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Strategic Interactions in Franchise Relationships

Croonen, Evelien Petronella Maria

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4 Methodology

4.1 Introduction

In recent years, research on dynamic phenomena, such as organizational learning, competitive interaction, innovation, strategic change and evolution has increased. This study fits in with this stream of research because it aims at gaining insight into strategic processes and interactions between franchise partners. There are still relatively few guidelines and procedures for conducting research on such dynamic phenomena. This chapter will therefore provide a detailed explanation of the methodological choices made in this study.

First, section 4.2 will give an overview of the different approaches for understanding strategic processes. Next, it is pointed out why a case study approach was the most appropriate method in this research. Section 4.3 deals with the case study design, which includes an elaboration on the selection of the Dutch drugstore industry as empirical setting, a description of the Dutch drugstore industry, the selection of the case studies, methods of data collection in the case studies and issues of analysis, conclusion drawing and presentation. These sections will also discuss the influence of certain decisions concerning design and data collection regarding the external validity, construct validity, internal validity and reliability of this study.

4.2 Case studies as research approach

According to Langley (1999), research on dynamic phenomena has so far been approached in two ways. Some researchers have used quantitative methods to test a-priori formulated theories, while others have used qualitative data in an attempt to build theory. So far, the franchising literature has mainly been based on these quantitative approaches (Elango & Fried, 1997). However, a great deal of literature –including the franchising literature- calls for more in-depth process research that helps to understand organizational phenomena at more levels than just the superficial one, and, moreover, to gain insight into developments over time. Also, according to Ring & Van de Ven (1994) relatively little scholarly attention has been devoted to studying developmental processes of cooperative inter-organizational relationships. In their view, most of the research focuses on antecedent conditions or structural properties of relationships. In Chapter 2, it has already been argued that this is also the case in the area of franchising: researchers have mainly focused on static and ‘exploitation-oriented’ aspects, such as the distribution of franchised and company-owned units across the franchise system or the monitoring and control of franchisees. However, this study recognizes that the *process* is central to managing alliances and franchise relationships. Therefore, a qualitative approach was adopted to obtain a more in-depth understanding of the interactions between partners in franchise relationships in the light of the exploration-exploitation paradox.

In this context, Langley (1999) has made a distinction between two approaches to gaining insight into strategic change: ‘variance theory’ and ‘process theory’ (see Fig. 4.1). Variance theory provides explanations for phenomena in terms of relationships between dependent and independent variables, while process theory offers explanations in terms of the sequence of events leading to an outcome. In variance theory variables are the central focus of analysis, while in process theory events, activities and choices form an important

part of the explanation of phenomena. In other words, understanding patterns is the key to developing process theory. According to Langley (1999), process research is concerned with understanding how things evolve over time and why they evolve this way. Therefore, process data largely consist of ‘stories’ about what happened, who the actors were, and when.

This research is in line with both the ‘process’ and the ‘variance’ approach. The study has focused on SCTs introduced by the franchisor to which the franchisees adopted certain responses. The franchisor adopted responses in return, which influenced the way in which the franchise system and the relationships within it developed. From a ‘variance perspective’, the variables of strategic and operational compatibility, the attractiveness of alternatives and switching costs serve as the independent variables, while the responses form the dependent variable. However, a ‘process perspective’ is required to understand the sequence of events and the timing of these responses. This is also the reason why each case study chapter starts with a thorough discussion of how events within the system evolved over time, followed by an analysis of the relationships between the independent and dependent variables.

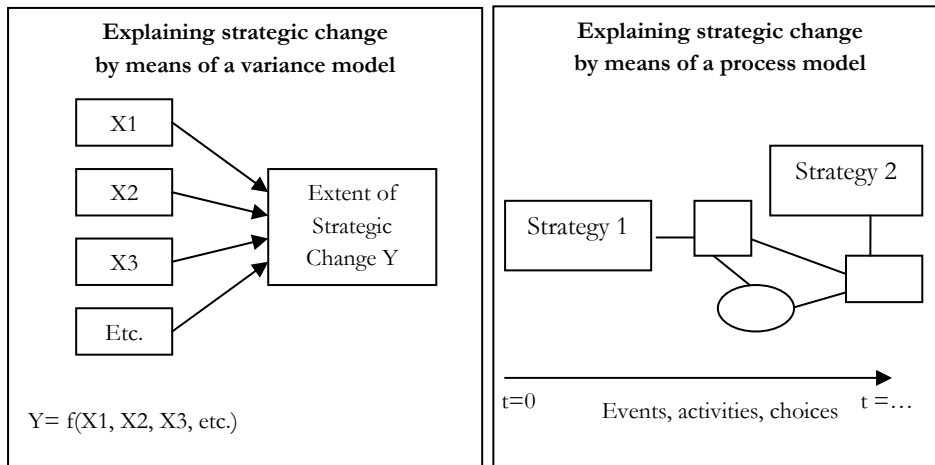


Fig. 4.1 The difference between variance and process theory (based on Langley, 1999, p.693)

Yin (1994) distinguishes five research approaches in social research: experiments, surveys, archival analysis, history and case studies. These approaches all provide answers to different types of research questions, they require different degrees of control over behavioral events and have a different focus on contemporary events. In this research, the case study was the most appropriate approach for several reasons:

- This study’s objective is aimed at providing answers to the ‘how’ and ‘why’ question about situations in which there is little control over behavioral events (Yin, 1994). Other approaches, such as experimentation and surveys, deliberately separate a phenomenon from its context to analyze a small set of variables, while case studies make a fine-grained study of a phenomenon within its context possible.
- This study has focused on processes that have not yet been thoroughly researched, namely: how and why franchisors and franchisees deal with the exploration-exploitation paradox in their relationships. Case studies were the

appropriate approach here because in general they can be used to draw from multiple sources of evidence, and they enable researchers to reconstruct and analyze past events.

- Case studies make it possible to gather data at multiple levels and from multiple perspectives (Leonard-Barton, 1990). I have studied franchise relationships from both the franchisors' and the franchisees' perspectives. By means of the case study approach I was able to analyze in detail both franchise partners' perceptions as well as the interactions taking place within specific situations. Franchise relationships have often been studied from only one partner's perspective, which is mostly the franchisor's.

Case studies are mainly considered as a qualitative research strategy, but I agree with Yin that they can also include or may even be limited to quantitative data. The cases studied in this research mainly consisted of qualitative data, although quantifications were also used in order to make comparisons among franchisees (see section 4.3.5). However, because the nature of case studies is mostly qualitative, this section will discuss the risks of qualitative research in general and those of case studies as specific type of qualitative research in particular.

Not so long ago, qualitative research was considered as a research approach without precision (read: quantification), objectivity and rigor. This was due to the fact that methods of qualitative data analysis were not formulated adequately compared to those of quantitative data analysis, which could lead to a lack of confidence in the findings resulting from qualitative studies. Only in recent years, authors have increasingly focused on 'procedures' and criteria for evaluating qualitative research, for example, Yin (1984, 1994), Eisenhardt (1989) and Miles & Huberman (1994). These criteria can refer to two elements. First, they can refer to the 'process' of conducting the research, such as the validity of the constructs that are used, the reliability of the data collection and the design of the case studies. Second, the criteria can refer to the 'result' of the research, such as the coherence of the resulting theoretical framework.

Yin's (1994) criteria are based on criteria common to all social science methods: construct validity, internal validity, external validity and reliability. Construct validity involves establishing the correct operational measures for the concepts being studied. According to Yin, internal validity is only applicable to explanatory or causal case studies, and refers to determining causal relationships between variables. External validity deals with the domain into which the study's findings can be generalized; other authors call it a study's 'generality' (cf. Langley, 1999). The reliability of a study has two aspects; whether similar results would be obtained if the same research was repeated and whether the results would be similar if the same research was conducted by another researcher.

