

UNIVERSITY OF GHANA

**FRANCHISING IN EMERGING MARKETS: MOTIVATIONS AND
CHALLENGES FROM A GHANAIAN PERSPECTIVE**

BY

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DECLARATION

I do hereby declare that this thesis is the result of my research and has not been presented by anyone for any academic award in this or any other University. All references used in this work have been fully acknowledged.

I bear sole responsibility for any shortcomings.

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CERTIFICATION

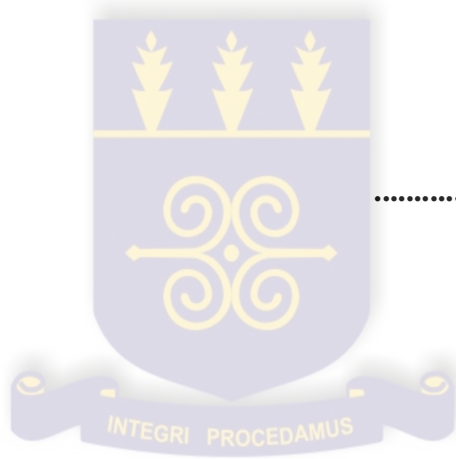
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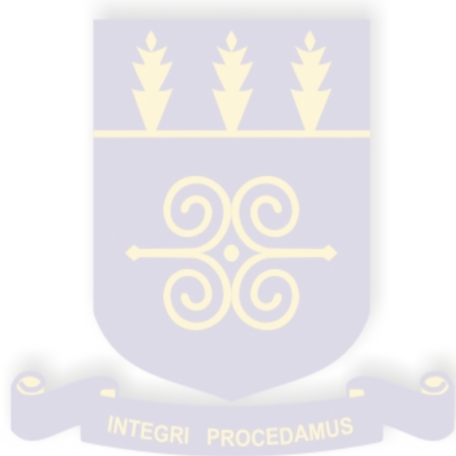
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DEDICATION

This work is dedicated to my parents, my friends particularly, Mrs Lovia Boateng for all their help.



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My greatest acknowledgement goes to God Almighty for all His goodness

I am grateful to my principal supervisor Dr Adelaide Kastner for all her help.

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ABSTRACT

The purpose of this study to investigate, explore and understand the motivations of franchising and some of the challenges, franchisees are likely to face in emerging markets like Ghana.

The study employed qualitative approach specifically, a case study research strategy is used to investigate the problem. Purposive and Snowball sampling techniques are used for choosing the unit of analysis which resulted in 4 firms (4 managers). Also, data was collected through an in-depth interview.

The findings of the study revealed that support services, brand name, franchisor's experience, financial assistance from the franchisor and, demand and competition plays a key role in a franchisee's decision to franchise. Also, the study found that there are three main challenges faced by franchisees in Ghana, namely: legal constraints, infrastructure constraints and economic decline. However, franchises in Ghana have other peculiar motivations and challenges which are not cited in previous research.

The study is limited in terms of the geographical area. Thus, it focuses solely on franchise firms in Accra. The findings of the study are more likely to hold for other franchisees in all emerging market context. However, the applicability of these findings to other context needs further investigations.

Franchising is a key business strategy in today's competitive business environment, therefore, it is of great importance that investors understand these motivators and challenges in order to make the right choice. The present study also produces useful findings, which can be used by investors, policy makers and researchers as guidelines for future investment decisions.

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LIST OF ACRONYMS

GDP	-	Gross Domestic Product
GSS	-	Ghana Statistical Service
GIPC	-	Ghana Investment Promotion Council
IFA	-	International Franchise Association
IMF	-	International Monetary Fund
ISSER	-	Institute of Statistical, Social and Economic Research
KFC	-	Kentucky Fried Chicken, Ghana.
VAT	-	Value Added Tax

CHAPTER ONE

INTRODUCTION

This chapter outlines the background, research problem, research gap, purpose, objectives, research question and significance of the study.

1.1 Background

Internationalization plays a pivotal role in the expansion of companies, despite the risk involved. It implies doing business across the borders of a host nation. Companies decide to internationalize in order to gain higher profits using cheaper labor, take advantage of technical and technological advancement as well as gain access to capital and markets (Forte & Carvalho, 2013; Mtigwe, 2005). Internationalization is one of the distinctive subjects in international business literature (Werner, 2002) as it has contributed to the success of many companies in the current context of globalization. This process may seem simple, but it is a rather more complex issue than it may seem.

Globally, countries have taken advantage of trade liberalization, including a decrease in tariffs and flexibility in border regulations to operate across borders (Czinkota, 2008). This move is an incentive for other firms to expand, nevertheless, it heightens competition in the domestic market. The competitive nature of the business environment and globalization has pushed firms to see operating across domestic borders as the way forward for survival and growth (Hollensen, 2011; Evenett, 2014). This is attributable to globalization, trade liberalization and technological advancement leading to a borderless environment (Eden & Lenway, 2001; Teege, 2000).

Research reveals that there are several strategies of internationalization and these include exporting, piggybacking, licensing and franchising (Arnold, 2003; Hollensen, 2011).

Exporting is one of the modes of entry used by companies in their quest to go international. According to Hollensen (2011), it refers to where companies manufacture products in their local market, but transfer such products either directly or indirectly to the target market.

Piggybacking is the process by which companies take advantage of a channel in an international market rather than selecting the country-market in a more conventional manner. It constitutes a major entry to international markets and serves as a boost for domestic sales (Arnold, 2003; Hollensen, 2011). Piggybacking is a viable alternative for firms with limited exporting activities, limited resources and lack of foreign market knowledge (Hollensen, 2011).

Licensing is another well-known method that can be used by a firm to enter international markets given its distinctive and legally protected asset, which is a key distinguishing element in their marketing offer (Arnold, 2003). Licensing comes into play when there is a legally binding agreement between two parties where one party issue a license to the other party to operate a business using the former's legally protected assets such as brand name. Licensing is not restricted to only international markets (Arnold, 2003; Hollensen, 2011). For instance, FIFA has adopted Club licensing through its confederation to the various national football associations (Quarterly digest, 2015).

However, studies have revealed that franchising is the mode of entry most often used to enter international markets in the current business environment. Franchising describes a continuing relationship in which the franchisor provides a licensed privilege to do business, plus assistance in organizing, training, merchandising, and management in exchange for fees and royalties from a franchisee (IFA, 2015). It also denotes a legal agreement between a franchisor and a franchisee granting the latter the permission to use a trademark, product or trade name (Arnold, 2003).

According to Canabal & White (2008), it is a method of expanding notable among the hospitality industry in the triad nations, namely, the United States of America, Europe and Japan. A review of literature indicates that franchising has gained grounds worldwide, especially in the European and Asian countries, where most companies see it as the most attractive way to expand domestically and across borders (Frazer, 2002; Canabal & White, 2008). Also, in emerging markets, (2012) identified franchising as the current mode of entry which is gaining grounds. This indicates that franchising cuts across all continents and industries including the hospitality, manufacturing and several others, but Teegen (2000) indicates that it remains the least understood of the internationalization strategies.

International marketing has seen a wider scope of literature in the area of emerging markets and these include internationalization processes and theories of internationalization (Kuada, 2002; Mtigwe, 2005). This is because emerging markets are the fastest growing economies today and are undergoing substantial economic transformation (Dalberg, 2009). Scholars in international business claim that emerging markets offer several advantages to franchisors (Baena, 2009; 2012). These include the expanding middle class with increasing purchasing power, relatively unsaturated markets with the most populated cities and relatively friendly business. Hence, certain global brands have managed to leverage franchising as a proven route to growth in such markets. However, few works have been done in the area of franchising in emerging markets. The existing few focus mainly on cultural dimensions of franchising, history of franchising among others (Baena, 2012; Dalberg, 2009; Welsch, Alon & Falbe, 2006). Also, most of these studies are conducted in emerging markets within Latin America, Central and Eastern Europe, Mexico and South America, and other areas like India, Kuwait and South Africa; with relatively none focus on the Sub-Saharan Africa region (Welsch et al., 2006). As a result, there is a call by Wright & McAuley (2012) to conduct research into franchising in

emerging markets like Ghana by identifying the motivations and challenges of operating a franchise in these markets (Dalberg, 2009; Welsch et al., 2006).

There have been diverse theoretical contributions to internationalization and the choice of entry mode of firms across the globe, due to the critical role it plays in the life of an organization (Bell, McNaughton & Young, 2001). Consequently, there has been a considerable number of such studies from economics, entrepreneurship, organization sciences and international business covering issues like networking, advertising effects, competitive advantage and growth, market orientation, performance, risk and outcomes of internationalization and many others (Sapienza, Autio, George, & Zahra, 2006; Johanson & Vahne, 2009; Forte & Carvalho, 2013; Lee, Kim & Hight, 2015), all of which aimed at understanding franchising.

Noticeably, literature on franchising is on the increase as most firms are seeking entry into other countries, especially companies that have reputable and strong brands most of which originate from developed economies. However, this popularity of franchising as an effective means of expansion is not only seen in academia, but also in practice (Wright & McAuley, 2012; Alon et al., 2012). For example, McDonalds is the world's largest restaurant chain, with about 34,480 restaurants in 119 countries (McDonalds, 2015). It is observed that for some firms, this is an opportunity to gain global presence as well as to expand their operations into emerging markets. Firms from Asia, Europe and other developed countries are observed to have taken advantage of franchising as an opportunity to expand beyond their domestic countries, so as to enlarge their markets and increase their competitiveness (Chetty & Campbell-Hunt, 2003; Botti, Briec & Cliquet, 2009; Vasiliadis, 2009; Baena, 2012). Petersen & Welch (2000) in their study on franchising as a mode of entry, acknowledged that, there is a growing recognition of the fact that franchising is the best way to grow. This is due to the low level of risk associated with franchising as compared to other business expansion strategies. In

addition, due to the proven success of establishment of strong brand chains in the current business environment, it has also become imperative for firms to opt for such a strategy, as it is believed to be the best alternative and guarantee of success (Rozenn & Cliquet, 2014).

Nonetheless, numerous studies on the success of franchising have indicated that, the success of a business, irrespective of the industry, it finds itself in, is not guaranteed by franchising (Frazer & Winzar, 2005; Lee & Jang, 2010; Rozenn & Cliquet, 2014) alone. There are other market conditions, including governance, stability in foreign currency, market orientation, trust and many others that may also contribute to the successes of franchised businesses (Sun & Lee, 2013; Weaven, 2009; Weaven & Frazer, 2007; Dickey, Mcknight, & George, 2008). Therefore, several scholars in international marketing have argued that franchising seems to have been under-researched in spite of its wide spread hence, the need for more studies which specifically focus on this area (Combs, Ketchen, & Shork, 2011; Lee, 2008; Teegen, 2000).

1.2 Research Problem

In order to provide a strong basis for the problem, this segment presents adequate justification for a research gap.

Scholars in international business have researched on several aspects of franchising covering co-branding, governance, modes of entry, gender, licensing, franchisee failures, risk, retailing in franchising, relationships in franchising, advertising effects and many others (Petersen & Welch, 2000; Teegen, 2000; Canabal & White, 2008; Baena, 2012; Nijmeijer, Fabbriott & Huijsman, 2014; Lee et al., 2015). Though such studies are valuable contributions to the international business literature, relatively few of them focus specifically on the motivations of expansion through franchising. Of the above studies, Teegen (2000) examines strategic and economic development implications of globalizing through franchising and acknowledges the

benefits of international franchising but further highlights the need for more studies to focus on the motives of the franchisee in cross border contracts. Baena (2012) in a similar study conducted on franchising in emerging markets also reaffirms that the motivations and forms of franchising are key issues in international business that need to be focused on in future research. Furthermore, researchers such as Petersen & Welch (2000) and Canabal & White (2008) have established that there is a shift from other modes of entry into franchising. Yet, there is relatively little knowledge about the motives for which firms are doing so. They, therefore, proposed that there should be further research that concentrates on the reasons for franchising, in order to broaden the scope of knowledge in the area.

Furthermore, Nijmeijer et al. (2014), Combs et al. (2011) and Altinary (2006) in reviewing literature on franchising indicated that issues such as the motivations for franchising and types of franchising have been under-researched in current times. Therefore, they advocated that studies must focus on addressing this gap within the international marketing literature, which this study seeks to address.

In recent times, the global business environment has seen several franchising developments and research indicates that the triad nations account for most of such franchising activities (Alon, Ni, & Wang, 2012; Forte & Carvalho, 2013; Rozenn & Cliquet, 2014; Wright & McAuley, 2012). The triad nation refers to Japan, the United States and European Union (Hollensen, 2007; 2011). Nonetheless, Ghana as an economy is noted to be among the few Sub-Saharan countries that have seen such developments over the past few decades (GIPC, 2015). For instance, the Ghanaian business environment has seen franchised companies such as KFC, Game, Mechanical Lloyd and many others operating in Ghana. Many firms have invested into franchising knowing that there may be certain risks and several challenges, some of which have led to the closure of some franchised companies around the world. For instance,

CareShop which is one of the largest drugstore franchises on the continent closed down its operations in Ghana due to the lack of exclusivity in its supply chain, lack of organizational culture and difficulty in establishing a viable product mix (McCab, 2009; Segre` & Tran, 2008). Consequently, this has facilitated the need to investigate what challenges businesses face when they go into franchising rather than opting for the several other modes of entry outlined in the business literature. This, coupled with the call in literature for further research into franchising and its associated motivations and challenges, has incited this study.

Statistics show that the franchising is one of the largest growing business strategies used in the current business environment. For instance, in 2014, it accounted for 226 billion dollars as revenue globally and is expected to grow by 7 percent this year (IFA, 2015). Nevertheless, the literature on internationalization in the consumer electronics industry, retail and automobile and food industry, focus mainly on internationalization processes and other international market entry modes aside franchising (Minin, Zhang & Gummelfot, 2012; Prange & Verdier, 2011; Chen, 2003). Literature cited for franchising in such industries includes that of Yan & Wang (2012), which focuses on co-operation in franchising but not on the motivations, or potential challenges of franchising from the franchisees' perspective. This alludes to the fact that there is a lack of such studies on franchising, in such industries. Therefore, there is the call for researchers to focus on cross industry studies (Lee et al., 2015; Forte & Carvalho, 2013).

A review of literature on franchising suggests that most of the empirical studies tend to focus on developed economies, specifically on the triad nations, often with inconclusive results (Cross, 2000; Xiao, O'Neill, & Wang, 2008; Canabal & White, 2008; Weaven, 2009). Therefore, Baena (2012), Botti, Briec & Cliquet (2009) and Canabal & White (2008) suggest that studies should be conducted outside the triad nations, preferably with a focus on a single country. Again, Baena (2012) insists that there should be studies to explore and deepen the

understanding of the motivations and challenges of franchising in a different context. Moreover, there is a call for studies to be conducted in different industrial settings as most of the studies on franchising are focused on the hospitality industry (Park & Jang, 2008). This is corroborated by Wright & McAuley (2012) who in reviewing the developments of franchising in Australia concluded that in order to enhance and broaden the knowledge base of franchising, cross border studies must be undertaken. Therefore, this research seeks to investigate the motivations of franchising and the potential challenges of franchising that firms are likely to face in emerging markets like Ghana from the perspective of the franchisees.

1.3 Research Purpose

The purpose of the study is to find the motivations and challenges of franchising among franchise firms within the Ghanaian context.

1.4 Research Objectives

To achieve this purpose, the study outlines the following objectives:

1. To investigate the motivations of franchisees in Ghana.
2. To investigate the challenges of franchising in Ghana.

1.5 Research Questions

1. What are the main motivations of franchisees in Ghana?
2. What are the challenges faced by franchised firms in Ghana?

1.6 Significance of the Study

This study is to contribute to knowledge on franchising; particularly from an emerging market perspective as franchising is seen to be a growing business form which has several strategic

and economic benefits. The study will provide guidelines for businesses who intend to use franchising as a main mode of entry into an emerging market like Ghana. In addition, it will provide direction for investors who wish to know the challenges of franchising that are prevalent in Ghana for the purpose of future investment. Finally, it will also contribute to the existing literature on franchising in the area of emerging markets.

1.7 Chapter Disposition

The research is grouped into six chapters. The first chapter presents the background to the study, the research problem, research gap, the objectives of the study, research question, the purpose of the research and the significance of the study as well as the limitations of the study.

The second chapter focuses on the literature review on the subject area.

The third chapter gives details of the context of the study.

In addition, chapter four discusses the research paradigm, research strategy, research design, population and sampling techniques, instrumentation as well as the processing and analyzing of data.

Chapter five of the study centers on data presentation, its discussion and analysis of findings.

Finally, chapter six covers summary of the research, the implications of the study, recommendations and the future research directions.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter reviews literature on two broad themes: internationalization and franchising. It starts with a critical look at internationalization and further focuses more on franchising as a concept; it discusses the various arguments put forward by various scholars on motivations for franchising and the potential challenges faced by franchise firms from the emerging market perspective.

Literature review seeks to describe, summarize, evaluate, clarify and or integrate the content of primary reports (Cooper, 1988). Literature review uses its database reports of primary or original scholarship, and does not report new primary scholarship itself. The primary reports used in the literature may be verbal, but in the vast majority of case reports are written documents. The types of scholarship may be empirical, theoretical, critical or analytic, or methodological in nature (Cooper, 1988).

