

A Review Evolution Dominant Theories in Adaptation to Franchising System

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Abstract

The purpose behind this review is to review development, dominant theories in adaptation to franchising system. This review examined four theories related to franchising prospectively, namely resource scarcity theory, agency theory, resource base view theory and screening theory. These four theories have been utilized by numerous researchers to help clarify the requirement for the advancement of sustainability management; none of those theories seem to have the unique features, benefits and opportunities such as, "Halal" and "Riba" idea to franchise business group. However, since the thought of good business moral and ethical in "Halal" and "Riba" concept is moderately new for most researchers. The author hope this article starts an exchange among franchisor and franchisee to better describe, create, and apply this and the related new idea to move toward the franchising industry as significantly, effectively, and urgently as possible.

Keywords: Franchisor, Franchisee, Scarcity Theory, Agency Theory, Resource Base View Theory, Screening Theory, "Halal", "Riba", Franchising Industry, Sustainability

1.0 Introduction

The paper starts with a concise of the review, evolution dominant theories of franchising . This review adds to the writing by investigating these with regards to franchised organization . The discoveries from an arrangement theories are then introduced . At last the consequences of the discoveries are discussed.(Watson, 2008)

Business has been one of the most interesting and economical jobs in the world. The world had witnessed that with business, it can conquer the economy and the world. It has been affecting our lives, such in lifestyle, family economy, our routines and social. Business is a wide aspect to be considered in this paper. We should understand that in business it has entrepreneurship, which make business is a serious job. With entrepreneurship activity going wild all around the world, born entrepreneurs that running down the business.

In entrepreneurship, franchising, business is one of its kind in a business world. In the business, exist franchisor and franchisee. This term has it's own typical system format, Franchisor refers to a company or an individual who give chances to the Franchisee to engage in their developed business, but followed their own regulations such as trademark, brand names, regulations and the provision of intangible assets (Hunt,1997). In a bigger vision, Franchisor had the authorities to eliminate its franchises as they had the right. The franchisor also manages the standards, decide the performance level, the economic efficiencies of the company and misuse royalties (Baucus et al., 1993).

Franchisor-Franchisee relationship plays a major role in entrepreneurship business. The system required a successful relationship to lead to a well-being business that the two sides were doing. These individual relationships are constructed while acting on the franchising industry and effect the company growth outcomes. It also shows a relationship, trust and improved business quality between these two sides, franchisor and franchisee (Dant, R. P., Weaven, S. K., & Baker, B. L. (2013).

As franchising industry required a high level of trust and commitment to the individual. A good relationship between individuals can sustain a long term in aspects of the business relationship. To conceptualize this two term, relationship commitment is defined as a much hard work required to comply the business by ongoing relationship between individuals, franchisor and franchisee, seems important (Morgan and Hunt, 1994). A bad decision- making process between these two sides can bring frustration either by franchisor nor franchisee. Much literature has been doing research on the failure of these two individuals and the factors that contribute to it without considering the aspects of frustration between this both individuals.

So, in this paper, research has been done towards revolution dominant theories of franchising . It also discussed in each theories the relationship process between the franchisor and franchisee commitment in the franchising system as a successful business. From the various theories , we then consider the applicability of resource scarcity theories, resource base view theories , agency theories and screening theories . Finally , we suggest directions for future research and consider the implication of our study related to franchising system .

2.0 Problem Statement

The impact of franchisor issue and disappointment on franchises is giving off an impression of being possibly genuine on a franchisee and the normal proportion of franchisors to franchises, all in all, predicts that this earnestness will be copied many circumstances over. The impact of franchisor disappointment is to aggravate by the non appearance of security that the franchisee has through the franchise assentation, common law and statute. Regardless of the way that the impact of franchisor dissatisfaction can be extraordinary and honest to goodness security in the franchisee's business confined, the franchisee can now and again execute some careful techniques to avoid or decrease the full effect of a drawing nearer or certifiable franchisor disappointment. (Buchan, Frazer, Qu, and Nicholls, 2015).

Shane (1996) in his study of the failure of a franchise business has found 58 percent of franchisors fail within five years and 75 percent fail within ten years. Supported with findings by some scientists in the franchise business that found when poor quality of the franchise relationship between franchises and franchisors can *lead to conflict* and cause failure in the franchise business (Frazer & Weaven, 2002; Weaven, Frazer, & Giddings, 2010) .

