviewees agreed that the safety aspect of the children is utmost important for parents as well as for the business owner. The pick up and drop off point should be away from the heavy flow of traffic.

11. Obtaining of licenses	All the six interviewees said that this is the normal practice in their franchise system as Franchisees has to apply for the required licenses according to the guide line and advice provided by the Franchisor.
a) Constraints	Below are some of the points given • Frequent change of officers who are handling the applications: 4 Interviewees look at it as it is very confused and inconvenience as the officers handling the application keep changing. Once there is a change in the officer, the applicant has to get familiarize with the officer and explain the situations one more time. Worst is when there is a change of hand, the application file may be misplaced or never handed down properly to the new officer in charge, and the applicant is asked to resubmit the file again. • High cost for change of use for the building: All six interviewees agreed that the high cost evolved in change of use of the residential building to commercial purpose is a drawback in applying for legal license to operate the business. • Long and tedious procedure: One application is filed, due to the working practice and behaviour of the officer in the government sector, we have to keep follow up from time to time in order to expertise the application. Lots of time spend in doing the follow up.
b) Franchisee to apply the license	Yes, it is easier for the Franchisees to apply the license themselves as it is advisable they do follow up on the progress. And being informed by the officers directly on the date of inspection and visits. In some cases, Franchisee has to get consent from the house owner on the changes made to the house in order to comply to the regulations.
13. Renewal of Contract	40% renew 60% sold their business to new owners
a) Incentive for renewal	For renewal of Franchisees contract for another 5 years, an incentive of 80% discount on Franchise fees is given.
14. Constraints faced by Franchisors	• Insufficient fund for branding and marketing: Since there is no marketing fees collected from Franchisees, it is impossible for Franchisor to carry out any marketing activities. Most of the marketing activities carried out are funded by the pool fund from Franchisees . • Insufficient fund to carrying out event and

	activities to boot sales: Royalty fees collected from Franchisee is too little not enough to support event and functions to boot sales. • Franchisees not following the plan of action by Franchisor: Franchisees normally will follow the instruction given by Franchisors at the beginning of their Franchise business inception. As times goes by, they gain experience and learn more about the business operation, they will tent to have more ideas of their own to manage the business. Many a time they will do thing on their way without informing Franchisor and not to follow instructions given. • Franchisees not following instruction: They prefer to do things according to their ways and following plans and strategies set by Franchisor. • Franchisees find it too costly to send staff for training: They think that training is a waste of time and money. They prefer to training their own staff to what they want. • Franchisees do not turn up for meetings: There are many reasons for Franchisees not to turn up for meetings. Some of them claimed that there is a shortage of manpower in the centre where they have to help up in the operation. Some of them said that the meeting venue is not feasible for them (too far) • Franchisees do not attend management and business trainings organised by Franchisor: Again there are many reasons for not attending trainings. Some claimed to be too expensive, and some said that it is a waste of time and money for all these trainings. • Franchisees do not concern about branding and image of their outlet: Most of their focus is on financial side of the business. • Franchisees do not put much effort on the CRM:
a) Plan of Action	Frequent audit to the outlet and regular meeting with the individual Franchisee
b) Support and assist Franchisees in resolving their constraints	Yes, we dealt with each individual constraints in priority of urgency
Deep Questions	
15. Help Franchisees to acquired the necessary skills in order to operate the outlet to the fullest	• Conducting business management training for the Franchisees or it's manager: Four interviewees agreed that more trainings to be organized to impart necessary knowledge to Franchisees so that they are equipped with the necessary skills to run

	the business. Whereas the other 2 interviewees said that mentor and mentee program is a better way to get closer to the Franchisees and understand their problems and find a solution to help them solving it. • Conducting regular syllabus training for teachers: 4 interviewees agreed that training for teachers to impart the latest teaching methodology and skill ins necessary, whereas two interviewees said that personal guidance and supervision from the principal is essential. • Frequent updating of latest news / issue pertaining to the business: 3 interviewees said that Franchisors should keep Franchisees inform of the latest development of the local and international education system so that Franchisees are aware of the changes around them. Whereas the other three interviewees said that we should encourage Franchisees as a business owner to read more and expose to latest development in the education industry • Organize field trips or visitation to other centres or over sea: All the six interviewees like the idea of organising of field trips whether it is local or over sea, it is an opportunity for Franchisees to expose and learn from others out of our franchise system
a) System to measure the level of commitment / business performance of Franchisees	• Establishing a mentor mentee system to guide weaker centres: Five interviewees expect the Mentor program to work well by matching the good with good and the like with like, the goal is to help the new or struggling franchisees by matching them with successful franchisees. People learn from and thrive by rubbing shoulders with successful people. A mentor program provide opportunity to network with success. Franchisees should listen to, learn from and grow with their mentor. Above all, Franchisees should ask the mentor to hold him accountable to success. • Invite Professional speakers to train teachers and Franchisees: Three interviewees said that Franchisees will take advice or comments from a professional consultant than to listen to Franchisor. Therefore it will be effective to invite professional speakers to conduct relevant management courses to enhance their skills and improve their competencies in operating the business. Three other interviewees said that close monitoring and advise from Franchisor will be

	more effective in enhancing the skill and competencies of the Franchisees, as Franchisors have all the knowledge and know how in running the business successfully. • Establishing a communication channel between both parties: All six interviewees agreed that a proper communication channel is essential for both Franchisor and Franchisees. Two of them said that the current usage of email and whatsapp group chat system is able to carry messages between Franchisor and Franchisees. But four of the interviewees although they agreed with the use of email and whatsapp for communication purpose, but they are looking into a more personal contact communication like the face to face or at least tele-communication to be used in the case of dispute and showing personal concern on certain issues.
b) How to measure the skills and competencies of Franchisees	• KPI for Principal: All six interviewees agreed that setting up KPI for principals to gauge their performance and commitments, like complaints from customers, numbers of accidents happened in centre, numbers of staff meeting held. • KPI for teaching staff: Four interviewees agreed on the use of KPI to monitor the performance of teachers, eg. Punctuality, absentees, accidents happened in the class, performance of student in the class, complaints by parents etc. Two interviewees agreed that Principals should use the evaluation system established by the Franchisor to evaluate their teachers and staff performance. • Number of student enrol: All six interviewees agreed that the number of student enrolment is able to show how the centre performance and that reflects on the leadership, commitment and entrepreneurship of the Franchisee. • Number of dropouts: This is basically the same as the enrolment number of students. All six interviewees agreed that Franchisees who are able to manage the centre well are able to meet customer's need and have more satisfy customers. Therefore have lesser students dropout. • Teacher's turn over: All six interviewees agreed that A successful manager is not only able to meet customer's need, but also able to make employees happy and retain in the company as far as possible.
16. Systematic development of skill and competencies	• Franchisees Engagement Training: All six interviewees looked at the Franchisees

	engagement program as a necessary before signing of Franchise contract. A thorough understanding of Franchise eco-system is essential for Franchisee to know how a franchise system and franchise environment work. • Principal On Boarding Training: All six interviewees also agreed that the principal who operate the centre should go through a 3 weeks Principal On Boarding (POB) training, so that the Franchisor is able to impart the knowledge and skill to the Principal, especially on the day o day operation of the business. • Assigning of Mentor/Mentee: Four interviewees said that it is very effective if each Franchisee is assigned a mentor to guide and consult especially during the beginning stage of set up and operation of the business. Some may even need a hand held or constant reminder on performing of certain task. Two other interviewees said that a standard precise guide and SOP is what a Franchisee need to follow. • Regular Auditing of Franchisee's outlet: All six interviewees agreed on regular centre audit by Franchisor to the Franchisees outlets (at least 4 times in a year). This is very much subject to the time and human resource available on the Franchisor. They too agreed that Franchisor should treat the audit as a strong support to the Franchisees rather than a fault finding opportunity. • Monthly Principals meeting: Three interviewees agreed that the frequency of meeting will improve the relationship of the Franchisees and Franchisors as problems are able to table for discussion and solved together with other Franchisees. While three other interviewees said that Franchisors should have a one-to-one meeting more frequently as to save time on the Franchisees side to allow them to concentrate on their business operation. • Informal Meeting and discussions: All six interviewees agreed that informal meeting with the Franchisees are more effective and fruitful as the discussion is direct to the Franchisees problems and issues. And Franchisees are more open to discuss their problems or give suggestions in private then in open.
a) Measure of the Franchisee skills and competencies	• Complaints and complements from parents: All six interviewees agreed that there is no doubt that

	the number of complaints and complements from parents will determine the Principal and teachers performance. It reflects on the quality of the services given to customers. However 3 others interviewees also added that the complaints and complements also depends on the performance of staff and teachers not only the Principal or Franchisee. • Sales conversion rate: Four interviewees agreed that the sales conversion rate of the sales team is based on the leader's competencies to lead the group. A good and competence leader should be able to focus, plan and target the market need, leading the team to successfully achieve a better sales result. However two interviewees said that the sales rate depends very much on the brand image of the product in the market and the trust of the customers on the brand. • Number of events carried out in a year: Three interviewees agreed that a successful leader should be able to plan and organized events and functions to boost the publicity and image of the product or services provided by the company. This will eventually establishes a strong brand image in the mind of customers. Three other interviewees said that Franchisors can outsource the marketing and promotional activities to a marketing company. • Student progress: All parents need to see after sending their children to a preschool and care centre is to make sure their children are taken good care off and they learn something at the end of the day. All six interviewees agreed that the progress result of the children in the centre reflect the ability of the Principal and staff to organize effective learning activities so that children are able to have fun and learning as well. • Turn over of staff: Employees tent to look for company which provide better pay and better job satisfaction. All six interviewees agreed that if employer (Franchisee) are able to provide a good remuneration and benefit to staff, providing a good career path and other advancement opportunities for staff's future will win the heart of the employees, therefore having a higher staff retention rate. For this six interviewees agreed on the idea. • Student drop out: This is the follow through reaction after the student progress is announced.

b) How Frequent	For students which do not achieve a desirable progress, parents may choose to terminate the enrolment and find for other better preschool to continue their study. Therefore all six interviewees agreed that the student dropout rate reflects the ability of the Principal / Franchisees to monitor the performance of the teachers and the progress of the children in the centre. • Students enrolment: For a Principal / Franchisee, she should be able to drawn out a marketing strategy or follow closely on the marketing plan of the Franchisor to promote their centre. Three interviewees said that the Franchisee or owner of the centre should have some business mindset to plan out marketing activities in their centre and also not forgetting to follow closely on the marketing activities planned out by the Franchisors. Three other interviewees said that as long as Franchisees follow closely to the marketing plan set by the Franchisor, they should have no problem in recruiting students. All Franchisees are supposed to record all of the above Twice a year
17. How to enhance D'MONTE brand to become more VRIO	1. 4 of the interviewees (67%) said that in order for them to stay as leader of the industry, they have to be :- • **competitive advantage** :To make sure our syllabus/curriculum and services provided are more efficient and differentiated from our competitors. When there is a product differentiation, it will be perceived by customer as an increase in value. That will help to increase customer loyalty. And eventually it will reduced cost competition and lead to an increase in profit . • **organizational competences** : it encompasses the competencies and skills required to manage the business operation and to attain profit for the whole organization including the top management, principals, teachers and general staff • **strategies** : setting long and short term goal and developing strategy and policies to achieve such goal • **resources**: optimizing use of resources
18. Rank the factors that help to improve relationship between Franchisor and Franchisees	2. **Prompt advice**: Four of the interviewees agreed that Franchisees appreciate prompt advice from Franchisor disregard is by phone call or in person when they are in need of one. Two interviewees said that a written email is a better prove of

	support in case there is a dispute. 3. **Accessibility and availability for help**: Four of the interviewees agreed that easy accessibility and availability of help from Franchisees will make Franchisees more engaged to the system. Two others said that as long as there is a proper communication channel, Franchisees can send their request through email to Franchisor and through the right channel, help or advice from Franchisor can reach Franchisees 4. **Plan ahead of time**: All six interviewees agreed that no one will like an instruction in and an hoc manner. Therefore Franchisor should provide a whole year calendar of activities at the beginning of the year and follow strictly according to schedule. And Franchisees are advice to plan out their schedules according to guide line given. 5. **Frequent communication**: All six interviewees agreed that frequent communication disregard through which channel is important to take the message across to each other. Voice out when there is a need. 6. **More branding and promotional events to boost sales:** Recognition and brand image is essential to bring awareness of the product or services to the target market. Therefore, all six interviewees believe that brand awareness through Advertising and promotion is able to help to increase enrolment of students. And once business is good, Franchisees will have less problems or complaints. 7. **Help to reduce cost of operation by buying in bulk:** All six interviewees also believed that lowering the operational cost by lowering the cost of material will enable Franchisees to have a higher profit margin. Once business is making money, Franchisees will be more willing to work together with Franchisor. 8. **Help to motivate and train new teaching staff:** Franchisees are usually too engulf in the centre day to day operation, therefore they do not have much time in training and motivating of staff to boost their performance. It will be helpful if Franchisor can take over the training of staff, especially new staff and occasionally conducting motivational courses for staff to leave up their spirit and team work. 9. **Upgrading on latest issue and use of latest technology to solve problems:** The Franchisor's R&D department is expected to source for state-

	of-art technology or innovative ideas to help and improve the operation of the business
a) Why those factors are consider important	Because all these assistance from Franchisor will help to improve the job of Franchisees in operating the centre and they can have more time concentrating on improving the daily operation and solving the problems faced by the centre.
19. Respond to the Feedbacks from Franchisees	All the six interviewees who are in the management team agreed that Franchisor should take the feedback from Franchisees seriously and discuss with the management team from HQ and come out with reasonable solutions. Delegate to the Area Director / Mentor to guide the Franchisee on the Plan of Action.
a) Channel to convey messages to Franchisees	Four of the interviewees said that by the use of WhatsApp group chat for urgent and short messages and use of email for important and long messages. However two interviewees believe that communication through email is a more professional way to do it. All six interviewees agreed that the use of dropbox system is useful and effective way to keep and pass documents, records and forms to Franchisees. Three of the interviewees like to use Skype conference to discuss issues with small group of Principals on urgent matters and on project planning. However the other three interviewees prefer to meet face to face to discuss mistake. All six interviewees also in the opinion that today it's all too tempting to rely on the internet for communications. But depersonalizing the franchisor is a big mistake. Time and again, well intentioned emails or text ignite firestorms when they are misinterpreted. Don't make the mistake of believing a can substitute for human contact. Relationships are build with dialogue, so it is important to encourage dialogue in every aspect of the relationship with Franchisees. Therefore, the Franchisor is careful in creating multiple venues for constructive dialogue. Annual conventions, regional meetings, and advisory and advertising councils all provide for this two-way communication.