In the different phases of this study, several choices were made to reduce certain threats to these criteria and improve the quality of the research (see section 4.3).

4.3 The case study design

4.3.1 Introduction

The research project consisted of four phases (see Appendix 3):

- Phase 1: Development of a research model;

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- Phase 2: Development of a detailed case study design and elaboration of the research model;
- Phase 3: Execution of the case studies in the Dutch drugstore industry;
- Phase 4: Analysis and conclusion drawing.

As Appendix 3 shows, the first two phases formed part of the preliminary study.

Phase 1: Development of the research model

On the basis of general alliance literature, the first phase started with the development of a general model for understanding the responses of alliance partners. This general model formed the basis for a research model to gain insight into the responses of franchise partners as specific type of alliance partners. The research model was based on various literature sources, such as scientific franchising literature, specialist magazines, and exploratory interviews in franchise and franchise-like systems in the following industries: drugstores, supermarkets, employment agencies, baker's shops, liquor stores, and gift shops (see Appendix 4). Within each system, I interviewed one representative of the franchisor's organization and at least one franchisee who had some knowledge about important developments in the system from the perspective of the franchisees. These franchisees were often members of the Franchise Board, or they had been part of the system for a long time. The interviews were not completely standardized because they were held during the exploratory phase of the study. After each interview adaptations were made for the one to follow. During the interviews I used a topic list, containing several issues. Topics of the interviews *with the franchisor* were for example: the selection of franchisees, important change processes, ending relationships with franchisees, conflicts with franchisees, different types of franchisees within their system etc. Important topics in the interviews *with the franchisees* were: the reason for becoming a franchisee, one's preference for a specific franchise system and sources of conflicts with the franchisor. Each interview provided new clues about the relevance of certain aspects in franchise relationships and relevant processes in franchising.

The results of this phase served as the basis for the research model and the selection of a specific industry as empirical setting (see section 4.3.2).

Phase 2: Development of a detailed case study design and elaboration of the research model

After selecting the Dutch drugstore industry as empirical setting, the second phase consisted of exploratory interviews with the franchisors and several franchisees from the franchise systems studied in this industry (see Appendix 4). The aim of this step was to provide an initial description of all franchise systems in this industry, to test the feasibility of the case study protocol, and to select the franchise systems as objects of the case studies in the third phase.

The second phase resulted in the research model as it is presented in Chapter 3, and a detailed case study design. The details regarding the process of selecting the cases are discussed in section 4.3.3.

Phases 3 and 4: Execution of the case studies in the Dutch drugstore industry and analysis and conclusion drawing

These phases were highly interrelated and the boundaries between them were not so clear as those between the other phases. In the execution phase, data of the four cases were collected (see section 4.3.4), case-descriptions were made and within-case analyses were performed. At the same time, ideas for the final conclusions were developed. The issues of analysis and conclusion drawing are discussed in section 4.3.5.

The following sections will discuss the choices concerning the case study design and the consequences of these choices for the quality of the research:

- The empirical setting of the research: the Dutch drugstore industry (4.3.2)
- The selection of cases (4.3.3)
- The data collection within the cases (4.3.4)
- The case study analysis (4.3.5)

4.3.2 The empirical setting of this study: the Dutch drugstore industry

This section focuses on two aspects of the empirical setting:

- 1) Choosing the Dutch drugstore industry
- 2) A description of the Dutch drugstore industry

1) *Choosing the Dutch drugstore industry*

An important aspect of the case study design is, of course, choosing an appropriate empirical setting. In American franchising literature, the fast-food industry is a very popular example of such a setting (see for example Bradach, 1998, Kaufmann & Eroglu, 1998, Dant & Gundlach, 1998). The relatively small amount of empirical research on franchising in the Netherlands focuses on retailers, such as men's clothing (Reijnders et al., 1996), household stores and stores for baby and children's wear (Kneppers-Heijnert, 1988).

This study focuses on the Dutch drugstore industry. A drugstore is a shop that sells non-prescription drugs and other types of goods for body care, such as shampoo and make-up. The Dutch drugstore industry was selected for the following reasons:

- The preliminary study showed that various franchise systems in the Dutch drugstore industry had been subject to several strategic change trajectories (SCTs), resulting in various types of responses by both partners. Additionally, in reaction to these SCTs some franchisees had switched between different drugstore systems. This meant that they had adopted an exit-response, which was interesting from a theoretical point of view.
- Franchise relationships and franchise-like forms of cooperation are very common in this industry.
- The Dutch drugstore industry consists of a number of relatively old franchise systems, which made it possible to trace changes over longer periods of time. For example, the DA system was originally started in 1942 by a small group of druggists, and the ETOS system was initiated as a chain organization in 1918 and started franchising in 1988.

The focus on only one industry might have limited the external validity or generality of this study, because it may be difficult to generalize the results by applying them to other industries. However, the drugstore industry is a retailing industry, and it was expected that the results could be generalized to other retailers. Additionally, the selection of one specific industry made it possible to check for variation across industries and to understand how different actors perceive the same events occurring within the same industry and how they react to them.

2) *A description of the Dutch drugstore industry*

The industry forms a significant part of the context in which organizations operate. Therefore, in order to understand why franchise partners have adopted certain responses, it

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is important to know how the industry has developed over time, for example in terms of market growth, competition, legislation etc. Changes in the context or environment of a franchise system can result in changes in the strategies of the franchisor and/or the franchisees and consequently in their relationships. For example, the rise of discounting drugstore systems has had an important influence on the players in the Dutch drugstore industry. That is why this section will pay special attention to the developments within the Dutch drugstore industry over time. Moreover, this overview will help explain my preference for specific franchise systems as the subjects in the case studies.

It is estimated that the history of the Dutch druggists dates back to the Middle Ages. At that time there was a large number of herb sellers in the Netherlands who traveled from fair to fair to sell their products. As the Dutch towns grew, the herb sellers settled themselves, becoming either grocers with a focus on food products or pharmacists/druggists specializing in medicines. However, at the beginning of the twentieth century the government prohibited druggists from preparing medicines themselves. From that point on only pharmacists were allowed to do this. Since then the druggists have focused on non-prescription medicines as an important part of their assortment.

Nowadays, a drugstore's assortment can be roughly divided into four types of product groups:

- Health. Products belonging to this group are the non-prescription medicines (cf. painkillers and cough-mixtures), wound-dressing and other medical resources, diet food, health food and food supplements.
- Beauty. Products belonging to this group are the 'regular' cosmetics (cf. make-up and facial creams), perfumes, and luxurious cosmetics and perfumes, which are often based on exclusive contracts with suppliers.
- Care. Products belonging to this group are product groups such as baby care, hair care, oral care, male care, female care, body care, foot care, and bath and shower.
- Miscellaneous product groups. Products belonging to this group include a wide range of product groups: hair accessories, seasonal products, housekeeping and cleaning, photo development, post cards, tights, gifts, jewels and other product types. Over the years, several Dutch drugstores have broadened their assortment with these products.

Since the 1970's, the Dutch drugstore industry has changed dramatically, and it has become more dynamic and complex. By the rise of discounting chain stores (such as Kruidvat in 1975 and Schlecker in 1990) independent druggists have increasingly been confronted with competition. Therefore, a growing number of them have increasingly joined in networks of commercial cooperation.