It also refers to critical analysis of a segment of a published body of knowledge through summary, classification, and comparison of prior research studies, reviews of literature, and theoretical articles (University of Wisconsin Writing Center). Other researchers such as Caulley (1992) emphasizes that literature review should:

- I. compare and contrast different authors' views on an issue
- II. group authors who draw similar conclusions
- III. criticize aspects of methodology
- IV. highlight exemplary studies

- V. highlight gaps in research
- VI. show how a study relates to previous studies
- VII. show how a study relates to the literature in general

2.2 Internationalization

Internationalization implies the process of going international. It also surmises going across the borders of a firm's domestic country, which is a crucial step for companies who want to grow. Trading across borders comes with its own implications and a firm can decide to trade products or services depending on the type of market, the aim of the organization and its available resources. In the view of Clipa & Clipa (2011), internationalization is a business strategy where companies identify opportunities in the business environment that are beyond their home country, in order to gain competitive advantage over other competing companies by expanding their operations. Firm internationalization is a process of targeting companies' activities toward a market that is beyond the domestic markets, ranging from simple exporting activities to a more complex activity such as the setting up of a manufacturing subsidiary (Hollensen, 2007; Anwar, 2011). Firms can have both linear and non-linear forms of internationalization. This may be categorized into stage-by-stage approach to internationalization, a born global approach or a born-again global approach. Nevertheless, these forms of internationalization depend on the type of organization, the vision of the organization and lastly, the resources that the firm possesses (Hollensen, 2007).

It is stressed that factors such as the age of firms also has an influence on internationalization (Johanson & Vahne, 1977; Karadeniz & Gocer, 2007; Mtigwe, 2005). However, Shirani (2009) and Paul & Gupta (2014) found no such relationship between age of firms and

internationalization thereby indicating that there is mixed findings on the age of a firm and its influence on internationalization.

Internationalization is as a result of globalization. The world today has become a borderless business environment facilitating operations across domestic borders (Eden & Lenway, 2001). Globalization has affected business operations to the extent that it influences every business activity (Aliouche, 2011), including expansion strategies hence making internationalization an integral aspect of firms' performance (Sanchez-Peinado, 2003). Research indicates that internationalization becomes necessary when adverse conditions or changes in a host country take place (Aliouche, 2015; Weaven & Frazer, 2014). Adverse economic and political conditions here refer to currency instability, increased tariffs, bank stability, unemployment rate, monetary policies, debt defaulting, corruption, strikes and many others. Assaf, Josiassen, Ratchford, & Barros, (2012) also recognized that the severe economic downturn and credit crunch were the main factors that pushed most companies to internationalize. As a result of this, companies in developed economies facing high impacts of recession expanded their operations to countries that have higher market potential but with lower risk (Aliouche, 2015).

Again, Aliouche (2015) observe that companies operating in countries like the United States experienced losses, with countries that used to be attractive becoming unattractive for international activities due to domestic market saturation. This, coupled with improvements in communication, transportation and other favorable conditions made franchising the best business form as well as the entry mode to attractive countries, especially those with the larger size of the market, a growth potential and increasing purchasing power of consumers (Aliouche, 2015; Weaven, Grace, Dant & Brown, 2014), leading to the current era where expansion in global markets has become a strategic imperative for many franchise companies. Several researchers have also argued that expansion in global markets was encouraged by

reduction of trade barriers, growth in foreign economies, access to cheaper raw materials and labor as well as improved currency convertibility (Alon, Wang, Shen, & Zhang, 2014; Nachum, Jones, & Dunning, 2001; Cateora & Graham, 2007; Teege, 2000). Teege (2000) also proved that globalization, economic liberalization and country-of-origin effects are the major causes of franchising. This indicates that market saturation, current growth trends in emerging markets, decrease in trade barriers and access to cheap raw materials are major factors for internationalizing.

Akhter & Machado (2014) in their paper (Internationalization dilemma for Brazilian companies) found that information and psychic distance were key to expanding into other countries. They commented that trade agreements and the formation of regional blocs were instrumental in motivating companies to operate in regional markets. Ambos & Hakanson (2014) also asserted that psychic distance plays a vital role in internationalization. This point out that globalization is the root cause of internationalization.

2.2.1 Drivers of Internationalization

Internationalization is an opportunistic approach to growth by some firms. However, some do not see it as such, but rather as a threat to a firm's existence despite the wide spread of free trade agreements (IMF, 2014). Sun & Lee (2013) also emphasized that internationalization is a critical strategy for companies who wish to increase organizational performance. Several studies have established that profit and growth are the major drivers of internationalization (Evans, Bridson, Byrom, & Medway, 2008). In a similar vein, Orava & Wiklund (2004) found growth to be the main driver of internationalization. Consequently, it can be argued that growth can be a major driver to internationalization. In contrast, Mtigwe (2005) found that profit and growth does not in any way influence the decision to internationalize as suggested by other

researchers. This shows a contrast in the findings concerning the main antecedents of internationalization.

Other researchers such as Schueffel, Baldegger & Amann (2014) and Jørgensen (2014) stated that drivers of a firm's internationalization are management orientation, organization's financial ability, and partnership and opportunity. These drivers are not affected by the size or speed of internationalization. Results from an empirical study conducted by Pinkwart & Prosch (2014) also indicated that technological and financial factors have a positive relationship with the companies' intention to go international. But, this study further revealed that the characteristics of human capital have no influence on the companies' desire to internationalize. Losada-Otalora & Casanova (2014) in their study which relates to the internationalization of emerging multinational companies suggested that resource scarcity is the main driver of internationalization of companies from emerging countries. Pla-Barber & Escriba-Esteve (2006) also confirmed that management orientation is a trigger to the internationalization of companies. They further argued that variables such as technological differentiation, global strategic vision, influence of institutions and the size of the firm determine the speed at which internationalization can occur. This validates the argument that, access to technological and financial resources are valuable assets that influence internationalization. This implies that resources are a main trigger to internationalization.

Evans et al. (2008) identified unsolicited foreign order, corporate vision, pursuit for global efficiency and competitive responses to be the main motivation for companies that go international. These unsolicited foreign orders are not mostly found to be a major trigger in the developed economies, but from the developing economies' perspective, it is a common trend and a major starting point for companies with no big vision to go across the border with their operations. However, corporate vision, pursuit for global efficiency and competitiveness can

be said to be a major trigger both from the developed and developing economies' perspective. This adds up to the several findings so far on drivers of internationalization.

2.2.2 Challenges of Internationalization

Kalafsky (2009) admitted that instability in the economic environment and differences in language pose a major threat to the internationalization of firms. He discovered that currency risk is the diciest under the economic environment which impedes on the process of internationalizing. Another study by Yener, Dođruođlu & Ergun (2014) identified economic and political disturbance as key factors that affect internationalization negatively. Researchers such as Lee & Jang (2010) in extending the knowledge of the challenges of franchising corroborated to this finding by arguing that internationalization is negatively related with foreign currency risk. Kraus, Ambos, Eggers, & Cesinger (2015) also backed this argument that economic instability is a major challenge of internationalization. This indicates that currency risk, economic and political factors are potential challenges of internationalization.

Yener et al. (2014) further noted lack of capital as major challenges of internationalization. They commented that lack of capital is the highest challenge that hinders internationalization. Lee & Jang (2010) also found financial constraints as a major threat to internationalization. Czinkota (2008) and Anderson (2011) also maintained that limited access to finance is a major constraint to internationalization. Therefore, this shows that lack of capital is a key problem to internationalization.

Kalafsky (2009) again acknowledged that low market demand was a key constraint to internationalization. In another study, Hessels & Parker (2013) also identified demand constraints as a challenge to internationalization. This study concludes that low demand in the market is one of the challenges of franchising.

Poor marketing and supply chain is also a key impediment to firms that expand beyond their domestic markets (Golgeci & Arslan, 2014). Yener et al. (2014) also concluded that poor supply chain do affect operations of businesses globally. Supply chain is therefore observed to be another challenge facing firms' internationalization.

Another challenge identified in literature is the shortage of skilled labor (Kalafsky, 2009). Hessels & Parker (2013) agreed with this assertion that there is a lack of skilled labor and this affects internationalization. Hsu, Chen & Cheng (2013) also confirmed that shortages in skilled labor are a challenge encountered when internationalizing. This demonstrates that a shortage of skilled labor is a challenge faced by firms who adopt the option to expand internationally.

2.3 International Market Entry Modes

Entry mode refers to an institutional arrangement that allows companies entry to a foreign market as well as help them to develop and distribute their brands (Forte & Carvalho, 2013). They cited export, joint venture and franchising as examples. Canabal & White (2008) and Hollensen (2011) also view entry modes as a structural agreement that allow companies to implement their product market strategy in the host country by carrying out the marketing operations, production and many other activities.

Clipa & Clipa (2011) posited that there are five main types of international market entry modes. These are exporting, licensing, franchising, joint ventures and direct investment. Hollensen (2011) also classified the entry modes into three main modes of entry, namely export modes, intermediate modes and hierarchical modes. Hollensen (2011) explained further that export modes require less control, have a lower risk and higher flexibility. Meanwhile, intermediate modes also called contractual modes require, shared control and risk, as well as split ownership of business. Whereas hierarchical modes, also known as investment modes, need higher levels of control with relatively high risk even though these have low flexibility levels. Hollensen

(2011) further categorized franchising, licensing, joint venture and contract manufacturing as an intermediate entry mode which was unique from export modes. This is because intermediate modes of entry serve as a vehicle for transferring knowledge and skills between partners. This study, therefore, concludes that there are basically three forms of entry modes. Again, Canabal & White (2008) and Hollensen (2011) found that entry modes are divided into two - equity mode and non-equity modes. Examples of equity mode include joint ventures and wholly owned ventures. Non-equity modes include licensing, alliances and franchising. Dunning, Park & Beldona (2007) also concluded that international franchisors who enter foreign markets through equity mode tend to explore to gain knowledge, whereas franchisors that enter via franchising which is a non-equity mode does so with market-seeking as their intention. Hollensen (2007) also agrees to this assertion that the main motive for selecting non-equity mode is to gain to access to international market.

However, despite the type of internationalization, Javalgi, Raj, Griffith, & Steven White (2003), Vasiliadis (2009) and Whitelock (2002) asserted that the choice of mode of entry depends largely on an organization's goal to particular target market and the type of product the company deals in. For instance, Sanchez-Peinado (2003) found that most services companies adopt franchising as a mode of entry, but they follow the stages approach of internationalization by using branches and representative offices, subsidiaries and affiliates. Furthermore, Gellego & Casillas (2014) found that the financial resources of a company influence the entry mode it opts for when going international. To sum up, it is clear that the goal of an organization, the type of product the company sells as well as its resources can affect the choice of international market mode. Empirical evidence suggests that strategic decisions concerning the mode of entry affect future performance, in terms of sales performance and efficiency (Gielens & Dekimpe, 2001). This shows that there is a relationship between the entry mode and future performance of a business.

2.3.1 Forms of Entry Modes

- **Licensing**

According to Hollensen (2011; 2007), licensing refers to a partnership between the licensor and the licensee. It is also a contractual arrangement whereby the licensor grants the right of its intangible property to another entity called the licensee for a specified period in consideration of royalty fees. For example, character licensed out by Walt Disney is evergreen children's characters like Mickey Mouse and Donald Duck. Licensing is recognized as a simple way to engage in international business (Kotler & Keller, 2009). Licensing is also a means of establishing a position in foreign markets without large capital expenditure. It is the most preferred strategy for small and medium-sized companies (Cateora & Graham, 2008). Examples of firms that use licensing in foreign markets are television programming and pharmaceutical firms. Licensing is viewed as supplements to exporting (Hollensen, 2007). Nevertheless, it is the least profitable mode of entry (Cateora & Graham, 2008). Cateora & Graham (2008) suggested that licensing is the legitimate means of leveraging of intellectual property in a foreign market. Furthermore, Cateora & Graham (2008) and Hollensen (2011) stated that licenses may be granted for the use of trademark or for production processes which require close control or it may be autonomous.

- **Joint Venture**

Another form of international market entry mode is a joint venture. It refers to a situation where two or more companies perform business projects together for a set period of time (Hollensen, 2007). It is also a business agreement in which the parties agree to develop a new entity and a new asset by contributing equity (Hollensen, 2011; Arnold, 2003). Examples of well-known joint ventures are Sony Ericsson and Hero Honda. According to Teng (2013), a joint venture is a business entity where two or more partners establish a separate organization in which each partner holds a minimum equity stake of at least 5 percent. Kotler & Keller (2009) also noted

that joint venture encourages sharing of ownership and control. Also, it is a proven business entry mode in international markets. For instance, Coca Cola and Nestle formed a joint venture in order to develop tea and coffee, which is currently sold in Japan (Kotler & Keller, 2009). Again, Procter and Gamble also collaborated with its Italian arch rival Fater to produce a cover for baby's bottom in the United Kingdom and Italy (Kotler & Keller, 2009). Lastly, joint venture serves as a means of lessening political and economic risks when entering international markets. Yet, it is presumed as the most difficult international strategy to manage (Kotler & Keller, 2009; Hollensen, 2011).

- **Franchising**

Franchising is a contractual agreement which can be compared to licensing in terms of the duration of contract agreements, the services that are likely to be provided to the franchisees, the operating manual, the initial training and all the support services necessary for the franchisee to run and sustain the franchised business (Combs et al., 2011). There are certain characteristics that distinguish franchising from the other forms of entry modes. First, franchising has a unique, but similar franchise offering across each unit. Second, there is an ownership right, which is part of the franchise offering that is contractually shared between the franchisors' franchisee which seals the agreement that exists between them. Third, it must be a contractual agreement between two parties where there are obligations and privileges (Anwar, 2011). Combs, Steven & Castrogiovanni (2004) emphasized that franchising has two characteristics that differentiate it from other organizational forms such as equity joint ventures and strategic alliances. First, franchising usually occurs in businesses where there is a notable service component that must be performed near customers. Second, most franchise contracts normally reflect a unique allocation of responsibilities, decision rights, and profits between the franchisor and franchisees. Hollensen (2011), Welsh et al. (2006) and Cateora & Graham

(2008) posit that there are two main types of franchising agreement-master franchise and franchise licensing. In the words of Cateora & Graham (2008), a master franchise is the most common approach used globally and it is an inclusive agreement which gives the franchisee the right to a specific area with the authority to sell as well as to establish a sub-franchise. Franchise licensing is where a local franchisee is given the right to use the product, service, trademark and other assets of the franchisor for a fee (Cateora & Graham, 2008).

Literature further suggests that franchising can be domestic or international (Forte & Carvalho, 2013). Park & Choi (2007) in their study argue that these distinctions are based factors namely, autonomy and control. They further emphasize that domestic franchising involves less autonomy than international franchising (Park & Choi, 2007). In addition, they revealed that international franchisees tend to have more autonomy than the domestic franchisees with respect to decisions on local market adaptation, marketing of the products as well as the location selection. Nevertheless, they stated that international franchisees unlike domestic franchisees are likely to demand more autonomy when they experience strong business performance (Park & Choi, 2007).

- **International Alliance**

An alliance is a co-operative agreement between two or more companies from at least two different countries (Hollensen, 2007). This is also a form of entry mode; which is an agreement that involves exchanging, sharing or co-developing to achieve a profit- oriented objective. An example is General Motors and Suzuki Motors co-developing Chevrolet model in 2001 (Arnold, 2003). An alliance is also recognized as a business relationship established by two or more companies to co-operate out of mutual need and to share risk in achieving common objectives (Cateora & Graham, 2008). Cateora & Graham (2008) argued that firms enter into strategic international alliances for reasons such as opportunity for rapid expansion into newly-

developing markets, access to new technology, more efficient production and innovation, reduced marketing costs, strategic competitive moves and, access to additional sources of products and capital (Cateora & Graham, 2008; Hollensen, 2011).

- **Exporting**

Exporting is also a common approach to internationalization which is mostly used by matured international companies with strong marketing capabilities (Cateora & Graham, 2007). For instance, larger global companies engage in exporting as their major international market entry mode (Cateora & Graham, 2008). Also, exporting is selling goods in foreign markets as a way to earn profits (Hollensen, 2007). Hollensen (2011) claims that there are two methods of exporting namely, direct and indirect exporting. Cateora & Graham (2008) also concluded that exporting can either be direct or indirect. According to Hollensen (2011) and Cateora & Graham (2008), direct export is a situation where the manufacturer sells directly to an importer or an agent located in the foreign market. Risks associated with such an export mode are cultural differences and trade restrictions. Direct exporting is also the first approach used when firms are taking their first step in international markets. This is due to its ability to minimize financial losses (Hollensen, 2011; Arnold, 2003). It is documented that indirect exporting is synonymous to a domestic sale. It is said to occur when an exporting firm uses independent organizations located in the producer's country to market the products (Hollensen, 2011) specifically for disposing of surplus production. However, it is the most appropriate entry mode when firms have limited expertise, resources and objectives (Hollensen, 2011). Firms face risks such as the lack of control, mishandling of the marketing mix, product and price and limited access to information for further expansion when they opt for such export mode (Hollensen, 2011). Cateora & Graham (2008) further identified that the main motive for exporting is to gain larger market to absorb overheads. Exporting is key to economic development in many

countries and it is estimated to account for about 10 percent of global economic activity (Hollensen, 2011).

The above discussion gives an overview of the main contractual modes of entry that are used globally in international marketing, but this study focuses mainly on franchising as a mode of entry. Hence, the rest of the literature review will be devoted to detailed discussions on relevant aspects of franchising.

2.4 Franchising

Currently, in the history of business and with respect to entry modes, franchising is the most used as the number of franchises in the world have increased considerably (Combs, Ketchen & Hoover, 2003; Kedia, Ackerman, Bush, & Justice, 1994). Franchise businesses account for about one trillion dollars of sales and further employ 8.5 million people in America (Alon, 2004). It is estimated that about 63 percent of United States based franchise firms are internationalizing (Alon, 2004). Franchising is branded as a special case of licensing (Alon et al., 2014; Baroncelli & Manaresi, 1997). Baroncelli & Manaresi (1997) explain this to be a specific form of licensing by which goods and services are marketed. This license is granted by the franchisor to the franchisee which gives the franchisee the power to trade under the franchisor's trademark. Cateora & Graham (2008) emphasized that franchising is a rapid growing form of licensing in which the franchisors provide a standard package of products, systems and management services and where franchisees provide market knowledge, capital and personal involvement in management. This permits flexibility in dealing with local market conditions while providing a reasonable degree of control to the parent firm (Cateora & Graham, 2008).