20. Evaluate and review of processes and approach to identify constraints	Twice yearly after the centre audit, the management team will hold meeting and discussion to evaluate the performance of each centre. The evaluation includes • Teachers competency level and problems faced: It reflects in the teacher's ability to plan and deliver the syllabus and lesson well to the children. And By way of training and coaching to improve the skill in delivering. • Students performance level and problems faced: Whether the students learnt whatever that has been delivered by the teachers or they have learning difficulties that may be caused by their own developmental stages. The problem may also lies on the syllabus which is not in tune with the developmental stages of the children. • Image and Centre outlook/display/arrangement: Do we need a new outlook design to enhance our image to the target market ? What do the target customers like to have and look at ? • Operational issues: Is there any useful gadgets that can help to improve in the operation. Do we need to amend our SOP for smoother operation ? • Human Resource Constraints/Benefits: How and where to find suitable employees. How to retain good employees • Awards and Recognition for staff: Is there any other incentives or benefits that can attract good employees • Customer Relationship Management: How to get parents engaged and becoming our raving fan • Complaints and Complements: Develop a system to handle complains and complements ? • Events and Functions organized by the centre: Is the centre carried out events and functions according to calendar of activity set by the Franchisor ? do they have extra activities to get customers engaged ? • Local marketing and promotional events: Is the Franchisees having additional local marketing and promotional activities to convey the brand image in the mind of target customers ? beside the marketing activities planned by Franchisor • Principal's sales ability / conversion rate: Is the principal possesses the ability of a good sales person ? Is the principals sales script convincing enough ? Is she having enough sales tools or kits as an aid to help in sales conversion • Principal's problem solving skill / leadership skill:

a) Strategy and Action Plan	Is the principal having the right mindset in problem solving. How should the Franchisor help to improve the problem solving skill of the principal Will be implementing the ISO 9001 QMS system in all centres. To make sure all centres pass through the ISO certification. Before the ISO audit, the following action has to be taken • Principals and staff have to go through a thorough training on handling the ISO processes. • Understand the SOP of each process and follow strictly • Check list has to be used in each process. Benefit of implementing ISO 9001 QMS system : • **Improvement of customer satisfaction** – One of the quality management principles that are the foundation of the ISO 9001 requirements is to improve customer satisfaction by planning for and striving to meet customer requirements. By improving your customer satisfaction you will retain more repeat customers since happy and satisfied customers are the key to keeping customer loyalty. And such customers bring in additional revenues. • **Better process integration** – By looking at the overall process interactions through the process approach of ISO 9001, operators / managers will be able to more easily find improvements in efficiency and cost savings. This is done through eliminating the waste that can occur when processes are maintained without a view of the inefficiencies that can arise during process handoff. The better process flow can also be used to drive efficiencies towards fewer errors and resulting reworks, which can improve cost savings. • **Improve your evidence for decision making** – A second quality management principle of ISO 9001 is the need to use evidence-based decision making. By driving your decisions based on the evidence, rather than on "gut feelings," you can be more focused on applying resources to the areas that will improve efficiencies and increase cost savings with less trial and error to find the right decision. In addition, by monitoring the process you are improving, you will be able to see how much improvement has happened based on the

	data. • **Create a continual improvement culture** – Continual improvement is a third quality management principle of ISO 9001. By adopting this culture to improve your processes and organizational output, you will find efficiencies and cost savings, including the use of systematic processes when problems occur in order to reduce the impact of the problem and increase the speed of recovery. By making this continual, improving year after year, the company can see continuing benefits from this. • **Engagement of employees** – Employees who are involved in the improvements of the processes they work with are happier and more engaged employees. Who better than the people working on the process to best identify the areas that need improvement, and to help to test and advance these improvements when they are implemented? Engaged employees are more productive and will help the company better improve and save, especially when they understand how the quality of the process depends on them. • **Improvement of your credibility and image** – Because ISO 9001 is an internationally recognized standard, it has become the basis for creating a quality management system around the world, replacing many previously published requirements. When a company is looking for a supplier, it is often a requirement to have a QMS based on ISO 9001 in order to be considered. Attaining ISO 9001 certification is a powerful marketing tool.

21. Guideline in choosing of location	From the opinion of all six interviewees, while many startup mistakes can be corrected later on, a poor choice of location is sometimes impossible to repair. Below are the criteria for searching of an ideal location.
a) Ideal Location	• Visible from main road :foot traffic is extremely important. We want to be noticed, we don't want to be tucked away in a corner where potential customers are likely to bypass us.Monitor the traffic outside a potential location at different times of the day and on different days of the week to make sure the volume of pedestrian traffic meets your needs. • High population density : We are looking for areas with high population of young working parents with children below 6 years of age. This is our target market. • Competition :Are competing companies located nearby? Sometimes that's good, we may also catch the overflow from existing businesses. But if a nearby competitor is only going to make your marketing job tougher, look elsewhere. • Easy access by customers :Consider how accessible the facility will be for everyone who'll be involved; customers, employees, and suppliers. If you're on a busy street, how easy is it for cars to get in and out of your parking lot? Is the facility convenient for parents to send and pick up their children to and from the centre ? Will the suppliers be able to easily and efficiently get materials to the centre ? • Safety aspect for customers especially children :Also make sure the parking lot is well-maintained and adequately lighted. • Who are the neighbours :Take a look at what other businesses and services are in the vicinity from two keyperspectives. First, see if we can benefit from nearby businesses--by the customer traffic they generate--because those companies and their employees could become our customers, or because it may be convenient and efficient for us to be their customer. • Image and history of the site :Whatdoes this address say about the company? Particularly if we are targeting a local market, be sure the location accurately reflects the image that we are projecting.Ask about previous tenants, do some research to find out the business of the previous tenant, their success and failure. If previous occupants have been wildly successful is certainly

	a good sign. If the previous tenant failed to succeed, the tendency of general public to assume your business will go the way of the previous tenants is high. • Ordinances: - Our nature of businessrequired us to operate in a residential area with quiet neighbourhood to ensure a conducive learning environment for the children. We definitely don't want a liquor store or an entertainment centre opening up next to our day-care centre. • The building's infrastructure : Find out whether the building have the necessary infrastructure to support the high-tech needs of contemporary operations. Make sure the building has adequate electrical, air conditioning, and telecommunications service to meet the present and future needs. We will normally advice the potential franchisees to hire an independent engineer to check this out.
b) Location to avoid	In the opinion of the six interviewees, Locations that we should avoid are as bellow : • Busy Street : Not safe for parents to send and pick up their children. Exposed to danger of traffic • Entertainment Centre by the side : expose to high noise pollution and patronage of people from all walks of life. • Car / motor repair shop or coffee shop as neighbour : expose to noise • House beside a big drain or stream : safety aspect and health concerned. • Beside places with heavy flow of people (eg. Market, Temples or Mosque)
c) Assess the suitability with Franchisees	Yes both parties decide together
22. Current action taken to improve the relationship between Franchisor and Franchisee	• Four of the interviewees said that the management team from Franchisor office is implementing a mentor/mentee program where a mentor will be assigned to each Franchisee to meet at least twice a month to discuss issues pertaining to the business performance. Feedback will bring forward to discuss during management meeting. • Six of the interviewees also in the opinion that award and recognition program to award top performance Franchisees for various

	achievements (eg. Student number, most events and functions carried out through out the year, best event organized,) will help to improve the relationship. Set up different levels of achievement with bigger prizes as the accomplishment grows. •
a) Cost or time involve on Franchisee' part	In the opinion of the six interviewees, no cost is involved on the consultation, unless matter involved purchasing of certain items for process improvement or engaging a professional trainer for staff motivation. And also we keep the system as simple as possible. It's been proven that simple works.
b) Will Franchisees agree on this action plan	In the opinion of the six interviewees, Franchisee should welcome this proposal as the management team sincerely shown their concern and willingness to help

Appendix 4

Interview Transcript Summary

Franchisees	
Basic Questions	
1. What position do you currently hold	21 interviewees are all principal cum manager of the centre
a) Duration in this business	1 year = 1 2 years = 2 3 years = 2 4 years =5 5 years = 1 6 years = 1 7 years = 0 8 years = 3 9 years = 6 52% of the Franchisees have been with the business for more than 5 years 48% are involved for less than 5a years
2. Size of company	
a) Number of outlet owned	18 (86%) interviewees said they own only 1 centre, 3 (14%) interviewees confirmed they owned 2 centres
b) Number of staff	4 centres x 6 staff = 24 staff 9 centres x 10 staff = 90 staff 5 centres x 15 staff = 75 staff 2 centres x 20 staff = 40 staff 1 centre x 25 staff = 25 staff **Total 256 staff**
c) Number of students	2 centres x 30 students = 60 students 3 centres x 50 students = 150 students 8 centres x 80 students = 800 students 5 centres x 100 students = 500 students 2 centres 150 students = 300 students 1 centre x 200 students = 200 students **Total 2010 students** With a ratio of 8 students to 1 staff
d) Tenure for the contract	5 years
e) Reason for choosing this brand	These are some of the reasons given by Interviewees on why they choose D'MONTE brand • **Track record of success**: 8 (38%) of the franchisees said that the Company has developed a method of doing business that works well and produces successful results.

	• **Strong Brand**: 10 of the franchisees (48%) agreed that the company is building a strong brand on northern regional of Malaysia and have value in the eye of customers • **Training Program**: In the opinion of 6 (29%) of the interviewees that the Franchisor has an established training program for franchisees to successfully operate their business. • **Ongoing operational support**: 5 (24%) of the Franchisees said that the Company have staff dedicated to providing ongoing assistance to Franchisees. "You are not alone when you are building and running your business, and you can always call on experienced people when you hit a rough spot or want to share new ideas for growing the business." Said one of the Franchisees. • **Marketing assistance**: 15 (71%) of the interviewees said that Franchisor do have marketing assistance to provide proven tools and strategies for attracting and retaining customers. The team from HQ helps to develop the actual marketing plans and budgets for the grand opening as well as ongoing efforts to market the business effectively. • **Real Estate assistance**: In terms of finding strategic location, 18 (86%) of the Franchisees said that the Company have manuals and other documentation, as well as staff, to help franchisees to find the right site and negotiate the best possible deal on the site. This is a very important advantage that can hold cost down and provide the best possible chance of success in our site driven business. • **Purchasing Power**: In the opinion of 16 (76%) interviewees agreed that Franchisees can take advantage of the buying power of the entire system to negotiate prices for everything they need at significantly lower levels than they could achieve as an independent operator. This applies not only to initial furniture and equipment purchases, but also to the supplies, inventory, uniforms and everything else they will need on an ongoing basis. • **Construction assistance** : 16 (76%) of interviewees said that Franchisor has a ready plan that help Franchisees in the design and layout of the business and select the right contractor to do the necessary renovation on the building and making sure franchisees get the exact mix of furniture and equipment they need to maximize

	the efficiency of the initial investment. • **Risk Avoidance**: Infect 19 (90%) of the Franchisees view this as one of the most important factor in choosing a brand. "The biggest reason to buy a franchise is that, if you are smart, it will help you avoid much of the risk of starting a new business. Make no mistake." Said one of the Franchisee.
3. Location of the outlets a) Number of outlets that franchisees owned	100 % of the outlets are in Northern region of Malaysia : 3 centres in Kedah 4 centres in Seberang Prai 14 centres in Penang Island 4 (19%) of the Franchisees owned 2 centres, the rest of 17 Franchisees (81%) owned a single unit
4. Following the 9-steps process during set up (RO1) a) How do Franchisor apply the 9-steps during your outlet set up	12 (57%) of the interviewees confirmed that they have been following the 9-steps process during the set up of their outlets. While 9 (43%) others were not sure because they took over the centre from previous owner. Out of the nine, Eight (88%) of the interviewees also confirmed that they have been trained using the training manual and brief on the SOP in the operating manual. Out of the twelve franchisees that confirmed 100% following the 9-steps process said that the management team from the franchisor office take up the responsibility to train the Franchisee according on their respective portfolio. Therefore there were at least 6 personals involved in then training. 9 steps were carried out in stages as stated in the manual. But at times due to contingency, some of the steps may have to be carried out at the same time, making the set up schedules very tight. And at times one step may precede another due to urgency or due to schedule of the contractor itself.
5. Do you agree that franchising is a better model for expanding a business?	Reason given same as 2e