According to the HBD¹⁵ (2002), in the year 2000 there were 3024 drugstores. HBD divides these into four groups (see Table 4.1):

- Systems consisting of only company-owned stores;
- Systems consisting of both company-owned and franchised stores;

¹⁵ HBD stands for the Dutch 'Hoofdbedrijfschap Detailhandel'. This is a research institute financed by organizations from the Dutch retailing industry, which conducts research on important developments in this industry.

- Systems consisting of only 'franchised' stores;
- Completely independent druggists.

27% of all the drugstores are company-owned stores of large chains. This group mainly consists of Kruidvat and Schlecker. 24% consists of stores belonging to chains consisting of both company-owned and franchised units. At that time, ETOS and Trekleister were the most important players in this group, but in recent years Trekleister has become an almost entirely company-owned chain. About 35% of the drugstores fall within the group of systems containing only franchised units. In this group, the most important player is the DA system, followed by several smaller systems. Finally, about 14% is not part of any franchise-like cooperation. These companies are the 'completely independent druggists' (CID's). These drugstores do not operate under a common identity visible to customers. In the year 2000, there was one group of druggists who mainly cooperated by sharing the costs of brochures. This group did not make use of a common name or identity. This was the CREST-group. In 2003, a former manager of one of the large drugstore systems started an additional group; the REZO-group. This group was established in reaction to tighter cooperation in other drugstore systems (see SCT2 and SCT8 in Chapters 5 and 8).

Unfortunately, there have been no (reliable) data available on the development of the numbers of stores in each drugstore system. The HBD has only categorized drugstore systems in groups of systems with less than 50 drugstores, between 50 and 100 stores, between 150 and 300 stores and systems with more than 300 stores¹⁶. This information is presented in Table 4.2 and has only been added to give readers an idea of the division of drugstore systems in the Dutch drugstore industry. I must add that I have some doubts about the reliability of these data. For example, the STIP system has been categorized in the group containing between 150 and 300 stores, while according to my information this system had never reached the level of 150 stores (148 was the maximum). Moreover, in the category of less than 50 drugstores I could not find the De Drogist (by Unipharma BV) and De Vakdrogist (by Vriesia BV) systems.

¹⁶ It is odd that the category of $100 \leq N < 150$ is not included in the HBD categorization. I have added this category myself and re-evaluated the categorization of the drugstore systems in these groups.

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	NAME	PERCENTAGE OF TOTAL NUMBER OF STORES IN DUTCH DRUGSTORE INDUSTRY ¹⁷
SYSTEMS CONTAINING ONLY COMPANY-OWNED STORES	Kruidvat Schlecker Dirx Drogisterijen Portegies drogisterijen Marianca Drogisterij Farma	27%
SYSTEMS CONTAINING BOTH COMPANY-OWNED AND FRANCHISED STORES	Trekpleister ETOS De Tuinen Drogistore	24%
SYSTEMS CONTAINING ONLY INDEPENDENT DRUGGISTS (FRANCHISE-LIKE FORMS OF COOPERATION)	DA (by Dynadro) DA D'Attance (by Dynadro) STIP (by Dynadro) Uw Eigen Drogist (by Brocacef) De Drogist (by Unipharma) De Vakdrogist (by Vriesia) DIO (by Faco Diensten) ABC (by Faco Diensten)	35%
COMPLETELY INDEPENDENT DRUGGISTS (CID'S)	CREST REZO (started in 2003)	14%

Table 4.1: Direct competitors in the Dutch drugstore industry (in 2000)

¹⁷ Note that these percentages deal with the number of units and not with the turnovers of these stores.

CATEGORIES OF DRUGSTORE SYSTEMS BASED ON NUMBER OF UNITS (N)	NAMES OF THE DRUGSTORE SYSTEMS
N < 50	Farma Dirx Drogist Portegies ABC (In the HBD-data the 'De Drogist' and 'De Vakdrogist' systems are missing as well as the other systems mentioned in Table 4.1: Dirx, Portegies, Marianca and Farma).
50 ≤ N < 100	De Tuinen DA D'Attance DIO
100 ≤ N < 150 (I have added this category myself).	STIP Uw Eigen Drogist
150 ≤ N < 300	Trekpleister Schlecker
N ≥ 300	DA ETOS Kruidvat

Table 4.2: Categories of drugstore systems in 2002 (HBD, 2003, improved by author)

Next to the competition between systems, over time there has been an increase in competition coming from other distribution channels. In recent years, several other players offering drugstore products have entered the market. With respect to non-prescription drugs, in 1996 the drugstores' market share was still 72%, that of pharmacists 21% and that of other channels 7% (EIM Brancheschets 1997). However, competition by other organization has increased because supermarkets and gasoline stations have also become interested in selling non-prescription drugs. It is expected that in the future these firms will be allowed to do so, which will threaten the position of the drugstores. With respect to cosmetics, in 1996 drugstores had a market share of 50%. Other suppliers in the cosmetics market are perfumeries (10%), supermarkets (21%), department stores (11%) and other distribution channels, such as beauty centers or tax-free shops (8%).

4.3.3 Selection of case studies

The most important issue in the selection of cases is the external validity of the research. Sampling cases from a population, as in hypothesis testing research, is unusual in case study research, which means that cases should not be selected randomly. Given the limited number of cases that can be studied in-depth, it is important to select cases that are theoretically interesting, and in which the process or phenomenon of interest is observable. In this context, Yin (1994) distinguishes between theoretical and literal replication. According to Yin, cases should be selected because a) the probability is high that they yield similar results ('literal replication') or because b) they are likely to yield contrasting results that can be explained theoretically ('theoretical replication').

In this study, a case is defined on the level of the franchise system in which the relationships between franchisor and franchisees are embedded (broken lines in Fig. 4.2).

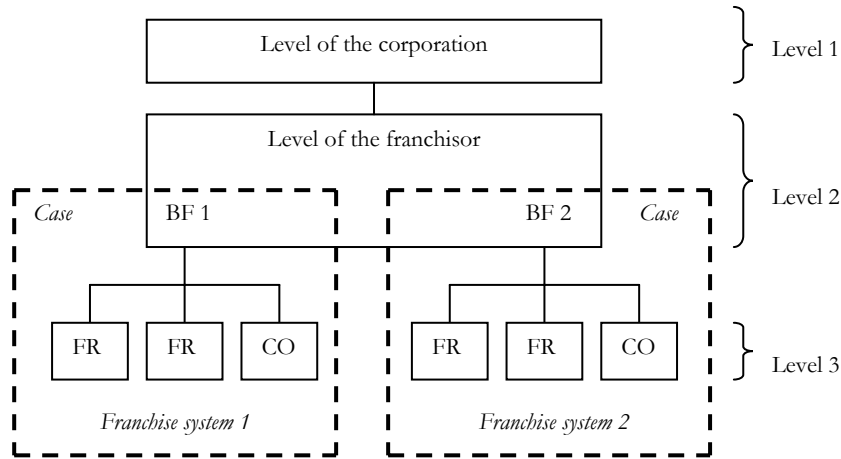


Fig. 4.2: Different levels of analysis in franchising (example of a franchisor with two franchise systems)

Regarding the selection of cases, four franchise systems were selected: two relatively hard systems and two relatively soft systems. I have compared harder and softer systems because I expected that the franchisors and franchisees in these systems would interact differently (theoretical replication). In the cases I focused on the development of the franchise system characteristics during the SCTs, and more specifically on what responses the franchisees adopted in reaction to the introduction of these SCTs as well as the responses the franchisor adopted in return.