Franchising is also a form of international entry mode (Forte & Carvalho, 2013; Hollensen, 2011) which enables firms to expand quickly with minimum capital yet, there are costs

associated with serving franchisees (Cateora & Graham, 2008). In the view of Forte & Carvalho (2013), franchising is a mode of entry which allows a small company in a small market, with limited resources to grow worldwide, enabling it to become a global player with extensive influence. This point to the fact that there are not significant differences between licensing and franchising. Franchising is also a strategic partnership that is formed by a franchisor and franchisee (Xiao et al., 2008). They stated that franchising is a specific business format where a franchisor lends its trade name and business system to a franchisee for a fee. Baroncelli & Manaresi (1997) also acknowledged that franchising is a means for fast expansion of a franchisor's retail network, which is characterized by low capital investment but requires a high level of marketing policies control. Finally, Petersen & Welch (2000), Cross (2000), Gleason, Mathur & Singh (2000) and Teegen (2000) observed franchising as a contractual agreement between franchisor and franchisee which is as a consequence of economic development and maturity. This reveals that franchising indeed is a strategic approach to internationalizing with both merits and demerits.

According to Combs et al. (2011), franchising involves a long-term contractual agreement between two types of firms - a franchisor who has recognized an opportunity and created a new venture to exploit it, and a group of franchisees who see value in the opportunity and purchase the right to replicate the venture in new geographic markets. Here, the franchisee buys the right to market goods or services under the franchisor's brand name (Blair & Lafontaine, 2005). Dant & Grunhagen (2014) also described franchising as a contractually vested inter-firm business relationship between two legally independent entities involving a grantee (franchisee) and a grantor (franchisor) where the franchisee pays the franchisor for the rights to sell the franchisor's product using the franchisor's trademark and its proprietary business system in a pre-specified location over a period of time.

Castrogiovanni & Justis (1998) also emphasized that franchising is a business form where entrepreneurs choose a decentralized network of units known as a chain, which conforms to a contractual agreement but aims at achieving competitive advantage (Michael, 2003). There are two main forms of franchising namely; business format and product and trade name franchise or the traditional franchising (Dant & Grunhagen, 2014; Hollensen, 2011). Dant & Grunhagen (2014) emphasized that the business format used in franchising focuses on developing an outlet which is primarily a way of doing business together with its package of services and clarified details like standards of quality controls and provisions of ongoing training, communication and other operational supports. Franchising as a business format is predominantly a retailing phenomenon (Valente, 2000).

On the other hand, Dant & Grunhagen (2014) further detailed that product and trade name franchising focuses on the product of the manufacturer instead of establishing a franchise outlet. It is claimed that product and trade name franchising is similar to trademark licensing (Hollensen, 2011) and it is the largest franchising segment (Valente, 2000). Examples of firms that use the product and trade name franchising are automobile dealers, gasoline dealers, bottlers of soft drinks like Coca Cola and Pepsi. This indicates that product and trade name franchising is most common in the hospitality industry, specifically in the beverage and automobile industry. Product and trade name franchise is a situation where a brand of product or service is re-sold by another party known as a franchisee. This form of franchise is the most common among the lot (Valente, 2000). This shows that the choice of form of franchising is dependent on the industry the company operates in.

2.4.1 Benefits of Franchising

Franchising offers several benefits to franchised businesses. These benefits have been stated differently by extant researchers. These include access to resources, reduction in monitoring

cost, risk sharing and specific knowledge (Alon, 2001; Hua & Dalbor, 2013); qualified employees, increased profits, rapid growth, enhanced firm value (Shane, 2005); as well as geographic expansion and sales growth (Alon, 2006, Alon et al., 2014); reduction in operational risk and business growth (Baena, 2015); improvement in development and financial growth (Petersen & Welch, 2000; Gleason et al., 2000; Teegen, 2000); efficiency and leveraging of opportunity (Cheng & Yu, 2008). Others are profit improvement, market expansion, product standardization, professionalism of staff, information sharing and resources integration (Heung, Zhang & Jiang, 2008); and also a tool for economic development and global economic integration (Baena, 2009). These benefits can be gained directly or indirectly through franchising. For instance, Combs et al. (2011) and Combs et al. (2003) acknowledged that franchising provides access to resources and it requires less oversight which helps to reduce cost.

Franchising also serves as a solution to agency problems in that it helps to decrease the cost involved in monitoring the actions of company-employed managers who work in distant locations. Researchers such as Anwar (2011) also view franchising as a strategy for extending distribution channels, through geographical expansion which aims at achieving profit maximization, gaining access to financial and managerial resources and decreasing agency problems. This provides empirical evidence that franchising is a strategic mode of entry that is vital in the competitive business environment, which further backs the argument that franchising decreases agency costs.

Again, Combs et al. (2011) recognize that franchising offers franchisees the incentive to increase local profits at the expense of the franchisor's reputation. Anwar (2011) in a similar study confirmed this by identifying increases in profits, access to resources and a reduction in investment risk as some of the key benefits of franchising. He further added that averagely,

franchising impacts positively on the financial performance of companies and enhances its value. Yet, Koh, Lee & Boo (2009) refute this assertion by emphasizing that franchising does not have an impact on firm value. This clearly demonstrates that there are mixed conceptions about the impact of franchising on the firm's value, but it still remains that franchising has several benefits to the franchisor and the franchisee despite its disadvantages.

Xiao et al. (2008) stated that franchising is a very important type of strategic alliance that offers a competitive advantage to all the parties involved when it is properly planned, implemented and managed. In addition, they argued that franchising aids, to achieve economies of scale with minimal capital requirement, with relatively low risk levels. Therefore, making it the most attractive and efficient means of expanding internationally. This study, therefore agrees with Hua & Dalbor (2013)'s study, which concluded that the advantages of franchising in the long term outweigh its disadvantages.

2.4.2 Franchising in Emerging Markets

According to Welsh et al. (2006), the concept of emerging markets in international business have used to refer to growing markets other already developed markets. Nevertheless, they argue that there seems to be “no consensus” about the exact definition of emerging markets (Welsh et al., 2006). Welsh et al. (2006) further stated that there are three features that distinguish emerging markets from already developed markets namely, economic growth, economic development and market governance. Welsh et al. (2006) emphasized that economic growth is measured in terms of a nation's GDP growth rate whereas economic development is measured in terms of GDP per capita. Again they noted that market governance include all free market activities, stability in the market system, government's control of key resources as well as the regulatory environment (Welsh et al., 2006).

A review of literature on franchising indicates that there is relatively little work done in emerging markets (Baena, 2012). Although, academic literature has begun to address international expansion into emerging markets, especially in Russia, India, Turkey, China, Malaysia, and Taiwan, there is not enough work conducted on franchising in emerging markets as most empirical evidence focuses on developed markets despite the increasing transformation been seen in emerging economies. Scholars such as Baena (2009; 2012; 2015) in international business have acknowledged that indeed, there is a shift in the activities of companies from well-developed markets, to newly-developing markets called emerging markets in recent time. This demonstrates that much attention is focused on emerging markets presently.

This shift in attention to emerging markets is as a result of the increasing opportunities sighted in such markets. Heung et al. (2008) opined that foreign franchisors are attracted to emerging markets due to the soaring middle class, with increasing disposable incomes and have the most populated cities in the world. For instance, Baena (2012) found that emerging markets account for about 80 percent of the world's population. Hoffman & Preble (2004) reaffirmed this in their study, which identified that emerging markets are having increasing middle class population hence influencing franchise growth in such markets. Welsh et al. (2006) also examined franchising in emerging markets. They found that emerging markets have become important to franchise companies, especially those in the United States because of market saturation and increased competition in their domestic market. Again, Welsh et al. (2006) cited high economic growth, economic development and market potential of emerging markets as reasons for the spread of franchise firms. Researchers such as Baena (2009; 2012) also claimed that domestic market saturation and stagnation in developed markets account for franchisors focusing on emerging markets. This is because emerging markets remain unexploited. This affirms that companies turn to emerging markets because of the size of its market, growth in its population's disposable income and the low level of competition in its markets.

A study indicated that Latin America, Central Europe and East Asia accounts for much of the international expansion through franchising in emerging markets (Alon, 2004). Alon (2014) and Baena (2012) also insisted that franchising is a tool for providing economic development and global integration in emerging and transition markets. A result from another study concluded that franchising is the best strategy to internationalization in emerging markets (Paswans, Audhesh & Pradsad, 2004). This is because higher growth potential is expected from such market. Additionally, emerging markets are said to constitute the largest and most dynamic market for franchisors to expand into (Baena, 2012). Conclusively, current growth trends in emerging markets have attracted franchisors to such markets.

Alon (2006) and Baena (2012) recognized that companies usually choose joint venture and exporting through representatives as the main mode of entry to such markets. Nevertheless, there is a diversion in the choice of modes of entry as most companies now concentrate on franchising as the main international market mode for businesses across domestic borders. Baena (2012) established that expansion of franchising across emerging markets, positively relates to national cultures possessing low individualism and high uncertainty avoidance. This indicates that local businesses view this form of entry mode as that which reduces risk and increases profit in the long run. Emerging markets have attracted lots of attention in recent times. Nonetheless, not much research has been done in the area of franchising; particularly in terms of motivations and challenges of franchising hence the study fills this gap in the literature.

2.5 Motivations for Franchising

Several scholars of international marketing (Forte & Carvalho, 2013; Alon, 2006; Aliouche & Schlenrich, 2011; Altinary, 2006; Doherty, 2007; Hoffman & Preble, 2004) in their quest to analyzing internationalization through franchising classified motivations for franchising in several ways. Motivations include external and internal factors, organizational and

environmental, pull and push, reactive and proactive, market-specific and country-factors. Earlier researchers such as Quinn & Alexander (2002) focused on push and pull factors. Later, the trend changed towards the use of proactive and reactive factors (Hollensen, 2007; 2011). Other researchers grouped these motivations into organizational and environmental factors, market-specific and country-factors (Baena, 2012; Hoffman & Preble, 2004). Also, Weaven & Frazer (2007) also classified it into strategic, operational and performance advantages. Researchers such as Baena (2012) in trying to extend understanding of the motivations of franchising in emerging markets, pinpointed push factors (saturation, competition and diminishing profits), pull factors (liberalization of Eastern blocs, formation of regional trading blocs; current trends of emerging markets) and country factors (socio-cultural, political, geographical and economic, market potential, corruption level), as motivation for expansion through franchising in emerging markets.

2.5.1 Motivations for Franchising from the Franchisor's Perspective

In response to the growth of franchising in emerging markets and the failure of the broader international franchising literature to examine the motivations for franchising and potential challenges of franchising in emerging markets, academic research on franchising has increased during the past decades (Alexander & Quinn, 2002; Doherty & Alexander, 2004; Petersen & Welch, 2000; Welsh et al., 2006). Some of these studies examined international franchising from the perspective of the franchisors. For example, Welsh et al. (2006) reviewed literature on franchising and concluded that further studies should be done on motivations for franchising. Also, Petersen & Welch (2000) in their study of the international franchising experience of the Danish fashion retailers Carli Gry and The In-Wear Group offers valuable insights into how these firms moved into franchising as a result of a move from wholesaling and subcontracting activities into retailing.

Literature has identified principal-agency concerns as the fundamental motivation for franchising. Principal-agency deals with the ability to resolve issues relating to an agency and its principal. Principal-agency concerns are postulated to be the main factor that motivates the emergence of franchising (Combs et al., 2011; Weaven & Frazer, 2007). Hua & Dalbor (2013) in providing evidence of franchising on the outperformance of companies stated that franchising helps to resolve conflicts that may arise in a contractual agreement. In a similar study, Dalberg (2009) supported this fact that indeed franchising helps to resolve conflicts that occur between a franchisor and a franchisee. A review of the international business literature clearly revealed that franchising is the only mode of entry that aims at reducing such concerns (Alon, 2001; Combs et al., 2011). This indicates that most scholars agree that franchising helps to resolve issues concerning principal-agency agreements.

Franchising also leads to a decrease in the cost involved in monitoring the actions of company-employed managers who are working in locations that are more distant. Furthermore, Kistruck, Webb, Sutter, & Ireland (2011) supports this assertion that franchising as a form of business enhances the reduction of cost incurred in monitoring activities of the agent. Cho (2004) corroborates with the finding that it helps to minimize cost. He urged that cost was one of the three most influential factors for choosing franchising as a form of business. Weaven & Frazer (2007) and Lafontaine (2004) also identified that agency cost minimization was a key motivator to franchising. But, Alon (2004) in a study contradicts this result by stating that there is no such relationship between the decision to franchise and agency cost minimization. This study, therefore, concludes that franchising reduces agency related problems based on the literature reviewed.

Elango (2007) also concluded that franchisors seek international market as an expansion avenue after they have noticed a saturated domestic market. In addition, Doherty et al. (2014),

identified market expansion, acquisition of additional resources, competitive advantage, opportunity to focus on core business competencies, economies of scale and opportunism as factors that influence franchisor's decision to franchise. Therefore, that franchising is the best vehicle for the international market that decreases agency cost.

Earlier in academia, scholars such as Kedia et al. (1994) also proposed that foreign franchisors go international through franchising into emerging market because of the following:

1. Domestic market saturation
2. Management attitude
3. Firm size
4. Risk reduction
5. Growth prospects
6. Profit improvement
7. Firm's characteristics.

Kedia et al. (1994) proved that the desire to expand and increase profits is the most important motivation for franchising. But a firm's characteristics are less significant in the decision to franchise into emerging markets. Anwar (2011) also supported the finding that profit was a major factor that influenced franchising.

Summarily, these studies provide valuable theoretical insights into motivations for franchising from the franchisor's perspective. However, based on the discussion above, it is evident that the literature does not focus on the motivations for franchising and the challenges likely to be faced by franchisees in emerging markets. This shows that while internationalization, through franchising literature, address a growing number of themes, scholars have not investigated what factors influence a franchisee to adopt franchising in the various emerging markets and what may be the potential challenges facing such franchise businesses. Nonetheless, in the broader

international marketing literature, studies do exist on the motivations for franchising from the franchisee perspective and the likely challenges that may impede the operations of franchise firms. The following section reviews this literature.

2.5.2 Motivations for Franchising from the Franchisee's Perspective

- **Support Services**

Support services entail all the services offered by the franchisor to the franchisee to aid the growth of the franchise business. Frazer & Winzar (2005) in a study identified support services as a main motivation for franchisees to franchise. Peterson & Dant (1990) also observed that support services are an important motivator for the spread of franchising as a business format globally. Doherty & Quinn (1999) also supported this argument by stating categorically that operational support in the form of marketing, advertising, training and initial opening support services contributed to the fast growth in franchising, as a business format in most economies. They added that support services given to franchisees have a strong relation to the success of franchise businesses all around the world. This signifies that a support service is a relational benefit to a franchisee which persuades them to go in for franchising.

Akremiti, Perrigot, & Piot-Lepetit (2015) in a later study that examined the drivers for franchise chain performance through the lens of the dynamic capabilities approach found that the length of training given to a franchisee is a motivation for franchising. They observed that support services in the form of training given to a franchisee, positively relates to performance of franchise chains. A review of the antecedents and consequences of franchising by Combs et al. (2011) also showed that advice and assistance, and franchisor's support services to a franchisee, positively relate to the franchisee's decision to franchise. In addition, some scholars have argued that the level of support given to a franchisee differs from market to market (Baena, 2009). Shane (2001) in identifying organizational incentives concluded that there is a positive

relationship between training, communication, services and assistance to franchisees and the decision to franchise. There is, therefore, conclusive empirical evidence that support services offered to a franchisee positively relate to the decision to franchise, but this is seen as a cost to the franchisor.

A study by Cho (2004) which examined the relative importance of factors that influence the decision to franchise identified seven main antecedents of franchising. These factors include local environment, brand name, partner characteristics, cost and communication, and support services. He emphasized that support services are part of external factors and includes the cost of supplies, independent resourcing, financing sources, training, pre-opening services and exclusive territory. Cho (2004) further concluded that among external factors such as brand name, cost and communication, system quality and many others, support services and cost were found to be the most important motivations for franchising.

Teegen (2000) indicated that training and support is a major factor that influences franchising decision from the perspective of franchisees. She concluded that the proven business system, training, support and access to advertising and other forms of promotional materials are major motivations in emerging markets. The results ascertained from her survey showed that 80 percent of the respondents established that training and support were key motivations for franchising. Nonetheless, she also argue that support services that franchisees receive in developing markets is less than they may need compared to franchisees in developed markets.

Another study by Altinay, Brookes, Madanoglu, & Aktas (2014) found competence and superiority of the franchisors in areas of marketing, training and day-to-day operations as support offered to a franchisee as main antecedents of franchising. Their result showed that there is a positive relation between the spread of franchising in emerging markets and support services. The International Franchise Association (2015) laid emphasize on the fact that

training and support is a key motivation for franchising. In that, franchisees seek answers to questions such as what kind of support, how much training and support the franchisor is willing to provide before they select a franchise at any given time. This shows that there are conclusive findings on support services being a major factor that impacts franchise decisions.

- **Brand Name**

Brand name is a name given to products to distinguish them from other competing brands. Brand name often goes beyond identifying a product to further indicate the manufacturer of such a brand. Strong brands offer businesses very attractive appeals to its customers and as well as the opportunity to increase profits in that, it allows firms to charge premium prices (Kotler & Keller, 2009; Keller, 2008). It also bridges the information asymmetry that occurs during the consumer purchasing decision process (Kotler & Keller, 2009). Therefore, franchising gives companies the ability to capitalize and leverage on the equity gained by such strong brands. This is due to the fact that franchising is a way of expanding where the brand has not been (Alon, Ni & Wang, 2012). Moreover, franchising offers the franchisee an assurance of quality. This provides evidence that a strong brand name is an important asset to every firm.