Probing Questions

6. Impact on business performance (RO2) a) Leadership Skills	The experience, business acumen and commitment of company leaders have a greater impact on the outcome of the business than the other factors. Great leadership is essential in any company and a franchise is certainly no different. Both a Franchisor and Franchisees are expected to delegate, inspire and off course, achieve results. • **Communication**: In the opinion of 14 (67%) of the Franchisees feel that One of the most important skills you can have as a franchisee is the ability to communicate and interact with people. Not only do you need to interact in a positive manner with your customers to build a reputation for having good customer service, but you also need to instil confidence in your employees and motivate them to be productive. You'll also need to be on good terms with your franchisor if you expect your franchisor to help you. Two way communication is vital to get message across. It is not only Franchisees must be able to communicate well with their customers and staff; they need to have frequent communication with the Franchisor as well. "If people aren't aware of your expectations, and they fall short, it's really your fault for not expressing it to them. Communication is a balancing act.However, when asked what factors are important to see franchisors and franchisees out of the conflict stage and into the interdependent phase. 12 (60%) of the interviewees said that it is crucial for franchisee to be loyal to the franchise, while the franchisor has the ability to instil trust in the franchisee. Both parties must be able to communicate effectively and be willing to commit their resources for long-term benefits' By working together, franchisors and franchisees ensure the success of each other (Williamson 1995). Franchisees normally viewed themselves as the weaker party in the event of franchising disputes. A proper communication between franchisors and franchisees in times of conflict helps reduce the possibility of misunderstanding. It allows both parties to understand the underlying reasons behind the actions and conflict and provides opportunities to remedy the situation. This may result in a higher level of trust between the parties. The communication channel should also redressesthe balance of power through the requirement that the

	complainant must tell the respondent in writing the nature of the dispute and the outcome which the complainant wants, as well as the action the complainant thinks will settle the dispute (Franchising Code of Conduct 1998). This gives franchisees the opportunity to remedy the situation should they be in the wrong, rather than have the franchisor terminate their contracts based on a minor transgression. • **Motivational leadership:** Only 5 (24%) out of 21 Franchisees feel that motivational leadership is necessary skill for Franchisees. They do agree that as a manager or operator of a business must possess some leadership quality, but they do believe the motivation and leadership should be from Franchisor more than from Franchisees. They want the Franchisor to lead and motivate them and also their co-workers. Motivational Leadership refers to someone who is able to lead others by motivating them to strive for certain goals rather than simply act on orders. The leader tries to create a safe and trusting environment, and ensure the organization is positioned for success in its domain—a motivational leadership in principles is able to establish strong ethics, clear vision, definable values, authentic communication, and be genuinely motivated to promote collaboration and a positive working environment. So Franchisees do believe that Franchisor is the one that should have the necessary Leadership quality to lead the Franchisees and to motivate their staff and employees as well. After all, for a Franchisee to buy a Franchise business is to follow what have been set by Franchisor and operate the business and get full support from the Franchisor. • **Delegation**: 12 (57%) of Franchisees agreed that the ability to wisely and effectively delegate is the quality that is most crucial to a leader's success and achieving goal. Delegating free you up to tackle the truly important task. In this case Franchisees should be in charge of the overall direction of the team, looking ahead, steering the course and making needed correction to avoid getting off track. Instead if buried the small details, leaders may lose in the big picture and fail to see that the mission is falling apart until it is too late.

	• **Positive mindset:** 18 (86%) of the franchisees feel that they are positive, that's why they take up the challenge to invest in a Franchise business and go along with the leadership of Franchisor. The truth is, leaders need to keep an open mind while being flexible. In order to achieve greatness, Franchisees must create a culture of optimism. There will be many ups and downs, but the prevalence of positivity will keep the company going. It is easy to be positive when things are going well but a good leader will remain confident when things go wrong. They are confident that Franchisor should be in front of them to lead. And they embrace failures and able to inspire Franchisees to consider such events as opportunities to learn. A positive outlook will not only help Franchisees but also their staff to remain encouraged and create an overall upbeat environment where people will want to remain. Thinking and acting positive go hand-in-hand. You have to truly believe in making the impossible possible. • **Trustworthy**: Franchisees in this research found that Franchisor's credibility, trustworthiness and integrity is an important driver in their relationship. In order to ensure longevity of the relationship, as well as the reduction of any destructive conflict escalation. Trust play a key role in any collaboration relationship, therefore in the opinion of the Franchisees interviewed in this researched raised an important point that Franchisor should encourage, established and make sure the presence of trust, trustworthiness, fairness, loyalty and unity in the franchise system. • **Creativity :** 18 (85%) of the Franchisees said that creativity does not imply in this business. As they are managing a franchise outlet which you cannot choose to paint the building in another colour code nor having a different set of furniture or using a different syllabus in the teaching. What the franchisees need to do is to follow strictly as the instruction and guideline set by franchisor. • **Responsibility** : 21 (100%) or all the franchisees interviewed in this research understand their responsibility well.

b) Competencies	4. Follow the franchise's system and operations 5. Manage the success and growth of the Franchised business 6. Marketing and uphold the brand image • **Goal Setting**: In the opinion of 16 (76%) of the Franchisees interviewed, they would leave the goal setting to Franchisor. They prefer the Franchisor to inform them on the latest market / industry development and franchisor's focus on the future development and direction of the company. Franchisees feel that develop a clear vision and plan is the responsibility of the Franchisor. And they feel that Franchisor in this study is lacking of a clear and consistent plan. These leaves the team to struggle for direction and spend time putting out fires instead of taking constructive action. This is like taking a journey without a map. • **Education Level** : 14 (65%) of the Franchisees in this study disagree with having a higher education will help them to succeed in the Franchise business. Not having a college degree has not hindered a personal success, but is it something that franchisors look for. Most franchisors are going to give little weight to a person's degree during the selection process, "When it comes to owning a franchise, does it really matter whether you have a college degree or not? "Having a college degree is no guarantee of franchise success," state some of the interviewees. "At the end of the day, a franchisor is in the business of selling franchises," says one of the Franchisee. "While they may be very good at telling the story and getting you to sign, they may not be a good match for you." Instead Franchisor should look for transferable skills that the franchisee can leverage in order to be successful as an owner. Skills like marketing, management, team building, administration, etcetera, are most often built during a person's working years, not their college years. The bottom line? Education is important, but it's not always the determining factor in a franchisee's success. Most important is getting off to the right start. In addition, the education provided by the franchisor can be more important that any university when it comes to applying that knowledge to a franchise.

c) Commitment	• **Language Proficiency** : From a practical standpoint an English language proficiency requirement for Franchisees make sense. Franchisees which are the owner cum operator in this study, must be able to communicate in English with customer, employees and suppliers and the Franchisor. Further, operating manual and other written materials essential to the operation of the Franchise business are often in English. English proficiency in Preschool and day-care is particularly important as parents demand in their children learning of English is increasing. • **Management Knowledge** : 75% of the interviewees agreed that having sound financial management skills will help you to run your business profitably and protect your financial investment. Being able to effectively managing your finances is a critical. You will need to be able to forecast your cash flow and sales, as well as, monitor your profit and loss. You will also need to declare your income tax at the end of business financing year. Other than these, they feel that the Franchisor should be able to help them in their business planning and marketing strategising. • **Knowledge in ECE** : ECE knowledge is important for the business owner in this case, but it is not compulsory, Advisable to acquire the knowledge for those who doesn't have. • **To follow Guideline set by Franchisor** : The nature of the franchise relationship depicts the need for commitment, supported with comments by one franchisee stating, "you've got to be fully committed and your other half has to be fully committed". As the franchise relationship constitutes a business-to-business relationship, formal commitments are necessary, usually in the form of franchise agreements (e.g. both parties possessing financial and legal obligations to each other). All franchisees interviewed possessed such contracts, commitment bound legally and financially. All respondents recognised the legal (and subsequent financial) commitment to the franchise relationship (through the franchise agreement) however outcomes of the research

	revealed the manifestation of this relationship needed to be personalised Of particular interest, the varying levels of commitment amongst respondents. Mature franchisees showing less of an interest in remaining fully committed and new franchisees expressing a stronger commitment mindset. One franchisee stated when he needed help it was important to know that "they are (franchisor) going to be there for me" in times help is required. . Further, commitment expressed on a personal level enhanced the professional nature of the franchising arrangement. Thus, franchisors that were able to instil a friendly, positive organisational culture enhanced system trust and commit • **To uphold the brand name of the business** :And when Franchisor accepts a Franchisee, they are bearing the brand image and brand name in the hand of the Franchisees • **To work hand in hand with Franchisor and other Franchisees** : this is important as we may need help not only from Franchisor but other Franchisees as well. Building good relationships through networking will help to grow the business and the support that we may need in the ng cause of operation. • **To make sure smooth operation of the system :**Managing your time effectively may mean delegating responsibility to someone else in the business or outsourcing. Identifying who you can delegate tasks to allows you to concentrate on those tasks that generate revenue. • **Welfare of staff and children under their care are well taken care off :**Customers form the foundation of how my employees make money to support their families. "The more delighted customers we have, the more opportunities my team members have to take care of the people most important to them. That's why we never stop talking about customer service." Said one of the interviewee. • **Operating system**: franchisor do provides a detailed operations manual that includes instructions for carrying out their operating system. It establishes the rules, standards and

	specifications of the franchise system. Training usually take place at the corporate headquarters, so you may need to factor in travel expenses, at your franchise outlet or a combination. Franchisors also offer periodic training and seminars for new staff or for refresh. • **Select your team**: Make sure every member in your team is a good fit and have what it takes to help the company thrive. All the 21 Franchisees agreed that Leadership skill and competencies in Franchisor and Franchisees is the most important quality that both must have. And all the 21 Franchisees reiterate that when they make a leap, at least part of their investment is in with the Franchisor. They bought into the Franchisor's ability to help them grow a business. To be effective, Franchisor has to genuinely care about the success of the Franchisees. Good relationship start with a Franchisor that is, first and foremost, committed to Franchisees success. That commitment, more than anything else, needs to permeate the Franchisor organization at every level. If Franchisees don't sense the commitment from Franchisor, the relationship can quickly become adversarial. If on the other hand, Franchisees see Franchisor breaking their back to help them succeed, there's almost nothing they won't do for Franchisor.
7. Key factors that affect Franchisee / Franchisor relationship (RO3) • Trust	In the opinion of the interviewees, 18 (85%) agree that relationship quality among franchisees and franchisor are perceived as consisting of four dimensions**: mutual trust, mutual commitment, interdependence and cost of operation** • **Trust:** Franchisees expressed "a lot less stressful" business relationship if personal variables were apparent. Trust start with good personal relationship. When asked about this perception on personal relationships, one franchisee answered: "I think in any relationship you are going to have disagreements. We do with our staff, we do with our franchisor, but you need to have that personal touch to heal that afterwards." Four franchisees (19%) stated they did not have an effective personal relationship with their franchisor. These

	franchisees were either exiting or considering leaving their respective systems. Such findings establishing the importance of developing effective personal relationship between participants in the franchise system. One franchisee stated, “There probably would be an element of trust if there was a relationship, but there is no relationship.” This franchisee found it difficult to commit to the business relationship through a lack of trust. In this case, trust existed at the beginning of the relationship, however, when probed further, the respondent stated “too much at the beginning”, in the context of too much trust. Such trust over time slowly depleting, possibly driven by opportunistic actions undertaken by the franchisor, shifting the franchisee’ perception to a belief “they don’t care”.
• Commitment	• **Commitment** : The nature of the franchise relationship depicts the need for commitment, supported with comments by one franchisee stating, “you’ve got to be fully committed and your other half has to be fully committed”. As the franchise relationship constitutes a business-to-business relationship, formal commitments are necessary, usually in the form of franchise agreements (e.g. both parties possessing financial and legal obligations to each other). All franchisees interviewed possessed such contracts, commitment bound legally and financially. All respondents recognised the legal (and subsequent financial) commitment to the franchise relationship (through the franchise agreement) however, outcomes of the research revealed the manifestation of this relationship needed to be personalised of particular interest, the varying levels of commitment amongst respondents. Mature franchisees showing less of an interest in remaining fully committed and new franchisees expressing a stronger commitment mindset. One franchisee stated when he needed help it was important to know that “they are (franchisor) going to be there for me” in times help is required. Further, commitment expressed on a personal level enhanced the professional nature of the franchising arrangement. . Thus, franchisors that were able to instil a

	friendly, positive organisational culture enhanced system trust and commit
• Interdependence	• **Interdependent** : Each franchisee varied their level of "dependence" on their franchisor, an element associated with the nature of each individual franchisee. That is, one franchisee stated they "don't actually like depending on people". This particular franchisee lacked trust and commitment within her franchising relationship. Another independent franchisee stated:I don't have any problems with anyone, I say what I think, they can say what they think to me you know, everyone's entitled to their opinion. A strong theme from these findings indicated that every franchisee possessed different levels of dependence on their franchisor but franchisees new to the system were generally more dependent on the franchisor than more mature franchisees. This theme exists throughout franchising research. However, regardless of the time spent in a franchise, an important aspect necessary in the franchising relationship identified in this research included the perception that franchisees being "strong enough to advocate themselves)" would avoid being "dictate(d)" to by the franchisor. However, one franchisee believed "that the franchisor has the right advice for me and whatever advice they give me I just do it." This statement highlights a link between dependence and trust with the franchisor
• Respect	• **Respect**: Also significantly influenced the relationship stability. One franchisee realised that respect in her relationship improved her performance and stated: I think you do better for them because you want to do well for them as much as yourself because you've got that respect. Another franchisee developed an opposite perspective, due to a lack of respect in her relationship. She did not want to perform for the franchisor based on the franchisor's prior behaviour. Therefore, the actions of the franchisor could and should foster mutual respect. Alternatively, where little or no respect was apparent, generally there were negative perceptions toward the franchisor.
• Cost of Operation	A perceived higher level in the quality of the franchisor's support leads to a higher quality relationship between the