Section 4.3.2 has provided a short overview of the players within the Dutch drugstore industry. From these players I have selected ETOS and DA as the harder systems and STIP and UED as the softer ones. The reasons for choosing these systems were the following:

- I learned from the preliminary study that these systems had dealt with important changes in one or more of their franchise system characteristics. Additionally, in these situations the franchise partners adopted different responses, for example, some franchisees exited a system. At the time of selection, it was already clear that these four franchise systems were co-evolving.
- Over time several franchisees had switched between these systems, which made it possible to study their motivations for exiting one system and entering the other one.
- These systems were the larger ones in the drugstore industry in terms of number of franchisees. During the selection of the drugstore systems (in 2002), the situation was roughly as follows: DA had 550 franchisees, ETOS consisted of 224 franchisees (and 220 company-owned units), and STIP and UED both had 130 franchisees.
- The systems had existed for a relatively longer period of time, which made it possible to study their developments over time.

4.3.4 Data collection within the cases

While the choices regarding how many and which cases to select mainly deal with the external validity of the research, the choices made in the data collection phase particularly influence the study's construct validity, internal validity and reliability.

Construct validity

Critics of case study research have argued that case study researchers have failed to develop well-formulated methods, and that subjective judgments are used to collect the data. In order to improve the construct validity of the research, I have used multiple sources of evidence in the cases ('data triangulation'). Additionally, the choice to conduct multiple case studies made it possible to validate the stability of the constructs across the cases (Leonard-Barton, 1990). The interviews with representatives of the franchisor's organization and with franchisees formed a large part of the evidence, which was complemented with other sources of evidence, such as franchise contracts, format handbooks, strategic plans of the franchisor, and information from specialist magazines.

Internal validity

The case studies are partly retrospective since a PhD-project does not lend itself very well to conduct a 'real-time' longitudinal case study. The cases date back to 1988 because in that year an important player in the Dutch drugstore industry (ETOS) started franchising. Studying phenomena in retrospect can cause problems due to the dependence on interviewees' recalls of past events. This might make it difficult to distinguish cause and effect. However, according to Leonard-Barton (1990) studies have shown that participants in organizational processes do not forget key events as quickly as one might suppose. Nevertheless, sometimes participants may not have recognized an event as important at the time when it occurred and may not recall it afterwards. Additionally, participants may remember events differently from the way they occurred. A problem relating to this is pointed at by Aldrich (1999), who calls it the 'retrospective fallacy'. This fallacy refers to viewing earlier events as though they were controlled by their subsequent outcomes, while other outcomes might have been equally possible. Aldrich refers to several examples where authors explained certain historical outcomes by factors that could not have been known at the time. In these cases the use of multiple sources of data next to interviews with participants helped to increase the internal validity of the research. These multiple sources provided additional information on important events as well as on the sequence of these events so that I could notice when a respondent's story did not correspond with the other respondents and data sources.

An additional handicap of retrospective research is that sometimes participants cannot be traced back, for example because they work in another organization or have passed away. In this study there have been few problems with tracing respondents from the franchisor's organizations. Franchisees could also be traced back relatively easily. However, in some cases, it was difficult for some people from the franchisor's organization to name franchisees who had adopted certain responses (see Part B in the remainder of this section).

Robson (2002) indicates that the internal validity of three types of qualitative research, namely description, interpretation and theory building, is subject to different threats.

In *describing* phenomena there is a risk that the data are incomplete or inaccurate. According to Robson (2002) this implies that when collecting data audio- or videotaping

should be used. In the exploratory interviews audio taping was not used, but instead I took notes. From the second phase onward, I audio taped the interviews in order to increase the accurateness and completeness of the data.

With respect to *interpretation* the greatest danger is to artificially construct a framework or meaning of what happened rather than allowing this framework to emerge from the knowledge acquired during the research. In this study I have tried to avoid this by means of using several data displays to present the data of each case in a standardized way so that certain patterns and/or explanation could be detected more easily and conclusions could be drawn more effectively.

As regards *understanding*, Robson (2002) points at the following three threats to validity: reactivity, respondent bias, and researcher bias. Reactivity means that the researcher's presence may interfere in some way with the setting on which the study is focused and especially with the behavior of the people involved. Since the research is partly retrospective (see the remainder of this section Part A) and I could not influence the behavior of the people involved, this risk was reduced. Respondent bias can occur in different forms, for example, by withholding information or by providing answers which, in the respondent's view, the researcher may want to hear. Researcher bias refers to a researcher's assumptions and preconceptions, which may influence the way in which he/she behaves in the research setting. One important strategy for dealing with the abovementioned problems consists of different forms of triangulation: data triangulation, observer triangulation, methodological triangulation and theory triangulation (Robson, 2002). I used data triangulation by collecting data from multiple sources, and I applied theory triangulation by adopting multiple perspectives in the research model.

Reliability

The reliability of a study has two aspects: whether the same results would be obtained if the same research was repeated and whether the results would be the same if the same research was conducted by another researcher. The use of a case study database in combination with a case study protocol and a code book has increased the reliability of this study (Yin, 1994). This chapter is actually a reflection of the case study protocol used in the research, in which the following sections will discuss the further methodological choices.

Fig. 4.3 summarizes the detailed case study design of phase 3. The SCTs in Fig. 4.3 depict the different strategic change trajectories that were studied. 'CVLNAVE' represents the franchisees' responses during these SCTs; considerate voice (covo), loyalty (loy), neglect (negl), aggressive voice (agvo), and exit (exit). On the level of the franchise relationships I tried to select franchisees out of the whole range of responses. I aimed at selecting two franchisees per response per SCT in order to obtain insight into the processes that lead to different responses (for further clarification see the B-section).