Even in the study of Frazer et al., (2002), has been proved by 19 percent of franchisors involved in the dispute is its harmonious relationship between the franchisor and the franchises. Besides, taking care of issues in a convenient way is a critical characteristic of franchisor dependability, as "these are connections that are practically organized to create conflict, instead of diminishing conflict" (Franchising specialist). Conflict can show itself from various perspectives, once in a while, growing into significant question took after by suit. This circumstance was suitably depicted by one franchising mediator as turning into "somewhat like a cloud around them", whereby franchises and franchisors can get so made up for lost time in the contention that they neglect to determine the issue. (Boulay et al 2016 ; Amy ,Mohd, Hoe, Hani, & Noor, 2011)

The execution of the franchise system isn't just relying on upon the individual abilities of franchisor and franchisee, additionally problem in the *working relationship* amongst franchisor and franchisee. This problem concentrates on the impacts of franchisee perceived relationship quality and franchises' competencies on franchises' business accomplishment. In this review, it is additionally guessed that franchisee organizations, would be influenced by the dynamic . If the franchisee perceived value of this agreement is imbalanced, disappointment, conflict and poor execution could ensue. Thus, understanding relationship esteem as observed by the franchisee and suggestions on both behavioral and goal franchise exhibitions is important. (Harmon and Griffiths, 2008) .The part of both parties is essential to accomplishing sustainable profitability . The franchisor sets execution models and administers trademark and financial efficiencies, and can end the franchising, drive franchises purchase data sources, and abuse powers. Franchises need battle with the limitations of the franchisor controls, legitimately restricting determination and costs identified with franchising system, and consent to pay out a touch of advantages as base charges and eminences (Altinay, Brookes, Yeung, and Aktas, 2014 ; Baucus et al.,1993)

The franchisee could implement to remain sustained some cautious systems to maintain a strategic distance from the full impact of coming or real franchisor disappointment . Such as, the amount of franchises at the time of the franchisor disappointment is regularly an under

representation of franchises influenced by the disappointment the same number of could have effectively left the system, frustrated at the nonappearance of franchisor support, moderate stock deliveries, or distinctive issues indicative of the moving toward business disappointment of the franchisor. For instance, a submitted beat direction does not "keep going forever" and the issue of managing change decays to the expert structure. Furthermore, franchises as well as their expert advisors (i.e., lawyer, accountant, and franchise specialists) will be unable to anticipate the future dissolvability of the franchisor. (Aitkin, 2012; Smith & Sharicz, 2011)