	franchisor and the franchisee. Franchisees in this case required a broad-base support system from Franchisor, including : • Training • Advertising and promotion • Strong Brand name In the opinion of the Franchisees these are the operation cost that they need the most support from the Franchisor, One of the Franchisees quoted "We need to train our staff to be competence in teaching and care for children, at the same time we need to make our brand well know so as to attract more parents to enrol their children with us. We need to advertise and promote the brand name." Companies typically develop their brand image and trademark through extensive advertising and promotion. Franchisees are basically hoping on Franchisors to take up this expenses from them to promote brand awareness and brand loyalty that favourable to the brand image and associations that provide competitive advantage and future earning streams As a business operator, Franchisees have to keep track of both operating costs and costs associated with non-operating activities. To master or to reduce the overhead cost and to increase the profit margin is what most of the Franchisees is looking at. profit can be increased both by increasing revenue and by decreasing operating expenses. Because cutting costs generally seems like an easier and more accessible way of increasing profits, most Franchisees will often be quick to choose this method. • **Cost of inventory** is a major operational cost. Additionally, the cost to store and maintain the inventory are all part of the operational cost of the business. • **Salaries and benefits** are a large chunk of any business' operational cost. This is particularly expensive for a small firm, as the cost can easily take up a large percentage of revenue. The more benefits offered to employees, the more this category takes up of the budget. • **Advertising and marketing** are operational costs that support the business by increasing awareness and recognition of their product or service in the marketplace. Advertising and marketing is a different operational cost than sales, as sales is the

	direct line between the customer and the business. Advertising and marketing works to create branding and support the sales staff in driving sales. However, trimming operating costs too much can reduce a company's productivity and, thus, its profit as well. While reducing any particular operating cost will usually increase short-term profits, it can also hurt the company's earnings in the long-term. A business's operating costs are comprised of two components, fixed costs and variable costs, which differ in important ways. **Fixed costs**such as rental, equipments and furniture, can help in achieving economies of scales, as when many of a centre's costs are fixed the centre can make more profit per student enrolled. In this system, fixed costs are spread out over the number of students enrolled, making operation more efficient as number of students increased increases by reducing the average per-student cost of operation. Economies of scale can allow large companies to sell the same goods as smaller companies for lower prices.This principle can be limited in that fixed costs generally need to increase with certain benchmarks in production growth. **Variable costs**, like the name implies, are comprised of costs that vary with production. Unlike fixed costs, variable costs will increase as production increases and decrease as production decreases. Examples of variable costs include raw material costs, payroll, and the cost of electricity and other utilities. For example, in order for a fast-food restaurant chain that sells French fries to increase its French fry sales, it will need to increase the size of its purchases from its potato supplier. It is sometimes possible for a company to achieve a volume discount or "price break" when purchasing supplies in bulk, wherein the seller agrees to slightly reduce the per-unit cost in exchange for the buyer's agreement to regularly buy the supplies in large amounts, thereby diminishing the correlation somewhat between an increase or decrease in production and an increase or decrease in the company's operating costs. For example, the fast-food company may buy its potatoes at $0.50 per pound when it buys potatoes in amounts of less than 200 pounds, but the potato supplier may offer the restaurant chain a price of $0.45 per pound when it buys potatoes in

	bulk amounts of 200 to 500 pounds. Yet, volume discounts generally have a small impact on the correlation between production and variable costs and the trend otherwise remains the same. Generally speaking, companies with a high proportion of variable costs relative to fixed costs are considered to be less volatile, as their profits are more dependent on the success of their sales. In the same way, the profitability and risk for the same companies are also easier to gauge.
8. Do you think that D'MONTE brand is considered as valuable, rare (unique), inimitable and well organized (VRIO-RBV)	In the opinion of Franchisees, to be unique and gaining the market share, Franchisor's service has to be a strategic resource that is *valuable, rare, difficult to imitate*, and non*substitutable or* competitors have a hard time replicating. 15 (72%) of Franchisees feel that Franchisor's asset does not have competitive advantage over its competitor. They assess the competitiveadvantage in terms of two financial indicators, growth in turnover and market share
9. Frequency of meeting and discussion between both parties a) Handling feedback and common action plan	A happy Franchisee makes for a strong franchise system. It is simple and true, yet perhaps one of the biggest challenges in all of franchising is for Franchisor and Franchisees to stay in harmony. As a franchise brand owner. D'MONTE is facing a big challenge in establishing a feedback loop with Franchisees. They have to be vulnerable enough to accept feedback from people in the trenches. Out of the 21 interviewees, • 12 (57%) of them was in the opinion that D'MONTE should enhance their feedback loop to listen to the franchisees, what are their hopes and dreams, their highs and lows, how are they doing in the field. • 16 (76%) of them would like to receive even a simple call from one of the executives to see how a valued franchisee is doing can go a long way. • 4 (19%) of them will be impressed with the spontaneous check-ins from one of the executive member from the HQ. According to them this shows the commitment from Franchisor.
10. Prefer outlet to be managed by?	In the opinion of (67%) of franchisees, they prefer to manage the outlet themselves as it is difficult and costly to employ a manager who is able to oversees the

	businessand has responsibility for all the activities in the centre and can significantly contribute to the success of the business. To achieve this, the manager must be creative, innovative and energetic in her efforts to improve processes, while using available resources to efficiently provide services to ensure customer satisfaction.
11. Location and impact on business performance a) Who decide for location b) Feasibility of location	The location of outlet is as important to the success of the business. The location can make - or break, the business Franchisor provides selection criteria in choosing of suitable site. This information covers topics such as the demographic characteristics and population density, traffic and parking parameters, and the importance of site visibility to the success of the business. But the negotiation of rental and legal aspect of licensing is left to the Franchisee to pursue with the advice and guidance from Franchisor. Franchisees interviewed said that Franchisor normally expect Franchisee to have a general area in mind when making the decision to open one of their franchises. The feasibility study include : demography and population density, traffic flow, neighbourhood, including immediate neighbour, Franchise territory given,
12. Obtaining of license a) Constraints	It is the responsibility of the Franchisee(s) to apply for business operation license from related local authorities. Licenses needed include : • Business registration • Building conversion certificate • Approval from fire department • Approval from Health department • Approval from building department Constraints in applying for the above license lies in the hand of the local government officers and the legislative procedures. The high cost of building conversion is also a major issue. Franchisor in this case will provide guideline and criteria in the process of application. It is the Franchisees who do all the running and follow up work.
13. Renewal of contract and incentive to renew	The Franchise tenure in this case is 5 years. Franchisee is offer a renewal for another 5 years with a renewal fees with is an incentive of 80% discount from the current Franchise fees.
14. Constraints faced by Franchisees	Major constraints faced by Franchisees are : • Shrinking disposable income : As the cost of living increases due to number of economic factors, parents are spending less. This is one the

	biggest threat • Rising cost : it is inevitable that the operation cost is increasing due to high inflation rate. As parents are already struggling with shrinking disposable income, it is difficult to pass on these cost to them. • High turnover of staff : This problem will lead to poor performance by student, and lack of human resources to carry out extra activities and event for children and parents. And eventually it will affect the brand image • High cost in recruiting and training of staff : the frequent turnover of staff will lead to high cost in recruiting and training of new staff • Increasing competition : A number of foreign owned brand have now been incorporated into local market. While this has a positive economic impact and give parents more choice, it significantly increase competition and put more pressure on the business performance • Adapting to consumer need : Convenient and innovation in technology is increasingly becoming important to customers. So we have to stay ahead of industry development and continue to grow and remain a step ahead of the competitors
a) Plan of actions	Franchisee in this case claimed that Franchisor is lack of forecasting/ planning. 86% of the Franchisees interviewed said that they need guideline from Franchisor for yearly plan and strategy their business.
b) Support and assistance from Franchisor in resolving constraints	Most of the constraints that Franchisees faced were due to economical situation of the society and country which is out of hand of the Franchisor. So they feel quite hopeless.

Deep Questions

15. Help from Franchisor for you to acquire the necessary skills in order to operate the outlets to the fullest	Franchisees interviews were concern on how the franchisor will continually provide training to their staff. It is important for franchisees to understand the type and amount of continuing support that they will receive. Franchisees do not work for the franchisor; they are an independent businessperson operating under a license that requires them to meet the franchisor's standards. Franchisees are not limited to receiving support only from the franchisor, and should always consider what other types of support they can obtain in addition to the support received from the franchise system.

a) System to measure the level of commitment / business performance of your outlet?	Franchisor provide a field support consultant, whose role generally is to help Franchisees to improve the performance of their business, and also to ensure that Franchisees are operating the business to brand standards. The field consultant is not a supervisor, nor are they the supervisor of Franchisee's staff. They are the main source of support from the franchisor, and Franchisees should make the time to always meet with them in person and not simply have them meet with the management team.
b) How does the Franchisor measure your skills and competencies	Franchisor conduct a biannual audit in the areas include • Operational compliance, • Human resource management (in turnover of staff) • Customer relationship management (in number of complaints made by parents) • Marketing and sale proficiency from Franchisees' team (Event and function organized o promote the centre) • Compliance to rules and regulations set by local authorities and the Franchisors • Business growth in revenue • Financial control (reflected in P&L statement)
16. Does your franchisor help you to acquire the necessary skills and competencies in operating the business to the fullest?	15 (71%) of the franchisees said that Franchisors do conduct regular trainings to help Principals (management and leadership training) and teaching staff (classroom management and lesson plan training) to enhance their skills and performance. However 6 (29%) of the Franchisees feel that many a time their staff were not able to attend the training due to short of staff or the training do not benefit the centre.
17. Systematic development of skill and competencies a) Measure of the Franchisees skills and competencies b) How frequent	13 (62%) of the Franchisees feel that the Franchisor do have a good staff on boarding program for new employees.
18. Rank the factors that help to improve relationship between Franchisor and Franchisees a) Why those factors are considered important	Franchisor-franchisee relationship are formalized by contract, The partners in a franchise system are mutually dependent on one another's objectives and performance to achieve their goals. Factors that produce a high-quality relationship between franchisor and franchisee would be beneficial to both parties. **Franchisor Support :**A franchisor's support is related to the quality of the relationship, to the franchisee's job performance, and to the franchisee's job satisfaction. **Franchisor's Brand Name :**A good brand name would

	have a positive impact on perceived value and the willingness to stay in the franchise system. A brand can be considered a conceptual construct that stands for a product's tangible and intangible assets, and is what sets the product apart from other products in a competitive market. Brand name is associated with the quality of the relationship between the franchisor and the franchisee, and is related to the franchisee's job performance. **Franchisees' Job Performance :**A franchisee's job performance is related to the level of the franchisee's satisfaction, andalso is related to the franchisee's commitments. **Franchisee's Job Satisfaction :**
19. How do Franchisor respond to your feedback a) Channel to convey message to Franchisor	The key to successful relationship is trust. And trust starts with communication. Communicate openly and honestly between Franchisor and Franchisees and be concerned with the profitability as you are with your own. The best Franchisors diligently provide their franchisees with frequent, useful communication, which means more than the occasional email, newsletter or perfunctory visit from their field representative. Today it is too tempting to rely on the internet for communications. But depersonalizing the franchisor is a big mistake. Time and again, well-intentioned emails or texts ignite firestorms when they are misinterpreted. Don't make the mistake of believing an email can substitute for human contact. Relationship is build with dialogue, so it is important to encourage dialogue in every aspect of the relationship with the Franchisor.
20. How do you think the Franchisor can further ensure D'MONTE brand to become more valuable, rare, inimitable and well organized ?	
21. How often do you evaluate and review your process and approach to identify the constraints and ways to improve	
22. What are the guidelines given when selecting a location for the branch?	It is important that the demographic profiles of people who work or live in the target area match the target customer profile for income level and age group.

a) Suitability of the location	high level of walk-by traffic to be successful. Eg. near to a primary school, near to a morning market so that the location is able to provide sufficient pedestrian traffic now and to provide sufficient growth. Is there adequate parking space during the peak hours for parents to send and pick up their children, and it is safe for them to park at the available parking lot. Is there traffic congestion. Or do all these traffic problems seriously affecting parents access to the centre ? Look for such warning signs as too many vacant house at that area, for-lease or sales signs, Too many vacant houses indicate that the population density is low.
b) Legality of the house for License	Check with local authority for the conversion status of the building to be used for Preschool purposes. Covenants, ordinances and restrictions
c) Competition	Look at the proximity of the competition and determine their strengths and weaknesses. Would you have a competitive edge?
d) Rental	The rental is a critical factor in determining whether the location is attractive. What is the proposed rent measures as a percentage of the anticipated sales.
23. Besides the franchisor providing the routine audits and trainings and other development activities, what are your current action that helps to improve the relationship between Franchisor and Franchisee?	

