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Entrepreneurial process in international multiunit franchise outlets:

A social capital perspective

Abstract

This paper examines how social capital facilitates entrepreneurial process in international multiunit franchise outlets, operating under an area development agreement. Despite empirical evidence showing that international multiunit franchisees pursue entrepreneurial objectives, there is shortage of knowledge as to how these occur. This study reveals that micro-level entrepreneurial process in international multiunit franchise outlets (operating under an area development agreement) is bounded within structural, relational and cognitive dynamics. Structural dynamics involve diverse forms of interactions (i.e. horizontal, bottom-up, portfolio, franchisor-franchisee and franchisee peer) and their structural properties (i.e. strong, weak, appropriable, hierarchical and bridging ties), which determine the resources to be mobilized and the activities to be actuated at different phases of the entrepreneurial process. Relational and cognitive dynamics involve interpersonal and collective conditions (i.e. obligations, shared stories, trust and norms), which facilitate or constrain interactions and the entrepreneurial process. The study provides implications for incorporating sociological perspectives in franchisee entrepreneurship research.

Keywords: Entrepreneurial process; social capital; franchisee entrepreneurship; international multiunit franchising.

1. Introduction

Franchisee entrepreneurship, which involves studies on franchisee entrepreneurial behaviors and activities, is an emerging subfield within the domain of franchising research. A growing number of studies provide evidence suggesting that franchisee entrepreneurship is an important contributor to the growth and performance of franchise systems (e.g. Dada & Watson, 2013a; Dada & Watson, 2013b; Dada, Watson, & Kirby, 2012; Watson et al., 2020a). Franchisees are involved in the recognition of opportunities that might be significant for creating innovations in franchise systems, accommodating local demands, and providing solutions to the franchise system's operational problems (Bürkle & Posselt, 2008; Dada et al., 2012; López-Bayón & López-Fernández, 2016; Watson, Senyard, & Dada, 2020b).

Substantial debate, however, persists as to how the franchisee can be entrepreneurial within the franchise system because entrepreneurial behaviors and activities conflict with the standardization requirements on which the franchise system is built (see e.g. Dada et al., 2012; Dada, 2018; Ketchen, Short, & Combs, 2011; Seawright et al., 2013). Due to the uniform and highly constrained context, the potential for entrepreneurship is often viewed as illegitimate within franchise firms (Clarkin & Rosa, 2005), such that the "role of the franchisee would seem to be reduced to simply executing standardized practices and procedures set out for them by their franchisors" (Watson & Dada, 2017, p. 18). Despite the lack of consensus on whether or not franchisees can be entrepreneurial, the idea that franchisees' entrepreneurial capabilities may contribute to franchise system success is relatively uncontested (Evanschitzky, Caemmerer, & Backhaus, 2016). However, the routes through which franchisees' entrepreneurial ideas manifest and materialize into exploited opportunities, to create new value within franchise systems, are under-researched.

This study focuses specifically on multiunit franchisees. Unlike single-unit franchising, where franchisees develop and own one outlet, it has been suggested that franchisees who develop and own multiple outlets, through multiunit franchising, behave entrepreneurially because of their growth ambitions as well as their manner of developing and managing multiple sites (Ketchen et al., 2011). As noted by Kaufmann & Dant (1999), multiunit franchisees can be considered as entrepreneurs because of their ability to aggressively promote their right to innovate in the creation of their mini-chains. The rapid growth of the franchising model can be linked to an increasing use of multiunit franchising (Boulay et al., 2016), in both domestic (Grünhagen & Mittelstaedt, 2005) and international markets (Garg & Rasheed, 2003). The present study examines multiunit franchising in the international context, where franchisees in a foreign country are given the right to establish multiple franchise outlets in their local markets (Garg & Rasheed, 2003). Internationally, multiunit franchising is favoured as an expansion strategy (Hussain, Sreckovic, & Windsperger, 2018) as it shifts the responsibility and monitoring burden to multiunit franchisees and reduces the franchisor's costs (Jindal, 2011).

Multiunit franchising enables franchisees to grow by opening additional outlets, either one outlet at a time (sequential expansion), or multiple outlets at inception (Kacker et al., 2016; Kaufmann & Dant, 1996; Mignonac et al., 2015). The latter form of franchising expansion is usually bound by area development agreements (Kaufmann & Dant, 1996), where franchisors provide a defined territory to franchisees, in which they can develop multiple outlets (Alon & Wang, 2012). The present study focuses on area development multiunit franchisees, within international franchising (Garg & Rasheed, 2003). Area development multiunit franchising alongside master franchising, are the two major forms of international franchising, in which franchisees are usually large-size corporate entities (Clarkin & Rosa, 2005). Yet, area development agreements differ from master franchising in foreign markets, with the latter involving a collaborative relationship where franchisees act as franchisors in their countries and have the right to sub-franchise (Brookes & Roper, 2011; Paik & Choi, 2007).

Despite empirical evidence showing that international multiunit franchisees seek fulfilment of entrepreneurial goals (Grewal et al., 2011), there is shortage of knowledge as to how these occur. It is argued here that since franchising promotes conformity in franchisee operations, an adoption of a social perspective (see e.g. Chell, 2007; Fletcher, 2006) which extends beyond the contractual boundaries of franchising, would be particularly useful in understanding how entrepreneurship unfolds in the international franchisee context. With this realization, we draw on a process view of entrepreneurship (Moroz & Hindle, 2012), given that it focuses on social interactions and collaborative behaviors (Downing, 2005), across a series of activities (Shepherd & Patzelt, 2017), which lead to the exploitation of new opportunities (Shane & Venkataraman, 2000).

In framing our social approach, we draw on social capital theory (Coleman, 1988). Social capital is particularly suited for understanding social interactions (Anderson, Park, & Jack, 2007), resource exchange (Bhagavatula et al., 2010; Nahapiet & Ghoshal, 1998), collaborative behaviors (McKeever, Anderson, & Jack, 2014; Westlund & Bolton, 2003), and processes (Anderson & Jack, 2002; Li et al., 2014) in entrepreneurship. Social capital refers to the resources that become available to people through social ties (Coleman, 1988) and encompasses structural, relational and cognitive considerations (Nahapiet & Ghoshal, 1998). Resources, through social connections, are crucial for the entrepreneurial process to succeed (Semrau & Werner, 2014). Entrepreneurs draw on social ties within and outside their organizations (Cuevas-Rodríguez, Cabello-Medina, & Carmona-Lavado, 2014) to access valuable entrepreneurial resources, such as know-how (Yli-Renko, Autio, & Sapienza, 2001), ideas and opportunities (Bhagavatula et al., 2010), contacts with suppliers and customers (Ulhøi, 2005), human capital (Bhagavatula et al., 2010; Nahapiet & Ghoshal, 1998) and financial capital (Ulhøi, 2005). By means of an abductive analysis, this paper therefore aims to develop a social understanding of the entrepreneurial process of international multiunit franchisees, operating under an area development agreement. Our study addresses the following research question: *How does social capital facilitate entrepreneurial process in international multiunit franchise outlets, operating under an area development agreement?*

This paper provides various theoretical contributions to the literature. First, it introduces a novel way of studying franchisee entrepreneurship, an approach that is socially enacted. This contrasts with the formal construction of the franchise relationship, in which "the individual roles and responsibilities of the parties to a franchise are explicitly defined in detailed disclosure and contractual documents" (Clarkin & Rosa, 2005, p. 305). Hence, this study addresses an important weakness of prior research that has "examined relationships between franchisors and franchisees without considering the *social context* of the dyad" (El Akremi, Mignonac, & Perrigot, 2011, p. 931). Second, it derives an empirically-based conceptualization that expands the emerging concept of franchisee entrepreneurship. Additionally, the paper contributes empirically to: (1) the literature on multiunit franchising by explaining micro-perspectives in entrepreneurship that are not well known. Relative to the general franchise literature, research on multiunit franchising has been less developed, with most research studying its antecedents (Boulay et al., 2016, 2020), (2) the literature on international franchising by providing new knowledge on how area development multiunit franchisees can act entrepreneurially, (3) the field of entrepreneurship, which lacks sufficient insights on entrepreneurial process within franchisee organizations, and (4) new knowledge in the field of entrepreneurship with regards to the composition of entrepreneurial actors in the franchisee context.

In the next section, we review relevant prior literatures on international franchising and franchisee entrepreneurship. Then, the methodology adopted in this study is explained. This is followed by the presentation of the findings and development of propositions. In the penultimate section, the research and practitioner implications of the study, as well as the limitations and future research directions, are discussed. The concluding remarks are presented in the final section.

2. International Franchising and Franchisee Entrepreneurship

The growth of the franchise sector has become ubiquitous over the years. The World Franchise Council suggests that there are more than 40,000 franchise systems worldwide, comprising more than 3 million outlets, and providing employment to more than 21 million people (Hoy et al., 2017). The significance of franchising is also apparent from a public policy perspective, as it is a net net-foreign exchange earner (Dant et al., 2011). Franchising now represents a crucial organizational form, a means of international strategy, and a significant field of research (Evanschitzky et al., 2016; Grewal et al., 2011; Kidwell et al., 2007). The franchise model is a popular mode of foreign market entry in various sectors (Grewal et al., 2011; Rosado-Serrano et al., 2018), such as the retail industry, where many retailing companies use franchising to expand their business abroad (Dant et al., 2008; Doherty & Alexander, 2006).