Weaven & Frazer (2007) also concur that brand name and its value has a major influence in franchise decisions with regard to it being a choice of entry mode and business format. Keller (2008) maintained that a strong brand maximizes revenue and serves as a competitive advantage hence influencing franchise decisions. Cheng & Yu (2008) in examining institutional pressures and initiation of internationalization pointed out that strong brands offer companies the opportunity to leverage on its brand associations and its perceived image. This suggests that brand name, its associations and perceived image which are broadly termed as brand equity affects the decision to franchise. According to Hodge, Oppewal, &

Terawatanavong (2013), brand name is a key relational benefit that influences the franchise decision. They argued that access to a reputable name leads to increased profitability. Alon, et al. (2012) also concluded that brand name plays a role as a major motivation for franchising. Further, Combs et al. (2011) recognized that a franchisor's name recognition is another influential factor in choosing franchising. For example, it has been observed that a franchisee seeks for how well-known the franchise is, its reputation for quality and the consumers' confidence in the brand before making a decision to franchise (IFA, 2015). In another empirical study, that involves 853 United States and French franchise companies, it was found that brand name is an intangible resource that strongly affects franchise internationalization (Perrigot, López-Fernández, & Eroglu, 2013). Lastly, Teegen (2000) also concluded in her study that brand name is a main motivation for franchising.

Yet, Cho (2004) contradicts this by emphasizing that brand name is not significant in determining antecedents of franchising. Other researchers like Roh (2002) also challenged this assertion by identifying size, growth rate, brand name and risk sharing as the main motivation for franchising in their pursuit to identify factors that affect the propensity to franchise in chain restaurants. However, he provided empirical evidence to the fact that size, growth rate and risk are the most important factors that determine the extent of franchising. Subsequently, his study did not support the argument that brand name is a major motivation as suggested by existing literature. This reveals mixed findings concerning brand name being an antecedent to franchising. This reveals that consistently, literature has acknowledged mixed results on brand name as a motivation for franchising.

- **Financial Assistance from the Franchisor**

Resources particularly access to a financial resource is vital to the success of every company. Financial resource includes all forms of valuable assets possessed by firms in monetary terms.

This is because resources help firms to gain a competitive edge over its rivals. Weaven & Frazer (2007) in a study that aimed at examining the extent to which firm level factors influence the growth of franchisee-owned mini-chains within the Australian franchise sector acknowledged that access to financial capital is a key motivation for franchising all over the world. Dant (1995) also found that gaining access to three basic resources; financial capital, market knowledge and human capital are key motivators of franchising. Alon (2004) pointed out that financial capital relates positively to the decision to franchise in newly developing markets. However, Weaven & Frazer (2007) caution that this may not be true in present times as franchising were used as a temporary growth strategy previously. Doherty et al. (2014) also concluded that the franchisee's main motivation to franchise is the partner's resource, saving time and effort in starting own stores' networks.

Heung et al. (2008), Nijmeijer et al. (2014) and Combs et al. (2011) in a study reveal that human and financial resources are major motives behind franchising, both as an entry form and as a business format. Alon (2001) also confirmed this assertion that the resources firms possess influence the decision to franchise. Other academics such as Hua & Dalbor (2013) further postulate that human and financial resources are a motivation for opting to franchise. Similarly, Alon et al. (2014) and Alon (2006) also confirm that businesses make franchise decisions based on access to scarce resources such as capital and managerial resources. For instance, franchisees must have the ability to buy the franchise. Thus the franchisee must have the capital in terms of resources to acquire such businesses (IFA, 2015). However, some scholars such as Alon et al. (2012) and Heung et al. (2008) commented that access to resources may no more be a motivation for franchising. In the words of the International Franchise Association (2015), franchisees evaluate how much resource they would need to acquire the franchise and how much it will require before the business becomes profitable. They further argued that resource commitment in terms of franchisee's time and energy, required to make the company work is

also a key factor to consider when making franchise decisions. This clearly demonstrates that there are mixed results concerning organization's resources as a motivation for franchising.

- **Experience of the Franchisor**

In the opinion of the International Franchise Association (2015), the franchisors' experience which basically consists of technical skills and operational efficiency is a key factor that influences the decision to franchise. It is important to note that most franchisees may opt for franchisors that have experience in a similar market. Frazer & Winzar (2005) in assessing the causes of franchisees' failure claimed that experience of a franchisor is a major motivator for choosing franchising. In addition, Combs et al. (2003) and Alon (2001) stated that experience is vital to making the initial decision to franchise. This is because franchisees believe that this will affect their success rate in the market. Other researchers pointed out that international experience is what constitutes the decision to expand through franchising (Cho, 2004; Kuada, 2001; Rhee, 2008). Gleason, Madura & Wiggenhorn (2006) also maintained that managerial and board knowledge and experience have influence on the performance levels of franchise firms. In the opinion of Petersen & Welch (2000) and Hossain & Wang (2008), international experience of the franchisor is a major motivation for franchising. This clearly shows that the experience of the franchisors is vital to internationalization through franchising and its outcomes.

In contrast, Doherty (2007) argues that franchisees opted for franchising because of the experience they have had in terms of company restructuring and their choice of entry modes, whereas others saw such expansion as an opportunistic approach. This point of view suggests that franchisees' experience affects the decision to franchisee rather than the experience of the franchisor. Cross (2000) in a review of international literature also argues that the experience of the franchisor is not a necessary reason for choosing franchising over other modes of entry

but the attributes this to changes in the competitive business environment. This implies that changes in the current business environment had pushed companies to adopt franchising as a business mode. Weaven & Frazer (2007) also disputed that businesses' prior experience is not a main motivation for franchising. Conclusively, prior experience of the franchisor in similar business format is a major motivation for franchising but some businesses may not necessarily make franchise decisions based on its prior experience in similar markets or business formats.

- **Market Demand and Competition**

Demand for products and services are a key motivation to franchising in the view of franchisees (IFA, 2015). Franchisees evaluate the market conditions in terms of whether there is enough demand for such a franchisor's product or services. Franchisees consider whether the demand is seasonal or not. They examine the current demand patterns as well as future demand growth (IFA, 2015; Hollensen, 2007). They further emphasized that a franchisee also evaluates whether the product or service generates repeat business (IFA, 2015). It is perceived that growth in the market causes the demand for products to grow and this influences franchisees to franchise (Hollensen, 2011). Aliouche (2015) also perceives demand to be the potential growth of the market and the purchasing power of consumers.

Another factor that influences the process of making a franchise decision is the competition. Franchisees prioritize on how much competition is in the market, including other competing franchisees in a particular market and the likelihood of other franchise companies offering the same products at the same or lower price. Franchisees often look for business opportunities that the franchise can offer them both in the short and long run, thus whether they can exploit that franchise to be a niche or specialty before they select franchising as a business strategy (IFA, 2015; Hollensen, 2011; Forte & Carvalho, 2013).

From the above, it can be deduced that brand name, resource, experience of the franchisor, support services, as well as demand and competition are the main motivations for franchising. These motivations were chosen because Nijmeijer et al. (2014) identified that brand name, resources and supports are the main motivations for franchising. Teegen (2000) and Xiao et al. (2008) also acknowledge that brand equity, resource, training and support are key motivations. Forte & Carvalho (2013) and IFA (2015) also added that market demand and competition is a key motivation for franchising. Therefore, it would be useful if these factors are explored from the emerging markets' perspective, specifically in the context of Ghana.

2.6 Potential Challenges faced by Franchise Firms

Risks are eventualities that come with any investment with returns. Every initiative, whether profit-oriented or not comes with some level of risk. This is same with franchising. Franchising comes with certain challenges that may affect companies' performance both in the short and long run. The barriers to franchise decision have led many franchise firms to total collapse. Hence, this has caused researchers to focus on such an area as well as promoting the emergence of academic studies which sought to find the challenges that franchise firms encounter in different business environments. A number of such studies, including Hoffman & Preble (2004); Hanqin, Zhang & Qi (2000); Altinay et al. (2014); Lee & Jang (2010) have focused on the challenges of franchising. It is key to note that franchising has become a major international business entry in most emerging markets (Baena, 2015). Therefore, this section discusses the challenges in literature.

2.6.1 Psychic Distance

Researchers argue that psychic distance plays a part in internationalization through franchising (Richardson, 2014; Jong & Van Houten, 2014; Hutzschenreuter & Horstkotte, 2013; Bianchi, 2014; Pla-Barber & Escibar-Esteve, 2006). Drogendijk & Slangen (2006) describe psychic

distance as cultural distance. They referred to it as differences in values and beliefs shared between home and host countries. Several researches indicate that the management team, including the chief executives' cultural background and orientation affects how firms decide to expand through the various modes of entry especially franchising (Bianchi, 2014; Hutzschenreuter & Horstkotte, 2013; Pla-Barber & Escribá-Esteve, 2006; Weaven & Frazer, 2007). Bianchi (2014) confirmed that management with high managerial urge to expand may not acknowledge certain barriers that hinder internationalization but may see it as a footstone for a greater degree of internationalization. Brewer (2014), Tan, Brewer, & Liesch (2007) and Zhang & Tansuhaj (2007) also acknowledged that the perception of managers is a key component of culture. This is because culture constitutes attitudes, lifestyles, beliefs and perceptions of both individuals and organizations which influence franchise decisions. Past studies further indicate that cultural distance increases management costs and creates difficulty in managing the marketing mix element. For example, Aliouche (2015) opined that differences in culture affect purchasing patterns of consumers as well as behaviors of other stakeholders including employees. It also affects the cost of monitoring and logistical support to a franchisee negatively. This emphasizes that perception of consumers in a host nation can become a challenge that must be dealt with to ensure growth. This is because markets are people not products, in that there may be global products, but there are not global people (Hollensen, 2011). Therefore, it is prudent to say that the differences in culture of the host country can be a main challenge.

A similar study by Wang, Zhu & Terry (2008) also found challenges of franchising in China to be the lack of understanding of franchising among the Chinese population, confusion in contracts, unethical practices among franchise chains, negative media comments that undermine people's confidence in franchise companies and lastly, concerns with the payment of franchisor's fees. They observed that in China, most franchise companies start operations

without meeting requirements such as payment of franchise fees and this affects the business in the long run (Wang et al., 2008).

An earlier study conducted in Saudi Arabia concluded that the main challenge faced by franchise firms in the region has to do with the adaptation of the marketing mix (Tuncalp, 1991). He indicated that franchise firms have difficulty in finding the appropriate marketing mix: the location for franchise businesses, product acceptability, the pricing system adopted by the franchisee and the promotion of such products to its target market (Alharbi, 2014). Alharbi (2014) and Tuncalp (1991) argues that franchise chains need resources that will help to find the appropriate packaging of the product, design of location and the design of the promotional campaign that will meet the satisfaction of such target markets. However, this is seen as a result of differences in culture. IFA (2015) in pinpointing challenges faced by franchise companies acknowledged that management of the marketing mix elements is a major challenge to franchising. Shirani (2009) cautioned that most franchise firms are closed down due to the poor location of the business. He observed that in the early days of McDonalds, most franchises were strong and had appropriate location, but today, such success is far guaranteed. McCabe (2009) also points out poor supply chain management, pilfering of stocks and limited financing as the main challenges facing franchise firms.

In international business, cultural distance is measured based on Hofstede's culture dimension. Hofstede (1980) groups cultural issues into power distance, individualism/collectivism, uncertainty avoidance, masculinity/femininity, long term/short term orientation. This measurement has been accepted and has been used in several studies, including that of franchising in emerging markets. For instance, Baena (2009; 2012; 2015) used these variables in measuring psychic distance among emerging markets.

2.6.2 Economic Factors

Shieh & Wu (2012) denote economic factors to be the depreciation of the nominal exchange rate and volatility of demand and market potential. Aliouche (2015) also noted that economic instability, including high unemployment rate, debt defaulting, strikes and currency instability, impact on the attractiveness of countries especially to franchise companies. Baena (2012) in examining the motivations of franchising found, political stability, corruption level, transparency, gross domestic product, efficiency of control and enforcement to have positive effects on the decision to franchise. She further commented that countries that aim at attracting foreign franchisors must improve their political, economic, legal and regulatory institutions. Baena (2015) in current studies also proves that improvement in economic development also contributes to the widespread of franchising in emerging markets. Lee & Jang (2010) also asserted that economic instability is a major threat to the survival of companies. They suggested that currency issues, i.e. currency convertibility and instability are the most risky challenges. These irrefutably suggest that economic instability is a major challenge of franchising. For instance, a report on the Ghanaian economy from the International Monetary Fund (2014) commented that there will be slowness of the economy due to the sizeable external and fiscal imbalances and energy disruptions. They found a deficit of 10.9 percent in GDP, current account deficit of 13 percent of GDP, with an inflation rate of 13.9 percent as a result of depreciation in the value of Cedi as at the end of year, 2013. Experts observed that this lowered the confidence of investors in the economy as well as hindered the progress of several companies including franchise companies in Ghana.

2.6.3 Infrastructure

Hanqin et al. (2006) specify that infrastructure consists of energy, transportation and internet facilities. They identified that incomplete infrastructure is a main challenge facing franchise

business. Kistruck et al. (2013) in examining institutional challenges and adaptations to franchise model demonstrated that lack of utilities, energy crisis and undeveloped labor as key challenges of franchising. They concluded that the lack of such major operating requirements affects business activities negatively and can even lead to total collapse of businesses. This reveals that inadequate and deterioration in infrastructure can serve as a major business challenge to franchise firms. Watson (2008) classifies financial constraints as part of the infrastructure. He postulates that financial constraints are a challenge to most franchise businesses. This implies the inability to raise capital from external sources. He mentioned that limited financing poses a major threat to survival as well as growth of firms. For instance, she noted that most franchise businesses had withdrawn from franchising because of financial constraints. Therefore, urging financial institutions and appropriate institutions to develop an appropriate infrastructure to support operations of franchise firms. Alharbi (2014) in a related study indicated that lack of financial assistance from financial institutions to prospective franchisees is a major problem facing franchising in most developing markets. Moreover, Binh & Terry (2011) added that poor infrastructure impedes the operations of franchise firms. They view infrastructure to consist of transporting facilities, training facilities as well as the capital needed to make franchise worthy of investment. They observe that weak infrastructure as a main challenge to franchise firms. Lee & Jang (2010) also agreed to the assertion that limited financing, which is viewed as a component of infrastructure negatively affects franchise decisions.

2.6.4 Human Resource Factors

Internationalization strategies, especially franchising, require more special human resources (Ruzzier & Ruzzier, 2015). Nevertheless, this requirement is not only about the quantity of human resources, but about the quality and availability of such resources (Ruzzier & Ruzzier,

2015). It is vital to note that human resources have a positive relationship with internationalization (Hitt et al., 2006). This indicates that human resources are very vital to the survival of franchise firms. Hitt et al. (2006) further contend that although human resources are key to internationalization in that it provides firms with a competitive advantage, organizations must effectively manage it so as to achieve such an advantage. Despite the significance of human resources to firms' internationalization, it has been acknowledged that franchise firms face a problem of inadequate skilled labor (Hanqin et al., 2006; Alharbi, 2014; Altinary et al., 2014). This has forced researchers such as Hanqin et al. (2006) to assert that unskilled human resources are a major constraint to franchising. Altinary et al. (2014) also supports the finding that unskilled human resources affect franchising activities negatively. Hoffman & Preble (2004) also state that there is the need for qualified employees in order to increase productivity in franchise firms. Kistruck et al. (2013) backed such an argument that there is the lack of well-trained employees in franchise firms. In addition, Hessels & Parker (2013) noted that a shortage of skilled labor is another challenge. Furthermore, McCabe (2009) also notes that insufficient skilled labor is a major problem facing franchising as a business strategy in recent times. However, Westhead, Wright & Ucbasaran (2004) argues that human resource is not a barrier to franchising in any way.

Another issue noted under human resources is the lack of ability to manage tensions between the franchisor and the franchisee as a key challenge of franchising (Altinary et al., 2014). This may hamper the smooth running of the company as well as frustrate the aims of both partners. Other scholars (McCabe, 2009; Kistruck et al., 2013; Altinary et al., 2014) further observed lack of control and communication as key challenges of franchising. They emphasize that lack of skilled labor in specific markets affect the operations of franchise negatively. A research by Binh & Terry (2011) found that lack of business experience as well as poor management and

control ability are the main challenges of franchising. Arguably, this study concludes that unskilled labor is a challenge for franchise firms.

2.6.5 Political / Legal factors

Political and legal environment poses as a major challenge to franchising (Morschett, Schramm-Klein, & Zentes, 2010). This is because companies expand through franchising into several countries, but all these countries have laws that govern trade. These laws and other unfamiliar regulations in the host country, including political instability, unpredictable regulatory changes, government interferences, ambiguous laws and regulation (Demirbag, Tatoglu, & Glaister, 2009; Hoffman & Preble, 2004) may affect the operations of franchise chains (Aliouche, 2015). Nevertheless, another study contended that the higher the political risk, the more non-equity modes like franchising are adopted (Baena, 2012; 2015; Alharbi, 2014). This unveils the fact that franchising can be used as a mode of entry to nations with unstable political environment. It is also important to note that time is taken into consideration when recognizing changes in the regulatory restrictions and political constraints (Mellahi, Demirbag & Riddle, 2011). This is because political stability is observed over the longer term (Mellahi et al., 2011). Mellahi et al. (2011) further remarked that political risk is a major challenge to most franchise firms in the Middle East. For instance, Marriott International hotel got destroyed in Indonesia due to terrorist attack in 2003. Also, Dannon saw a reduction in profits due to its legal battle with China in the year 2006-2008 (Demirabag et al., 2009). Therefore, the study concludes that political/legal factors create tremendous challenges in franchising.

Based on the above literature review, this study identifies challenges of franchising as psychic distance, political/legal factors, economic factors, human resource factors and lack of infrastructure. These variables are chosen because Baena (2015) used these factors in

identifying the motivations for franchising but concluded that these factors negatively affect the decision to franchise in emerging markets. Also, other studies that sought to find the challenges of franchising used these variables (Pine, Zhang & Qi, 2000; Alharbi, 2014).