Appendix 5

Summary Of Franchisor's Feedback

No	Assumption	Agree	Disagree	Remark
1	Franchisor practice in sequence according to the 9-steps process during the set-up of the franchise (RO1)	4 (67%)	2 (33%) (not sure)	4 (67%) of the interviewees said they follow the 9 steps during the setting up stage of the franchise system, while 2 (33%) of the interviewees were not sure cause they joined the company at the later stage.
2	Franchisees had fully participated in those activities that were stated in the 9-steps process of franchise set-up (RO1)	6 (100%)	Nil	All the 6 (100%) interviewees said that the management team from the franchisor office take up the responsibility to train the Franchisee according on their respective portfolio. Therefore there were at least 6 personals involved in the training. 9 steps were carried out in stages as stated in the manual. But at times due to contingency, some of the steps may have to be carried out at the same time, making the set up schedules very tight. And at times one step may precede another due to urgency or due to schedule of the contractor itself.
3	Franchisees • Leadership skill, • Competencies and • Commitment will impact the business performance of the franchise (RO2)	6 (100%) 6 (100%) 6 (100%)	NIL NIL NIL	All 6 interviewees agreed that leadership, competencies and commitment of franchisees will impact business performance. They prefer to look for qualities such as commitment and ability to communicate as the two most important factors during the start-up phase of the franchising relationship.
4	• Leadership skills, • Competencies and • Commitment identifies by both franchisees and franchisors are aligned (RO2)	6 (100%) 6 (100%) 6 (100%)	NIL NIL NIL	Even though both Franchisor and Franchisees point of **view is aligned** in this assumption, The Franchisor, in this case said that they are doing their best and strive to help motivate, encourage and even make the commitment easier for the franchise owner. In fact, that's what the

				franchisee signed up for: “I want to own my own business and I need the support to stay committed to my success.” “As a franchisor we are hereto provide a supportable system that leads to franchisees’ success.” but in the opinion of Franchisees to be effective, Franchisor has to genuinely care about the success of the Franchisees. Good relationship start with a Franchisor that is, first and foremost, committed to Franchisees success. That commitment, more than anything else, needs to permeate the Franchisor organization at every level. If Franchisees don’t sense the commitment from Franchisor, the relationship can quickly become adversarial. If on the other hand, Franchisees see Franchisor breaking their back to help them succeed, there’s almost nothing they won’t do for Franchisor.
5	Franchisors has product or service that is valuable, rare and inimitable in the market and thus help improve business performance (RO4)	6 (100%)	NIL	All the 6 interviewees in this study see that the competitive advantage of D’MONTEwas assessed in terms of two financial indicators, growth in turnover and market share.The ability of the brand to help Franchisees to generate desirable income and create more value than our competitors. The concept and the strategy used by D’MONTE is always seen as the leader in this industry. And the syllabus used were designed in house by our expert team. Therefore the 6 (100%) interviewees confirmed that the product and system used by D’MONTE are VRIO
6	Franchisees are able to give feedback and discuss their ideas or suggestions with the franchisor through an established process (RO3)	4 (67%)	2 (33%)	Four of the interviewees (67%) said that for major problems, Franchisor gather the feedback and discuss within the management team and come out with a solution or suggestion to the feedback. And the

				area director is assigned to discuss the suggestion or plan of action with the franchisee. They believe that successful Franchisors are 'Franchisee driven' and Franchisor should have multiple ways to get information from Franchisees about all topics, but have different groups on each topic. It does mean engaging Franchisees to make decision all the time. From what do they want, need, like or think. What are their markets and customers calling for ? Find out and give them solution. On the other hand one of the interviewee is not so sure about the correct way of doing it.
7	Franchisor agree that it is more effective for outlets to be run or managed by the franchisee than hiring a manager (RO3)	6 (100%)	NIL	All Six interviewees (100%) agreed that outlets should be managed by Franchisees especially at the first two years of operation. And once the operation is on track, subsequently Franchisee is allow to hire a manager to run the daily operation.
8	Franchisee's major constraints were resolved by the franchisor promptly (RO3 + RO4)	4 (67%)	2 (33%)	4 of the interviewees (67%) have the opinion that the major constraint of the Franchisor is to deal with Franchisees who are not following instruction and acting on their own way. To resolve the problem, Franchisor conduct frequent audit to the outlet and regular meeting with the individual Franchisee 2 of the interviewees (33%) see the major constraints as the insufficient fund to help Franchisees to promote their business. This issue was unable to resolve promptly as it involve financial planning.
9	Franchisees has high level of satisfaction towards the business approach of the franchisor (RO3)	4 (67%)	2 (33%)	4 of the interviewees (67%) said that the management team from Franchisor office is implementing a mentor/mentee program where a mentor will be assigned to each Franchisee to meet at least twice a month to discuss issues pertaining to the business performance. Feedback

				will bring forward to discuss during management meeting. In the opinion of these four interviewees, they felt that the Franchisees should be satisfy with the hand held support from the Franchisor. 2 other interviewees (33%) felt that the financial constraint or disability to meet the desire profit is the major dissatisfaction which the Franchisor were unable t solve immediately.
10	Franchisor is constantly reviewing their process and approach to identify any potential constrain arise within their franchise business network. And find solution to resolve the constraints (RO3 + RO4)	6 (100%)	NIL	Franchisor is facing a dilemma in standardizing or flexibility in their system. Cost minimization, brand image and innovation are the main reasons that push towards standardisation, while flexibility is claimed in order to achieve a higher adaptation to local markets and enhance franchisees' entrepreneurial attitudes.

Appendix 6

Summary Of Franchisee(s) Feedback

No	Assumption	Agree	Disagree	Remark
1	Franchisor practice in sequence according to the 9-steps process during the set-up of the franchise (RO1)	12 (57%)	9 (43%)	12 (57%) of the interviewees confirmed that they have been following the 9-steps process during the set up of their outlets. While 9 (43%) others were not sure because they took over the centre from previous owner. Out of the nine, Eight (88%) of the interviewees also confirmed that they have been trained using the training manual and brief on the SOP in the operating manual.
2	Franchisees had fully participated in those activities that were stated in the 9-steps process of franchise set-up (RO1)	12 (57%)	9 (43%)	Out of the twelve franchisees that confirmed 100% following the 9-steps process said that the management team from the franchisor office take up the responsibility to train the Franchisee according on their respective portfolio. Therefore there were at least 6 personals involved in then training. 9 steps were carried out in stages as stated in the manual. But at times due to contingency, some of the steps may have to be carried out at the same time, making the set up schedules very tight. And at times one step may precede another due to urgency or due to schedule of the contractor itself.
3	Franchisees • Leadership skill, • Competencies and • Commitment will impact the business performance of the franchise (RO2)	14 (67%) 14 (67%) 18 (86%)	7 (33%) 7 (33%) 3 (14%)	All the 21 Franchisees agreed that Leadership skill and competencies in Franchisor and Franchisees is the most important quality that both must have. And all the 21 Franchisees reiterate that when they make a leap, at least part of their investment is in with the Franchisor. They bought into the Franchisor's

				ability to help them grow a business.
4	• Leadership skills, • Competencies and • Commitment identifies by both franchisees and franchisors are aligned (RO2)	14 (67%) 14 (67%) 18 (86%)	7 (33%) 7 (33%) 3 (14%)	Even though both Franchisor and Franchisees point of **view is aligned** in this assumption, but in the opinion of Franchisees to be effective, Franchisor has to genuinely care about the success of the Franchisees. Good relationship start with a Franchisor that is, first and foremost, committed to Franchisees success. That commitment, more than anything else, needs to permeate the Franchisor organization at every level. If Franchisees don't sense the commitment from Franchisor, the relationship can quickly become adversarial. If on the other hand, Franchisees see Franchisor breaking their back to help them succeed, there's almost nothing they won't do for Franchisor.
5	Franchisors has product or service that is valuable, rare and inimitable in the market and thus help improve business performance (RO4)	7 (33%)	14 (67%)	competitive advantage is based on valuable, rare, inimitable resources and organization (VRIO). But Franchisor is lacking in continuous upgrading and reconstruction of its core capabilities in response to the changing environment and to remain competitive
6	Franchisees are able to give feedback and discuss their ideas or suggestions with the franchisor through an established process (RO3)	12 (57%)	9 (43%)	D'MONTE is facing a big challenge in establishing a feedback loop with Franchisees. They have to be vulnerable enough to accept feedback from people in the trenches.
7	Franchisor agree that it is more effective for outlets to be run or managed by the franchisee than hiring a manager (RO3)	14 (67%)	7 (33%)	Franchisees and Franchisors agreed that outlets should be managed by Franchisees especially at the first two years of operation. And once the operation is on track, subsequently Franchisee is allowed to hire a manager to run the daily operation.
8	Franchisee's major constraints were resolved by the franchisor promptly (RO3 + RO4)	6 (28%)	15 (72%)	Franchisees feel that although Franchisors were able to solve certain operational constraints in a prompt manner, but majority of the problems faced were regulatory, infrastructure, and human resource

				constraints which are out of the control of Franchisor and cannot be resolved overnight.
9	Franchisees has high level of satisfaction towards the business approach of the franchisor (RO3)	9 (43%)	12 (57%)	A happy Franchisee makes for a strong franchise system. This is the factor that determine whether a Franchisee will exit or remain in the system. The dissatisfaction were mainly due to some of the above factors. (No. 5 and No. 8)
10	Franchisor is constantly reviewing their process and approach to identify any potential constrain arise within their franchise business network. And find solution to resolve the constraints (RO3 + RO4)	18 (86%)	3 (14%)	Franchisor is facing a dilemma in standardizing or flexibility in their syst. Cost minimization, brand image and innovation are the main reasons that push towards standardisation, while flexibility is claimed in order to achieve a higher adaptation to local markets and enhance franchisees' entrepreneurial attitudes.

References :

A critical review of interventions to redress the inequitable distribution ofhealthcare professionals to rural and remote areas. *Rural Remote Health, 9*,1060.

Ahlert, D., Ahlert, M. (2010) Franchising and Cooperation – Das Management kooperativer UnternehmensnetzwerkeLebensmitt., Frankfurt am Main: DeutscherFachverlag.

Ahmad, N.H., (2007), A cross cultural study of entrepreneurial competencies and entrepreneurial success in SMEs in Australia and Malaysia: Adelaide Graduate School of Business

Ahmad, N.H., Ramayah, T., Wilson, C., &Kummerow, L. (2010), Is entrepreneurial competency and business success relationship contingent upon business environment?: A study of Malaysian SMEs: *International Journal of Entrepreneurial Behaviour & Research* 16(3):182-203

Alexander Rosado-Serrano., Justin, P., and Dikova, D. (2018). International franchising: A literature review and research agenda. *Journal of Business Research*, 85, pp. 238-257.

Ali, S.M. and Wong, W.S. (2012), Making franchising a success: The Star Online, Saturday, 15 Dec 2012 https://www.thestar.com.my/business/business-news/2012/12/15/making-franchising-a-success#rq2Db1tVFzyKXCP2.99

Ali, A., & Yusof, H. (2011). Quality in qualitative studies: The case of validity, reliability and generalizability. *Social and Environmental Accountability Journal, 5*, 25-64.

Alon, Ilan and Moshe Banai (2000), "Executive Insights: Franchising Opportunities and Threats in Russia," *Journal of International Marketing*, 8(3), 104–119.

Alon, I. (2006) Market Conditions Favoring Master International Franchising. *Multinational Business Review*, 14(2): 67–82 pp.

Alon, I., & McKee, D. (1999). Towards a macro environmental model of international franchising. *Multinational Business Review*. 7 (1), 76-82.

Alon, Ni &Wang (2011) Examining the Determinants of Hotel ChainExpansion through International Franchising

Alsmadi, M., Almani, A. and Khan, Z. (2014), "Implementing an integrated ABC and TOC approach to enhance decision making in a Lean context ", *International Journal of Quality & Reliability Management*, 31(8), pp. 906-920

Altinay, L. (2006) Selecting Partners in an International Franchise Organisation. International *Journal of Hospitality Management*, 25(1): 108–128 pp.

Altinay, L., Miles, S. (2006) International Franchising Decision-Making: An Application of Stakeholder Theor. The Service Industries Journal, 26(4): 421–436 pp.

Altinay, L. Brookes, M. (2012) Factors influencing relationship development in franchise partnerships: Journal of Services Marketing 26(4): 278-292 pp.

Altinay, L. Brookes, M. Madanoglu, M. Aktas, G. (2014), Franchisees' trust in and satisfaction with franchise partnerships : *Journal of Business Research*, 67(5), 722-728 pp

Altinay,L.Brookes, M. Yeung, R. Aktas, G., (2014),Franchisees' perceptions of relationship development in franchise partnerships, Journal of Services Marketing, 28(6), pp. 509 - 519

Alvaro &Fabrio, (1999) Franchising in Brazil - experiences and perspectives, Management Research News, Vol. 22 No. 4, pp. 14-21.

Ambrosini V, Bowman C (2009). What are dynamic capabilities and are they a useful construct in strategic management? Int. J. Manag. Rev. 11(1):29-49.

Ambrosini V, Bowman C, Collier N (2009). Dynamic capabilities: an exploration of how firms renew their resource base. Brit. J. Manage. 20(S1):S9-S24.

Amit, R.; Schoemaker, P. (1993). Strategic Assets and Organizational Rent.Strategic Management Journal, 14: pp 22-46.

Anna Berge (2015). *Franchising as an alternative form of outsourcing*. Department of Economics, Swedish University of Agricultural Sciences.

Anttonen, N, Tuunanen, M., Alon, I., (2005). "The International Business Environments of Franchising in Russia," *Academy of Marketing Science Review*, (5), 1–18.

Anthony Obrien (2013) The Business of Franchising : Journal of The Business September charter

Arrow, K. J. (1969). The Organization of Economic Activity: Issues Pertinent to the Choice of Market versus Non-Market Allocations (pp. 1-16)

Aryee, S., Kim, T.Y., Loi, R., Kim., S (2013), Person–organization fit and employee outcomes: test of a social exchange model, The InternationalJournal of Human Resource Management, 24:19, 3719-3737

Ashkenas, R., Siegal, W. and Spiegel, M. (2014), "Mastering Organizational Complexity: A Core Competence for 21st Century Leaders", Research in Organizational Change and Development(Research in Organizational Change and Development, Vol. 21), Emerald Group Publishing Limited, pp. 29-58.

A.Sivakumar and Jan P. L. Schoormans (2011) Franchisee Selection for Social Franchising Success : Journal of Nonprofit& Public Sector Marketing, *23:213–22*

Athanasopoulou, P. (2009). Relationship Quality: A Critical Literature review and Research Agenda. European Journal of Marketing, 43(5/6), pp 583-610

Baucus, D.A., Baucus, M.S. and Human, S.E. (1996). Consensus in franchise organizations: A cooperative arrangement among entrepreneurs. Journal of Business Venturing, 11, pp 359-378

Barney, J. 1991. Firm resources and sustained competitive advantage. J. Management 17 99–120.

Barney, J.B., 1995. 'Looking inside for competitive advantage', Academy of Management Perspectives, 9(4), 49–61.

Barney JB (1997). Gaining and Sustaining Competitive Advantage. Addison-Wesley: Reading, MA.

Barney JB (2001). Is the resource-based "view" a useful perspective for strategic management research? Yes. Acad. Manage Rev. 26(1):41-56.