Franchising "takes the form of a legal contract between the owner of a trademark (the franchisor) and independent business owners (franchisees) to operate under the owner's trademark to sell products or services in accordance with the owner's 'blueprint'" (Cox & Mason, 2009, p. 503). Although the franchisor and the franchisee operate individual businesses, they are both under the authority of a single brand, and they are bound together by the franchisor's system, standards and processes (Frazer & Grace, 2017). This governance structure creates challenges for franchisee entrepreneurship because of the franchisor's expectations of franchisee conformity, despite the franchisee's desire for autonomy (Dada, 2018; Dant & Gundlach, 1999; Hoy, 2008). As recipients of the system-specific knowledge created by franchisors, franchisees are expected to replicate this knowledge under local conditions (Gorovaia, 2017). Franchising therefore creates a complex entrepreneurial partnership between the franchisor and the franchisee (Davies et al., 2011; López-Bayón & López-Fernández, 2016).

However, a franchisor's international expansion increases the complexity of this partnership, since international franchisees will seek a higher level of autonomy to customize products and promotions to adapt to cultural tastes and foreign market idiosyncrasies (Pizanti & Lerner, 2003; Sashi & Karuppur, 2002). Paik & Choi (2007) highlight that due to the pressures for local adaptation, international franchisees will be more likely to desire autonomy compared to domestic franchisees. Consequently, the governance mechanisms, which are employed to coordinate and control the partnership with international franchisees may differ from the way domestic franchisees are governed (Paik & Choi, 2007). Past work indicates that franchisors may establish a looser relationship with international franchisees, allowing them to make a wide range of local decisions (Rosado-Serrano et al., 2018). Such arrangement may be more evident in the presence of overseas franchisees that manage multiple franchise units in a foreign market, either under a master franchising or an area development agreement (Rosado-Serrano et al., 2018). Master franchisees are contracted to act as franchisors in their countries and can sub-franchise the brand locally (Paik & Choi, 2007). Area development franchisees cannot sub-franchise the brand and maintain a wholly owned network of outlets locally (Alon, 2004). Since they control multiple units locally, master franchisees or area development franchisees can have greater bargaining power, which make them able to resist strategic changes by the franchisor (Paik & Choi, 2007). Studies illustrate that international franchisees that seek higher autonomy from the franchisor, may value uniformity at a local level to ensure standardization in the activities of their network of local franchisees (Hoffman & Preble, 1991).

The franchising literature largely relies on agency theory, which suggests the use of formal control mechanisms as a primary mode for governing the franchisor-franchisee relationship (Barthélemy, 2011; Lawrence et al., 2017). “An agency relationship exists whenever one party (the principal) delegates authority to another (the agent)” (Combs et al., 2004, p. 910). In franchising, the principal is often viewed as the franchisor, while the franchisee is often construed as an agent (see e.g. El Akremi et al., 2011). A key assumption of agency theory is that the interests of the agent diverge from those of the principal (Barthélemy, 2011). Agency theory thus promotes the franchisor’s use of coercive power to control franchisees (Doherty & Alexander, 2006; Quinn, 1999). The key source of coercive power is the franchise contract, where non-compliance with its terms could lead to punishment through sanctions and contract termination (Doherty & Alexander, 2006; Paik & Choi, 2007).

Under an agency view, the strict enforcement of the franchise contract becomes a core control mechanism in international franchising (Doherty and Quinn, 1999). Franchisors may choose to discontinue the franchising agreement abroad if international franchisees breech its terms (Frazer, 2001).

Prior studies indicate that the franchise contract can be used by the franchisor to control franchisee entrepreneurship (Dada, 2018). The need to control entrepreneurship in franchise outlets is understandable for various reasons. Franchisee deviation from the system's standard model, in pursuit of the franchisee's self-interest, can lead to trademark erosion and quality deterioration (Cox & Mason, 2007). Some franchisees adapt to their local contexts so much to the extent that they deviate from the franchisor's standardized know-how and even change the nature of the franchise concept (El Akremi et al., 2011). Therefore, since franchise relationships are primarily explicit and codified, they are conducive to formal controls over processes and results (El Akremi et al., 2011). The contract commits franchisees to pursue their operational and strategic goals by acting within the parameters stated by the franchisor (Davies et al., 2011). Yet, when expanding in new markets abroad, franchisors may permit deviation from the standard franchise contact to allow international franchisees to adapt to local market conditions (Cox & Mason, 2007).

Ex ante imperfect contracting, therefore, occurs in franchising because when designing the franchise contract, franchisors are unable to completely anticipate franchisee behavior and other events that may require changes in the business (Cochet & Garg, 2008). As highlighted by Dnes (1993), franchising is an example of relational contracting; the franchise contract consists not just of a formal written contract, but also an unwritten, implicit aspect that depends on the long-run value of the franchise relationship for its governance. As Dnes (1993) explains, relational contracting means that formal contracts are incomplete because of the infeasibility of full-contingency contracting; as such, they are interpreted with reference to the norms of an ongoing relationship as further information becomes available over time. Relational contracting creates the foundation for the development of shared, long-term relational norms and behaviors between partners (Rosado-Serrano et al., 2018). Establishing a franchise partnership involves a mutual and careful assessment between the franchisor and the franchisee to determine whether their partnership criteria are compatible (Rosado-Serrano et al., 2018). Studies suggest that relational contracting is employed in international franchising, particularly in the presence of multiunit franchisees with whom franchisors have more intense interactions and can establish trust (Solís-Rodríguez & González-Díaz, 2019). Through relational contracting, international multiunit franchisees, such as master or area development franchisees, can have room to make adaptations (Rosado-Serrano & Paul, 2018).

Since the franchise contract cannot cover all possible contingencies, entrepreneurial franchisees have great latitude in crafting strategies that match their preferences (Phan et al., 1996). Clarkin and Rosa (2005) found that franchisees identify opportunities and operational efficiencies that could not be met through compliance with the terms of the franchise agreement. In addition, Clarkin and Rosa (2005) documented an example of a franchisee who terminated the franchise agreement due to the franchisor's refusal to allow the franchisee to exploit entrepreneurial opportunities. These suggest that imposing constraints on franchise outlets' operations increases the risk of disappointing the franchisee's aspirations for entrepreneurial behavior (Cochet et al., 2008).

Prior studies suggest that franchisee innovations within their local markets can, in fact, benefit the franchise organization through system-wide adaptations (Bradach, 1997; Darr et al., 1995). Thus, studying franchising purely from the perspective of agency theory may not be sufficient in understanding franchisee autonomy, especially in an international context (Paik & Choi, 2007). In other words, it is important to supplement the agency perspective in order to enhance knowledge of franchise relations from an entrepreneurship context. With agency theory centred on the contractual franchisor-franchisee relationship, it is not surprising that it has been criticized for offering an under-socialized perspective of franchising (Barthélemy, 2011). In general, the social context of the franchisor-franchisee relationship is often ignored in franchise research, as studies on franchising have largely focused on the modes of monitoring and control inspired by agency theory (El Akremi et al., 2011). Yet, the social relationship between the franchisor and the franchisee is important for franchisee development (Seawright et al., 2013).

Meek et al. (2011) argue that social theories provide a relevant framework for studying entrepreneurial relationships and interactions in the franchising context. This supports Barthélemy's (2011) positioning of a social theoretical perspective as crucial in explaining franchising decisions. Cochet et al. (2008) also argue that relational norms, a facet of social interactions, are important for the franchise relationship, as relational governance can address agency problems that result from franchisee entrepreneurial autonomy. The foregoing suggests that in order to understand franchisees' entrepreneurial process there is a need to delve beyond agency theory, by adopting a social perspective which can unveil the non-contractual (informal) and social dynamics in franchisee behaviors and activities, without ignoring the influences exerted by the contractual (formal) franchising structures. A social perspective becomes particularly meaningful within an international context where franchisors are likely to have repeated interactions with multiunit franchisees (Rosado-Serrano & Paul, 2018; Solís-Rodríguez & González-Díaz, 2019) and trust-based relationships may be important in allowing the latter to act entrepreneurially in the local market.

Prior research indicates that, without over-privileging agency, a social capital perspective focuses on individuals and their network relationships (Adler & Kwon, 2002). It has been argued that entrepreneurship is a collaborative social achievement, bound to a process, where the interactions between entrepreneurs play a critical role (Downing, 2005). Social capital theory has been employed in the past to understand the entrepreneurial process (Anderson et al., 2007; Lin et al., 2006). Indeed, social capital is about pluralism in entrepreneurship research, as it provides knowledge about interactions and collaborative behaviors (Anderson et al., 2007; McKeever et al., 2014), access and mobilization of entrepreneurial resources (Bauernschuster et al., 2010; Lin et al., 2006), and processes leading to entrepreneurial outcomes (Anderson & Jack, 2002). Social capital provides a theoretical framework to understand how entrepreneurs within organizations draw on their contacts in order to facilitate the entrepreneurial process (Semrau & Werner, 2014). It encompasses structural, relational and cognitive dimensions (Nahapiet & Ghoshal, 1998), which combine to maximize efficiencies in the exchange of critical resources between individuals, such as knowledge and information (Lee, 2009).

Structural social capital relates to the properties of the network (Lin, 1999; Nahapiet & Ghoshal, 1998). It examines the configuration of linkages between people or units to understand network size, density, strength and hierarchy of ties (Burt, 1992; Lee, 2009). In entrepreneurship, structural social capital highlights that entrepreneurs obtain strategic advantages by being the first in their network to forge or bridge ties with actors in other networks (Burt, 2002; Stam et al., 2014). Bridging social capital is characterized by weak ties and infrequent interaction between actors (Putnam, 2000), and produces benefits to the entrepreneur, such as access to entrepreneurial opportunities (Alvarez & Busenitz, 2001), foreign expansion (Sharma & Blomstermo, 2003) and new product development (Hansen, 1999). Weak ties are also important for the accumulation of complementary resources for new venture formation (Davidsson & Honig, 2003; Sullivan & Ford, 2014) and strategic renewal (Floyd and Wooldridge, 1999). These also involve the appropriability of ties, which is the extent to which social capital developed in one context can be transferred to another (Coleman, 1988).