2.7 Conceptual Framework

It is important to note that that this research will focus only on motivations and challenges from the franchisee's perspective.

From the literature reviewed, it can be acknowledged that there are five main motivations for franchising and these have been conceptualized in the model below. It can be observed that support services, brand name, franchisor's experience, financial assistance from the franchisor as well as demand and competition are key factors that influence the franchise decision.

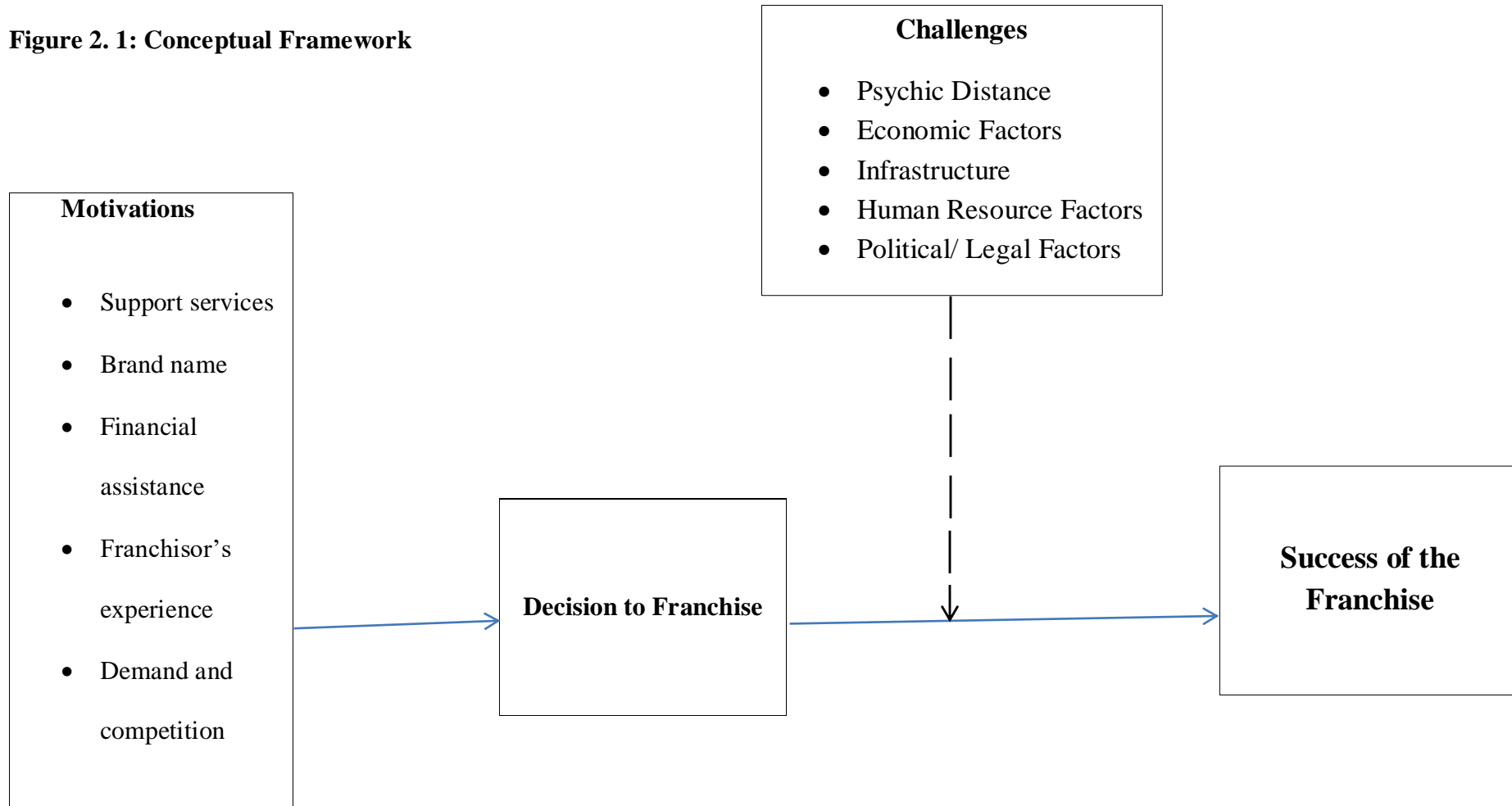
Support services are operationalized as operational support which consist of training, advertising and initial opening support, and product support (cost of supply of inventory). The brand name is also conceptualized as name recognition among consumers. Another factor is financial assistance from the franchisor and this is conceptualized as the initial capital gained by franchisees from their franchisors. Also, the experience of the franchisor is also used as the technical skills and operational efficiency of a franchisor. Lastly, market demand and competition is also conceptualized in this present study as the potential demand in the market, the level of consumers' purchasing power and the existence of similar products in the market.

Furthermore, franchisees face certain challenges in their operations. The researcher identifies five main variables that constitute challenges, namely: psychic distance, political/legal factors, economic factors, human resource and lastly, infrastructure as per the literature review done in chapter two. With respect to challenges, the following elaborate on how the various challenges are conceptualized in the current study.

Psychic distance is conceptualized as language barrier to negotiation and adaptation of products. Economic factors are also observed as issues relating to GDP, inflation, currency instability. Furthermore, infrastructure as a challenge is also operationalized as energy and transportation facilities in the country. Human resource factors here are related to inadequate skilled labor in the country. Finally, political/legal factors are conceptualized as laws regulating franchise activities in the country and political stability in both political and legal environment.

The motivations, where present will lead to a decision to franchise. However, after the franchise agreement has been forged, implementation for success can be negatively affected by challenges. Thus, the success or failure of the franchised business is dependent upon whatever challenges militate against the franchisee, and the franchisee's ability to overcome those challenges. The perceived challenges, as deduced from the literature, are depicted in the conceptual framework. These challenges are introduced into the post-decision franchise business functioning with broken-lined arrow to signify that the firm may be able to overcome them for ultimate success.

Figure 2. 1: Conceptual Framework



Author's construct: Motivations and Challenges of franchising

CHAPTER THREE

CONTEXT OF THE STUDY

3.0 Introduction

This chapter gives an overview of the Ghanaian economy. It further explains the current trends in the franchising. It also states the role of franchising in the country. This helps to understand the nature and context of the study area.

3.1 The Economy of Ghana

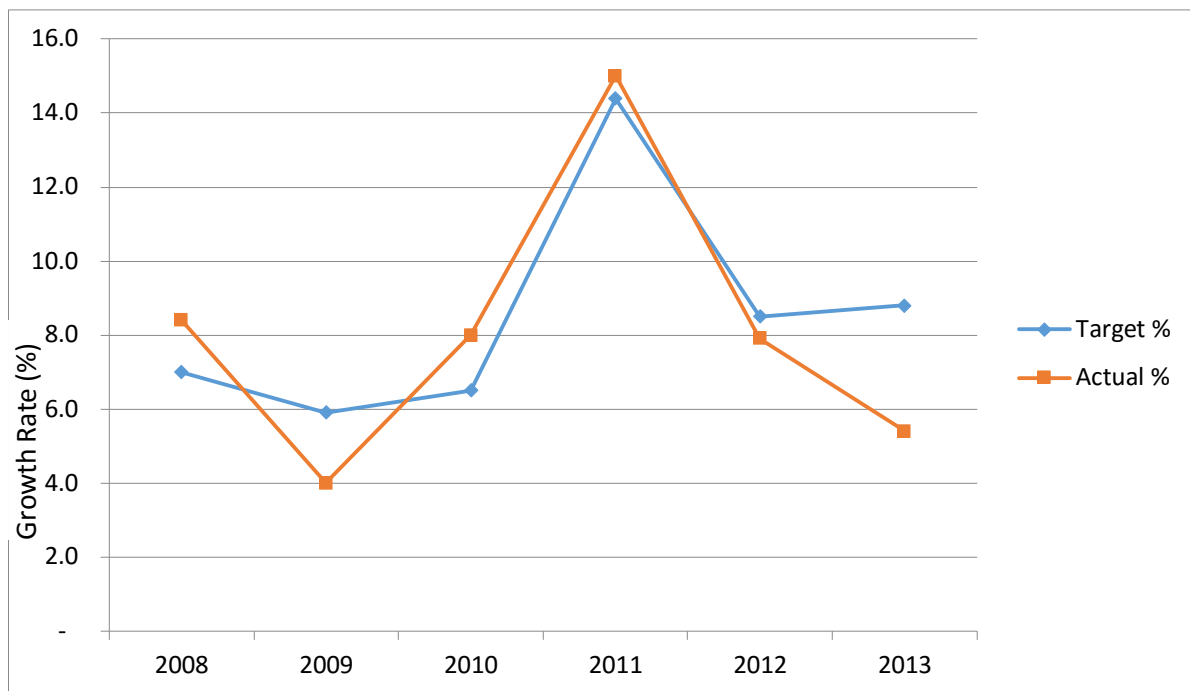
Over the past decades, the economy of Ghana has experienced high growth rates, but this growth rate was also accompanied by some buildup of macro-economic imbalances with current account, average inflation rate, fiscal deficits, domestic currency depreciation and public debt of 9.2, 17.0, 10.4, 30.0, 67.0 percent of GDP respectively in 2014 (IMF, 2014; ISSER, 2014; Africa Economic Outlook, 2015). This has forced authorities to adopt a stabilization program with the International Monetary Fund (ISSER, 2014; Africa Economic Outlook, 2015).

Ghana has had an admirable growth track over the past six decades with an average annual growth rate of about 8 percent. The economy is said to be fairly resilient in the face of the current recession (see figure 3.1). Although, the rate of economic growth has seen a considerable decline since 2011, it also recorded a high growth rate of 15 percent in 2011 at the start of its oil production. The country had a real GDP growth rate of 5.4 percent in 2013. This growth is accounted for by oil exports with non-oil GDP being 3.9 percent compared to the overall GDP growth rate of 5.4 percent in 2013. Ghana Statistical Service (2015) also suggests that the economy expanded by 4.2 percent in 2014 but this represents a decline compared to the 7.3 percent growth recorded in 2013.

There has been several experts' opinion concerning the 4.2 percent growth rate with some experts interpreting it to be an indication of stress in the economy. Several factors are said to have contributed to such incident, including the extensive power cuts, the rapid depreciation of the domestic currency as well as the fall in prices of gold and oil in global markets (Africa Economic Outlook, 2015). However, in 2015, it saw a growth rate of 3.9 percent of the country's GDP. This decline is attributed to the severe energy crisis, unsustainable domestic and external debt burdens, deteriorated macroeconomic and financial imbalances (Africa Economic Outlook, 2015). Despite this, the country expects a rise in this rate of growth in 2016, with prospects of GDP rise to 67.1 percent, a single digit of inflation rate and the phasing out of the depreciation in the value of the cedi (ISSER, 2014; Africa Economic Outlook, 2015).

Also, the economy is expected to recover from this decline mainly boosted by an increase in oil and gas production, private sector investment, improved public infrastructure and the country's political stability, hence a growth rate of 6 percent is expected despite lower international oil prices which may slow the pace of economic growth in the future (ISSER, 2014).

Nonetheless, over the past decades due to the high growth rate levels, stable political environment, the improvement in infrastructure and the country's investor friendliness, Ghana's economy has attracted several investments from the global markets with countries like South Africa, Germany, Netherlands, China and South Korea among others investing hugely in most of the sectors of the economy except the agriculture sector (World Bank, 2015). These investments have allowed several businesses to spring up in the country, including joint venture enterprise, collaborations as well as franchise firms. The country can now boast of at least six franchise firms.

Figure 3. 1: Ghana's Economic performance from 2008- 2013

Source: ISSER, 2014

3.2 Sectoral Performance

ISSER Report (2014) grouped the sectors of the Ghanaian economy into three, namely the agriculture sector, the services sector and the industrial sector.

3.2.1 Services Sector

The Services sector was found to be the largest sector in the economy. It is also known as the fastest growing sector with a growth rate of 8.9 percent (ISSER, 2014). The report further documented that the main driver of growth in the Ghanaian economy in the medium term is the services sector, which consists of 50.2 percent, followed by industry and agriculture with 28.4 percent and 19.9 percent respectively. Historically, the services sector used to record low growth rate compared with the averages from most Sub-Saharan African countries (Africa Economic Outlook, 2015; ISSER, 2014).

In 2013, it had a growth rate of 0.9 percent, which represents a fall from 10.2 percent in 2012. Arguably, the services sector comprises of ten sub-sectors including the information and communication, hotels and restaurants, financial intermediation among others (ISSER, 2014). During that same year, the service sector had three of its sub-sectors recording the fastest growing sub-sectors. For instance, information and communication had 24.7 percent, hotels and restaurants 13.7 percent and financial intermediation, 12.1 percent.

Interestingly, the services sector is one main sector that has seen a lot of franchise firms and its widespread in the country. There has been investment from firms such Game, Electro-land Ghana Limited, Refill24 Ghana Limited, Silver Star, Mechanical Lloyd Company Limited among others.

3.2.2 Industrial Sector

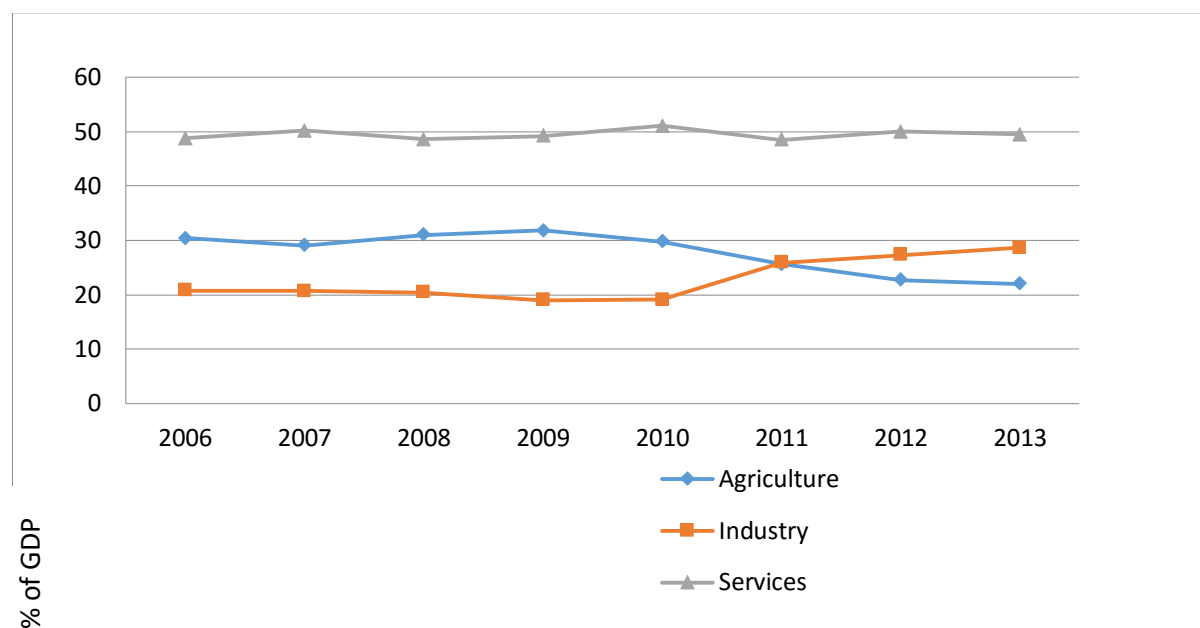
According to ISSER (2014), the industrial sector is the second largest and the second fastest growing sector of the economy with a recorded growth rate of 7 percent. The industrial sector had a growth rate of 7 percent in 2013 and was worth 8,505 million Cedi in real 2006 values in the year 2013. It had about 28.6 percent of GDP (Ghana Statistical Service, 2014; ISSER, 2014). This sector is expected to be a major driver of the economy in the short term to medium term (ISSER, 2014). It has five main sub-sectors including manufacturing and mining and quarry sub-sectors. The industrial sector has also seen some franchise developments with firms like Kentucky Fried Chicken and others making an entry into the sector. These developments have evolved to the extent that the Ghanaian consumers are currently expecting a brand like McDonalds to open a franchise outlet in Ghana soon.

3.2.3 Agriculture Sector

ISSER (2014) also found that the agricultural sector had a growth rate of 5.2 percent and it is important to note that all its sub-sectors recorded a high growth rate as compared to the previous year. The agriculture sector has five sub-sectors which include manufacturing, and mining and Quarrying (Ghana Statistical Service, 2013; 2014). The agriculture sector is currently experiencing a decline in its growth rate. For instance, in 2014, the sector recorded -2.7 percent of growth. Agriculture as a sector as seen less or none of such franchise developments, but are expected to receive some attention in recent times in terms of domestic franchising.

From the above discussions on the sectoral performances of the various sectors of the economy, it is clear and rational to state that the contributions of both the services sector and the industrial sectors cannot be overemphasized (See Figure 3.2 and table below). Furthermore, it is also clear most of the franchise developments are found in these two sectors of the economy, hence, this present study is key, appropriate and timely in sectors such these.