Barney JB, Wright P(1998). On becoming a strategic partner: The role of human resources in gaining competitive advantage. *Human. Resource. Management.* 37(1):31-46.

Barney, J.B., Zajac, E.J. (1994) Competitive Organizational Behaviour: Towards an organizationally-based theory of competitive advantage, *Strategic Management Journal*, 15(winter), pp 5-9

Barreto I (2010). Dynamic capabilities: A review of past Research and an agenda for the future. J. Manage. 36(1): 256-280.

Bercovitz, M Feldman (1999), A conceptual framework for understanding knowledge-based economic development;The Journal of Technology Transfer 31 (1), pp 175-188

Bergen, M., Dutta, S., Orville C. Walker, Jr. (1992), Agency Relationships in Marketing: AReview of the Implications and Applications of Agency and Related Theories, July 1

Berndt, A. (2009), "Franchisee satisfaction among food franchisees: an exploratory study",Vol. 13 No. 1, pp. 1-20.

Bird, B. (1995), Towards a theory of entrepreneurial competencies, Advance in Entrepreneurship, Firm Emergence and Growth, 2(1) pp. 51-72

Boodhoo, R., &Purmessur, R. D. (2009). Justifications for qualitative research in organizations: A step forward. *Journal of Online Education*.New York, NY.

Boonstra, J. J. (2013). *Cultural Change and Leadership in Organizations: A Practical Guide* to Successful Organizational Change, Chichester, John Wiley.

Borys, B. Jemison, D. (1989) Hybrid Arrangements as Strategic Alliances: Theoretical Issues in Organizational Combinations: Academy of Management Review 14(2)

Bowman C,.andAmbrosini V (2007). Identifying valuable resources. *EuropeanManagement*Journal. 25(4),320-329.

Bradach, J., Kaufmann, P. (1988), Franchise or independent business person: some observations on the decision process: Hills GE, LaForge W, (eds) Research at the Marketing/Entrepreneurship interface, University of Illinois, Chicago, IL, pp 38-48

Brickley, J. A., Dark, F. H., &Weisbach, M. S. (1991). The economic-effects of franchise terminationlaws. *Journal of Law & Economics,* 34, 101–132.

Brookes, M., &Altinay, L.(2011).Franchise partner selection: perspectives of franchisors and franchisees. Journal of Services Marketing, 25(5), 336 - 348

Cadario, R., andParguel, B. (2014) Reconsidering the Practice of Discrediting Qualitative Variables:Towards a new analysis of moderation in experimental research.Recherche et Applications en Marketing *(English edition)* , 29(4), pp. 110–128.

Carter, N.C., Gartner, W. B., Shaver, K. G., and Gatewood, W.J. (2003). Thecareer reasons of nascent entrepreneurs. *Journal of Business Venture*, 18(1),pp.13-39.

Castrogiovanni, Gary J. and Bennett, Nathan and Combs, James G., Franchisor Types: Reexamination and Clarification (1995). *Journal of Small Business Management*, 33: 45-55 pp

Castrogiovanni, G.J., Combs, J.G. and Justis, R.T. (2006), "Resource scarcity and agency theory predictions concerning the continued use of franchising in multi-outlet networks", *Journal of Small Business Management*, 44 (1), p. 27.

Chan, P.S., &Justis, R.T. (1992). Franchise management in East Asia. Academy of Management Executive. 4(2), 75-85

CHANDLER, G. N. & HANKS, S. H. 1994. Founder Competence, the Environment, and Venture Performance. *Entrepreneurship: Theory & Practice,* 18**,** 77-89.

Chen, T. Y., & Huang, Y. C. (2012). The influence factors of consumers' subjective effect towards brand extension. *Australian Journal of Business Management Research*2(09), 13-25

Chiou, J., Hsieh, C. and Yang, C. (2004), "The effect of franchisors' communication, service assistance, and competitive advantage on franchisees' intentions to remain in a franchise system", *Journal of Small Business Management*, Vol. 42 No. 1, pp. 19-36.

Choo, S., Mazzarol, T., &Soutar, G. (2007). The selection of international retailfranchisees in East Asia. *Asia Pacific Journal of Marketing and Logistics*, *19*,380–397.

Claire Gauzente (2002) Using Qualitative Methods in Franchise Research—An Application inUnderstanding the Franchised Entrepreneurs' Motivations: Forum: Qualitative Social Research Vol 3

Clarkin, J., Swavely, S.M. (2003) How Franchisors Choose Franchisees: A Comparison of Prospective Franchisee Evaluation Criteria. In 17th Annual International Society of Franchising Conference. San Antonio, Texas: International Society of Franchising: 1–29 pp.
Clarkin, J.E., Swavely, S.M. (2006) The Importance of Personal Characteristics in Franchisee Selection. *Journal of Retailing and Consumer Services,* 13(2): 133–142 pp.

Cochet, O., Dormann, J., &Ehrmann, T. (2008). Capitalizing on franchisee autonomy: Relational forms of governance as controls in idiosyncratic franchisedyads. *Journal of Small Business Management*, *46*, 50–72.

Collis DJ, Montgomery CA (2008). Competing on resources. Harvard Bus. Rev. 86(7,8):140-150.

Combs, J.G., Michael, S.C., and Castrogiovanni, G.L. (2004). Franchising: a review and avenues to greater theoretical diversity. *Journal of Management*, 30(6): 907-1003

Combs, James G, Steven C Michael, and Gary J Castrogiovanni. 2004. "Franchising: A Review and Avenues to Greater Theoretical Diversity." *Journal of Management* 30 (6): 907–31.

Combs, J. and Ketchen, D. (2003). Why do firms use franchising as an entrepreneurial strategy ? A meta-analysis. Journal of Management, 29, 443-465

Creswell, J. W. (2013), Qualitative Inquiry and research design: Choosing among five approaches (3rd ed), Sage Publications, Los Angels

Croonen, E. (2010), trust and fairness during strategic change process in franchise system, Journal of business ethics, 95(2), 191-209

Croonen, E. P., & brand, M. J. (2013). Antecedents of franchise trust. Journal of marketing Channels, 20(1-2), 141-168

Cumberland, D. M., &Githens, R. P. (2010). Tacit Knowledge Barriers within Franchise Organizations. Retrieved from AHRD 2010 Americas Conference 1278

Curran & Stanworth (1983), Franchising in the Modern Economy-towards a Theoretical Understanding 2(1), 8-26

Czinkota, M., Ronkainen, I.A., Donath, B. (2004). *Mastering global markets: strategies for today's trade globalist*. OH-Thomson-South-Western.

Dahari, Z and Ya, M.S. (2011). Factors that Influence Parents' Choice of Pre-Schools Education in Malaysia: An Exploratory Study. *International Journal of Business and Social Science*, 2(15), 115-128.

Damodaran A. (2009), Valuing Young, Start-up and Growth Companies: Estimation Issues and Valuation Challenges. 5-13

Danneels, E. (2002), "The dynamics of product innovation and firm competences". *Strategic Management Journal,* 23(12): 1095-1121

Dant, R. P., Grunhagen, M., &Windsperger, J. (2011). Franchising Research Frontiers For The Twenti-First Century. *Journal of Retailing,* 87(3), 253-268

Dant, R. P., &Grünhagen, M. (2014). International Franchising Research: Some Thoughts on the What, Where, When, and How, *Journal of Marketing Channel,* 21(3), pp.124-132.

Dant, R. P., Weaven S. K. ,& Baker, B. L. (2013). Influence of Personality Traits on personality traits on perceived relationship quality within a franchisee-franchisor context. *European Journal of Marketing*, 47(1/2), 279-302

Darcy, s., Cameron, B., Pegg, S. (2010), Accessible tourism and sustainability: A discussion and case study :*Journal of Sustainable Tourism,* 18(4)

Davies, M.A.P., Lassar, W., Manolis, C., Prince, M. and Winsor, R.D. (2009), "A model of trust and compliance in franchise relationships", *Journal of Business Venturing,* pp. 1-20.

Dickey, M.H., McKnight, D.H. and George, J.F. (2008), "The role of trust in franchise organizations", *International Journal of Organizational Analysis,* Vol. 15 No. 3, pp. 251-82.

Dawar, N. and Parker, P. (1994). Marketing universals: consumers' use of brand name, price, physical appearance, and retailer reputation as signals of product quality. *Journal of Marketing 58,* 81-95.

Dierickx, I & Cool, K.(1989). 'Asset Stock Accumulation and Sustainability of Competitive Advantage', *Management Science*, vol. 35, no. 12, pp. 1504-1511.

Dietz, G., & Den Hartog, D. N. (2006). Measuring trust in organizations. Personnel review 35(5), 557-588

Doherty, A. and Alexander, N. (2004), "Relationship development in international retail franchising", *European Journal of Marketing,* Vol. 38 No. 9, pp. 1215-35.

Doherty, A. M., Chen, X., & Alexander, N. (2014). The franchise relationship in China: agency and institutional theory perspectives. *European Journal of Marketing*, *48*(9/10), 1664-1689.

Doherty, A.M. (2009) Market and Partner Selection Processes in International Retail Franchising. *Journal of Business Research*, 62(5): 528–534 pp.

Edens, F.N., Self, D.R., Grider Jr., D.T. (1976) Franchisors Describe the Ideal Franchisee. *Journal of Small Business Management*, 14(3): 39–47 pp.

Edward L. Deci &Richard M. Ryan. (2000). The "What" and "Why" of Goal Pursuits: Human Needs and the Self-Determination of Behaviour, *International Journal for the Advancement of Psychological Theory*, 11(4).

Ekelund, C. (2014). Franchisor-Franchisee Relationships: An Interaction Approach. World Journal of Management, 5(1), 76-92.

Elango, B. & Fried, Vance H. (1997). Franchising Research: A Literature Review and Synthesis.*Journal of Small Business Management, July*, 68-81.

Emerson. (1998), Franchising and the Collective Rights of Franchisees, Vand. L. Rev. 43, 1503

Fayezi, Sajad, Andrew O'Loughlin, and Ambika Zutshi. (2012). "Agency Theory and Supply Chain Management: A Structured Literature Review." *Supply Chain Management: An International Journal* 17 (5): 556–70.

Felstead, A. (1994), Shifting the frontier of control: Small firm autonomy within a franchise. International Small Business Journal 12(2) : 50-62 pp

Flint-Hartle and de Bruin A., (2011). Franchising Success: Insights from Real Estate Brokerage. *International Small Business Journal.* Vol. 29. No. 58-77.

Franchise Business Economic Outlook for 2018, HIS Markit Economics January 2018, pp 21.

Frazer, L., Weaven, S. and Bodey, K. (2010), Franchising Australia 2010, APCFE, Griffith University, Brisbane.

Frazer, L., Weaven, S. and Wright, O. (2006), Franchising Australia 2006, Griffith University, Brisbane.

Frazer, L., Weaven, S. and Wright, O. (2008), Franchising Australia 2008, APCFE, Griffith University, Brisbane.

Frazer, L., Weaven, S., Giddings, J. and Grace, D. (2012), "What went wrong? Franchisors and franchisees disclose the causes of conflict in franchising", Qualitative Market Research, Vol. 15 No. 1, pp. 87-103.

Frazier, D.L. Gill, D.J. Kale, H. (1989). Dealer's dependence level and reciprocal actions in a channel of distribution in a developing country, Journal of Marketing, Vol 53 No. 1, pp 50-69

Gaski, J.F. (1984), The theory of power and conflict in channels of distribution: Journal of Marketing, 48(summer): 9-29 pp

Gaski, J. F. 1986. Interrelations among a Channel Entity's Power Sources: Impact of the Exercise of Reward and Coercion on Expert, Referent, and Legitimate Power Sources. Journal of Marketing Research. 23. (1). pp. 62-77.

Gaski, J. F., Nevin, J. R. 1985. The Differential Effects of Exercised and Unexercised Power Sources in a Marketing Channel. Journal of Marketing Research. 22. (2). pp.

130-142.

Geringer, J.M. (1991). Strategic Determinants of Partner Selection Criteria in International Joint Ventures. Journal of International Business Studies, 22(1): 41–62 pp.

German Franchise Federation (2013).Franchise-Ratgeber 2013 | 2014: Mit starken PartnerngemeinsamzumZiel, Berlin: Deutscher Franchise Verband e. V.

Gillis, W.E. Combs, J.G. Ketchen, D.J. (2014). Using Resource-Based Theory to Help Explain Plural Form Franchising Article *in* Entrepreneurship: Theory and Practice 38(3) · May 2014

Glatz, E. and Chan, P. (1999). Franchising in Austria. *European Business Review*. Vol. 99: 23 – 31.

Goldratt, E.M.. (1990) What is this thing called theory of constraints and how should it be implemented?, MA Great Barrington, MA: North River Press

Goldratt, E.M. and Cox, J. (1984) The Goal: Excellence in Manufacturing. North River Press, Great Barrington, MA.

Goldratt, E.M. and Cox, J. (1992) The Goal: A Process of Ongoing Improvement. North River Press, North Barrington

Gamez-Gonzalez, J., Rondan-Catalun, F.J., Diez-de Castro E.C., and Navarro-Garcia, A. (2010).Toward an international code of Franchising. *Management Decision*, 48(10): 1568–1595.

Grace, D., &Weaven, s. (2011). An empirical analysis of franchise value-in-use, investment risk and relational satisfaction. *Journal of Retailing*, 87(3)

Grewal, d., Lyer, G.R., Javalgi, R.R.G., &Radulovich, L. (2011). Franchise partnership and international expansion: A conceptual framework and research propositions. Entrepreneurship Theory and Practice, 35(3), 533-557

Griffith, D.A., Noble, S.M., & Chen, Q. (2006). The performance implications of entrepreneurial proclivity: A dynamic capabilities approach. Journal of Retailing 82(1), 52-62

Hamid, A.,M.T., Omar, R. (2007). A study on the Problems and Prospects of Franchisors in Operating their Franchise Business in Malaysia.