Relational social capital is the quality of relationships within a network (Lee, 2009; Nahapiet & Ghoshal, 1998). It involves the presence of normative conditions such as trust, expectations, obligations and identification (Lee, 2009), which strengthen social ties between network actors (Levin & Cross, 2004) and enable cooperation (Hadjielias & Poutziouris, 2015). Trust has been widely researched in relation to entrepreneurial behavior in networks (Czakon & Czernek, 2016; Welter, 2012). While trust is important for forging new partnerships, studies highlight that trust between actors is needed for realizing joint entrepreneurial projects (Ulhøi, 2005), such as new product development (Bstieler, 2006).

Cognitive social capital refers to the shared meanings and understanding between network members (Bolino et al., 2002; Chang & Chuang, 2011). Previous work in the field of entrepreneurship highlights that shared values and meanings strengthen the purpose of entrepreneurial teams (Cruz, Hadjielias, & Howorth, 2017) and the propensity of entrepreneurs to engage in joint entrepreneurial initiatives (McKeever et al., 2014).

In view of the above studies, a social capital perspective is appropriate for understanding interactions and collaborative behaviors in international multiunit franchisees' entrepreneurial process. We particularly focus on area development multiunit franchisees who operate a network of wholly owned franchise outlets in a foreign market. Employing social capital in such a context will allow us to study how international (area development) multiunit franchisee actors interact within the franchise system, how they access and mobilize resources and what they do (behaviors and actions) in facilitating the entrepreneurial process. In spite of the indications that franchisees engage in entrepreneurship (see e.g. Kaufmann & Dant, 1999; Ketchen et al., 2011), the underlying theoretical perspective through which franchisees' entrepreneurial process manifest (in the midst of standardization) is under-researched. The present study therefore situates franchisee entrepreneurship in a social capital perspective, by addressing the following research question: *How does social capital facilitate entrepreneurial* *process in international multiunit franchise outlets, operating under an area development agreement?*

3. Methodology

A qualitative method was employed in this study because the research area – entrepreneurial process in international multiunit franchise outlets operating under an area development agreement – is underdeveloped. More specifically, a multiple case study design was used to theorize the foregoing emergent phenomenon (Creswell, 1998; Eisenhardt, 1989; Yin, 2013). "[C]arrying out intensive case studies of selected examples, incidents or decision-making processes is a useful method when the area of research is relatively less known" (Ghauri & Grønhaug, 2002, pp. 88-89).

3.1 Case Study Context

This study was conducted in an European country that is predominantly franchisee oriented and circled around the importation of franchises, as opposed to incubation of franchise systems.[1] The tradition of establishing top foreign franchise brands in the chosen country makes it an ideal context to examine entrepreneurial practices in franchise outlets. The selection of cases for this study was driven by purposeful sampling (Bryman & Bell, 2015; Patton, 1990). Selection criteria included a focus on franchisee companies that (1) have large size, and own a portfolio of successful franchise outlets in the chosen country under an area development agreement, (2) represent leading international brands, and (3) are in a single industry, but with diverse offerings.

Table 1 presents the profiles of the cases, which comprise four franchisee companies. The four cases are multiunit franchisees, where all the four franchisees signed an area

[1] To maintain the focus on theory-building, whilst protecting the anonymity of the case study organizations and respondents, this study has been anonymized at the country-level.

development (franchisee) agreement with their respective franchisors. Due to the small size of the country of study, area development agreements are the preferred option by their foreign franchisors to enter the country. Under these franchise agreements, the whole country of study is considered as an 'area'. This is not, however, the case with larger European countries where area development agreements usually cover smaller geographical territories, such as provinces or cities. For instance, the franchisor of Casual Dining Restaurants signs separate area development agreements for each city in Germany.

Bound by an area development agreement, the four cases can create additional outlets within specific restrictions set by the franchisor. For instance, Casual Dining Restaurants when signing their area development agreement, had to open at least one more outlet in their area within three years, while the Alpha Pizza franchisee had to create 3 new outlets within the same period. Further, Fast Food Burgers are currently restricted from opening additional outlets, since the franchisor believes that their 18 outlets offer sufficient coverage for the country.

Within the area development agreement, the franchisors have been exerting strong control on the creation of additional outlets by the four franchisees. To open a new outlet in their area (i.e. country), the franchisees must ask for approval from their franchisors, whilst providing appropriate justifications, such as market and feasibility studies, demographic reports, operational plans, and analyses proving that the creation of new outlets will not lead to brand cannibalization. In turn, franchisor managers will carry out on-site visits to investigate further, while they will consider factors related to past performance (franchisee competence), distance between outlets, and population size and dispersion. With the exception of Alpha Pizza, which had expanded by establishing two or more outlets at a time, the case-franchisees have been growing by drawing on a sequential process (i.e. one new outlet at a time).

With regards to their usage of area development multiunit franchising agreements, the franchisees are the only ones allowed to establish new outlets in the country of study under the franchise brand that they represent, and they are not allowed to sell franchise rights to external parties (i.e. they must not act as master franchisees). Due to the presence of high competition from other franchise brands, their franchisors exert high levels of control not just over the creation of new outlets but also on standardization requirements in the franchisees' operations, thereby limiting the franchisees' flexibility.

All the franchisee companies are in the food industry. The food industry (which includes fast food, restaurants and beverages) was selected because food franchising is dominant in the chosen country as it creates investment opportunities. "The restaurant franchise industry in general, and fast food franchising in particular, has been a prime target of academic franchise studies" (Grünhagen & Mittelstaedt, 2005: 212) and multiunit franchisees are prevalent in the fast food industry (Holmberg & Morgan, 2003). Pseudonyms are used for the franchisee companies chosen for this research: (1) Fast Food Burgers, (2) Casual Dining Restaurants, (3) Alpha Pizza, and (4) Mega Coffee-Shops.

Fast Food Burgers: This is the strongest fast food burger brand in the chosen country. The first franchise outlet opened in 1997, and has expanded to 18 outlets, with about 800 employees. Fast Food Burgers was the first franchise organization in the chosen country to introduce a number of innovations, including early breakfast hours, own-labelled coffee and delivery of fast food. The owner of Fast Food Burgers owns other sister companies, which are affiliated to the former. The sister companies comprise 5 franchise outlets from 1 different franchise chain (café and restaurant) operating under area development agreement, and 1 outlet of an independent business (restaurant).

Casual Dining Restaurants: This is the market leader in the chosen country's restaurant industry. The first franchise outlet was opened in 1996, and has increased to 7 outlets in all cities of the chosen country, with about 400 employees. It was the first organization in the country to introduce the following innovative concepts: fun themed restaurant, discounted dining, stylish burgers and a healthy foods range. The owners of Casual Dining Restaurants own other sister companies, which are affiliated to the former. The sister companies comprise 2 franchise outlets from 1 different franchise chain (restaurant) operating under area development agreement, and 2 independent businesses made up of 1 outlet each (café and restaurant).

Alpha Pizza: Alpha Pizza began operations in the chosen country in 1991, and was the first franchise restaurant chain in the country. It operates 35 outlets and employs around 1,000 people. The company features the most advanced call center in the country and an effective logistics system that connects all pizza restaurants of the company together, to satisfy customer delivery needs. Other innovative features introduced by Alpha Pizza include special discounted schemes, creative promotion, and unparalleled selection of pizza toppings. The owners of Alpha Pizza own other sister companies, which are affiliated to the former. The sister companies comprise 32 franchise outlets from 6 different franchise chains (fast food and restaurant) operating under area development agreement, 1 single unit franchise outlet from 1 different franchise chain (café and restaurant), and 2 independent businesses made up of 1 restaurant outlet and 1 catering business.

Mega Coffee-Shops: The first franchise outlet of Mega Coffee-Shops was opened in 2005. Mega Coffee-Shops have become the number one coffee outlet choice in the country, with a total of 17 franchise outlets. It was the first organization in the chosen country to introduce a number of innovations, including the first online, and delivery of, coffee service. The owner of Mega Coffee-Shops owns other sister companies, which are affiliated to the former. The sister companies comprise 8 franchise outlets from 1 different franchise chain (retail: fashion, home and food) operating under area development agreement, and 2 independent businesses made up of 1 food imports and distribution business and 1 chain of 10 bakeries.

INSERT TABLE 1 HERE

3.2 Data Collection

One multiunit franchisee organization was interviewed from each franchise network to enable comparative analysis of multiple case study evidence because there is only one multiunit franchisee per brand in the country, and the respective franchisors do not own any outlets in the country. The selection of interviewees was underpinned by a combination of purposeful and snowball sampling (Bryman & Bell, 2015; Patton, 1990). Initially, drawing on the strong network that one of the co-authors of this paper has with franchise outlets in the food industry within the chosen country, key individuals – i.e. owners and/or CEOs of the area development multiunit franchise outlets – were invited to participate in the case studies. These initial contacts acted as gatekeepers for gaining access to additional individuals within their companies that could provide relevant information. The number of interviewees within each case company was driven by the saturation principle (Eisenhardt, 1989), i.e. interviewing stopped when a saturated understanding of the phenomenon within each case had been obtained. This sampling approach led to the selection of franchise outlet owners, managers and officers at different hierarchical levels and in different units (see Table 2 for the profile of the interviewees).

INSERT TABLE 2 HERE

In-depth interviews were carried out with 23 interviewees, comprising between five to seven interviewees from each franchisee company. All the interviewees had influenced and/or participated in strategic developments in their outlets, and were able to provide knowledge on agreements reached with the franchisor in relation to their companies' entrepreneurial behaviors. Each interview lasted up to 1 hour and 30 minutes, and was conducted at the head offices of the area development multiunit franchisees. The full meanings conveyed during the interviews were captured using a digital audio recorder (Bogdewic, 1999) upon the interviewees' consent.