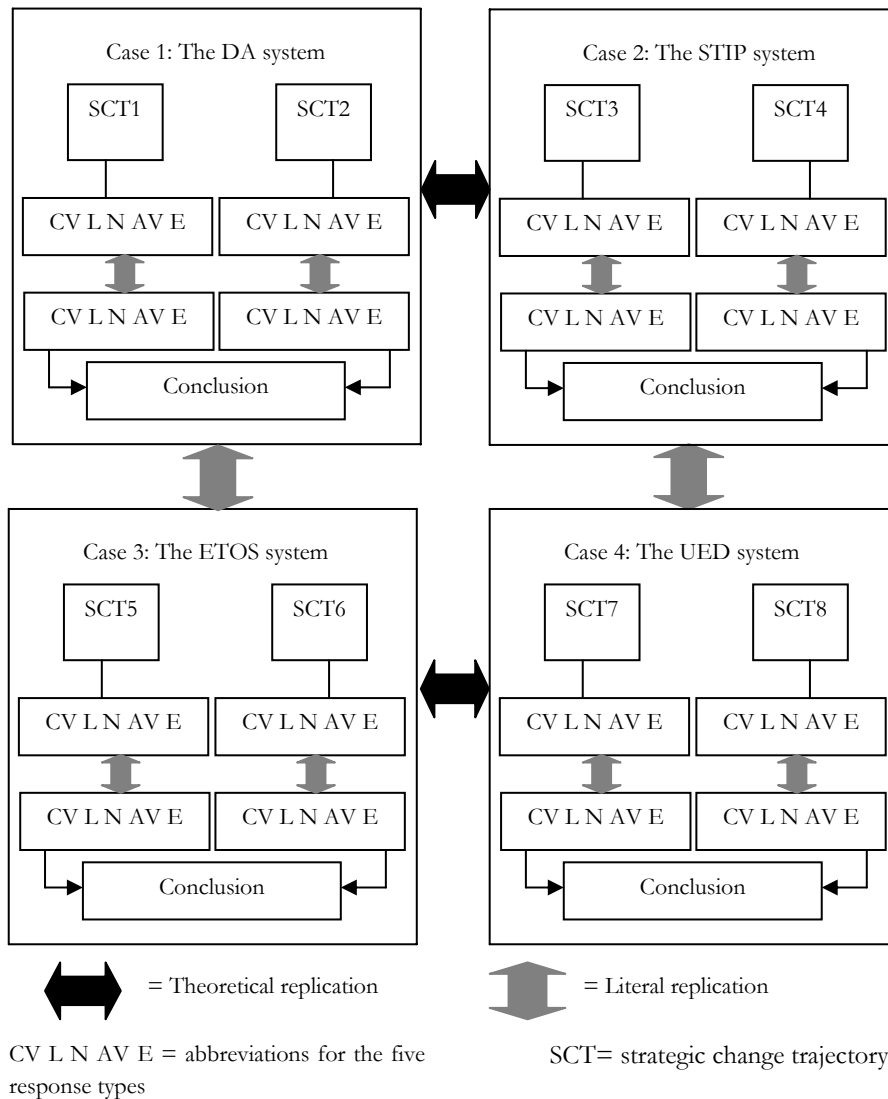


Fig. 4.3 The detailed case study design of phase 3: execution of case studies within the Dutch drugstore industry

In the remainder of this section I will discuss the following two choices I had to make during the design process and how they have affected the quality of the research:

- A. The selection of the eight strategic change trajectories (SCTs) within the four selected franchise systems
- B. The selection of specific franchise relationships during these eight change trajectories

Each of these choices influenced the external validity of the research. As argued earlier, the selection of a specific industry influences the external validity of the research. However, this also applies to choosing specific systems within an industry, specific SCTs and specific franchise relationships.

A. Selection of the SCTs within the four franchise systems

Within the four franchise systems I focused on eight SCTs in which changes occurred in one or several of the franchise system characteristics, and during which the franchise partners had to deal with the exploration-exploitation paradox. For each system I selected two SCTs: one that had taken place in the past (past SCT) and one that was still proceeding (contemporary SCT). Leonard-Barton (1990) points at the advantages of applying this kind of ‘dual methodology’ in case studies. She argues that combining real-time longitudinal case studies with retrospective case studies on the same phenomenon is advantageous because specific strengths of one method will compensate for weaknesses in the other. As already mentioned, the most serious problem with a retrospective case study is the fact that it is hard to define cause and effect (internal validity), while the longitudinal approach is more suitable to establish cause and effect. In order to understand the overall patterns in the SCTs, I selected a past SCT. In addition, I selected a contemporary SCT in each of the four systems to compensate for the problems mentioned earlier with respect to reconstruction. Due to time restrictions these current SCTs could not be studied by means of a ‘real’ longitudinal approach (studying developments over a longer time period). However, studying a contemporary process and interviewing participants while events were actually taking place was likely to improve the validity and reliability of the study.

On the basis of the preliminary study I made an overview of the important developments and SCTs in the four selected franchise systems. From this list, eight SCTs were selected because they involved changes in one or several of the franchise system characteristics to which franchise partners had adopted various responses. These SCTs are the following:

- SCT1 (DA system): ‘Toward business-format thinking’. SCT1 was started in the early nineties when a new management team was assigned to the DA system. In order to create a new and uniform identity toward customers this new management wanted to adapt the positioning of the DA system, its rate of innovation and its degree of hardness.
- SCT2 (DA system): ‘Integration and renegotiation’. To the management, SCT1 had been a very difficult trajectory, and management had not reached its initial goals. In 2002, another management started with the intention to finish what the old management had started. In sum, three changes were introduced. First, the integration of the organization’s other systems -STIP and DA D’Attance- into one large DA system with a new and uniform image. This system would aim at a lower positioning and a higher rate of innovation. Second, the introduction of a contract that had to be signed by all DA druggists in order to increase the degree of hardness. Third, the change of the governance structure of both the franchisor’s organization and the franchise system (organization of franchisees’ strategic participation?).
- SCT3 (STIP system): ‘Reanimation’. The STIP system had always been part of the same organization as the DA system. STIP was started in 1989 alongside the DA system. It consisted of smaller druggists, who could not fulfill the DA-requirements. From its very beginning, STIP had had a negative image among smaller DA druggists, which made it difficult to attract them. The new DA management team in the early nineties wanted to ‘reanimate’ the STIP system in order to make it a more attractive alternative to smaller DA franchisees. STIP’s reanimation consisted of the adaptation of its positioning, rate of innovation and an increasing degree of hardness.

- SCT4 (STIP system): ‘STIP’s integration and renegotiation’. The new management of the DA and STIP system, which started in 2002, wanted to integrate the STIP system with the DA system. The STIP system had never succeeded in attaining the growth objectives of the former management, and therefore the new management considered it too expensive to maintain it as a separate system. It wanted to integrate the STIP druggists into the DA system with the new image (positioning and rate of innovation). This also meant that the former STIP franchisees had to sign the new contract (degree of hardness).
- SCT5 (ETOS system): ‘Two-front attack’. For a long time ETOS had operated as a drugstore discounter, but in the early nineties a new management team wanted to give the ETOS system a higher positioning in the market under the name of ‘ETOS Beauty Case’. With this goal in mind, management wanted to attract franchisees that were willing to support this higher positioning. However, the largest part of the ETOS-stores could not get used to this higher positioning, with the result that the ETOS system went to a middle positioning. Management regarded ETOS as ‘stuck-in-the-middle’ and considered a new way of competing: by offering luxury perfumes at very low prices. The ETOS franchisees that had been attracted during the Beauty Case period were not so happy with this development: they already had several luxury perfumes in their assortments and maintained good relations with their suppliers. Now, all of a sudden they had to adapt their positioning by offering these perfumes at lower prices.
- SCT6 (ETOS system): ‘Introduction of the Four Worlds format’. The Two-Front Attack turned out to be a success, but after the benefits of the two-front-attack had ebbed away, ETOS found itself in a stuck-in-the-middle situation. In 1998, a new management started who wanted to position the ETOS system slightly higher in the market. It also aimed at a higher rate of innovation. With this goal in mind, the ‘Four Worlds format’ was developed, which management wanted to have introduced by the end of 2006. This also meant that the ETOS system would become slightly harder.
- SCT7 (UED system): ‘Prospective acquisition’. The UED system was started in the early nineties, and it attracted several former DA franchisees who had exited the DA system as a response to SCT1. In 1997, the management of the Holding of the UED system’s franchisor Brocacef Drogisten BV decided to dispose of its drugstore subsidiary, and wanted to sell Brocacef Drogisten BV to UED’s largest competitor, namely the franchisor of the DA system. Several UED franchisees did not approve of this because they had just exited DA due to their dissatisfaction with its policy during SCT1. In sum, the acquisition meant that the UED franchisees would become part of the harder DA system with a lower positioning.
- SCT8 (UED system): ‘Some hardening’. Eventually, due to the intervention of the Netherlands Competition Authority, the acquisition of Brocacef by Dynadro was canceled and UED continued as a separate drugstore system. In 2002 management wanted to introduce some changes in the UED system. It had always been a very soft system, and management believed that in order to survive it was necessary to make it slightly harder.

B. The selection of specific franchise relationships during the SCTs

Regarding each SCT, I studied how franchisees reacted to its introduction by the franchisor, the responses the franchisor adopted in return and the reasons why both partners adopted these responses. This idea is illustrated in Fig. 4.4.