Figure 3. 2: The Performance of the Three Sectors of the Economy



Source: GSS, 2014

Table 3. 1: Details of the Sub-sector Growth Rate

Sector	2012 Actual (C1)	2013 Target (C2)	2013 Actual (C3)	Differen ce (C3- C1)	Differenc e (C3-C2)
Agriculture	1.3	4.9	5.2	2.1	-1.5
Crops	1.0	5.0	3.0	2.0	-2.0
O/w cocoa	-6.9	5.0	3.7	10.6	-1.3
Livestock	5.0	5.0	5.3	0.3	0.3
Forestry and Logging	-1.4	6.0	0.8	2.2	-5.2
Fishing	4.7	2.3	8.9	4.2	6.6
Industry	7.0	8.7	7.0	0.0	0.4
Mining and quarrying	5.0	8	17.6	12.6	9.6
O/w Petroleum	9.1	-	37.5	28.4	37.5
Manufacturing	5.0	5.0	2.5	-2.5	-2.5
Electricity	11.1	15	13.3	2.2	-1.7
Water and Sewage	2.0	4.0	2.4	0.4	-1.6
Construction	11.2	12.5	8.4	-2.8	-4.1
SERVICES	10.2	8.5	8.9	-1.3	0.7
Trade, Repairs of Vehicles, Household Goods	5.8	7.0	1.5	-4.3	-5.5

Source: ISSER, 2013; GSS, 2014

3.3 Franchising in Ghana

Franchising activities have increased in the nation for past few decades. As indicated by a report by Doing Business in Ghana (2012), the cost of administration and enrollment of businesses in Ghana is evaluated to be somewhat under 2500 dollars and it takes exactly 21 days to register a franchise business in Ghana (World Bank, 2015) and this also contribute to the spread of franchise in Ghana apart from the reasons stated in the previous sections of this chapter. It further reports that franchising is now one of the prevalent organizational models in Ghana apart from exporting and joint venture (Doing Business in Ghana, 2012). Additionally, it sorts South Africa as the nation that has a real stake in the franchise businesses in Ghana (Doing Business in Ghana, 2012). The report links such franchising activities to constitute of business exercises extending from retail staple outlets to fast food outlets (Doing Business in Ghana, 2012) particularly for the services and industrial sectors of the economy. Doing Business in Ghana (2012) report and McCabe (2008) further records that franchising is on the ascent in Ghana because of major infrastructural change and positive anticipation in the nation's business advancement. Regardless, it numerate under the capitalization of organizations, unreliable supply chain, unskilled labor and product counterfeiting as a portion of the difficulties that may be confronted by the franchised firms in the nation, Ghana (McCabe; 2008; Doing Business in Ghana, 2012).

3.3.1 Franchising in the Consumer Goods Sub-sector

Ghana has seen expanded improvements in the zone of interest in the shopper hardware industry usually known as the consumer electronics industry. A report observed that Ghana has a future for consumer electronics in Africa. However, a large portion of the organizations that deal in such merchandise are exclusively private owned and managed,

with some being franchised (GIPC, 2014; Doing Business Report, 2008). Consumer electronics firms are customer hardware firms that allude to arrangement in all gear that are electronic in nature and are utilized as a part of our everyday life. In Ghana, Melcom, Electro-land Ghana Limited, Shoprite and Rlg are among the few organizations that deal in such items. The shopper hardware sub-gathering is one of the sub-sectors that are presently developing and are picking up grounds in the Ghanaian economy. The Ghanaian economy has several of these organizations that import and market such items. Also, the nation has seen a greater amount of repacking, pricing and distribution of such items than creation in such angles. The nation can consequently gloat of a sole organization that can generally make and collect such items specifically, Rlg. For example, items such as sound frameworks, camcorders, portable PCs, desktops and cellular telephones are the most manufactured and promoted in Ghana (Rlg, 2014). As first indicated, the nation has seen the spread of franchised firms in such an industry and this has promoted several investments from firms including Game stores Ghana, Shoprite, Electro-land Ghana Limited and Apple Shop (Mall).

3.3.2 Franchising in the Automobile Industry in Ghana

Ghana as a nation has no domestic assembly of motor vehicles and hence relies entirely on imports. It is assessed that the car business items are mostly comprised of used vehicles (5-10 years of age) and thus constitute around 70 percent of vehicles imported to Ghana (Doing Business Guide, 2015). This opens doors for both outside and local firms to take advantage of such business opportunities. Research indicates that significant growth is recorded in these past decades over the number of registered motor vehicles. Approximately, 33 percent of such vehicles are evaluated as Private Motor Vehicles, with commercial vehicles assessed to be marginally more than a quarter of such rate of autos

and motorcycles. For instance, it is said that most Ghanaians prefer five door cars to three door cars (Doing Business Guide, 2015).

The automobile industry in Ghana embodies seven organizations and among these organizations are Mechanical Lloyd Company Limited, Modem Automated Services Limited, Silver Star Auto Limited, Toyota Ghana Company Limited, Japan Motors Limited, CFAO Ghana Limited, and Tractor & Equipment Ghana Limited (Doing Business Guide, 2015). The industry is indeed smaller in size and Mechanical Lloyd Company Limited is one of two franchises in such an industry

3.3.3 Franchising in the Food and Beverages Sector as a Sub-sector of Manufacturing

Food and beverages sector is a sub-sector in the manufacturing industry. The food and beverages sector consist of industries that processes food and beverages across all the ten regions in Ghana (ISSER, 2014). It is estimated that this sector is the largest contributor to the overall manufacturing GDP (thus 30 percent of the manufacturing value). It also recruits most of the current labor force (Sector Outlook, 2013). It is also known as the oldest sub-group under the manufacturing and hence, its contribution to the economy cannot be underestimated. It employs modern state of the art technology in all its activities. It plays a key role in ensuring that there is food security and sufficient raw materials to the manufacturing sector (Sector Outlook, 2013). This sector has received a wider spread of franchise activities since 2006 till date, with firms like Kentucky Fried Chicken (KFC) Ghana and Taco Bell Pizza with some further anticipation of an incoming franchise known as McDonalds. Ghanaian consumers are now expecting more from such big brands in the food sector as they demand for quicker food services with the highest quality, but at affordable prices in order to maximize time as well as to satisfy their preference for foreign taste with regard to food.

- **Role of food and beverages**

This sub-group contributes 30 percent of the GDP. It is further observed that the food and beverages sector had its export receipts increased between the year 2010 and 2011 (This is shown clearly on. It also generates about 13 percent of the total revenue, specifically in the year 2012. Despite these contributions, the Sector Outlook (2013) report states that it faces challenges such as lack of market, poor power supply, difficulty in attracting skilled labor and unfair competition from foreign companies.

3.4 Contribution of Franchising in the Ghanaian Economy

Franchising is an economic activity that contributes to the development of every nation including Ghana. Franchising as aforementioned constitutes all kinds of business activities ranging from retailing to automobiles (Doing Business Guide, 2015). These activities help to satisfy the needs and demands Ghanaians. Franchised activities, especially the food sector in Ghana help to cater for the high number of tourists. This generates revenues in the economy due to the taxes levied on such sectors. It further generates hard currency for the nation that can be used to aid development in other areas. Franchisees also create job opportunities and recruits Ghanaian labor to mine such business. This helps to reduce the rate of poverty in the country which may indirectly reduce crime rates in the country (Ghana Statistical Service, 2015). The franchising activities are also projected to contribute significantly to the attainment of the objectives of government trade and investment policies (Doing Business Guide, 2015). The spread of such business in the country is contributing greatly to the total gross product of the economy.

CHAPTER FOUR

RESEARCH DESIGN AND METHODOLOGY

4.0 Introduction

This chapter focuses on the methodology of the study. In the view of Ojo (2003), methodology is a system of explicit rules and procedures in which research is based and against which claims of knowledge are evaluated. This section will therefore present the research design, population, sample and sampling technique, data collection techniques and procedures. Note that the study will make use of pseudo.

4.1 Research Design

Research design refers to a researcher's plan on how to implement the research in practice (Saunders, Lewis & Thornhill, 2011). Also, the research design describes when and where data are to be collected as well as how the data are to be analyzed (Creswell, 2013). It further covers how the research sample is identified, ethical issues in data collection and validity of the study (Boateng, 2014). It also refers to the overall plan that a researcher uses for an empirical research (Punch, 2000). According to Singh (2007), research design is the plan, structure and strategy of investigation conceived to obtain answers to research questions. It is vital to note that a research design is different from a research process. This is because a research process is a systematic approach to decision making which is a combination of six main steps: problem identification, selection of research design, developing of research instrument, data collection and lastly, report preparation. This has alerted some researchers to argue that a research design is a subset of a research process (Boateng, 2014; Creswell, 2013). Creswell (2013) further emphasized that the research design provides a structure and direction to the research process after the research problem, the objectives, questions and as well as the

framework have been determined.

Several researchers have different categories for the types of research design. According to Walliman (2006), the four types of research designs are the cross-sectional design, longitudinal design, experiments and case studies. Neuman (2007) also asserts that there are three main types of research design, namely: cross-sectional, longitudinal and time series. Walliman (2006) states that a cross-sectional design entails the collection of data on more than one case out of a population, usually, enough cases that are representative of the population, and data collected at a single point in time as a snapshot of the ideas, information, or opinions (Walliman, 2006). Neuman (2007) also added that cross-sectional studies provide a snapshot of a single, fixed time examination of many diverse features of a number of cases as well as allow the researcher to analyze it in detail. The cross-sectional study is simpler and less costly compared to longitudinal study. However, one thing to consider is that it can be exploratory, descriptive or explanatory in nature (Neuman, 2007). On the other hand, longitudinal research is any study that focuses on examining specific phenomena over two or more times. It is often more complex and costly than cross-sectional research (Neuman, 2007). Longitudinal study is a repeated cross-sectional survey and a kind of study that helps to ascertain the possible influence of time on the results (Walliman, 2006). Lastly, time series which is another research design also focuses on the selected aspect of a phenomenon which is being studied at different points in time, often with the intention of studying social trends (Creswell, 2013). Here, a researcher's decision to choose any of these designs is mainly influenced by the objectives of a study and the purpose of the study (Saunders et al., 2011). Therefore, based on the objectives and the purpose of the study, this study adopts a cross-sectional study.

4.2 Research Approach

As already noted, a research design precedes the decision on a strategy to use in a research method. Therefore, it is imperative to understand the research approach being adopted. A research approach is the plan and the procedure for research (Creswell, 2013; Saunders et al., 2011). According to Creswell (2013), a research approach spans from broad assumptions to detailed methods of data collection, analysis and interpretation. It further involves the intersection of philosophical assumptions, designs and specific methods (Creswell, 2013). Therefore, it is necessary to pinpoint the two main research approaches. These are: the quantitative method and the qualitative research. This study adopts a qualitative approach. According to Thomas (2003), qualitative approach to research is a multi-method in focus, involving an interpretive, naturalistic approach to its subject matter. This implies that qualitative researchers study things in their natural settings, thereby attempting to make sense of a phenomenon in terms of the meanings people bring to them.

He emphasizes that qualitative research makes use of collection of empirical materials: case study, personal experience, introspective, life stories, interviews, observational, historical interactional and visual texts that describe routine and problematic moments' meanings in people's lives (Thomas, 2013). He added that qualitative research is an umbrella term for various philosophical orientations to interpretative research.

An earlier study by Denzin & Lincoln (2011) detailed qualitative approach to involve researchers describing the kinds of characteristics of people and events without comparing events in terms of measurement. Cooper & Schindler (2003) further contended that qualitative approach is the best strategy to opt for when there is limited understanding of specific phenomena under investigation. This is because it provides an in-depth understanding into the phenomena under study in its nature and real life context (Cooper & Schindler,

2003). This study adopts a qualitative approach mainly because it seeks to investigate and understand the motivations for franchising and the challenges franchise firms are likely to face. Though, a quantitative approach would allow for measurement and statistical generalization (Singh, 2007; Hair et al., 2010), but the purpose of the study was not to test hypothesis but to in-depthly understand franchising among some selected firms.

4.3 Research Strategy

Creswell (2012) explored on the types of qualitative studies and emphatically categorizes it into five main approaches: narrative research, phenomenology, grounded theory, ethnology and case studies. The study adopts a case study as a research strategy that is used to achieve the objective of the study.

4.3.1 Case Study Research

Case study research is another key research strategy used by most qualitative researchers, including Yin (2003) and can be said to be popular among the aforementioned research strategies. Nonetheless, it can be used as both qualitative and quantitative research strategy (Creswell, 2013). Neuman (2007) also documented that a case study is usually a qualitative study of one or a small number of cases in which a researcher carefully examines a large number of details about each case. Creswell (2013) also demonstrates that a case study involves the study of an issue that explores through one or more cases within a bounded system. He emphasizes that such a qualitative approach can be within a bounded system or multiple bounded systems over time through an in-depth data collection using multiple sources of information (observations, interviews, audiovisual materials, documents and reports) and reports a case description, and case-based themes (Creswell, 2013; Creswell, 2012). Yin (2003) and Denzin & Lincoln (2005) perceive a case study as a strategy of inquiry, a methodology or

a comprehensive research strategy. Creswell (2013) also views it as a methodology, a type of design of qualitative research, or an object of study, as well as a product of inquiry.

This study opts for a case study research specifically, multiple case study because of the advantages it offers a researcher. For instance, Boateng (2014) argues that a case research has some unique characteristics that make it preferable from other qualitative methods despite the fact that meaningful inferences can be gained from the data collected depending on the integrative ability of the researcher. First, it can be used for either inductive theory building or deductive theory testing. Second, the researcher plays a role of neutral observer (direct observation) in the social setting rather than an active participant (participant observation). For example, Yin (2003) uses a qualitative case study to explore, explain and describe phenomena.

Furthermore, the researcher employed case study and focused on the use of in-depth interview because of the character of the research questions, objectives, existing knowledge, the amount of time and the accessibility of other resources (Saunders et al., 2011). Saunders et al. (2011) emphasize that the case study approach is employed because it helps to gain rich insight of phenomena in terms of processes and its contextual issues. Also, Yin (2003; 2009) emphasizes that case studies are appropriate in the case where the researcher has little control over events and the focus is on the contemporary phenomenon within some real life context, and the researcher seeks to answer how or why questions. These buttressed the fact that case study is the most appropriate research strategy to this study.

4.4 Multiple Case Design and the Replication logic

Stake (1995) indicates that a case study must be bounded in terms of time, place or physical boundary in order for it to be a separate entity. This bounded system may be single individuals or groups of individual, organization or culture, programs, events or activity. However, this study adopts multiple case design otherwise known as collective case design. This type of case

study is therefore recognized as a research strategy in which several instrumental bounded cases are chosen to enhance in depth understanding of a phenomena (Yin, 2009). Also, Baxter & Jack (2008) opine that a multiple case allows a researcher to analyze within each setting and across settings. It is vital to note that multiple case study helps a researcher to examine several cases to understand similarities and differences between the cases (Baxter & Jack, 2008). Similarly, Yin (2003; 2009) emphasizes that multiple case study promotes a situation where a researcher can predict similar results or contrasting results. He recognizes this kind of case study to be as robust and reliable. He further adds that the goal of a multiple case study is to replicate findings across the various cases studied (Yin, 2003).

This section deals with the researcher grouping the individual cases to analyze the determinants of franchising in Ghana and the likely challenges, these firms are likely to face from the perspective of the four managers of the franchised business. These managers are a core management of the firms. It also focused these groupings on the type of the franchise, these firms operate and the various sub-sectors that they fall under thus business format franchise firms and product or trade name franchise firms. For instance, these franchise firms are mainly in the food, household goods and automobile sub-sectors. Hence, from the table 4.1 below; Case 3; Case 4 can be grouped as having a business format franchise whereas Case 1 and Case 2 are found to be product franchise.

Table 4. 1: Groupings of the various Firms

Firm	Type of Franchise	Sector
Case 1	Product	Household Goods
Case 2	Product	Automobile
Case 3	Business Format	Food Sub-sector
Case 4	Business Format	Household Goods

Source: Field work, 2015

4.5 Sample and Sampling Technique

4.5.1 Unit of Analysis

The unit of analysis for this study is the firm. Babbie (2007) refers to a unit of analysis as what and whom is being studied. The study primarily focused on the management of four selected franchise firms. This was deemed appropriate because Onwuegbuzie & Collins (2007) recommend that a unit of analysis between three and five participants is sufficient to represent the population when using a case study as a research strategy. Nonetheless, Fraenk & Wallen (2003) emphasize that there is no clear cut size as to what constitutes an appropriate number for the unit of analysis. Therefore, the researcher chose four franchise firms as cases because it was deemed appropriate and also represents the total population being understudied.

4.5.2 Sampling Technique

In research, the choice of sampling technique is very important, especially to a qualitative researcher as this can affect the results gained. Creswell (2013) defines sampling as a process of selecting research participants. There are numerous sampling techniques available to researchers. Boateng (2014) explains that the most used technique by qualitative researchers are purposive, convenience sampling and snowball technique which is non-probability sampling technique. This study therefore adopts purposive and snowball sampling techniques because of the purpose of the study. These two techniques are known to be non-probability sampling techniques. This is because the sampling is based on selecting from a sample through non-random means. Thus, the researcher chooses the respondents on his discretion, but does not give members equal chances of being selected, and such techniques are said to be synonymous with qualitative research (Boateng, 2014) unlike the probability sampling technique where sampling units are selected by chance and the researcher can pre-specify

every possible sample of a given size that could be drawn from the population (Hair, 2010). This is deemed appropriate due to constraints like cost, objectives and nature of the study (Creswell, 2013; Singh, 2007).

- **Purposive Sampling**

Purposive technique is referred as a sampling technique where the researcher selects a subgroup of the population that, on the basis of available information can be judged to be representative of the total population (Saunders et al., 2011). According to Babbie (2007) and Creswell (2007; 2013), the purposive sampling is where the researcher selects what he or she thinks is a typical sample based on certain selection criteria. Neuman (2007) also denotes purposive sampling as a type of non-random sampling in which the researcher uses a wide range of method to locate all possible cases of a highly specific and difficult to reach population. In line with the research questions and objectives, the researcher selected 4 managers of these four selected cases and, this was purposefully done in order to get the appropriate information. This sampling technique was adopted because the researcher wanted firms that meet the criteria that the franchise firm must have been in existence for at least three years. Here, enquires were made to know whether these firms were actually a franchise and was later followed by a visit to the various firms. After, these enquiries, it was revealed that Apple Shop Mall was not a franchise, but the mere authorized dealer of Apple products in Ghana but the rest of the aforesaid firms were all franchised firms. The enquiry further suggested that these firms have been in existence for at least three years in Ghana. The next step after the enquiries were made, was the delivery of the introductory letter taken from the head of the marketing department to all the five organizations mentioned earlier. This was to enable the researcher to gain permission from the firms to obtain the appropriate information from the respondents. Then, an appointment was scheduled with the managers where another date was further scheduled for the actual interview.