A semi-structured interview guide was used for the research (Bryman & Bell, 2015), encompassing a number of key overarching questions, and a checklist of topics to be covered under each question. While the interview guide was developed in English language, it was subsequently translated into the local, native language to ensure that the participants would fully comprehend the research issues (Doyle, 1991). A pilot testing of the interview guide took place before the actual interviews (Bryman & Bell, 2015). Post-pilot refinements led to the production of the final version of the interview guide, which was used for this study.

Franchise outlet observations were carried out over a ten-month period to elicit complementary data. These observations involved frequent visits (at least 3 per month) to the participating organizations. The focus was on following entrepreneurial developments in each firm and the constituent outlets, in order to understand relevant dynamics (e.g. key entrepreneurial actors, interactions, entrepreneurial opportunities, decision-making, relations with the franchisors, and obstacles/challenges in implementing new ideas). A field note diary was kept during the observation period. Additional sources of data were obtained from 8 websites and 8 Facebook pages of the participating companies (these include the corporate websites and Facebook pages of the franchisors). A total of 36 relevant organizational documents (e.g. business plans, company newsletters, staff bulletins, advertisement materials, press releases and press articles) were also used as data sources.

3.3 Data Analysis

To analyze the data, we employed abductive analysis, which is a qualitative data analysis approach, aimed at "generating novel theoretical insights that reframe empirical findings in contrast to existing theories" (Timmermans & Tavory, 2012: 174). In conducting the abductive analytical approach, we benefitted from the strengths of deductive methods by entering the field with a broad and deep theoretical foundation (that is based on the theory of social capital), which was coupled with the traditionally inductive technique of iterative analysis, following Manago et al.'s (2017) guidance. In accordance with Hahn and Ince (2016), and Lindblom-Ylänne et al. (2017), abductive analysis thus allowed us to undertake a recurring process of moving back and forth continually from the data, to the emerging conceptualizations, to the existing literature, in order to facilitate a social understanding of the franchisees' entrepreneurial process phenomenon in relation to previous studies.

The data was analyzed in two stages as follows. First, the collected data were transcribed verbatim in the local, native language and then translated to English, which was the language used for data analysis. This was done to ensure that the true meanings of the interviewees' experiences would be reflected in the texts to be analyzed (Lopez et al., 2008). Second, three coding methods – (1) open (conceptual), (2) axial (structural), and (3) selective (dimensional) – were used in the coding process to code the transcripts individually (Hahn & Ince, 2016). The coding methods were undertaken following the procedure in Hahn and Ince (2016): (1) in the open coding stage, we identified the general characteristics within the observed phenomena. After that, similar characteristics were grouped together. At the end of the open coding stage, we derived a very large amount of phenomena and concepts, which generally lacked structure; (2) in the axial coding stage, instances of similar phenomena and concepts (from the open coding stage) were linked together along a logical axis, leading to condensed categories, which were structured. The open and axial coding was continually enhanced by identifying nodes in areas that had previously been open coded and linking these to the characteristics in other codes; i.e. the open and axial coding was a continuous iterative process. This was achieved through repeated comparisons with the literature (Farny et al., 2018) on the theory of social capital; (3) in the selective coding stage, we closed any gaps within the categories derived (from the axial coding stage), by identifying core categories and relating them to each other, which led to generating core conceptualizations.

Throughout the analysis, we followed the abductive reasoning by navigating repeatedly between the data-driven codes and the theory (Micelotta et al., 2018) of social capital. In other words, interpretation of the data was done through the theoretical lens of social capital, enabling us to realize how franchisees socially enact their entrepreneurial process. Overall, abduction led us to discover that similar core conceptualizations were unfolding across the four cases, allowing us to link these instances effectively with the relevant theoretical concepts in the literature (Micelotta et al., 2018) around social capital. Figure 1 shows the abductive analytical approach employed in this study, including examples of the coding methods.

INSERT FIGURE 1 HERE

4. Findings

Table 3 presents examples of successful entrepreneurial outcomes of the four cases. These comprise a wide range of new products and services, new processes and marketing methods, and new ways of operating and organizing. Some entrepreneurial outcomes are extended globally to other franchisees within the franchise organization. The findings reported hereafter demonstrate the process involved in materializing ideas that lead to entrepreneurial outcomes. The qualitative evidence illustrates that entrepreneurial process in international multiunit franchise outlets, operating under an area development agreement, is configured on three sequential phases: (1) idea generation, (2) idea development and (3) idea implementation. This process encompasses resource mobilization and actuation of activities, which are specific to each stage. Social capital facilitates the entrepreneurial process in international (area development) multiunit franchise outlets, through structural, relational and cognitive influences.

INSERT TABLE 3 HERE

4.1 Structures of interactions and their influence on resources and activities within the entrepreneurial process

At the multiunit franchisee-level, franchisee agents (comprised of senior management, employees and managers in sister firms) mobilize resources and actuate entrepreneurial activities in multiunit franchise outlets (operating under an area development agreement) by means of different forms of interactions. The findings illustrate that different interactions exhibit different structural properties, such as idiosyncratic networking configurations, different levels of social capital appropriability and network centrality, and a different blend of strong and weak ties with key contacts within and/or outside the business. These structures influence the resources, which are mobilized and the activities that are carried out at different phases of the entrepreneurial process (as described in Table 4). It was found that *horizontal interactions* occur amongst senior management of the international (area development) multiunit franchise outlets, such as the CEO, the Chief Operations Officer, and the Director of Marketing. In the context of their interactions, senior managers draw on their social capital to mobilize resources and enact particular activities at different phases of the entrepreneurial process. During idea generation, senior managers draw on their strong ties internally, during executive meetings and brainstorming sessions, to fruitfully exchange their industry experiences, knowledge and personal information on new opportunities. Drawing on these close ties, senior managers engage in an open discussion of new ideas, before they agree on the entrepreneurial idea to be pursued. The findings illustrate that individual senior managers also utilize external ties with industry stakeholders and actors in the market. These contacts are personal and rather weak, and appear in the form of bridging ties; they contribute to the mobilization of resources, in the form of new opportunities, which are presented by individual managers during executive meetings and brainstorming sessions. Individual managers are also in a position to appropriate knowledge from the companies in which they worked in the past, during the stage of idea generation. As an interviewee explained:

Usually the managers present…ideas that they used in other companies that worked …or ideas that they came across through discussion with industry stakeholders **[Joe, Marketing Manager, Mega Coffee-Shops].**

Senior management continues interacting during the phases of development and implementation. The strong ties between managers are important to their effective communication, coordination and control of design, planning and development of ideas. At the same time, their ties with industry experts are important in obtaining third-party (expert) feedback during idea development. As noted by an interviewee:

We demonstrated it internally to the head offices and to some people that cooperate with us and we received feedback from them. This feedback helped us to improve it even more. **[Charles, General Manager, Alpha Pizza]**.

The centrality of the above, within the company, and the strong ties maintained across the organization, are also critical in sourcing people and resources needed for the development and implementation of new ideas. As explained:

The manager in charge of the department within which the idea was born, will oversee its execution. If it's a new marketing campaign, it will be the Marketing Manager, if it is a new service it will be the Operations Manager. With the support of the rest of the senior managers and the CEO, they will acquire the people and resources needed to implement it **[David, CEO, Mega Coffee-Shops].**

Additionally, *bottom-up interactions* amongst employees and managers in international (area development) multiunit franchise outlets allow ideas to be generated vertically within the outlets. Senior managers desire to generate as much ideas as possible, which can potentially materialize into new products or services for their firm. The findings illustrate that when strong ties exist between employees and managers and when their communication is direct, then employees are encouraged to participate in ideation; this allows the mobilization of knowledge and ideas in a bottom-up fashion. It was found that the strong ties between managers and employees are conductive to the establishment of channels of bottom-up communication, competitions and open platforms within the company; these activities are essential in enabling a continuous stream of new ideas across the firm. This was explained by an interviewee:

Our structure for generating and exploring new ideas is basically on a flat axis and close communication. Anyone within the business is encouraged to come up with a new idea about a product, a service or even an investment **[Andy, CEO, Fast Food Burgers].**

Senior managers reward employee ideas through prize giving and opportunities to join the team, which is tasked to research and develop the ideas. Financial and non-financial rewards are also provided to motivate the employees responsible for the ideas to participate in idea implementation. Drawing on their strong ties with employees, managers are in a position to mobilize the human and intellectual capital, needed to develop and implement the new ideas. This is shown in the following excerpt:

We reward active employees by giving them the opportunity to join the team that deals with the research, development and implementation of ideas for new products **[Joe, Marketing Manager, Mega Coffee-Shops]**.

Furthermore, *portfolio interactions* occur in international (area development) multiunit franchise outlets through relations between the managers of the outlets and their counterparts in sister firms (i.e. affiliated companies). Driven by the necessity to source new ideas to satisfy local needs, multiunit franchise outlet managers relate with the franchisee's portfolio of firms where affiliated non-franchise companies are also positioned, and already tested ideas can be sourced. Certain managers (e.g. CEO, COO) are centrally positioned within the portfolio, frequently attending managerial gatherings with managers of sister firms. These strong ties allow the mobilization of tested ideas, best practices and new opportunities from sister firms to the franchisee. Activities such as face-to-face meetings and virtual meetings (e.g. via Skype) become relevant for sourcing ideas and knowledge from sister firms. This is explained in the following excerpt:

From the other affiliated companies, and the excellent relations we have with our colleagues there, we get good ideas which have been successfully exploited in the local market **[Jack, Operations Manager, Fast Food Burgers]**.