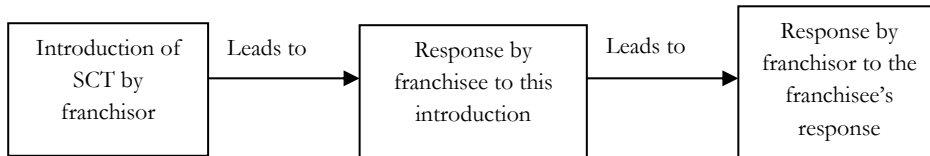


Fig. 4.4 The way responses have been studied in this study

In reaction to an SCT, franchisees could adopt various responses, and franchisors could adopt responses in return. Chapter 3 has already discussed these responses: considerate voice, loyalty, neglect, aggressive voice, and exit (see also Fig. 3.2). Regarding each SCT, managers of the franchisor's organization were asked to estimate how their franchisees were divided over these five types of responses in reaction to its introduction. Additionally, for each response each manager was asked to give a number of names of franchisees. As regards each SCT, the aim was to collect two franchisees per response. However, this turned out differently for the following reasons:

- It appeared that during some SCTs there were no or hardly any responses belonging to one of the categories mentioned. One example is the ETOS system during SCT5 where there were no franchisees who adopted exit.
- It appeared to be problematic for the representatives of the franchisor's organizations (managers) to recall the names of franchisees who had adopted certain responses during the past SCTs. They mostly remembered franchisees adopting considerate voice because these often were the ones who had been involved in the 'Franchise Boards' at the time, and had maintained close relations with management. Additionally, with respect to the other active responses (aggressive voice and exit) the managers were capable of providing names relatively easily, but as far as the passive responses were concerned this was more difficult. This was only a problem with the past SCTs; with the contemporary SCTs managers could easily mention several names. In some cases, the manager gave a misrepresentation of a particular response adopted by a franchisee. For example in one case, management was under the impression that a certain franchisee was loyal, while in fact his response was neglect. Therefore, this made it even more difficult to realize a certain distribution of responses.
- It appeared that franchisee responses were not static at all, which strengthened the notion of the contribution of the current study. Through time several franchisees had switched from one response to another, which made it nonetheless possible to analyze these responses. An example is SCT1, during which no franchisees were interviewed who had initially adopted exit. However, because several franchisees adopted exit in a later phase of SCT1, I was still able to study their motivations for this type of response.

The initial aim was to interview 80 franchisees in the third phase: two franchisees for each of the five response types during each of the eight SCTs (two times five times eight, see

Fig. 4.3). This way of selecting franchisees increased the external validity of the research, because the whole range of responses of franchisees was taken into account, rather than, for example, only exit or considerate voice. Appendix 4 (see Phase 3) presents an overview of the actual number of respondents within each franchise system and SCT. During the selection of franchisees, I monitored whether the overall picture would not become too one-sided (i.e. focusing on certain types of responses), but it was impossible to realize the initial aim of two franchisees per each response.

The franchisees were contacted and asked whether they were willing to participate in the study by means of a structured interview with open-ended questions, which would be held in their stores. The interviews took about 75 minutes (see Appendix 5: Questionnaire Phase 3 for franchisees). The franchisees were asked about their perceptions of their franchise relationships during the SCT over time regarding the different factors of strategic and operational compatibility, the attractiveness of alternatives and switching costs, and the responses they adopted.

In order to gain insight into the franchisor's perspective, with respect to each SCT several (former) managers from the franchisor's organization were interviewed (see Appendix 6: Questionnaire Phase 3 for franchisors). The managers of the franchisor's organization were asked about their motives for introducing the particular SCT, their way of introducing it to the franchisees and the (desired) development in the franchise system characteristics during the SCT. As indicated, they were also asked to estimate how the franchisees were divided over the response types and to provide names of franchisees regarding each response type (if possible). The managers were also asked about the responses the franchisor adopted toward these franchisees in return, and the role of the variables of strategic and operational compatibility, the attractiveness of alternatives and switching costs.

4.3.5 Issues of data analysis and conclusion drawing

Due to the nature of the data and the lack of guidelines and procedures for analyzing them analysis is a more difficult issue in connection with qualitative data than it is with respect to quantitative data. This lack is a serious problem of qualitative research because it leads to a higher risk of unreliable and invalid conclusions. As mentioned in section 4.2, not so long ago qualitative research was still considered as a research approach lacking precision, objectivity and rigor. However, in recent years, researchers have increasingly developed effective approaches to analyzing qualitative data.

Miles and Huberman (1994) observe three concurrent flows of activity during qualitative data analysis: data reduction, data display and conclusion drawing/verification. *Data reduction* refers to the selection, simplification, focus, abstraction and transformation of data. Some data reduction was already conducted in an early phase of this study by developing specific research questions, a research model, and a detailed research design. *Data display* refers to organizing the data in a way that permits conclusion drawing. As will be pointed out, several data displays have been used to present the data in a more comprehensive way. *Conclusion drawing/verification* is deciding on 'what things mean', for example by noting down regularities, patterns, explanations or possible configurations, and verifying them. According to Miles and Huberman, verification can vary from briefly addressing the field notes to a thorough and elaborate review among colleagues, or efforts to replicate findings in another data set. In this study, an elaborate review among colleagues has been carried out by means of discussions with the supervisors as well as presentations

to colleagues. More importantly, however, the study consists of multiple case studies, so the results of one case could be verified with the results of the other.

Another author who has contributed to the development of procedures in the area of qualitative data analysis is Langley (1999). She distinguishes seven generic approaches, (which she calls 'sense making strategies') for obtaining theoretical insights into complex and dynamic phenomena on the basis of process data. These are generic approaches rather than step-by-step procedures; they are not exhaustive and can be combined in several ways. This is also the reason why Langley's approaches have served as a source of inspiration in this study. The approaches are:

- The 'narrative strategy', which refers to the construction of a detailed story from the raw data. To many researchers this is a preliminary step toward further analysis, while to others it can serve as the main product of the research. It helps provide understanding of a real setting in all its richness and complexity; what happened when, how and why? Such narratives form an important element in this thesis' case study chapters (Chapters 5 to 8). In each case chapter, sections 2 up to and including 6 describe how the franchise partners generally perceived the independent variables during the SCTs, why they perceived them in that way and how this influenced their responses toward each other. Individual franchise relationships are embedded in a franchise system that consists of multiple franchise relationships between the franchisor and the franchisees. Therefore, in order to gain insight into how an individual franchise relationship developed during a particular SCT, it was considered important to understand the general developments within the franchise system.
- 'Grounded theory'. According to Langley, to many scholars the term 'grounded theory' stands for any kind of inductive reasoning. Langley argues that grounded theory 'by the book' concerns a series of highly structured steps involving systematic comparisons of small units ('incidents') of data and the gradual construction of a system of 'categories' that describes the phenomenon being observed. Such an approach requires a large number of incidents that are richly described. I have not used this approach because the material available to me did not contain such a large number of incidents.
- 'Temporal bracketing', which refers to the decomposition of temporal processes in certain 'periods'. These periods display a certain continuity in activities and certain discontinuities at their frontiers. Within these periods the processes are relatively stable or they are evolving linearly. Studying different periods makes it possible to examine how actions during one period lead to changes in another and subsequent periods. I have not used this approach because clear temporal breakpoints are required to define such periods.
- 'Visual mapping'. The graphical representation is an attractive tool for the analysis of process data because it allows the simultaneous representation of a large quantity of data, and can easily be used to show precedence, parallel processes and the passage of time. A graph is a summary of what took place in a certain situation. It is an intermediary step between the raw data and a more abstract conceptualization. The case study chapters present the developments in the franchise system characteristics over time by means of timelines and Figures depicting the developments in the responses. As pointed out, these help

understand the general developments in each franchise system and put individual franchise relationships into perspective.