3.0 Literature Review

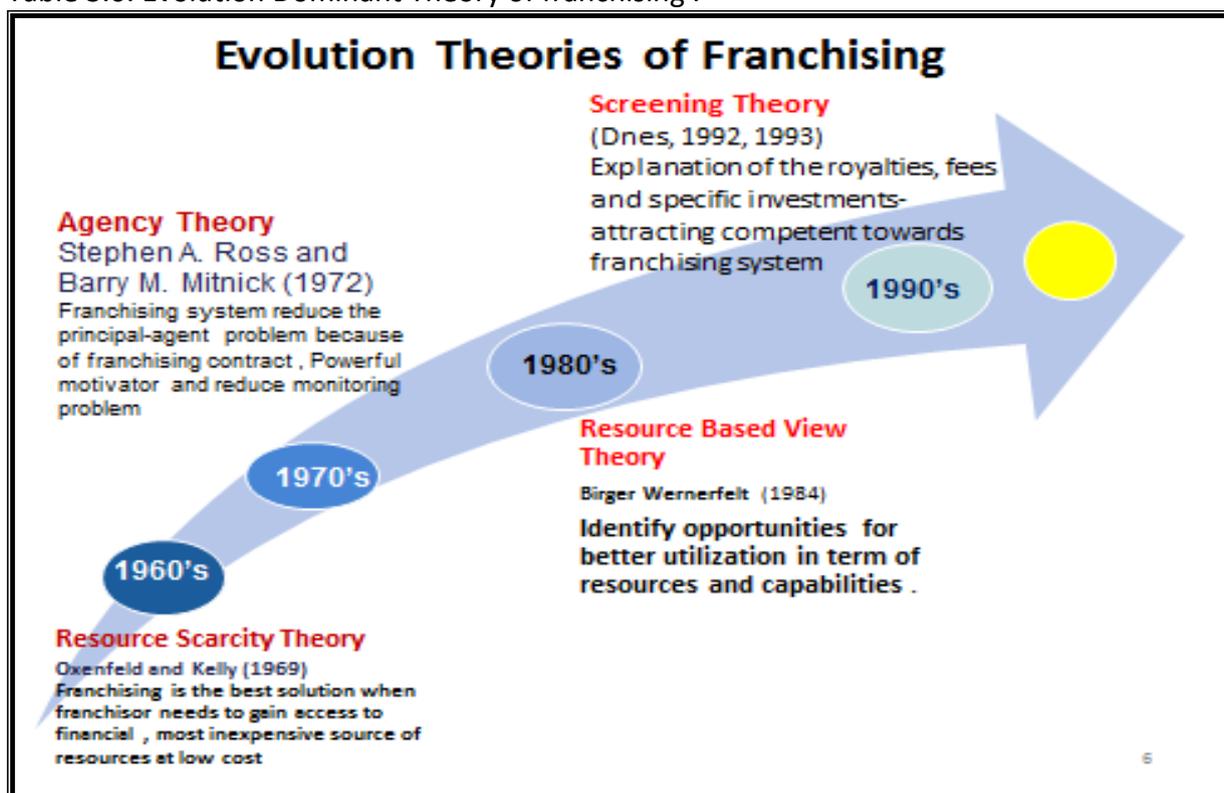
Franchising as an authoritative shape has mainly been clarified utilizing four theoretical viewpoints, specifically from resource scarcity theory, agency theory, resource base view theory and screening theory. Resource scarcity theory proposes that franchising is utilized as a method for conquering asset requirements, specifically budgetary and human capital (Norton, 1988). Agency theory concentrates on issues relating to advantage and control within the principal/agent (Brickely & Dark, 1987). The resource base view theory focuses on issues, identify opportunities for better utilization in term of resource and capabilities and screening theory focuses on issues explanation of royalties, fees and specific investment attracting competent towards the franchising system. (Kirby & Watson, 1999; Combs, Michael, and Castrogiovanni, 2004).

These viewpoints are similarly helpful in comprehension the difficulties confronting private companies who attempt to grow geologically. Resource constraint, and financial, has been observed to be one of the best hindrances to little firm development (Hall, 1989). Barringer and Greening (1998) recommend that the successful administration of geographic development to weaken advantage is a specific test for independent venture development. Notwithstanding, recommended franchising can be viewed as a method for beating both asset and organization considerations, it carries with its own difficulties. Along these lines, the difficulties for independent venture development with regards to franchised associations is applicable.

The rule duties of this review are firstly toward a progression of entrepreneurial franchisee theory. Regardless of the way that the decision of sensible franchises is thought to be the franchisor's single most unavoidable working issue (Jambulingam and Nevin, 1999), it has by and large been an under research territory (Altinay and Okumus, 2010; Clarkin and Swavely, 2006; Wang and Altinay, 2008). Subsequently, "little theory has been created about how franchises are picked" (Combs et al., 2011). The present review fills this void in the academic writing by outlining the authoritative character calculates that effect franchisors to pick, especially franchising that have the abilities to take an interest in entrepreneurial exercises. Besides, our utilization of hierarchical character theories become the hypothetical point of view used as a part of the franchising literature beyond the four dominant historical theories which are resource scarcity theory, agency theory, resource base view theory and screening theory (see, for example Combs, Michael, and Castrogiovanni, 2009; Combs et al., 2011). Furthermore, the evolution dominant theory in the franchising setting has been obliged (Dada and Watson, 2013a; Zachary et al., 2011; Lawrence and Kaufman, 2011) under research range (Altinay and Okumus, 2010; Clarkin and Swavely, 2006; Wang and Altinay, 2008) Subsequently, "little theory has been produced about how establishments are picked"

(Combs et al., 2011). The present review fills this void in the academic writing by outlining the authoritative character that effect franchisors to pick especially franchises that have the abilities to take an interest in entrepreneurial activities. Moreover, our utilization of authoritative franchising hypothesis addresses the theoretical point of view of view used as a part of the franchising literature beyond the four predominant historical theories, resource scarcity theory, agency theory, resource base view theory and screening theory (see, for instance Combs, Michael, and Castrogiovanni, 2009; Combs et al., 2011). Moreover, so far, research investigating the identity theory in the franchising setting has been obliged (Dada and Watson, 2013a; Zachary et al., 2011; Lawrence and Kaufmann, 2011). This evolution theory of franchising can be shown in Table 3.0

Table 3.0. Evolution Dominant Theory of franchising .