When developing ideas for the international (area development) multiunit franchise outlets, franchisee managers draw on their strong ties with their counterparts from sister firms to establish systems and processes that allow the transfer of documents, market studies, plans and knowledge from sister firms to the franchisee. At the same time, these ties are important for obtaining feedback and advice from managers of sister firms during idea development and implementation.

Further, *franchisor-franchisee interactions* typify the relations between the parties in generating, developing and implementing ideas. Given the nature of the franchise system and the presence of the franchise contract, franchisors occupy a central position while interactions occur at a top level, i.e. between the managers of international (area development) multiunit franchise outlets and managers of the franchisor. As articulated by the research participants, ties at this level are hierarchical, characterized by power imbalance since the franchisor is viewed as the 'symbolic authority' responsible for sharing ideas, providing support for developing ideas and endorsing ideas within the franchise organization. Thus, within this context, franchisor-franchisee ties serve as a platform for the two-way mobilization of ideas and knowledge during the ideation stage; ideas which franchisee managers obtained from sister firms or other locations are communicated with the franchisor, for approval, while the franchisor also provides advice and information, which is useful for rethinking and improving ideas. This was emphasized as follows:

Whenever we have a new idea, we send it to the franchisor for suggestions. Their input is important in perfecting new ideas **[Adam, Restaurant Manager, Casual Dining Restaurants].**

At the same level of interactions, the franchisor acts as a gatekeeper for sourcing knowledge and ideas from other franchisees in the franchise system. This way, the franchisor often becomes a bridging tie between different franchisees, and thus occupies a central role in the mobilization of relevant entrepreneurial ideas across franchisees. This is shown below:

The franchisor offers so much in terms of sharing practices and information between countries… for example, when we requested to include home delivery as part of our operations the franchisor immediately sent us to Egypt where this practice was already running to learn from their expertise **[Mike, Restaurants General Manager, Fast Food Burgers].**

The franchisor continues offering direct guidance for the development, testing and implementation of ideas or directs the franchisee to best practices within the franchise organization. In the stage of implementation (and beyond), the bridging tie with the franchisor and the franchisor's centrality in the franchise becomes important for testing ideas in the mobilization of successful products from the focal franchisee to the franchise system. This is illustrated as follows:

After their [referring to the franchisor] approval we launched the product in the market and it became an instant success. This product was also an example of an item which the franchisor subsequently suggested to the other franchisees and became a 'franchise organization-wide' success. The franchisor often sees it as an opportunity to test an idea locally to determine whether it is transferable **[Alan, Chief Marketing Manager, Alpha Pizza].**

At the franchisee peer-level, franchisees appreciate the mutual interactions that enable them to engage with other franchisees in the franchise organization. The context, which relates to being a part of an international franchising network, makes managers of the focal area development multiunit franchise outlets aware of opportunities to exchange ideas with their counterparts in other franchise outlets. These relations are undertaken directly or indirectly through franchisor intervention, depending on the network structure of the franchise system in which the focal franchisee is embedded. Casual Dining Restaurants, for example, allow direct communication between franchisees. Franchisee peers within Casual Dining Restaurants have the opportunity to establish strong ties with others during major gatherings, such as conferences and training sessions; these ties are important in the mobilization of ideas and knowledge across franchisees, in a direct manner. As explained by an interviewee:

We have very good relations with the UK, Greece, Spain, India, Sweden and many other franchisees and many times we exchange ideas, practices and products with each other **[Luke, Operations Manager, Casual Dining Restaurants].**

Managers of the focal area development multiunit franchise outlets value the transfer of essential resources – such as information, experience and documentation – at this level, which are realized via virtual and face-to-face meetings during global events organized by the franchisor. In circumstances where franchisee peers have already successfully implemented ideas, they are also perceived as instrumental in providing advice for implementing similar products and/or services in the focal area development multiunit franchise outlets.

See Table 4 for a summary of the structural conditions underpinning each form of interaction, and the influence of structural social capital on the mobilization of entrepreneurial resources and in carrying out essential activities across entrepreneurial phases. In all, it is proposed that:

P1a: *Franchisee agents (i.e. senior management, employees and managers in sister firms) drive the micro-level entrepreneurial process in international (area development) multiunit franchise outlets by means of horizontal, bottom-up and portfolio interactions.*

P1b: *Franchisor agents (i.e. franchisors, focal multiunit franchisees and franchisee peers) drive the micro-level entrepreneurial process in international (area development) multiunit franchise outlets by means of franchisor-franchisee and franchisee peer interactions.*

<u>P1c:</u> *Franchisee agents and franchisor agents interact within the entrepreneurial process in international (area development) multiunit franchise outlets by means of strong, weak, appropriable, hierarchical and bridging ties.*

[INSERT TABLE 4 HERE]

4.2 Relational and cognitive dynamics framing interactions and the entrepreneurial process

The findings illustrate that the interactions and their associated (mobilized) resources and activities are influenced by specific relational and cognitive features. The qualitative evidence reported hereafter shows how such features facilitate and/or constrain interactions, resources and activities at different phases of the franchisee entrepreneurial process. Social capital items, (namely, obligations, shared stories, trust and norms) underlie interactions and practices during idea generation, development and implementation in international (area development) multiunit franchise outlets. Some of these dimensions are conducive, while others are restrictive to franchisee endeavors to generate and implement new ideas. The conflicting influences exerted by these social capital items are important in comprehending the dynamics within the franchisee entrepreneurial process.

Connotations formed from the interactive activities pertaining to ideation in the international (area development) multiunit franchise outlets are framed around ***obligation*** *to conform to agreement and standards*. The franchise contract provides a point of reference for situating new ideas within its scope. Ensuing development and implementation of ideas are scrutinized to make sure they are within the expected scope, with the franchisor playing a prominent role (e.g. through provision of directions). Ideas outside the "franchisor's comfort zone" require extensive testing in order to be certain that these would not have damaging effects on the brand name. The findings suggest that interactions undertaken through the international (area development) multiunit franchise outlets, with the franchisor, are restricted by the franchisee's obligation to conform to the franchise contract, other forms of franchisor-franchisee agreements, and franchisor standards. This obligation introduces restrictions within which resources (such as new ideas, opportunities and knowledge) can be mobilized at the horizontal, bottom-up and portfolio levels to generate and develop new ideas. As an interviewee indicated:

When we need to introduce something new we look into what fits with the agreement and the franchise concept in general. This is how we moved on with the introduction of a coffee delivery service to our clients **[David, CEO, Mega Coffee-Shops].**

Obligations to conform can produce tensions in the franchisor-franchisee relationship, which may threaten cooperation and close ties between the two parties. Not all franchisee ideation is welcomed by franchisors if there are concerns that franchisee ideas may damage local sales or the franchise brand. Likewise, franchisees may sometimes refuse to conform to franchisor standardized products and practices for various reasons, such as lack of fit with the franchisee's local market. In other instances, where strong ties exist between franchisee and franchisor managers due to past cooperation and trust, both parties can reach joint agreements; these may involve franchisors seeking proofs that franchisee ideas would not be detrimental, and franchisees providing evidence to counter moving forward with unfavorable franchisor ideas. This is illustrated in the following excerpt:

We did not want to follow the franchisor's advice about the introduction of a low-cost pizza. We were sure that this will not be appreciated by the local market no matter if it was tested successfully in the UK. The franchisor was trying to persuade us to execute this idea for six months. There was a lot of tension in our relationship. Finally, because we have a long-term relationship with the franchisor and there is trust between us, we agreed to launch it. But we agreed that this would be in only one local market area first. Eventually, the results were negative and finally the franchisor accepted our follow-ups to stop the promotion **[Alan, Chief Marketing Manager, Alpha Pizza].**

An important cognitive dimension of the interactions is the ***shared stories*** *on franchise termination.* The findings illustrate that managers of multiunit franchisee outlets, primarily in their interactions at the horizontal and bottom-up levels, carry with them shared past stories on the failure of local franchisees with regards to continuing with their franchising agreements due to non-compliance with franchisor terms. These shared stories put barriers on the focus of these interactions, allowing them to mobilize resources (such as new ideas, opportunities and knowledge) which fall within the scope of the franchise agreement. Fear arising from the possibility of the franchise contract being terminated by the franchisor, should franchisees fail to comply with its terms, makes franchisees maintain focus when generating and implementing new ideas. As explained by an interviewee:

It happened in the past that a known franchisor took back the licence from a local business due to the fact that they did [entrepreneurial] things that were seen as disruptive by the franchise authorities. This is a known story here. Every manager and employee knows about it and this creates stress and fear, and reminds us that we need to stay focused **[Fred, General Manager, Mega Coffee-Shops].**

Another social capital item onto which ideation in the international (area development) multiunit franchise outlets is molded during interactions is ***trust*** *from franchisor towards franchisee.* The findings suggest that strong bonds between the franchisor and the franchisee require time to materialize because trust needs to develop between them. The trust from the franchisor towards the franchisee removes frames in the entrepreneurial process, and provides flexibility and thinking space for the franchisee. As the agents interact over time, international (area development) multiunit franchisees view the existence of trust (and therefore strong bonds) between the franchisee and the franchisor as granting the right and assurance to generate new ideas, despite the restrictions of the franchise agreement. As explained by the interviewees:

The ability to introduce new things within a rigid franchising agreement is based on the trust and good cooperation that we share all these years **[Mike, Restaurants General Manager, Fast Food Burgers].**

The trust that exists with the franchisor and their close relationships makes us more confident that we can make certain changes, the way we want, in our business **[Luke, Operations Manager, Casual Dining Restaurants].**