- ‘Synthetic strategy’. By means of this type of approach, researchers consider the process as a whole as the basis of their analysis, while attempting to construct variables from the detailed event data. The stories that are used to describe the processes are then translated into variables with which they can be analyzed, for example, types of information used or the type of conflict-resolution used. These variables can then be applied to compare the processes and to identify regularities in them. In order to apply a synthetic strategy a certain number of processes is required to identify convincing regularities. Therefore, this approach has not been used here.
- ‘Alternate templates strategy’. By means of this approach, the researcher makes alternative interpretations of the same series of events. Different ‘theoretical templates’ are used to see which one provides the most satisfactory explanation. However, one important flaw is that this approach does not take into account how the various theoretical perspectives can be combined, which is necessary because multiple perspectives contribute to the explanation of phenomena. In this study, I have first combined several theoretical perspectives into one research model (Chapter 3). This model has been used as one ‘template’ rather than several different ‘theoretical templates’. I have analyzed which variables of this model were ‘determining variables’ in certain situations and why.
- ‘Quantification’. According to this approach researchers start with acquiring in-depth process data after which they systematically list and code certain ‘incidents’, such as ideas, transactions, contexts or results, to acquire a more systematic analysis. Eventually, this will lead to several quantitative time series that can be analyzed by applying statistical methods. I have not used quantification in the way Langley refers to it, but I have quantified the franchise partners’ perceptions of the independent variables, resulting in a more systematic comparison of those perceptions.

Langley argues that different approaches tend to produce different forms of theory with different strengths and weaknesses in terms of accuracy, simplicity and generality. Accuracy refers to the degree to which the resulting theory is in line with the original data. Generality refers to the potential range of situations to which the theory may be applicable; so far I have used the term ‘external validity’. Simplicity concerns the number of variables and relationships in a theory. Since each approach means a trade-off between accuracy, generality and simplicity (see Table 4.3), I have used multiple approaches in the analysis.

Strategic Interactions in Franchise Relationships




'Sensemaking Strategies'	Accuracy	Simplicity	Generality (external validity)
Narrative Grounded theory Temporal bracketing Visual mapping Synthetic strategy Alternate templates ¹⁸ Quantification Computer simulation ¹⁹	High  Low	Low  High	Low  High

Table 4.3: 'Sensemaking strategies' and accuracy, simplicity and generality (based on Langley, 1999, p. 706)

Regarding each SCT the following five steps were taken:

- Step 1) Development of narratives and timelines
- Step 2) Construction of Table Type 1: Data per franchisee per SCT
- Step 3) Construction of Figures depicting the distribution of scores per response per SCT
- Step 4) Construction of Table Type 2: Summary of data per SCT
- Step 5) Construction of Figures depicting the response switches

Step 1 in the analysis was mainly focused on representing the general developments in the franchise systems. The later steps (steps 2 to 5) aimed at a deeper understanding of the franchise partners' responses in the individual franchise relationships during the SCTs. This was achieved by the development of several data displays. Note that these displays all focused on specific SCTs; for each SCT identical data displays were constructed. The different degrees of aggregation were depicted by the tables: Table Type1 provided the highest level of detail, while Table Type 2 aggregated the data of each response type. The use of different Tables made it possible to switch between the different levels of aggregation, which increased my insight into how franchise partners responded to each other during the SCTs and why.

Step 1) Development of narratives and timelines

As pointed out, narratives have been used for description and as a preliminary step toward analysis. This study's narratives concern descriptions of the developments during the SCTs from both franchise partners' perspectives, so individual franchise relationships can be put into perspective more effectively. Additionally, with respect to each franchise system timelines have been developed depicting the development of the franchise system characteristics over time. Fig. 4.5 presents the standard time line that has been used. In the

¹⁸ This approach was discussed in the text, but not presented in Langley's Table, which is why I have inserted it myself.

¹⁹ Langley argues that computer simulation is an approach that can also contribute to the understanding of processes, and adds it to her overview of sensemaking strategies and their influences on accuracy, simplicity and generality of the results.

context of this study this was a very attractive strategy because it facilitated the presentation of the development in the franchise system characteristics and that of strategic compatibility as perceived by the franchisor and the majority of franchisees. The timelines helped to sketch the context in which the SCTs and the individual franchise relationships took place. They dealt more with the surface structure of the changes than with the underlying forces driving them; in other words, they did not provide insight into the individual franchise relationships, which was done in section 7 of the case study chapters.

In the construction of the timelines, the franchise system characteristics were placed on a five-points scale, for example, positioning was depicted as ‘very high’ versus ‘very low’, and degree of hardness as ‘very soft’ versus ‘very hard’. Several indicators were used to determine the scores on these system characteristics, which have already been discussed in Chapter 3 (see Appendix 2). For example, regarding positioning in the market, the following indicators were used: assortment, price level, service level, store appearance, and promotion activities. For some of the indicators, sub-indicators were used. For example, assortment was divided in: importance of high margin product groups, breadth of assortment in terms of drugstore-related and non-drugstore-related products, and depth of assortment. Additionally, the importance of these indicators and sub-indicators has been weighted from 1 up to and including 5 based on the information provided by the exploratory interviews and the literature. For example, from the preliminary study I learned that the number of brochures and obligatory products influenced to an important extent the franchise system’s degree of hardness as perceived by the druggists. That is why these have been weighted as 5. For each system characteristic three timelines have been constructed: the score on the franchise system characteristic as desired by the franchisor, the score as desired by the majority of franchisees, and what actually happened. In some cases, for different groups of franchisees within a system different timelines have been drawn because the scores they pursued differed to such an extent that it would have been invalid to represent them as one group.

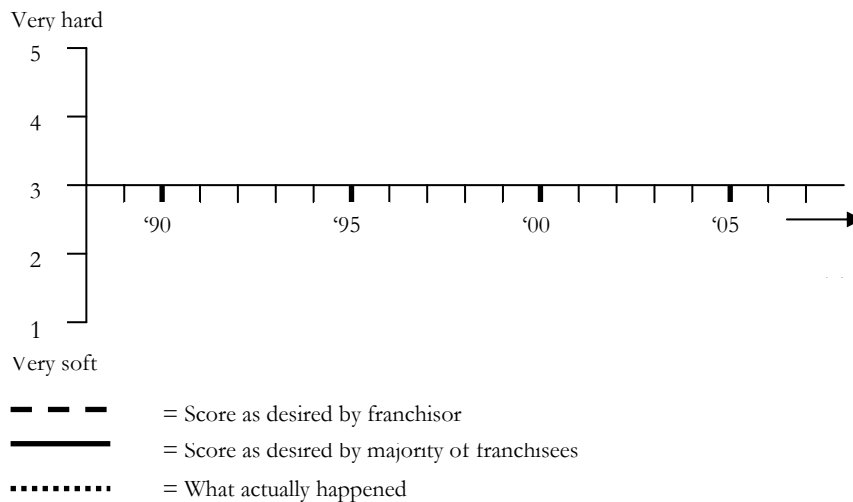


Fig. 4.5 The standard time line as developed for each franchise system characteristic (for example, the degree of hardness: very hard versus very soft)

Strategic Interactions in Franchise Relationships

For the construction of the time lines and the narratives various data sources (‘data triangulation’) were used. The most important sources were the interviews with the franchisees and managers from the franchisor’s organization. Additional sources were franchise contracts, format handbooks, year reports, specialist magazines, and information provided by the franchisor to the franchisee, such as internal newsletters. The interviews with the franchisees and the managers were all typed out and inserted in ATLAS, a software program for qualitative data analysis. This program makes it possible to attach codes to text fragments, whereby they can easily be retrieved in a later stage. I have used the ATLAS program only for easy data retrieval, and not during the actual analysis.