4.0 Implication For Practice

A franchise chain regularly acquires its reputation in view of successfully standardizing and imitating the chain's franchising systems, and this reputation can give the chain's outlets an improvement over competitors in their local markets (Castrogiovanni and Kidwell, 2010). This may recommend that the determination of an entrepreneurial franchise can be inconsistent with the institutionalization required in a franchised business environment.

However, the franchisor's craving for standardization regularly conflicts with the requirement for adaptations and entrepreneurial practices in the franchisee's nearby outlets, given the geographically diverse nature of franchisees' business sectors (Cox and Mason, 2007; Pizanti and Lerner, 2003). The business environment for franchising operations has likewise turned out to be exceptionally aggressive, encountering fast changes, perhaps getting to be distinctly less secure than in past circumstances (Falbe et al., 1998). These progressions, alongside recent evidence recommending the vital part of franchisee entrepreneurial practice on the

franchise system as a whole (e.g. Dada et al., 2012), may signal the need to combine entrepreneurial values within the standardized context of the franchise system .

5.0 Implication For Theory

Indeed , potential franchises likely need some data or information , paying little attention to whether an organization or industry in nature, before they are even seen as a reasonable candidate. This learning, notwithstanding what franchises experience after they transform into a part of the chain, assembles franchises' chances to get the rewards of building up the amount of units they guarantee. Besides, the evidence prescribes that multiunit franchises are arranged to utilize their understanding over their units, along these lines, giving a level of standardization and consistency that can spread over the entire chain. From the franchisors' standpoint, this knowledge sharing may enhance efficiency because of their workload falls, and, meanwhile, franchisors have a level of affirmation that the learning granted is most likely going to be unsurprising to the affiliation's standards.(Gillis, Mcewan, Crook, & Michael, 2011)

More generally, it is possible that franchisors utilize rivalries to reward franchises who can help in the advancement of transfer of knowledge over the chain. To the degree that learning is created and transferred, it ought to upgrade execution. Future research seems to require that looks at how franchises contribute information to the chain and how that learning, thusly, impacts firm execution. Theory involves information, knowledge, learning, and capacities, for example, the social view (Dyer and Singh,1998), would help our understanding in these fields. In our view, the utilization of numerous alliance partners (agents) with a larger (principal) firm, for example, in agency theory , would allow the principal firm to run the alliance portfolio as a competition. For instance , these outcomes may have suggestions for store network management researchers exploring how firms utilize various cooperation accomplices in a competition to decide contract victors.

At last, one would also expect that franchisors would require the capacity to substitute among incentive systems. For instance, a quickly developing chain may discover the guarantee of extra units a simple incentive to use for new franchises and consequently would reduce other incentive , for example, in screening theory . However , when growth slows, an alteration might be required to change to another incentive, for example, reducing the royalty fees when sales exceed objective range. Hence, when chains can't guarantee a moment or third unit to allow franchises to use their administrative capital, different incentives or remuneration might be required. Given the way of our information, we can't examine how this remuneration may change over time, yet this may be a productive region of request for future longitudinal studies (Gillis et al., 2011)

6.0 Conclusion And Recommendation

According to researches , Dada et al 2012 ; Ketchen et al 2011 concluded that “Despite the fact that franchising keeps on being a critical plan of action globally, the issue of adaptation theories in franchising has been predominant open deliberation among both academics and specialists”. This review has demonstrated that the respected charisma of the franchising system is important to building up a theory of franchising selectivity in franchisee recruitment (Tracey & Jarvis, 2007 ; Seawright et al., 2011

Generally, from the four theories that have been reviewed originated came from western ideas, particularly concentrate on development, economic, monetary terms, fulfill assets, expert and commercialization. Future research ought to center consideration around how to maintain and sustained practice can be legitimized, operation, exchange needs to earn a valid "Halal" guarantee that all work include is in good ethic and good moral. Moreover give consideration and avoid in the franchising system from "Riba" implies unfair gains made in trade or business. Consequently, the acknowledgment of "Halal" and "Riba" is decidedly steady and consistent. This will ensure the sustainability in the franchising business require a reasonably drawn out extend of time. Because of these qualities, the proximity of "Halal" and "Riba" thought in the monetary and financial structure will transform into a strong explanation behind making the franchising system more bolstered in the future.

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