Trust enables and quickens the mobilization of resources (such as ideas, knowledge and documentation), facilitating the swift evaluation, development and franchisor approval of new ideas. This is demonstrated in the excerpt below:

Any new activity that a franchisee recommends may sometimes need to be modified and tested for 3 years, prior to it being implemented. It happened that the franchisor evaluated and approved an activity that we wished to run, only within a period of 2 weeks. Since they know us very well and they trust us, they can be more receptive and positive **[Andy, CEO, Fast Food Burgers].**

If new ideas are minor, the trust between the franchisor and the franchisee enables area development multiunit franchisees to bypass franchisor approval, by proceeding to the development of the ideas with or without the franchisor's knowledge. Furthermore, the trust shared with the franchisor instils inferences of acceptability in the area development multiunit franchisees to implement new ideas, although implementation of high-risk ideas are monitored closely by the franchisor. This is shown in the excerpt below:

When we have a new idea which is operational and it does not affect the core menu or change the operations manual, then we may not inform the franchisor who knows that we will act in good faith **[Luke, Operations Manager, Casual Dining Restaurants].**

The interactions of the international (area development) multiunit franchisees during ideation also mold shared meanings that are framed around the ***norms*** *of positive work relations and close cooperation*. This is a dimension which is again linked to the facilitation (as opposed to the restriction) of interactions within the entrepreneurial process. It revolves around a mutual expectation between interacting parties, particularly at the franchisor-franchisee level, that positive work relations and close cooperation can provide opportunities for the implementation of franchisee initiatives. International (area development) multiunit franchisees expect that positive work relations between the franchisee and the franchisor encourage franchisee ideas. This is illustrated below:

Since there are good relations and close cooperation between the two parties, we feel that we can create new products **[Alan, Chief Marketing Manager, Alpha Pizza].**

In developing ideas, requests for support from the franchisor and franchisee peers increase due to the closeness of the ties maintained with these parties. These enable the mobilization of essential resources in the form of advice and documented best practices, which are needed by the franchisee when developing and implementing new ideas. Furthermore, close cooperation and positive work relations between the franchisee and the franchisor and franchisee peers, enable idea implementation and increase the diffusion of entrepreneurial actions from the franchisee to the franchise organization. As explained:

We maintain excellent relationships with the franchisor and other franchisees. This is beneficial for us, since it helps us obtain honest feedback and knowledge for an idea that we wish to implement, especially if this activity has already been tested by another franchisee **[Fred, General Manager, Mega Coffee-Shops].**

During the interactive activities of the international (area development) multiunit franchisees, ideation is also framed around the ***obligation*** *to be committed to the franchise brand.* The findings illustrate that, as part of the initial agreement, the franchisee has an obligation to be committed to the brand. This commitment, when exhibited by the franchisee and is visible (through actions), acts as a facilitator (as opposed to a restrictor) of the entrepreneurial process and is particularly relevant in the context of franchisor-franchisee interactions. The findings suggest that when franchisee commitment is sensed (by the franchisor), it provides more power to the franchisee to generate and negotiate new ideas. It enables ideation obstacles to fade away and grants the franchisee the negotiating power to persuade the franchisor as well as negotiate the development of ideas in a way that satisfies both parties. In addition, with regards to idea implementation, franchisee commitment induces the mobilization of essential resources for realizing new ideas (such as feedback, knowledge and documented best practice). It also enables the appropriation of entrepreneurial actions and outcomes from the franchisee to the franchise organization. This is illustrated below:

Though the franchising agreement reflects the franchisor's know-how and practices, through our commitment, we have proved that we know what we are doing and the franchisor can give us more freedom to operate the way we think is best **[Andy, CEO, Fast Food Burgers].**

Table 5 offers a summary of the relational and cognitive social capital influences exerted on interactions, resources and activities within the franchisee entrepreneurial process. These exbibit a blend of facilitating and restrictive influences on the entrepreneurial process in area development multiunit franchise outlets. In all, we therefore propose that:

P2a: *Relational dynamics (i.e. obligation, trust and norms) influence interactions and activities at different phases of the entrepreneurial process (i.e. idea generation, idea development and idea implementation) in international (area development) multiunit franchise outlets.*

P2b: *Cognitive dynamics (i.e. shared stories) influence interactions and activities at different phases of the entrepreneurial process (i.e. idea generation, idea development and idea implementation) in international (area development) multiunit franchise outlets.*

[INSERT TABLE 5 HERE]

5. Discussion

Figure 2 presents a holistic conceptualization of how social capital facilitates the entrepreneurial process in international (area development) multiunit franchise outlets. It shows that the mobilization of resources, which is needed for the actuation of activities at different phases of the entrepreneurial process are underpinned by structural, relational and cognitive social capital dynamics. Structural dynamics involve the forms and structures of interactions: *horizontal* between franchisee managers, *bottom-up* between franchisee managers and employees, *portfolio* between franchisee managers and managers at sister firms, *franchisee peer* interactions, and *franchisor-franchisee* interactions. Different forms of interaction are underpinned by an idiosyncratic blend of strong, weak, appropriable, hierarchical and bridging ties. The structural idiosyncrasies of each form of interaction determine the resources to be mobilized and the activities to be actuated at different phases of the entrepreneurial process. Relational dynamics involve a number of interpersonal conditions: *obligation* to conform to agreement and standards, *trust* from franchisor to franchisee, *norms* for positive work relations and close cooperation, and *obligation* to be committed to the franchise brand. Cognitive dynamics involve the *shared stories* on franchise termination. Relational and cognitive dynamics frame interactions; each relational/ cognitive item exerts idiosyncratic influences which either restrict or enable interactions. This way, relational and cognitive dynamics also exert influences on the mobilization of resources and the actuation of activities within the franchisee entrepreneurial process. The conceptual model adds value to existing literature, which currently has limited understanding on how social capital influences entrepreneurial process in international franchising.

INSERT FIGURE 2 HERE

5.1 Advancing theory and research in international franchising and entrepreneurship

This is the first known study to provide in-depth knowledge of the social dynamics unfolding within the entrepreneurial process in international area development multiunit franchise outlets. The findings show that the entrepreneurial process in international area development multiunit franchise outlets is largely infiltrated with the mobilization of resources between people and networks, and collaborative activities that make use of these resources at different phases of the entrepreneurial process. The analysis reveals that entrepreneurial process is rooted in structural, relational and cognitive social capital dimensions (Lee, 2009; Nahapiet & Ghoshal, 1998), which are important for understanding the complexities of the entrepreneurial phenomenon with regards to the franchisee context. Resources and activities depend on the interactions, and are influenced by relevant socio-cognitive dynamics, which can either restrict or enable franchisee entrepreneurial flexibility.

Additionally, this study contributes to the growing literature that has considered relational aspects in franchising (e.g. Grace et al., 2016; Harmon & Griffiths, 2008; Meek et al., 2011; Nyadzayo et al., 2011) through new insights on the way social relationships unfold within an entrepreneurial context. Previous studies have examined relationships between franchisors and franchisees (e.g. El Akremi et al., 2011), researching relational conditions that can sustain or boost franchisor-franchisee collaboration such as communication (Meek et al., 2011), trust (Grace et al., 2016), and perceived relationship value (Harmon & Griffiths, 2008). Yet, social dynamics have yet to be sufficiently addressed within franchisees' entrepreneurial process. Notable exceptions are the studies by Dada et al. (2012) and Watson et al. (2020) that have examined the way relational norms and relational capital facilitate franchisee innovation. However, these studies have focused on domestic franchisees and organizational outcomes (e.g. in terms of business growth and innovation creation), and have assigned less emphasis on franchisee entrepreneurial process and the social context of franchisor-franchisee interactions. On the contrary, our study focuses on social dynamics (e.g. norms, trust and obligations) influencing interactions, activities and the mobilization of resources within different phases (i.e. idea generation, idea development and idea implementation) of the entrepreneurial process in international area development multiunit franchise outlets. By illustrating the social and relational underpinnings of the entrepreneurial process in international (area development) multiunit franchise outlets, this study addresses: (1) the call by Shepherd (2015) for a more relational perspective to entrepreneurship research and (2) the call by Cochet et al. (2008) for studies drawing on relational norms and social interactions to understand franchisee entrepreneurial flexibility within the rigid franchise agreement.

Theoretically, this paper expands the emerging concept of 'franchisee entrepreneurship' (Dada et al., 2012) in various ways. First, the conceptual model provides understanding of the structural, relational and cognitive influences on interactions, resources and activities across different phases of the franchisee entrepreneurial process. This model draws on a social capital framework (Lee, 2009; Nahapiet & Ghoshal, 1998) to explain the way the structural conditions of different forms of interactions (Lin, 1999) influence the mobilization of resources between actors, and the actuation of joint activities within the franchisee entrepreneurial process. It also explains how specific relational and cognitive dimensions (Chang & Chuang, 2011; Lee, 2009) of social capital restrict or enable these interactions, and in what ways. Second, agency theory, which is a dominant perspective in franchising research, positions the franchisor as principal, and the franchisee as agent (with the latter subject to the control of the franchisor) (El Akremi et al., 2011). However, the findings from this research indicate that when undertaking entrepreneurship, both the franchisor and franchisees act as embedded actors who jointly mobilize resources and actuate activities within the entrepreneurial process. Third, franchising literature is built around the rigid standardization requirements of the franchise system, and suggests an illegitimate potential for franchisee entrepreneurship (Clarkin & Rosa, 2005; Dada et al., 2012; Dada, 2018; Ketchen et al., 2011; Seawright et al., 2013). However, the research findings illustrate that under certain conditions, franchisees may have the flexibility to negotiate and implement ideas within the franchise system. The multiunit franchisee entrepreneurial process may be better conceived, as one enacted in the midst of conflicting socio-cognitive pressures which may limit or enhance franchisee entrepreneurial flexibility; franchisees' obligation to conform and shared stories on franchise termination fear restrict interactions and the mobilization and enactment of resources and activities, respectively; increased franchisor trust, norms of cooperation and commitment of franchisee to the brand, on the other hand, are enabling interactions, which grant increased flexibility to the franchisee for generating and implementing new ideas.