- **Snowball Sampling**

Snowball Sampling is generally used in the case of explorative research study where the researchers do not have much lead information (Creswell, 2013; Saunders et al. 2011). It starts by identifying respondents who meet the criteria for selection in the study and can give lead for another set of respondents or information to move further in the study (Singh, 2007; Creswell, 2012). Snowball sampling is especially useful when the researcher is trying to reach populations that are inaccessible. It is also referred to as network sampling (Singh, 2007; Creswell, 2003; 2012). This study used snowball sampling technique because it relied on referrals. Here, the researcher identified case 3 as one participant in the study. Case 4 then helped to identify the rest of the relevant firms. The researcher then contacted the said organizations, but some refused to undertake such an exercise, whereas some also were dropped out of the sample because they engaged the research in cumbersome and frustrating administrative process but at the end, delaying the researcher. The contacting was done by telephone and some through email. Case 1 was contacted first through telephone, next was Case 2 and followed by Case 3.

- **Justification for Sampling Technique**

These methods are adopted due to the difficulty in getting responses from the target sample. It therefore enables the researchers to target the right people for the appropriate information. Also, it is also comparatively less expensive and offers the researcher flexibility and independence in sampling respondents that helped in the achievement of the research objectives. It is adopted and deemed to be appropriate because Watson (2008) and Altinay et al. (2014) used purposive and snowball as the method of sampling in the area of internationalization through franchising.

4.6 Data Collection Methods

4.6.1 Design of the Interview Guide

The interview guide was used as a main instrument in collecting data from the study's unit of analysis. In developing the interview guide, the researcher divided it into four main sections. The interview guide was designed to identify interviewees' backgrounds as well as their experience level with the franchisor and this was captured in the first section of the interview guide. Also, the second section focused on the history of the firm. The third section also focused on what factors influenced the decision to franchise (motivations of franchisees) and the fourth section was on some of the challenges the firm faces as a franchise firm in Ghana. (See Appendix for an attachment of the interview guide). It was developed in English because the unit of analysis all uses English as a first language of communication and is fluent in the English Language though one of the interviewees was an expatriate. It is important to note that in designing the interview guide, the relevant details were incorporated based on the objectives of the study. Also, the questions were semi-structured in nature, hence, based on the flow of the conversation between the interviewer and interviewees, questions were asked and further probed to seek clarifications on issues.

4.6.2 Conducting the in- depth Interview

According to Boateng (2014), an interview is said to be one of the many ways through which information can be gathered from the subjects 'own words from which insights on their interpretations can be obtained. There are three main types namely the unstructured, structured and semi-structured (Creswell, 2013; Boateng, 2014). This research adopts the semi-structured form of the interview where the questions and the order of presentation are

determined and responses are records of the responses given from such questions (Creswell, 2013). The study is based on an in-depth interview, which is face-to-face with respondents (management) from four selected cases. This in-depth interview lasted for an hour and sometimes more than an hour for each respondent which consists of the management members (middle and to lower level managers). This was also followed up to clarify some answers given by the respondents. The semi-structured interview guide was used in getting the necessary information from key employees who are responsible for international activities of these selected companies. This implies that the researcher recognizes that the most appropriate research instrument to use as far as this study was concerned is having an initial personal interview and interaction with the employees responsible for franchising activities of the firm, followed later by an in-depth interview. For instance, Altinay et al. (2014) in evaluating the antecedents of franchise relationship development from the perspective of franchisees used semi-structured interviews as a main instrument for data collection. Also, Doherty & Alexander (2004) recommend semi-structured interviews as the best instrument for data collection for researchers engaged in investigating franchising. These interviews with these respondents were done at a time convenient for the interviewees.

4.7. Pilot Testing

The researcher pilot tested the interview guide by engaging in an initial exploratory interview with two managers of Case 4. This helped to improve on the structure and design of the questions. Yin (2003) acknowledges that pilot case study is conducted to help refine data collection plans and this is not necessarily a pretest. He emphasizes that convenience; access and geography are the main criteria for piloting a case study (Yin, 2003). This was done before the actual interview was done.

4.8 Data Analysis Technique

Data analysis in qualitative research is said to consist of data reduction, data display, and conclusions and verification (Miles & Huberman, 1994). Here, data reduction is referred to as selecting, focusing, simplifying, abstracting and transforming the data collected. The data are then reduced in order to make the data understandable (Berg, 2004). The data are further organized in a way that makes drawing of conclusion easier and this is known as data display (Miles & Huberman, 1994). Lastly, the data collected must be concluded and verified. However, Yin (2003) argues that there are five main techniques for analyzing case studies: pattern matching, linking data to the proposition, explanation building, time series analysis, logic models and cross case analysis. Nonetheless, other researchers like Eisenhardt (1989) and Creswell (2007) acknowledges another technique called within case analysis. This study, therefore adopts with-in case analysis technique and cross case analysis (Yin 2003; 2009; Eisenhardt, 1989). This is to help the researcher to identify each case as a unique one and to further thesis out the similarities and differences between the selected cases based on identified themes. The researcher after transcribing the data collected from respondents analyzed the data case by case to help identify themes (with-in case analysis). Here, the researcher used tabular display and graphs to simplify the data and further used the case by case analysis to find similarities and differences based on the identified themes across the various cases (cross case analysis).

It is vital to note that data analysis was done in two stages. The first stage was with-in case analysis where the researcher examined emergent concepts separately at each case site and patterns between these concepts to deal with the problem of interest. There is no predefined way of analyzing the various types of case data and the data analytic techniques can be modified to fit the nature of the research project (Yin 2003; 2009; Eisenhardt, 1989). The second stage

is conducting cross case analysis, where the researcher looks for similar concepts and patterns between the different case sites (Eisenhardt, 1989).

4.8.1 With-in Case Analysis

Yin (2003; 2009) and Paterson (2010) define within case analysis as an in-depth exploration of a single case as a stand-alone entity which aims at identifying a case support, refutation or an expansion of propositions derived from literature as well as to further identify unique attributes and patterns of phenomena. Creswell (2013) proposes that with-in case analysis is a type of analysis that may apply to either a single case or multiple collective case studies. Moreover, the researcher here analyzes each case with a focus on locating themes for each case, but in the case of multiple cases, a comparison is further drawn based on the themes (Creswell, 2013). According to Eisenhardt (1989), with-in case analysis is usually driven by the fact that there are huge volumes of data.

With-in case analysis involves more detailed case study write ups for each site which are most pure descriptions of the phenomena (Yin, 2003). He argues that there is no standard format for analyzing data under such circumstance (Eisenhardt, 1989). Hence, there are several approaches for analyzing data (Yin, 2009). He cites Quinn (1980) and Leonard-Barton (1988), as the authors that opted for such data analysis, and further acknowledging that Quinn (1980) use narrative description, whereas Leonard-Barton (1988) use tabular displays and graphs of information about each case (Yin, 2009). Furthermore, the main purpose of such analysis approach is to ensure intimate familiarity with each case as a unique (Yin, 2009).

4.8.2 Cross Case Analysis

This data analysis technique is similar to the pattern matching technique, but it aims at identifying differences and similarities hence, this study employs it to reveal the distinctions in the selected franchise firms. Cross case study helps to explain the causality in real life phenomena that are too complex (Yin, 2003; Creswell, 2007; 2013).

4.9 Ethical Issues

According to Creswell (2013), there is the need to protect participants of a particular study, to develop trust, ensure integrity, guard against any misconduct and impropriety that might reflect on their organization as well as cope with new challenges. Neuman (2007) emphasized that ethics in research help to define what is legitimate to do and what is not including what moral research procedure involves. The researcher in adhering to ethical principles obtained an introductory letter from the head of the department of Marketing and Customer Management which was sent to the managers of the selected franchise firms before the interviews were conducted. In addition, during the data collection process, the consent of the respondents is sought before the actual interview and the respondents are further assured of confidentiality and protection of their privacy. The researcher also adheres to strict anonymity of respondents when storing and processing the data. Also, the researcher duly acknowledged all scholarly work and reports, including that of books, journals, theses, newspapers, websites and field data.

CHAPTER FIVE

DATA ANALYSIS AND PRESENTATION

5.0 Introduction.

This chapter presents the analysis of the study. It provides a detailed account of all the analysis of data obtained from four franchise firms through an in-depth interview. It further discusses this data with respect to the research purpose and objectives.

5.1 Demographic

Table 5. 1: Gender of Respondents

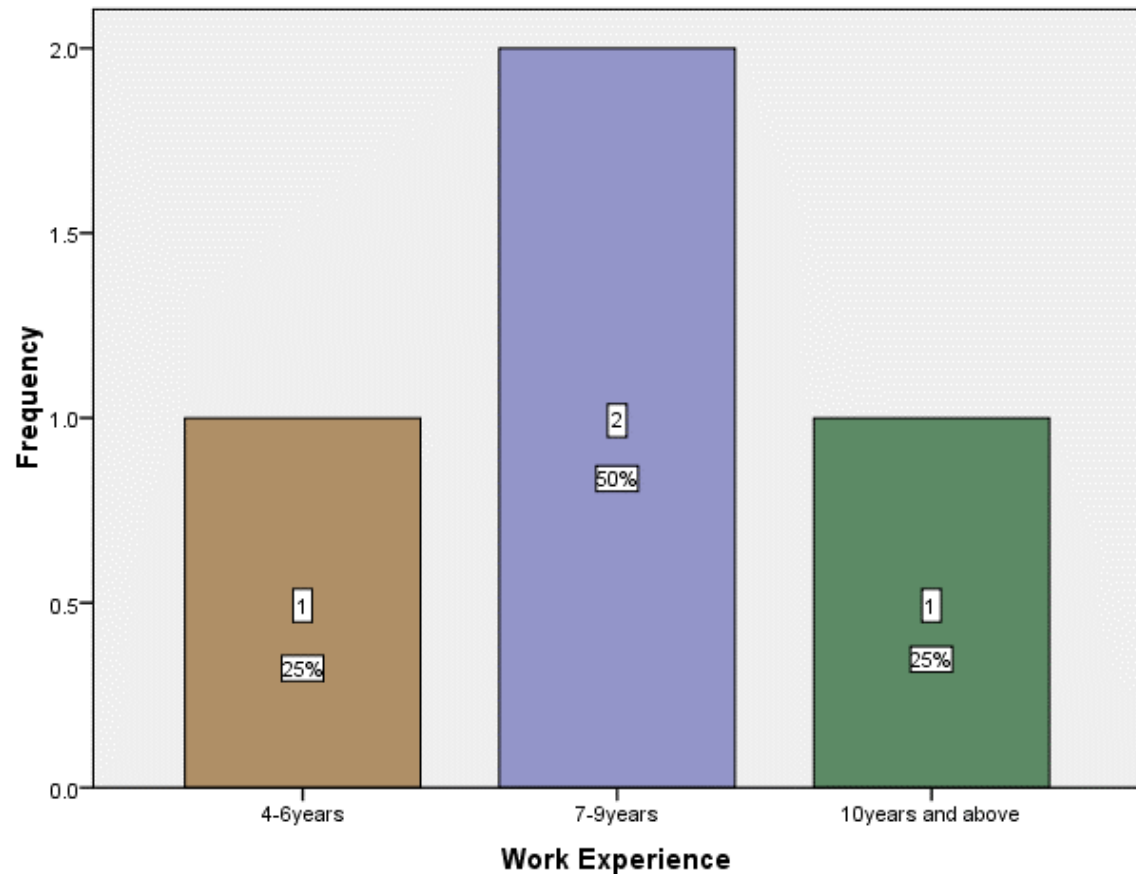
Table 5.1: Gender of Respondents		
	Frequency	Percent (%)
Male	3	75.0
Female	1	25.0
Total	4	100.0

Source: Field work, 2015

From the table above, the demographic profile revealed that majority of the interviewees were males constituting 3 (75%) of the respondent. While one (1) of the managers interviewed were female representing twenty-five (25%) percent of the respondents. This difference is in line with the gender distribution in the whole population of the firms under study.

5.1.2 Respondents' Years of Experience

Figure 5. 1: Pictorial View of Respondents' Years of Experience



Source: Field work, 2015

In relation to work experience (Figure 5.1), a chunk of the respondents, thus 2 (50%) were in the bracket of 4 to 6 years. Those who had 1 to 3 years' experience constitutes 1 (25%) of the total respondents, while in the year bracket of 7 to 9 years and 10 years above comprise of only one (12.5%) respondent. This shows that the majority of respondents have an in-depth knowledgeable about their various organizations, specifically about the firms' franchised activities including how the franchise came about, the products the firm deals in, what factors influence the decision to franchise and some of the challenges the firm face as a franchised entity.

5.1.3 Country of Origin of Franchises

Table 5. 2: Country of Origin of Franchises

Name of Organization	Country of Origin	Frequency	Percent (%)
Case 1	South Korea	1	25
Case 4	Germany	2	50
Case 2			
Case 3	United States of America (USA)	1	25
Total		4	100.0

Source: Field work, 2015

The above table shows the country of Origin of the franchise. Case 1 originated from South Korea, Case 4 and Case 2 originated from Germany while Case 3 originated from the USA. This indicates that, two of the franchises have European origin, Case 3 North America while Case 4 has an Asian origin.

5.2 Background of the Cases

5.2.1 Case 1

The firm started operations in Ghana in 2006. It started with a small number of personnel who were engaged in transporting, customer service, finance and marketing. But as time passed by, the numbers kept increasing. The firm employs about three hundred staffs. The firm is known as the biggest electronics and appliance distributor in Ghana and the sole franchise for brands like Midea, Nasco and Samsung. It is mainly a franchise firm that operates across Ghana,

having branches in Bolgatanga, Accra, Kumasi, Sunyani, Tamale and Takoradi. This actually comprises of sixteen branches nationwide.

It deals with all home electronics and appliances and these products range from brands such as Midea, Nasco and Samsung. The firm categorizes its products into six main groups: consumer electronics, home appliances, air conditioners, kitchen appliances, information technology and mobile devices. Furthermore, services such as warranty and after sales services are offered to its clients. The firm's customers are given the opportunity to enjoy additional services including seasonal promotions, discount on goods and free installation for its products. The firm emphasizes new technology, innovative products, creative solutions and customer satisfaction.

5.2.2 Case 2

The firm is an automobile firm and it has been the sole franchise for BMW, Ford vehicle, Massey Ferguson agricultural machinery and Dolphin products for more than ten years now. The firm was established in 1970. The business is also listed on the Ghana stock exchange since 1994. It has a stated capital of 2,771,486.00 Cedi with a total of 50, 095,925.00 Cedi accumulated as issued shares with authorized shares of 100 million Cedi. It is a limited liability company owned by a Ghanaian. According to the company, it currently has staff strength of about two hundred.

The firm's deeds constitute the importation, distribution and servicing, and maintenance of motor vehicles, agricultural machinery, trucks and buses. The firm offers services such as body shop repairs, tire alignment and balancing service, all types of mechanical services and rust proofing services. The firm also provides after-sales service and maintenance of brand such as BMW, Ford among others in Ghana which it believes, has created customer loyalty for the product they sell. The business provides an assurance in a form of three year warranty for the purchase of any product from any of its branches.

Currently, it has over ten branches across the ten regions of Ghana with its Head office situated in Accra. It is one of two automobile firms operating a franchise system in Ghana. As a franchisee, they own modern state of the art facilities to provide reliable services to the customers in the country. The company has been a benchmark for several industry players in Ghana as well as those in West Africa in terms of its infrastructure, equipment and staff strength. It currently serves as a regional BMW training centre in West Africa. It has won several awards in Africa and Ghana and, the most current one is the Motor firm of the year 2013 award, which was awarded by the Ghana Chartered Institute of Marketing as well as an award for Ghana Club 100 as the most prestigious company.

5.2.3 Case 3

The firm is a family name regarding singed rice and chicken in the country. It was the first to launch franchise activities in the food sector. It was established in 2011 by the Mohinani group who also owns several important but non-franchised firms in the country. It is one of the numerous establishments of Kentucky Fried Chicken. Globally, its parent company (Yum brand) is evaluated to serve more than twelve million clients every day, which comprises more than one hundred and fifteen nations and regions. It is an international organization which originates from the United States of America. The brand is alluded as one of the world's greatest franchises as far as restaurants are concerned and currently, operates four main branches. These branches can be found solely in the Greater Accra region. The firm assures its customers of good quality and taste.

5.2.4 Case 4

The business is a franchised firm that originated from Europe. The brand is Europe's number one ink refill company with over six hundred and fifty ink stations all over Europe. In December 2008, it opened its franchise in Ghana, the first ever in Ghana and the whole of Africa. It was introduced into the Ghanaian market with the singular objective of providing low priced, high quality, credible and reliable ink, and toner cartridge refills to the business community and individual.

The firm also assures its customers who refills their ink and toner cartridges at their ink station a savings up to fifty percent. It also offers a hundred percent money back-guarantee policy on all refills. The firm believes that compared to the thought of going for new cartridges, it is ideal to refill since it protects the environment. The company has three main departments, namely, the accounting, marketing and human resource departments. It currently has three branches at Adabraka, Newtown and Madina. The firm has about ten employees currently.

The company refills all major brands of ink cartridges and toners such as HP, Lexmark, Canon, Epson, Samsung, Dell, Xerox, Olivetti and Brother. The firm offers quality inks just as good as the original. These brands of cartridges are the main products the firm deals in. The company undertakes the washing of old cartridges by the use of appropriate equipment in addition to selling refill kits. The firm's products are all imported from its parent company in Germany.

The firm's largest clientele are individuals, small companies and organizations. These customers, then recommend the firm to their friends and families. It further listed its current clients to include Sikelele Paints, Legacy Capital, Matthews Consult, Liberty American International School, East Legon, Department of Social Welfare, Madina, Mt Zion Presbyterian Church, East Legon and Bethel Presbyterian Church, Adjiringano. The firm's products are all imported from our parent company in Germany.