Step 2) Construction of Table Type1: Data per franchisee per SCT (Appendix 7)

Appendix 7 presents Table Type1 that has been used to depict the data on all franchisees interviewed during each SCT. The franchisees have been categorized on the basis of their initial responses to the SCT, varying from covo, loy, negl, agvo to exit²⁰. In each cell the franchisee’s perception of each independent variable has been textually described and a particular score is attached to each independent variable at the introduction of the SCT. The scores vary from 1(=very low) to 5 (=very high). Additionally, the franchisor’s response and motives have been described, leaving room for additional comments by the researcher. Table 4.2 presents the possible scores of the variables. A franchisee’s perception of strategic compatibility regarding a certain franchise system characteristic has been measured by the difference between the score on this characteristic as desired by the franchisee and how it is actually experienced by this franchisee. One example is that franchisee X assigns a score of 2- to SC hard. This means that franchisee X perceives the strategic compatibility regarding hardness as low (indicated by 2) and prefers the degree of hardness to be lower (indicated by -). For an explanation of the abbreviations I refer to Appendix 11.

Independent variables	Scores
SC pos SC hard SC innov SC org	Degree of strategic compatibility: 1= very low, 2=low, 3=medium, 4=high, 5=very high Direction of SC: + to indicate a higher desired score - to indicate a lower desired score
SC growth	Dummy variable: N= no problems with growth objectives P= problems with growth objectives
OC capa OC profit OC trust/fd	Degree of operational compatibility: 1= very low, 2=low, 3=medium, 4=high, 5=very high
Attalt	1= very low, 2=low, 3=medium, 4=high, 5=very high
Swico	1= very low, 2=low, 3=medium, 4=high, 5=very high

Table 4.4: Possible scores of the independent variables during the analysis

²⁰ During the case studies it appeared that one response type should be added (‘amloy’), which was also used in the categorization in the case studies.

Step 3) Construction of the figures depicting the distribution of scores per response per SCT (Appendix 8)

To gain insight into how the different scores were distributed among the franchisees who adopted an identical response in reaction to the introduction of a particular SCT, they have been summarized in a figure representing each response type and SCT.

Step 4) Construction of Table Type 2: Summary of data per SCT (Appendix 9)

Table Type 2 aggregates the individual scores by taking the modes of the scores assigned by the franchisees per response type and per independent variable in each SCT. The table is presented in section 7 of each case study chapter, and analyzes the relationships between independent variables and responses. The data displays of Appendices 7 and 8 are not presented in the case study chapters, but they were highly valuable in the process of analysis and conclusion drawing.

In the sections 7, the ‘determining variables’ of both franchise partners are discussed²¹. These are independent variables, which the franchise partners considered as important and which they took into account when adopting a certain response. The determining variables have been specified as follows:

- By checking which independent variables were pointed out as important by the respondents in the interviews.
- By checking the reasons that respondents gave for adopting a certain response. These reasons could often be translated into one or more of the independent variables.
- By checking the respondents’ perceptions of the independent variables (in Table type 2). For example, the fact that a franchisee rated certain variables of strategic and operational compatibility as low, and did not adopt an (active) response lead to the conclusion that these variables were not considered as determining variables by this respondent; otherwise he would have decided to undertake action. The same applies to the attractiveness of alternatives; in case a respondent perceived certain alternatives as highly attractive, but did not adopt an active response, this indicates that the attractiveness of alternatives was not regarded as a determining variable. If a respondent perceived switching costs as low, but did not adopt an active response, this again indicates that switching costs were not considered as determining variables.

Step 5) Construction of the Figure depicting response switches

Already in an early stage of the research process it became clear that it is important to consider the SCTs as ongoing co-evolutionary processes rather than as separate events. It appeared that responses were not static. The responses of franchise partners (especially those of franchisees) in reaction to the SCTs were inclined to change over time (‘response switches’). To fully understand the developments of the relationships and why franchise partners adopted certain responses, it was important to take into account these response switches. For example, before finally adopting an exit-response there were several

²¹ During the case studies it appeared that many variables were ‘determining’. As will be explained in Chapter 9, this was caused by the fact that several variables were related to each other. Of all these ‘determining variables’ two variables turned out to be highly determining.

franchisees who had already adopted various preceding responses. To gain insight into why a franchisee exited at a certain point in time, it was important to understand his preceding responses. Section 7 of each case study chapter presents a Figure that illustrates per SCT how franchisees switched between responses in reaction to this particular SCT. Additionally, the franchisor's responses will be discussed to clarify the interactions between the franchisor and the individual franchisees over time.

Types of conclusions

The concluding sections of the case study chapters (section 8) aim at synthesizing and providing the answers to the following main question: 'What responses did both franchise partners adopt toward each other during the SCTs, and why did they adopt these responses?'

Conclusions have been drawn on different levels, which were all relevant to the understanding of both franchise partners' responses toward each other. The following three types of conclusions have been reached:

- 1) Type 1 conclusions: conclusions about the content of the independent variables of the research model, which consists of two elements. First, conclusions about the partners' *perceptions* of the independent variables. Second, conclusions resulting from the refinement of the variable indicators. The independent variables were assumed to consist of several indicators (see Appendix 2). Some results show that these indicators could be refined or adapted, or that their relevance differed. These insights will be presented as type 1 conclusions. In sum, they help to explain the franchise partners' perceptions of the independent variables.
- 2) Type 2 conclusions: conclusions about the relations between the independent variables and the responses (as dependent variables). Actually, this was the initial focus of this study and concerns the relations between the independent variables and the dependent variable of the research model. In other words, how did SC pos, SC hard, SC innov, SC org, SC growth, OC capa, OC profit, OC trust/fd, the attractiveness of alternatives and switching costs influence the franchise partners' responses? To understand both franchise partners' responses, those particular variables have been dealt with that were considered important at the time ('determining variables').
- 3) Type 3 conclusions: conclusions about the background variables. 'Background variables' are variables that indirectly influence the partners' perceptions of the independent variables (*indirect influences*) and/or have a moderating effect on the relationship between the independent variables and the dependent variable (*moderating influences*). Background variables have an indirect influence because they indirectly affect the franchise partners' perceptions of the independent variables. The moderating influences are reflected by the fact that certain background variables cause franchise partners to consider some independent variables more important than others in their decision to adopt a response.

4.4 Presentation of the case studies

Each chapter discusses one system: Chapter 5 discusses DA, Chapter 6 focuses on STIP, Chapter 7 deals with ETOS, and Chapter 8 concerns UED. Each chapter has the same structure:

- Section 1 starts with a historical sketch of the system and an introduction to its SCTs.
- Sections 2 up to and including 5 discuss the developments and both franchise partners' perceptions of the independent variables during both SCTs.
- Section 6 describes the franchise partners' responses in general during both SCTs.
- Section 7 provides analyses of the individual franchise relationships by linking the independent variables to the responses (as dependent variables).
- Finally, section 8 presents the conclusions about both SCTs by discussing the three types according to the aforementioned categorization.

Two notes concerning the case study chapters:

- 1) Some respondents (both franchisors and franchisees) in this study did not use the term 'franchising' to refer to their activities. To many druggists the term 'franchising' had a negative connotation; in their view becoming a franchisee means that one is no longer an independent business owner. However, this is an issue of definition and in the case study chapters I use the terms franchising, franchisor and franchisees.
- 2) I refer to individual franchisees in the male form, while I have also interviewed several female franchisees. To guarantee anonymity, I refer to every franchisee in the he-form.