Empirically, this study contributes to a number of research fields. First, it contributes to the literature on multiunit franchising by explaining micro-perspectives that are not well known. Although multiunit franchisees are pervasive and widely recognized as the dominant form of franchising, the franchising literature has been developed by focusing mostly on single-unit franchisees (Dant et al., 2013). Second, the present study contributes to the literature on international franchising by providing new knowledge on how (international) area development multiunit franchisees act entrepreneurially. To date, international franchising literature has largely focused on master franchisees, their desire and negotiations for higher autonomy and their ability to realize local adaptations through entrepreneurial actions (Hoffman & Preble, 1991; Paik & Choi, 2007). Our study provides new knowledge, which enables understanding of the idiosyncratic structural and relational entrepreneurial dynamics in the relationship between a franchisor and large multiunit franchisees that are granted, through an area development agreement, the franchise rights for an entire foreign country-market. Our findings illustrate that international (area development) multiunit franchisees behave entrepreneurially in the midst of tensions and restrictions, as well as norms that enable them entrepreneurial flexibility. A third contribution is made to the field of entrepreneurship, which lacks sufficient insights on entrepreneurship from the perspective of franchisee organizations. The research findings make a step towards filling this void. This study contributes to the franchisee entrepreneurship literature by showing how entrepreneurial actors in area development multiunit franchise outlets extend beyond the franchisee stakeholder.

5.2 From research to franchising practice

The findings can enable multiunit franchisees to understand the multiplicity of ways in which they can channel entrepreneurial ideas into their outlets via the franchisee's and the franchisor's agents. For example, at the *idea generation phase*, franchisee managers can be empowered to seek resources (i.e. ideas and knowledge) from their external ties within the industry. These resources can be used to initiate the entrepreneurial process in the multiunit franchisee outlets. In the subsequent *idea development phase*, franchisee managers can draw on additional support, in the form of expert advice, from their external ties within the industry. This expert advice can also be used for guidance during the *idea implementation phase*. Another scenario in which franchisee managers can be enabled to initiate entrepreneurial process in multiunit franchisee outlets, in the *idea generation phase,* is by encouraging them to identify already implemented and successfully proven entrepreneurial ideas from their portfolio of sister firms. These can then be actuated through further collaborations with the sister firms in the *idea development and implementation phases*.

Franchisors can also draw on the research findings to create corporate-level approaches for how they can facilitate entrepreneurial process across multiunit franchisee outlets. For example, at the *idea generation phase,* franchisors can garner entrepreneurial resources, i.e. initiatives that have been implemented effectively in any of their franchisees' outlets. Then, in the *idea development phase,* franchisors can direct interrelations amongst their franchisees to actuate the entrepreneurial initiatives widely across their franchise organizations, with the franchisors offering guidance till the *idea implementation phase*. Thus, the findings can help franchisors to re-engineer their franchise concepts to allow flexibility for entrepreneurship at the franchisee level. Indeed, recent articles have called for development of 'flexible franchising' and 'quasi-franchising', to allow entrepreneurial franchisees to operate in what would otherwise be a standardized business model (Di Lernia & Terry, 2016; Terry & Di Lernia, 2015). In a study of a large, US-based franchise firm, Szulanski & Jensen (2008) found that a policy where knowledge is copied more exactly enhances network growth (measured as the number of franchises sold annually). However, it was found that the benefits of copying knowledge more exactly decrease over time, as the local culture has an increasingly significant effect. These support the need for entrepreneurship in the franchisee context.

5.3 Reflections and future research directions

The limitations of this study provide research directions for future scholars. First, the findings reflect the perspective of the multiunit franchisee companies and thus may be biased from this perspective. However, this perspective enables us to address the unevenness in franchising research, which has been dominated by studies based on the franchisor's perspective, as noted by Doherty et al. (2014). Future research involving stakeholders outside the franchisee organization (such as managers of the franchisor firm) could allow a more saturated understanding of the entrepreneurial phenomenon in the multiunit franchisee context.

Second, since the multiple case studies involved four multiunit franchisee companies, with a total of 77 outlets between them, these may limit the generalization of the findings. Nevertheless, this methodological approach enabled us to undertake in-depth study of the franchisees' entrepreneurial process. Future research could capitalize upon the emergent insights reported here by using large scale surveys to test the propositions developed in this study.

Third, since the interviews were conducted in corporate locations, it is possible that these might bias interviewees' responses. However, respondents were assured anonymity, which can mitigate such location orientated bias in their responses. Future research on entrepreneurial process amongst multiunit franchisees can include both corporate and non-corporate locations for interview settings to examine if interview location influences the research findings.

Fourth, whilst the translation of the interview guide from English language into the local, native language of the country of study was done to enable respondents to fully understand the study, it is possible that this might have an effect on respondents' perceptions of the research questions. However, caution was exhibited during the interviews in order to minimize any potential preconceptions in this regard.

6. Conclusion

This paper addresses the evolution of entrepreneurial activities from the franchisee context, a somewhat controversial and an emerging research area in the literature. More specifically, the study provides understanding as to how social capital facilitates entrepreneurial process in international (area development) multiunit franchise outlets. Through an abductive analysis, the research findings identify the actors that activate franchisees' entrepreneurial process as comprising multiunit franchisee agents (i.e. senior management, employees and managers of sister firms) and franchisor agents (i.e. franchisors, focal multiunit franchisees and franchisee peers). By revealing the composition of entrepreneurial actors in the multiunit franchisee context, the study develops the micro-level perspectives of entrepreneurship in franchising, which are less known. Additionally, the research findings show that the phases of the entrepreneurial process (i.e. idea generation, development and implementation) occur as a result of diverse forms of interactions at multiple levels (i.e. horizontal, bottom-up, portfolio, franchisor-franchisee and franchisee peer), in which the actors mobilize resources to enact collaborative activities. Interactions are influenced by relational and cognitive conditions (i.e. obligations, shared stories, trust and norms), each carrying a capacity to either restrict or enable the franchisee entrepreneurial process. These findings provide both theoretical and empirical contributions to the literature by offering new perspectives for the study of entrepreneurship within the franchisee context through a socially enacted, collective process. It suggests novel ways in which more studies can develop understanding of entrepreneurship practices in franchising.

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Table 1 Profiles of the cases

Company Name	FAST FOOD BURGERS	CASUAL DINING RESTAURANTS	ALPHA PIZZA	MEGA COFFEE-SHOPS
Activities	Fast food (dine-in, delivery, takeaway, drive-through)	Restaurant (dine-in, takeaway)	Restaurant (delivery, takeaway, dine-in, drive through)	Coffee shops (café/coffee service, barista, takeaway, delivery, online ordering)
Year of establishment	1997	1996	1991	2005
Number of employees[a]	800	400	1000	800
Company status	Private company	Private company	Private company	Private company
Number of owners of the franchisee company	1	3	2	1
Size of the franchise outlets in revenues[b]	€30,000,000	€20,000,000	€50,000,000	€7,000,000
Number of franchise outlets	18	7	35	17
Other sister companies affiliated with the franchisee[c]	5 franchise outlets from 1 different franchise chain (café and restaurant) operating under area development agreement. 1 outlet of an independent business.	2 franchise outlets from 1 different franchise chain (restaurant) operating under area development agreement. 2 independent businesses.	32 franchise outlets from 6 different franchise chains (fast food and restaurant) operating under area development agreement. 1 single unit franchise outlet from 1 different franchise chain (café and restaurant). 2 independent businesses.	8 franchise outlets from 1 different franchise chain (retail: fashion, home and food) operating under area development agreement. 2 independent businesses.

a The numbers were rounded up by the respondents to the nearest whole numbers.
b The numbers were rounded up by the respondents to the nearest whole numbers.
c The sister companies include organizations affiliated with the multiple case studies: the area development multiunit franchise outlets investigated in this study are not the only companies owned by the owners of the outlets. The owners have a portfolio of businesses, and it is within the portfolio that the area development multiunit franchise outlets, that we focus on, are embedded. The sister companies of all the four multiunit franchisee companies represent well established brands and franchises.