Hamid, Mohd, Selamat&Mastor. (2003), Critical success factors in franchise management in Malaysia : a case study

Hayes, A.F. (2013). Introduction to mediation, moderation and conditional process analysis: A regression-based approach. New York, USA: Guilford Press.

Harif, M. A., Hoe, C. H., & Chin, O. (2014). Franchise Relationship Quality Between Franchisee and Franchisor in Malaysia: The Exogenous Factors. *World Review of Business Research*,4(3), 106-123.

Harif, M., Hoe, C.H., Noor, H.M., (2011). Franchisee failures in Malaysia: Contribution of financial and non-financial factors: World Journal of Social Sciences 1 (2), 52-65

Harmon, T.R. and Griffiths, M.A. (2008), "Franchise perceived relationship value", *Journal of Business & Industrial Marketing,* Vol. 23 No. 4, pp. 256-63.

Harwell, M. R. (2011). Research design: Qualitative, quantitative, and mixed methods: Pursuing ideas as the keystone of exemplary inquire.

Hua, N. and C. Dalbor, M. (2013), "Evidence of franchising on outperformance in the restaurant industry", *International Journal of Contemporary Hospitality Management,* Vol. 25 No. 5, pp. 723-739.

Mathieu, J., (1997). Agency Theory Framework. www.babson.edu. [Online]. Available: (http://www.babson.edu/entrep/fer/papers96/shane/shane3.htm).

Hisrich, R. D., Peters M. P., & Shepherd D. A. (2017). *Entrepreneurship*. 10th edition. Mc-Graw-Hill Education International Edition. New York.

Hodge, C., Oppewal, H., Terawatanavong, C. (2013), Determinants of Franchise Conversion: A Franchisee Perspective :*European Journal of Marketing,* 47(10), pp. 1554-1575

Hoffman, R.C., Preble, F. (1991) Franchising: Selecting a Strategy for Rapid Growth. Long Range Planning, 24(4): 74–85 pp.

Hoffman &Preble (1991) Strategies for Business Format Franchisors to Expand into Global Markets *in Journal of Marketing Channels* 13(3):29-50 pp

Hsieh, C.H., Chiou, J.S., Yang, C.H. (2003), The Effect of Franchisors' Communication, Service Assistance, and Competitive Advantage on Franchisees' Intentions to Remain in the Franchise System, 42(1) : pp 19-36

Huang, Y., Phau, I. and Chen, R.W.K. (2007), "Conceptualizing the franchise system quality (FSQ)matrix: an exploratory study", *Journal of Marketing Channels,* Vol. 14 No. 4, pp. 41-64.

Hunt, S.D. and Nevin, J.R. (1974), Power in a channel of distribution: sources and consequences. Journal of Marketing Research, 11, pp 186-193

Huong, M. T. (2011). The relationship between franchise and franchisor: A study of the Vietnamese retail franchising. VNU Journal of Science, *Economics and Business,*27, 67-81.

Hurtado, J., Guerrero Casas, F., Rondan, Cataluna, F. (2006) Utilización del Análisis Conjunto para el Estudio de las Preferencias de los Franquiciadoressobre el Perfil de Franquiciado. Estudias de Economia Aplicada, 24(3): 979–1012 pp.

Ibrahim, N. (2000). IndustriFrancais dan Pembangunan: Malaysia, Singapura dan Indonesia. AnalisisStrategik, Universiti Malaya.

IHS Markit Economics (2018). Franchise Business Economic Outlook for 2018, prepared for the International Franchise Association Franchise Education and Research Foundation (www.ihs.com)

IRELAND, R. D., HITT, M. A. & VAIDYANATH, D. (2002). Alliance management as a source of competitive advantage. *Journal of Management,* 28**,** 413-446.

Ishak, KhairolAnuar (2010) Franchisingin Malaysia: Issues and research agenda.

ITA. (2016). 2016 Top Markets Report Franchising: A Market Assessment Tool for U.S.Exporters. http://www.franchise.org/sites/default/files/uploaded_documents/Franchising_Top_Markets_Report.pdf , Accessed date: 3 April 2017.

Jambulingam, T., Nevin, J.R. (1999) Influence of Franchisee Selection Criteria on Outcomes Desired by the Franchisor. *Journal of Business Venturing,* 14(4): 363–395 pp.

Jean, R., Sinkovics, R.R. and Kim, D. (2010), "Drivers and performance outcomes of relationshiplearning for suppliers in cross border customer-supplier relationships: the role of communication culture", *Journal of International Marketing*, Vol. 18 No. 1, pp. 63-85.

Johnson. S. (2015). *Guide* to Intellectual Property: What it is, how to protect it, how to exploit it. The Economist Newspaper Ltd, USA.

Justis, R., Judd, R. (1989) Franchising, Cincinnati: South-Western Publishing Co.

Kalnins, A. &Mayer,K.J. (2004). Franchising, Ownership, and Experience: A Study of Pizza Restaurant Survival, Management Science. 50(12), pp 1716-1728,

Kay N (2010). Dynamic capabilities as context: the role of decision, system and structure. Ind. Corp Change 19(4):1205-1223.

Kaufmann, P.J. and Stern, L.W. (1988), "Relational exchange norms, perceptions of unfairness, and retained hostility in commercial litigation", *Journal of Conflict Resolution*, Vol. 32 No. 3, pp. 534-52.

Kaufmann, P.J. and Rangan, K. (1990).A model for managing system conflict during franchise expansion: *Journal of Retailing*, 66(2) : 86-124

Kay, R. (2010), Research self-efficacy, publication output, and early career development, international Journal of education Management, 24(7), pp 562-574

Khan, M. A. (1992). *Restaurant Franchising*, Van Nostrand Reinhold, New York. 71-72 pp

Kidwell, R. E., Nygaard, A., &Silkoset, R. (2007). Antecedents and effects of freeriding in the franchisor-franchisee relationship. *Journal of Business Venturing,22*, 522–544.

Killion, W. L. (2008). The modern myth of the vulnerable franchisee: The case fora more balanced view of the franchisor-franchisee relationship. *Franchise LawJournal*, *28*, 23–33.

Kim, J., & Boo, S. (2011). Influencing Factors on Customers' Intention to Complain in a Franchise Restaurant. *Journal of Hospitality Marketing & Management*,20, 217-237.

Kim, W., & Mauborgne, R. (2014). Blue Ocean Leadership. *Harvard Business Review*, 92(5), 60-72.

Koehlmoos, T. P., Gazi, R., Hossain, S. S., & Zaman, K. (2009). The effect of socialfranchising on access to and quality of health services in low- and middleincomecountries. *Cochrane Database of Systematic Reviews*, *1*, 1–18.

Kotler, P., & Keller, K. L. (2012).Marketing Management, Global Edition 14e, London: Pearson Education Limited 2012

Krause, A. (2013). Don't worry, be happy? Happiness and reemployment. Journal of Economic Behavior& Organization, 96: pp.1-20.

Laamanen, T., &Wallin, J. (2009). Cognitive dynamics of capability development paths. *Journal of Management Studies*, 46(6): 950-981

Lado, A. A., & Wilson, M. C. (1994). Human Resource Systems and Sustained Competitive Advantage: A CompetencyBased Perspective. Academy of Management Review, 19, 699-727.

Leavy, B. (2003). Assessing your strategic alternatives from both a market position and core competence perspective. Strategy & Leadership, 31(6): 29-41

Lee, K., Khan, M. A., & Ko, J. (2010). Critical Issues and Challenges in the Management of International Restaurant Franchises: Franchisee Perspective. *Journal of Foodservice Business Research*,13, 85-97.

Leliaert, P.J.C., Candries, W. and Timlans, R. (2003), "Identifying and Managing IC: a new classification", *Journal of Intellectual Capital*, 4(2), pp. 202-14.
Liao J, Kickul JR, Ma H (2009). Organizational dynamic capability and innovation: an empirical examination of internet firms. *J. Small Bus. Manage.* 47(3), pp.263-286.

Librelato, T. P., Lacerda, D. P., Rodrigues, L. H., &Veit, D. R. (2014). A process improvement approach based on the value stream mapping and the theory of constraints thinking process. *Business Process Management Journal*, 20, 922-949.

Lim, J., Frazer, L., Exploring the link between goal congruence and satisfaction in the franchising channel (2004)

Lim, W. H. (2014), Opening opportunities through franchising: The Star Online; 07 Jul https://media.thestar.com.my/Prod/85A454D1-7F05-414B-BDFA-3DD0B834A410https://www.thestar.com.my/business/sme/2014/07/07/opening-opportunities-through-franchising#vMWwZqJZWjOOGkvO.99

Lindblom, A. and Tikkanen, H. (2010), "Knowledge creation and business format franchising", *Management Decision*, Vol. 48 No. 2, pp. 179-188.

Lunenburg, F. C. (2010). Leader-Member Exchange Theory: Another Perspective on the Leadership Process. *International Journal of Managementand Administration,*13(1), 1-4.

Lusch, R.F. (1976). Channel conflict – its impact on retailer operating performance. Journal of Retailing, 52, pp 3-12

Makadok R (2001). Toward a synthesis of the resource-based and dynamic-capability views of rent creation. Strat. Manage. J. 22(5):387-401.

Man, T., Lau, T., Chan, K.F. (2002), The competitiveness of small and medium enterprises: A conceptualization with focus on entrepreneurial competencies: *Journal of Business Venturing* 17(2):123-142

Man, T.,Lau, T., Shaffer, M., Chan, K. (2012), The entrepreneurial behaviour inventory:International Journal of Entrepreneurial Behaviour & Research, Vol. 18 No. 6, pp. 673-696

MAPECE (2007). Malaysia Association of Profesional Early Childhood Educators, http://www.tadika.org/Malaysian_EC CE_Policy_Review_24_Jan_2008.pdf

Marshall, C., & Rossman, G. (1999). Designing Qualitative Research (3rd ed.). Thousand Oaks: Sage.

Martuza, Michael. (2014). The Franchise Rules: How To Find A Great Franchise That Fits Your Goals, Skills and Budget. CreateSpace Independent Publishing Platform.

Mason, H., Mattin, D., Maxwell, L., and Dumitrescu, D. (2015). Beat accelerating customer expectations with trend driven innovation. John Wiley & Sons, Inc, Hoboken, New Jersey.

Mason, M. (2010). Sample size and saturation in PhD studies using qualitative interviewa. In Forum Qualitative Sozialforschung/ Forum: Qualitative Social Research Vol. 11, (3)

MATRADE – Annual Report 2015

Matthew, J. (2018). 2019 *Franchising Trends and Predictions*, Franchise Performance Group. Retrieved online on 22th April 2019 https://franchiseperformancegroup.com/2019-franchising-trends-and-predictions/

Mathews, J and Evans, D (2012). *Developing Peak-Performing Franchisees*. Franchise Performance Group.

McEvily, B., &Tortoriello, M (2011). Measuring trust in organizational research: Review and recommendations. Journal of trust research, 1(1), 23-63

Miller and Grossman (1990) Model of Teacher Knowledge Grossman 1990 5 pp. fig2_282330568

Malaysian Ministry of Domestic Trade, Co-operatives and Consumerism (2012). *Franchise (Amendment) Act 201;* Amendment to the Malaysian Franchise Act 1998

Mitchelmore, S. and Rowley, J. (2010), "Entrepreneurial competencies: a literature review and development agenda", *International Journal of Entrepreneurial Behavior& Research*, Vol. 16 No. 2, pp. 92-111.

Model of Franchisee Performance. Journal of Business, 13(1): 31–58 pp.

Mohd, Amy &Azhar, Mohd&HeeHarif, Chee & Hoe, Chee & Hani, Norsyema& Noor, Mahad. (2019). Franchisee Failures in Malaysia: Contribution of Financial and Non-Financial Factors.

MohdHarif, M. A. A., Hoe, C. H., Mahad Nor, N. H., (2011). Franchisee Failures in Malaysia Contribution of Financial and Non-financialFactors. World *Journal of Social Science* 1(2), 52-65.

Moorman, C., Zaltman, G. and Deshpande, R. (1992). "Relationships between providers and users of marketing research: the dynamics of trust within and between organisations", *Journal of Marketing Research*, Vol. 29 No. 3, pp. 314-29.

Morgan, R. and Hunt, S. (1994). "The commitment-trust theory of relationship marketing", *Journal of Marketing,* Vol. 58 No. 3, pp. 20-38.

Nair, S. K., Tikoo, S., & Liu, S. (2009). Valuing exclusivity from encroachment in franchising. *Journal of Retailing*, *85*, 206–210.

Nathan, G. (2000). Profitable Partnerships, Nathans Corporate Psychology, Brisbane.

Newbert, S. L. 2007. Empirical research on the resource-based view of the firm: An assessment and suggestions for future research. *Strategic Management Journal,* 28**,** 121-146.

Neuman, W. (2011). Social Research Methods: Qualitative and Quantitative Approaches, 7th ed.,Pearson, Boston, MA.

Nevin, J., Hunt, S. and Ruekert, R. (1980). "Impact of fair practice laws on a franchise channel of distribution," MSU Business Topics, Summer, pp. 27-37.

Ni, L., & Alon, I. (2010). U.S.Based Fast-Food Restaurants: Factors Influencing the International Expansion of Franchise Systems. *Journal of Marketing Channels,*13, 339-359.

Nurul Ain Mohamad. (2019). Franchise industry to contribute RM35 Billion to GDP in 2020. *Franchise News*, Malaysia (5th April, 2019).

Olm, K.W., Eddy, G.G., Adaniya, A.R. (1988) Selecting Franchisees Prospects. In 2nd Annual International Society of Franchising Conference. San Francisco, California: *International Society of Franchising*, pp. 1–20.