Table 2 Profile of the interviewees

Fast Food Burgers (5 interviewees)			
Interviewee	**Position in the franchisee company**	**Name (Pseudonym)**	**Working in the company since (number of years)**
Franchisee	Chief Executive Officer (CEO)	Andy	1997 (17)
Employee-manager	Marketing Manager	George	2000 (14)
Employee-manager	Operations Manager	Jack	1998 (16)
Employee-manager	Restaurants General Manager	Mike	1999 (15)
Employee-manager	Training Manager	Andrew	2005 (9)
Casual Dining Restaurants (7 interviewees)			
Interviewee	**Position in the franchisee company**	**Name (Pseudonym)**	**Working in the company since (number of years)**
Franchisee	Chief Executive Officer (CEO)	Paul	1996 (18)
Employee-manager	Marketing Manager	Ben	2006 (8)
Employee-manager	Operations Manager	Luke	2006 (8)
Employee-manager	Training Manager	Harry	2006 (8)
Employee-manager	Senior General Manager	John	2003 (11)
Employee-manager	Senior HR Manager	Mary	2011 (3)
Employee-manager	Restaurant Manager	Adam	2009 (5)
Alpha Pizza (5 interviewees)			
Interviewee	**Position in the franchisee company**	**Name (Pseudonym)**	**Working in the company since (number of years)**
Franchisee	Chief Executive Officer (CEO)	Peter	1991 (23)
Employee-manager	Chief Operations Officer (COO)	Thomas	1995 (19)
Employee-manager	Chief Marketing Manager	Alan	2001 (13)
Employee-manager	General Manager	Charles	1996 (18)
Employee-manager	Training Manager	Abigail	2006 (8)
Mega Coffee-Shops (6 interviewees)			
Interviewee	**Position in the franchisee company**	**Name (Pseudonym)**	**Working in/with the company since (number of years)**
Franchisee	Chief Executive Officer (CEO)	David	2005 (9)
Employee-manager	Chief Operations Officer (COO)	Roy	2006 (8)
Employee-manager	Marketing Manager	Joe	2007 (7)
Employee-manager	General Manager	Fred	2008 (6)
Employee-manager	Training Manager	Cleo	2010 (4)
External Consultant	Contracts Officer	Hannah	2005 (9)

Table 3 Examples of successful entrepreneurial outcomes of the participating area development multiunit franchise outlets

	New products and services	New processes and marketing methods	New ways of operating and organizing
Fast Food Burgers	Grilled cheese burger. * Local coffee. Lower-cost packaging (e.g. cartons used for food items). * Mega-playgrounds for kids in the restaurants/ children parties. Early breakfast (from 06:00). * Burger delivery.	A ‘Kids Road Safety Program’ as part of ‘giving back’ to society. Own program focused on advising mothers on kids’ diet and nutrition.	24/7 working hours concept to suit the needs in tourist areas.
Casual Dining Restaurants	Introduction of new dishes in the menu, drawing on local ingredients and cuisine (e.g. processed meat, cheese and salads). Takeaway and delivery service.* Mega burgers. *	Introduction of membership scheme, tied with member cards. Promotion schemes, tied with discount vouchers. *	Shift to a ‘high value service–low priced meal’ model, which comprises excellent service and low priced meals. Introduction of a ‘roof bar’ concept, complementing the restaurant but with different identity.
Alpha Pizza	Traditional pizza crust. * ‘XL size’ pizza. * Wraps in menu. New combinations of toppings, drawing on local ingredients.	Online employee training program. * Tailor-made point of sale (POS) system. * Co-promotions, including discounts with petrol station coupons. Mobile app ordering system.	‘Single restaurant–dual operational’ system, involving separate menus (i.e. sales of pizzas and chicken wings). *
Mega Coffee-Shops	Special iced coffees. * Coffee delivery service. * Localization of menus (e.g. inclusion of special local cheese and processed meat).	Online ordering system. * ‘Cycling for Good’ program, which raises money for building schools in Africa.	Introduction of entry-level products with lower prices to adapt to demand for cheaper products (without compromising quality). The virtual coffee-shop (‘order online and receive coffee at your door’).

* Extended from the multiunit franchisees (in the present study) to other franchisees, within the franchise organization, operating in other countries.

Table 4 Interactions and their structural properties: mobilizing resources and actuating activities

Nature/ level of interaction	Structural properties of interactions across stages	Resources mobilized	Activities actuated
Horizontal interactions (franchisee agents)	Strong ties between managers; Weak/ bridging ties of individual managers with industry contacts and market actors; Individual managers appropriating knowledge from past work; Strong ties with other departments; Centrality internally	**Stage 1:** Industry experiences, knowledge, ideas and personal information on new opportunities **Stages 2, 3:** Resources and people internally; Knowledge from industry experts	**Stage 1:** Formal manager meetings, brainstorming sessions, open discussions to share ideas **Stage 2:** Coordination of design, planning and development of ideas; Testing ideas with industry experts **Stage 3:** Sourcing and managing human and other resources to implement ideas
Bottom-up interactions (franchisee agents)	Strong manager-employee ties; Appropriation of ideas, knowledge and human capital from employees	**Stage 1:** Ideas and knowledge from employees to managers **Stages 2, 3:** Knowledge; Human resources (through employee engagement)	**Stage 1:** Direct communication; Competitions, open ideation platforms; reward schemes **Stages 2, 3:** Participation of employees in idea development and implementation
Portfolio interactions (franchisee agents)	Strong ties with managers of sister companies; Centrality of franchisee managers in the company portfolio; Appropriating ideas and knowledge from sister firms to the franchisee	**Stage 1:** Tested ideas, knowledge, opportunities from sister firms **Stages 2, 3:** Documents, studies, guidance from sister firm managers	**Stage 1:** Managerial gatherings with managers of sister firms; Virtual meetings (e.g. via Skype) **Stages 2, 3:** Systems in place for the exchange of market studies and plans; Feedback from sister firm managers
Franchisor-franchisee interactions (franchisor agents)	Top-echelon ties between franchisor-franchisee; Hierarchical ties, power imbalance; Franchisor centrality in the franchise; Franchisor a bridging tie between franchisees; Appropriation of best practices across franchisees	**Stage 1:** Ideas mobilized from franchisee to franchisor; Franchisor mobilizes feedback, advice and information to franchisee; Franchisor mobilizes ties **Stages 2, 3:** Franchisor guidance in developing and testing ideas; Sourcing knowledge from other franchisees; Mobilization of successful products to the franchise	**Stages 1, 2, 3:** Email exchange, virtual communication to exchange ideas and obtain approval and guidance; Franchisor coordinates and directs communication and best practices between franchisees **Stage 3:** Franchisor controls and guides implementation; Franchisor communicates and transfers successful products to the franchisee
Franchisee peer interactions (franchisor agents)	Mixed strong and weak ties between franchisee peers; Franchisor occasionally acting as a bridging tie	**Stage 1:** Mobilization of ideas and experiences across franchisees **Stages 2, 3:** Documentation, studies, advice from franchisees that have successfully tested ideas locally	**Stages 1:** Franchise-wide conferences and training sessions allow franchisees to get to know one another; Sharing experiences and ideas **Stages 2, 3:** Online communications and systems in place to exchange experiences, documents and reports

Table 5 Relational and cognitive dynamics framing process

STAGE	*Social Capital item*	*Relevant to*	*How Social Capital item influences interactions, behaviors and activities*
IDEA GENERATION	**OBLIGATION** *to conform to agreement and standards*	*all forms of interaction*	Franchise contract becomes a point of reference in the exchange of new ideas; Ideas should fall within the scope of the franchise. Tension is produced when franchisor rejects franchisee ideas or franchisee refuses to conform to standardized products. Negotiation, joint agreements to reach consensus on new ideas.
	SHARED STORIES *on franchise termination fear*	horizontal interactions; bottom-up interactions	New ideas, which lead to changes, may be understood as non-compliance. Fear of non-compliance leads to conservatism on ideation.
	TRUST *from franchisor towards franchisee*	*all forms of interaction*	Franchisor-franchisee trust grants legitimacy and confidence to generate new ideas.
	NORMS *of positive work relations and close cooperation*	franchisor-franchisee interactions; franchisee peer interactions	Positive work relations between the franchisee and the franchisor strengthen their ties and encourage franchisee ideas. Franchisor disapproval of franchisee ideas reduces with long term cooperation, which strengthens ties.
	OBLIGATION *to be committed to the franchise brand*	franchisor-franchisee interactions	Franchisee commitment to the franchise system empowers the franchisee to generate and share ideas. Franchisee commitment enables obstacles to ideation to fade away. Franchisee commitment grants franchisee the negotiating power to persuade the franchisor.
IDEA DEVELOPMENT	**OBLIGATION** *to conform to agreement and standards*	*all forms of interaction*	Ideas should be developed in conformity with the brand and franchisor-franchisee agreement. Franchisor directs ideas and keeps ideas within the expected scope. Ideas outside the "franchisor's comfort zone" need more time for testing.
	SHARED STORIES *on franchise termination fear*	Horizontal interactions; bottom-up interactions	Franchisees maintain focus when developing and implementing ideas.
	TRUST *from franchisor towards franchisee*	*all forms of interaction*	Franchisor trust speeds up the evaluation and development of new ideas. Franchisor trust speeds up franchisor approval.
	NORMS *of positive work relations and close cooperation*	franchisor-franchisee interactions; franchisee peer interactions	Request for support, from the franchisor and franchisee peers, in idea development increases, the closer the ties. Past cooperation offers flexibility in developing franchisee ideas.
	OBLIGATION *to be committed to the franchise brand*	franchisor-franchisee interactions	Franchisee commitment to the system grants power to negotiate the development of ideas in a way that satisfies both parties.
IDEA IMPLEMENTATION	**OBLIGATION** *to conform to agreement and standards*	*all forms of interaction*	Prevailing rules act as a guiding force in the implementation of new ideas. Franchisees act in a way that their new ideas fall within the scope of the franchise.
	SHARED STORIES *on franchise termination fear*	horizontal interactions; bottom-up interactions	Franchisees maintain focus when developing and implementing ideas.
	TRUST *from franchisor towards franchisee*	*all forms of interaction*	Franchisor-franchisee trust grants legitimacy to implement new ideas. The financial gains associated with franchisee innovations enable franchisee idea implementation. The franchisor monitors idea implementation.
	NORMS *of positive work relations and close cooperation*	franchisor-franchisee interactions; franchisee peer interactions	Positive work relations, between the franchisee and the franchisor and franchisee peers, enable idea implementation. Positive work relations, between the franchisee and the franchisor and franchisee peers, increase the diffusion of entrepreneurial actions from the franchisee to the franchise organization.
	OBLIGATION *to be committed to the franchise brand*	franchisor-franchisee interactions	Franchisee commitment increases the diffusion of entrepreneurial actions and outcomes from the franchisee to the franchise organization. Franchisee commitment increases franchisee entrepreneurial autonomy. Franchisee commitment enables successful idea implementation.

Figure 1. Abductive analytical approach