Owen Wright and Anthony Grace (2011) Trust and Commitment Within Franchise System : an Australian and New Zealand Perspective : *Asia Pacific Journal of Marketing and Logistic* Vol 23, Pg 486-500

Palmatier, R. W. (2008). Interfirm relational drivers of customer value. *Journal of Marketing*, 72(4)

Palmatier, R. W. Dant, R. P., & Grewal, D. (2007). A comparative longitudinal analysis of theoretical perspective of inter organizational relationship performance. *Journal of Marketing*, 71(4), 172-194

Pan, Yue and George M. Zinkhan (2006), "Determinants of Retail Patronage: A Meta-AnalyticalPerspective," *Journal of Retailing*, 82 (3), 229-43.

Parsa, H.G. (1996), "Franchisor-Franchisee Relationships in Quick-Service-Restaurant Systems," *Cornell Hotel and Restaurant Administration Quarterly*, 37(3), 42–50.

Paswan, A.K. and William, C.M. (2009), Knowledge management and franchise systems. *Industrial Marketing Management*, 38, pp 173-180

Patton, M. (2002), Qualitative Research and Evaluation Methods, 3rd ed., Sage, Thousand Oaks, CA.

Philip F. Zeidman and Michael G. Brennan (2001) Malaysian franchising : Look Before You Leap : *Journal of Franchising World*, May/June 2001.

Pizanti, I. and Lerner, M. (2003), "Examining control and autonomy in the franchisor-franchisee relationship", *International Small Business Journal*, Vol. 21 No. 2, pp. 131-59.

Peretiatko, R.; Humeniuk, A.; Humeniuk, M.; D'Souza, C.; Gilmore, A. 2009. Franchising in Ukraine, *European Journal of Marketing* 43(1/2): 21–30. doi:10.1108/03090560910923210

Price Water House Coopers (2009), 2010 Franchise Business Economic Outlook, National Economics & Statistics, 1-5 pp

Price Water House (2016). *The Economic Impact of Franchised Businesses: Volume IV*, 2016, prepared for IFA Education and Research Foundation.

Quinn, B. and Doherty, A. (2000), "Power and control in international retail franchising", International Marketing Review, Vol. 17 No. 4, pp. 354-72.

Ramírez-Hurtado, J.M., Guerrero-Casas, F.M., Rondán-Cataluña, F.J. (2011) Criteria Used in the Selection of Franchisees: an Application in the Service Industry. Service Business, 5(1): 47–67 pp.

Ramírez-Hurtado et. al. (2011), Identifying the franchisee profilesfranchisorsprefer, *Journal of Business Economics andManagement*, 12:4, 567-588

Ramírez-Hurtado et.al. (2011), Criteria used in the selection of franchisees: an application in the service industry, 5(1), 47–67 pp

Rasch, B. et al. (2010) Quantitative Methoden: ErsteEinfuehrung in die StatistikfuerPsychologen und Sozialwissenschaftler3rd edition., Berlin: Springer Verlag.

Reed, R., &DeFillippi, ,. R. (1990). Causal ambiguity, barriers to imitation and sustainable competitive advantage. *Academy of Management Review*, 15, 88-102.

Rodriquez, C. and Wilson, D. (2002), "Relationship bonding and trust as a foundation for commitment in US – Mexican strategic alliances: a structural equation modelling approach", *Journal of International Marketing*, Vol. 10 No. 4, pp. 53-76.

Roslan, Noorashikin (2015) Najib: Franchise export programme to help local brands expand overseas. *Franchise News*, Malaysia (15 June 2015).

Rucker, D. D., McShane, B. B., & Preacher, K. J. (2015). A researcher's guide to regression, discretization , and median splits of continuous variables, Journal of Customer Psychology, 25(4)

Sadi, M., & Henderson, J.(2011). Franchising and small medium-sized enterprises (SMEs) in industrializing economies: A Saudi Arabian perspective. *Journal of Management Development*, 30(4), 402 – 412

Sanny, L., Simatupang, B., Abdurachman, E., and Heriyati, P. (2017). Franchising Performance from Franchisee Perspective: Case in Education Franchising in Indonesia. *Global Business Review*, 18(3).

Saunders, M., Gray, D., Goregaokar, H., (2013), SME innovation and learning: the role of networks and crisis events, *European Journal of Training and Development* 38(1/2)

Schaefer, M. (2014) Verzeichnis der Franchise Wirtschaft 2013/2014: p. 2011.

Schendera, C. (2008) Regressionsanalysemit SPSS, Muenchen: Oldenbourg.

Schoorman, E. D., Mayer, R. C., & Davis, J. H. (2007). An integrative model of organizational trust: past, present, and future. Academy of management review, 32(2), 344-354

Seshadri, S. (2002, September). Outlet ownership in franchising systems: an agencybased approach. *Managerial and Decision Economics*, 23(6): 355-368

Seungwon, K. P., & Khan, L. M. (2014). Exploring the Impact of Franchise Supports on Franchisee Acceptance of Intranet in Quick Service Restaurant (QSR) Franchise System. Journal of Hospitality and Tourism Technology, 5(2), 143-159.

Shafeey, TE & Trott, P 2014, 'Resource-Based Competition: Three Schools of Thought and Thirteen Criticisms', *European Business Review*, vol. 26, no. 2, pp. 122-148

Shepherd, D. A., Wennberg, K., Suddaby, R. (2018) What Are We Explaining? A Review and Agenda on Initiating, Engaging, Performing, and Contextualizing Entrepreneurship. *Journal of Management,* 45 (1).

Shir, N. (2015). *Entrepreneurial Well-Being: The Payoff Structure of Business Creation*. Unpublished Dissertation for the Degree of Doctor of Philosophy, Ph.D., in Business Administration.Stockholm School of Economics. DOI: 10.13140/RG.2.2.32847.74407.

Shir, N., Nikolaev, B. N., Wincent, J. (2018). Entrepreneurship and Well-being: The Role of Psychological Autonomy, Competence, and Relatedness.*Journal of Business Venturing*, 2018.

Siegmund, D., Yakir, B. (2007) *The Statistics of Gene Mapping*, New York: Springer Science &BusinessMedia-Publisher.

Sivakumar, A., &Schoormans, J. P. (2011). Franchisee selection for social franchising success. Journal of Nonprofit& Public Sector Marketing, 23(3), pp 213-225.

Smith, S. (2012). Legally Branded: Brand law - Logos, Trade Marks, Designs, Copyright & Intellectual Property, Internet Law & Social Media Marketing, Azrights Media Ltd. UK.

Spinelli & Birley (1996) Conceptualizing the Franchise System Quality (FSQ) Matrix *in Journal of Marketing Channels* 14(4):41-64 · December 2007

Soontiens, W., & Lacroix, A. (2009). Personality Traits of franchisees- McDonald's restaurants in Australia. Problems and Perspectives in Management 7(1)

Stanworth, J.,Kaufmann, P.J (1995). The decision to purchase a franchise:Astudy of prospective franchisees. *Journal of Small Business Management*33(4):22–33.

Souza, F. and Pires, S. (2010), Theory of constraints contributions to outboundlogistics, *Management Research Review*, Vol. 33 No. 7, pp. 683-700.

Stephenson, P.R. House, R.G. (1971), A perspective on franchising: The design of an effective relationship:Business Horizons, 14(4), 35-42 pp

Sunde, K. C., & Siebert, A. R. (2013). Franchise Growth as Strategy for Employment Creation in the Fast Food Sector: The Case for Windhoek. *Journal of Emerging Trends in Economics and Management Sciences*,5(1), 80-86.

Suzanna Musial. (2016). *Franchising vs. entrepreneurship: How to get all the benefits without the risks.* Franchise Gator. https://www.franchisegator.com/articles/franchising-vs-entrepreneurship-how-to-get-all-the-benefits-without-the-risks-12433/. Accessed on 20 April 2019.

Teece, DJ, Pisano, G &Shuen, A 1997, 'Dynamic Capabilities and Strategic Management', *Strategic Management Journal*, vol. 18, no. 7, pp. 509-533.

Tessier, S. & Otley, D. (2012). A conceptual development of Simons' levers of control framework. *Management Accounting Research*, 23(3), 171–185

The Economic Impact of Franchised Businesses; Vol IV September, 2016

Tracey, P., & Jarvis, O. (2007). Toward a theory of social venture franchising.*Entrepreneurship Theory and Practice*, *31*, 667–685.

Trompenaars, F., &Coebergh, P. H. (2015) *100+ Management Model: How to understand and apply the world's most powerful business tools*. Infinite Ideas Limited. UK.

Vaishnav, T., &Altinay, L. (2009). The franchise partner selection process andimplications for India. *Worldwide Hospitality and Tourism Themes*, *1*, 52–65.

Vazquez, L. (2008). The choice of control devices in franchise chainsolution. *ServiceIndustries Journal*, *28*, 1277–1291

Vergne, J., & Durand, R. 2011. The path of most persistence: An evolutionary perspective on path dependencies and dynamic capabilities. *Organization Studies*, 32(3): 365-382.

Wagner, M., Boons, F., Quist, J., Montalvo, C. (2013), Sustainable innovation, business models and economic performance: An overview, Article, *Journal of Cleaner Production* 45(1–8)

Wang, C. L., &Altinay, L. (2008). International franchise partner selection and chain performance through the lens of organisational learning. *Service IndustriesJournal*, *28*, 225–238.

Wang, X., &Yang, Z. (2013). Inter-firm opportunism: A meta-analytic review and assessment of its antecedents and effect on performance, *Journal of Business & Industrial Marketing*, 28(2), 127-146

Watson A, Stanworth J, Purdy D, Healeas S and Holden R (2007), Multi-outlet franchising: Implicationsfor theory and practice. *Proceedings of the International Society of Franchising Conference*, Las Vegas,Nevada.

Watson, A. & Johnson, R. (2010). Managing the franchiseor-franchisee relationship: A relationship marketing perspective. *Journal of marketing channels*, 10(3-4), 53-82

Watson, A., Stanworth, J., Healeas, S., Purdy, D. and Stanworth, C. (2005), "Retail franchising:an intellectual capital perspective", *Journal of Retailing and Consumer Services*, Vol. 12,pp. 25-34.

Weaven, S., Grace, D., & Manning, M. (2009). Franchisee personality: An examination in the context of franchise unit density and service classification. *EuropeanJournal of Marketing*, *43*(1/2), 90–109.

Weaven, S., Frazer, L. and Giddings, J. (2010), “New perspectives on the causes of franchisingconflict in Australia”, *Asia Pacific Journal of Marketing and Logistics*, Vol. 22 No. 2,pp. 135-55.

Williams, Darrell L., 1999. Why do entrepreneurs become franchisees? an empirical analysis of organizational choice, *Journal of Business Venturing, Elsevier*, vol. 14(1), pp 103-124,

Williamson, O.E. (1975). Markets and Hierarchies: Analysis and Antitrust Implications – A Study in the Internal Organization. New York, The Free Press.

Williamson, O.E. (1985). The Economic Institutions of Capitalism. New York, The Free Press.

Williamson, O.E. (1991). Comparative economic organization: The analysis of discrete structural alternatives. *Administrative Science Quarterly*,36 : 269-296 pp

Wills-Johnson, Nick and Harry Bloch (2008). A Simple Spatial Model for Edgeworth Cycles". In: *Economics Letters* 108.3, pp. 334-336.

Win, A. N., Wilder-Smith, A., Salim, A., &Minn, N. N. (2009). DOTS combinedwith social franchising as private public mix for the control of tuberculosis inMyanmar. Tropical Medicine & International Health, 14, 40–41.

Windsperger, J., &Dant, R. P. (2006). Contractibility and ownership redirection infranchising: A property rights view. *Journal of Retailing*,82, 259–272.

Winter, S. G. 2003. Understanding dynamic capabilities. *Strategic Management Journal*, 24: 991-995.

Withane, S. (1991). Franchising and franchisee behavior: An examination of opinions, personal characteristics, and motives of Canadian franchisee entrepreneurs. *Journal of Small Business Management, 29*(1) 22-29.

Wright, O., & Grace, A. (2011). Trust and commitment within franchise systems: an Australian and New Zealand perspective. *Asia Pacific Journal of Marketing and Logistics*, 23(4), 486-500

Wright, O., & McAuley, A. (2012). Australian franchising research: review, synthesis and future research directions. *Australian Marketing Journal,* 20, 158-163

Xiao, Q., O’Neill, J. W., & Wang, H. (2008). International hotel development: Astudy of potential franchisees in China. *International Journal of HospitalityManagement*,27, 325–336.

Yang, Y. B., Qiao, Z., & Guo, Y. X. (2008). Model for assessment and selection offranchise stores of supermarket. Seventh Wuhan International Conference onE-Business, I–III , 2989–2993.

Yin, R.K. (2003), Case Study Research, 3rd ed., Sage, London.

Yin, R. K. (2014). Case study research: Design and methods. 5th ed., Thousand Oaks, CA: Sage

Zhang, R. Q. (2007). Study on the behaviours of franchisor and franchisee in franchise System. *Proceeding of China Private Economy Innovation International Forum*,32–38

Zahra, S. A., & George, G. 2006. Absorptive capacity: A review, reconceptualization, and extension. *Academy of Management Review*, 27(2): 185-203.

Zeller, R. E., Achabal, D. D., and Brown, L. A. (1980), Market Penetration and Locational Conflict in Franchise Systems, Decision Sciences, 11, 58-80 pp

Zhen,Q. ,Buchan, M., Frazer, L.,Niholls, R. (2015), Franchisor Insolvency in Australia: Profiles, Factors, and Impacts, *Journal of Marketing Channels* 22(4):311-332

Zu, X. and Kaynak, H. (2012), "An agency theory perspective on supply chain quality management", *International Journal of Operations & Production Management*,32(4), pp. 423-446.