5.3 Case by Case Analysis

5.3.1 Case 1

With respect to whether, the firm considers brand name as a motivation that influence their decision to franchise, the managers expressed that,

“A brand name must sell a product”, (GM, C1).

They further laid emphasize on the importance of the brand name in relation to what the franchisee stands to benefit and categorically stated that, it is the first thing to consider when deciding to go into franchising. The manager stated that, there is nothing like product support. The manager interviewed continued by indicating that, the firm does not receive such services. This was in reply to the question whether the firm receives support services. The manager has this to say,

“We do not receive such benefits in terms of product support and the only thing I am sure of is that we do receive some form of training from Samsung. And we are entitled to 10 percent of all products sold. Yes, we do receive such support services, but we partly pay for such services specifically, training of our employees”, (GM, C1).

However, she affirmed that only key members of management receive such direct training from our franchisor. The management member elaborated that, this training is on rare times. This demonstrates that, the firm does receive training as a form of support services from the franchise but not on regular times.

Concerning whether they consider demand and competition in the market before deciding on a franchise, the manager indicated that,

“Of course, you do not start a business without researching to know whether there is demand for it or not” (GM, C1).

The manager stated that market demand is a key component that influences the decision to franchise or not.

The manager in response to the question, do you consider the franchisor’s experience as a challenge stated that,

“If you want to do a particular business, you do not go to those who do not have knowledge on it, but you seek advice and go for those with experience and expertise in that field of business, If this is not done, then, there will be a mess” (GM, C1).

This clearly shows that the firm considers the franchisor’s experience as a key factor in making a franchise decision.

With respect to other factors that could have motivated the franchisee, other than those probed on earlier in the section, the manager had this to say:

“As a young University graduate, fresh from School then at 28, I almost couldn’t stand being unemployed in the system while I had some fair amount on me, so I opted for a franchise after scanning the Ghanaian business environment. This was what triggered me to go into this business and later I brought other members of my family in as well as recruiting few Ghanaians as sales persons to deal with the sale of the products”, (GM, C1).

With respect to infrastructure as a challenge, the following were the candid opinion of the franchisee:

“Power outage is one of the key challenges we face as a company. The power crisis has shot up the cost of doing business so affecting all aspects of business. But, we have put some measures in place so we do not feel the impact as much compared to other private businesses”, (GM, C1). Later, she continued by saying that,

“In terms of infrastructure, we get access to internet sometimes, a little problem with the network: in terms of slowness and huge charges, transporting our products to our showrooms around the regions is sometimes hectic and a long journey to Bolgatanga is not easy at all”, (GM, C1).

Fluctuation and unstable Cedi is sometimes bad for our business”, (GM, C1), A manager replied with respect to economic factors as a challenge facing the firm.

Concerning human resource as a challenge to the firm, the managers indicated that,

“We have no problem with labor, whether in terms of numbers or competences”, (GM, C1).

Probing further on the challenges faced by the firm, the managers responded by stating that, as a firm they recruit qualified and competent staff for their job.

In finding out, whether cultural difference is a challenge to the firm, the managers insisted that,

“Cultural problems are not a challenge because we all speak and understand English, so we communicate on that basis and the nature of our products does not require any adaptation”, (GM, C1). Also, most of our employees are Ghanaians, so, we do not encounter any cultural difference issues in here”, the manager noted (GM, C1).

Also, the firm acknowledged that with regard to economic factors, the fluctuation and unstable cedi is sometimes bad for their business.

With regard to whether political/ legal factors is an obstacle to business activity, the manager replied by stating that, the firm was established in Ghana, primarily because of the stable political environment in the country, the investor friendliness and the country's bright economic prospect. However, they acknowledged that,

“The process regarding payment of VAT is time wasting”, (GM, C1)

General challenges

Again, the manager stated that,

“Too much demand from customers and sometimes troublesome customer disturbing us is a major challenge here. The spread of fake Samsung products in the market is also another challenge as we lose millions of cedi because of that”, (GM, C1).

5.3.2 Case 2

Below shows the transcribed conversation that ensued between the researcher and the franchisee:

The manager recalled that, the firm receives support services which they termed as benefits as a key motivation for franchising. The firm consented to this declaration and further demonstrated that, support services are received in a form of operational support which is favorable to the franchisee. The manager remarked that, there are specialized and experienced specialists picked up from the franchisor who habitually visits the firm as a franchisee, to

support in tackling issues that is beyond the control of the franchisee. The manager further explained that,

“Our work is so specialized in nature that if specialists help is not obtained, there will be confusion. Our firm continually receives inventory of spare parts from the franchisor”, (GM, C2).

The manager stated that, they receive support services also in the form of marketing assistance, in terms of promotional activities and product support. The management underscored that, there is a tremendous expense connected with such exercises, however, their establishment assention permits their franchisor to give a financed aid to their business in order to promote such exercises in Ghana. The firm explained that, they get publicizing and special promotional materials from their franchisor.

The manager continued by commenting that,

“Our advertising and promotional materials come in diverse forms; including print materials such as calendars and posters”, (PR, C2).

Thus, they observed that, they get incorporate key holders, pens, bags and so on with the brand name and logo of the firm and the products offered for sale written on them. Another key support services that, the firm receives was management consulting service. The manager clarifies that, they look for the assent and all types of expert guidance from the franchisor on choices, identifying with human relations, promotional activities and additionally, bookkeeping frameworks in terms of the accounting systems to opt for. They remarked that,

“You know the world is a worldwide world, thus we do this through phone, messages and in some cases we get appearance by some of our specialists. For support, we do receive a lot”, (PR, C2).

Research and development is one of such advantages. The firm claimed that, it does not attempt research on its own. Yet, this is primarily done by their franchisor. The manager commented that,

"We frequently go by our normal work whilst the franchisor consistently engages in innovative research to help improve the product and brand. You can envision the expense we have diminished", (PR, C2).

This is because the management of the firm believes that, they incur high cost on account of innovative research exercises. Also, the manager emphasized that, support service in a form of training is also a main component of their franchise. They expressed,

"We know we would need such backing and indeed that impacted on our choice to select such a franchise yet, now it is overpowering, overwhelming and consistent. We feel we have accomplished. Yet, this cost of training is partly financed by the franchisor", (PR, C2).

The manager further underlined that, the operations division is the individuals who get the majority of such preparations and trainings in light of the fact that they deal with the after sales services such as maintenance and repairs. For example, they provide support and repairs such as maintenance and repairs to their valued clients. Nonetheless, this cost of training is partly financed by the franchisor. The manager maintained that,

"This training affords us the comfortability and luxury of dealing with the customer's complaint", (PR, C2).

The firm noted that a brand name is a key factor in their decision to franchise. One of the managers remarked that, a brand name is keen when making the decision to go for a franchise.

"Hey Madam! The brand name is very important, especially in Ghana", (PR, C2).

They explained that, to be recognized in Ghana is because of the brand name and its recognition among our cherished customers. The manager noted that, sales are induced because customers believe that the firm deals with one of the best brand of cars in the world.

“So if we mention the name of this firm, it turns to have recognition with the public in and around Ghana”, says the manager ((PR, C2).

The manager stressed that, their products are already with a quality imprint in the minds of the public, and

“This gives us an easier recognition by our loyal customers and further erases potential doubt of the quality of services we provide”, (PR, C2).

The manager concluded by stating that, brand name further helps to avoid the perception of non-genuine accessories as compared to some dealers in Ghana.

The managers’ responses to the question, whether financial assistance is considered in making a franchise decision were that, the firm benefited from a reduction in the initial outright payment at the contractual period in the cause of documentation processing and in its initial opening of the franchise. One of the managers added that,

“We as a franchisee business concern benefited for eight percent reduction, which is something of substantial amounts in consideration of the value of the Ghanaian currency. It is the case that, other franchisees in well developed nations who are partners to our franchisor pay the full amount outright”, (PR, C2).

The manager further insisted,

“So, initial capital for a franchise is a main motivation to franchising, especially, in our part of the world”, (PR, C2).

The manager also remarked that, their business undertaking constantly gets stock of extra parts from the franchisor. This, they said, is very helpful as it boosts their confidence in their franchisor as a reliable and timely supplier. The manager stated that,

“Initially we did not make the decision on initial capital”, (PR, C2).

But as time went by the firm observed that, the firm had access to financial support because of the status it has grown to gain both as a franchise and as a publicly owned firm. Furthermore, the manager pointed out that, it becomes easy for the firm to source funds from the general public who are aware of the product and services offered by the organization and are well informed about the nature of business of the franchisee.

“It also attracts a lot of people to buy shares and also, it is able to secure loans from the financial firms in the country”, (PR, C2).

The manager had this few comments to make concerning other factors that influenced the decision to franchise apart from the aforementioned motivations;

“At the time, when we went for this franchise, Ghanaians were used to these second-hand cars so much that anyone who bought a brand-new car, did it from abroad and was then tagged as a very rich person. Genuinely, few persons then were interested in buying new cars first because of the cost due to the paper work and other things like importation cost. This influenced our decision partly that, if we can't manufacture such cars, then we can bring them into the country at a cost which is at least reasonable to customers. This also was due to the fact that we didn't want to engage ourselves in fruitless venture. But this was also influenced by the growth in average income of the people in the country. This bold decision was taken as I already stated in order to reduce customer's search cost, importation cost of single cars. Therefore, it may interest you to know that our

vision to go for a franchise started with the desire for our firm to satisfy the growing desires of customers so, we became pioneers of automobile franchise in Ghana”, (PR, C2).

The following were some of the challenges the firm face as a franchised business in Ghana:

“The power outages, high importation cost as well as a fall in the value of the Cedi are our challenges. We see a fall in the value of the Cedi as a major challenge and we believe the government must also act smart on this issue as they are claiming we are not acting smart on this ‘dumsor’ issue”, the managers noted (PR, C2).

The aforementioned challenges were identified in the area of infrastructure and economic factors.

“Also, the payment of district assembly levies is frustrating”, (PR, C2).

The above assertion is as a reply to the question, whether the firm face any challenge in terms of political/legal factors.

With regard to psychic distance as a challenge, the manager has this to say.

“Our products are standardized are widely accepted by all but sometimes, customers demand few changes with respective the tyres and seats”, (PR, C2).

5.3.3 Case 3

With respect to brand name as a key motivation, the manager stated that,

“We choose to verify to make sure we did things legitimately and above all with a good brand so we scanned for a great brand with a solid presence, therefore, we

went for Yum. Also, it may intrigue you to realize that it took two and half years to get this franchise”, (GM, C3).

Also the manager remarked,

"This has earned us a great deal of admiration and deals in the food sector in Ghana”, (GM, C3) and categorically stated that,

“Now we think we have the best partners”, (GM, C3)

As a reply to the question, whether they consider market demand and competition in the market before opting for a franchise, the management member insisted that prior market analysis and research were done.

With respect, to whether a franchisor’s experience is considered as a motivation for franchise.

The manager acknowledged that,

“We knew it was the best in restaurant franchise. This is because we know what the brand stands for in the world market. Furthermore, we picked this franchise somewhat because of its involvement in working in Africa as a business domain, the manager disclosed in the interview. We trust its expertise. This is because when settling on a franchise, there is the need to find out about its style of operations”, (GM, C3).

Concerning support services, the manager affirmed that training and support were keen on their decision to franchise. The manager remarked that,

“We knew it could help in training and in other support services. We receive training from our franchise, including professional advice and comments with

regard to taste, maintenance of equipment and on remarks as to taste and on managing the brand itself”, (GM, C3).

Also, probing on whether to access financial assistance from the franchisor is a motive for franchise, the manager declared that,

“Far from it, we had sound finances before we invested in franchising, actually if we didn't have enough money, we couldn't have opted for such a franchise due the high cost involved in the franchise agreement”, (GM, C3).

Generally, the manager commented that, working in there have given them a better experience. The managers commented that, the firm has stood the test of time which has made it very successful and a household name in the world over and so we trust in the brand. The manager elaborated that, foreigners as well as citizens visit and buys our products from all our food outlets. Also, the manager indicated that the firm decided on a franchise in order to avoid certain mistakes committed by non-franchised firms.

The manager had the following remarks about other motivations for franchising apart from those discussed in the above section:

“To us, the franchise decision was a result of the vision of the management to redirect our investment from the non-franchise activities to a specific franchise thus to particularly enter the food sub-sector with quick and fast dishes to satisfy the demands of the Ghanaian consumers”, (GM, C1).

The following were stated as challenges by the manager:

First, the energy crisis in the country was mentioned as a challenge. Below are some of the remarks to support this argument. The manager stated,

“‘Dumsor’ is a serious crisis for businesses in the country and we are no exception”, (GM, C3).

With regard to economic factors and political/legal factors observed as a challenge, the following were some of the responses. A manager commented,

“A fall in the value of the Cedi is also another main challenge affecting us. We have had people who claim they are revenue collector coming in but later we discovered it is fraud”, (GM, C3).

The manager also indicated that the difference in culture is not a challenge to their firm. The manager expressed that,

“Most of our customers are the local people, but they have similar needs so, we prepare the dishes as they like and they are satisfied. You know Ghanaians have a preference and taste for foreign products, so we do not encounter such problems. And we do not foresee this as a problem, not now and not in the future” (GM, C3).

Other challenges mentioned are captured in the following comments:

“High cost of transporting our raw materials for production is also adding up to our cost of production. And this is a major worry to us as a business. Also, shortage of water in and around Accra is affecting business. We face a shortage of water for production, which brings extra cost to us, as we have to purify these water to ensure we meet international standards”, (GM, C3).

5.3.4 Case 4

On the motivations for franchising, management emphasized that it was a mere coincidence through which the decision of franchise was born. Therefore, the decision was made out of chance. However, he stated that,

“We receive inventory from Germany at least every three months. Also, we initially had training for our employees, but we paid for the cost of training, the trainer’s hotel and both in-out travelling ticket”, (GM, C4).

He explained that there was the need for such products in the Ghanaian market even though this was not considered initially. He had this to say,

“We observed that there is the need to decrease waste and ensure quality refilling of cartridges in Africa and Ghana can lead that action”, (GM, C4).

Again, the researcher probe further to know whether financial assistance in terms of initial capital was a motivation for the franchisee, here is the response:

“We were financially prepared before we decided on the franchise decision, so it was not a motivation at all”, (GM, C4.)

Later in the course of the interview, the managers mentioned that fake and inferior materials for refilling cartridges are their major challenge. The manager commented that,

“It is a serious thing that customers tag all refilling services as inferior and this affects demand and sales as a whole”, (GM, C4).

The manager further added that,

“This causes the firm to spend a lot on advertising in order to create awareness in the market”, (GM, C4).

In addition, legal constraints after establishing the company is a key challenge, people entering offices to take taxes without any way of tracing such sources.

The manager said,

“It is very sad that people enter offices as revenue collector, but believe in me, it is a lie”, (GM, C4). However, the political environment is cool for business. Yeah, Peace in Ghana is a good thing for business growth”, (GM, C4).

Commenting on challenges with regard to infrastructure, the manager noted that,

Infrastructure is a key problem for this organization in that inadequate space for us is a key problem”, (GM, C4).

Also, the firm has to deal with is the issue of ‘dumsor’ (thus the current energy crisis). The manager said,

“This is actually retarding productivity in businesses including that of theirs”.

The manager remarked that,

“We need light to work and if it is off, it adds to the cost of providing services, because we have to acquire generators to help us satisfy the demands of our loyal customers”, (GM, C4).

In response to the question as to whether they are faced with any human resource factors, the manager stated that in terms of quality and quantity of such a resource is also another constraint we are faced.

“We need people with certain specialized skills, but it is difficult to get such people”, (GM, C4).

With regard to economic factors as a challenge, the managers explained that this is a big problem for them because they import all our products from Germany. The manager stated that,

“The fall in the value of the Cedi is our greatest challenge because we import products from Germany so the fall really affects our firm”, (GM, C4).

The manager further commented that, the government must do something about the fall in the currency to stabilize the currency.

With regard to psychic distance, the manager had this to say,

“We do not have such a problem and do not foresee it as a problem in the future”, (GM, C4).

Other challenges that affect our business is,

“Employees’ agitation for wage increase”, the manager noted (GM, C4).

5.4 Cross Case Analysis

This section focuses on grouping the various cases under an identified theme in order to reveal the distinctions between the four selected cases. Therefore, the above data ascertained from the various franchise firms are further analyzed as follows;

5.4.1 Motivations of franchisees in Ghana (Objective 1)

- **Support Services**

Similarly, support services were also acknowledged as a motivation for franchising in an emerging market like Ghana by all the franchisees interviewed. This also clarifies the fact that franchisees’ anticipation of support services offered by the franchisor may greatly influence

the decision to franchise. Nevertheless, all the four managers stated that these support services are not free. And case 4 insisted that they receive support services, but the firm did not make franchise decision based on that. For instance, one manager noted,

“Yes, we do receive such support services, but we partly pay for such services specifically, training of our employees’ (GM, C1).

A manager recounted that,

“This cost of training is partly financed by the franchisor”, (PR, C2)

One of the management members expressed that,

“We receive training from our franchise, including professional advice and comments with regard to taste, maintenance of equipment and on remarks as to taste and for managing the brand itself” (GM, C3).

A manager pointed out that,

“Our firm continually receives inventory of spare parts from the franchisor”, (PR, C2).

One of the managers added that,

“We receive inventory from Germany at least every three months”, (GM, C4).

From the data gathered, it was observed that support service which was commonly received is training of employees, product support, research and development, marketing support, advisory and consultancy services. These services cut across all the franchised firms involved in the study. Furthermore, it can be observed that only two few of the firms stated that these services were received consistently. Below are some of the remarks that elaborate on the above assertion:

Another management member stated,

“We do not receive such benefits and the only thing I am sure of is that we do receive some form of training from Samsung and we are entitled to 10 percent of all products sold and even this training is on rare times”, (GM, C1).

- **Brand Name**

It can be inferred that brand name as a motivation for the franchised decision to the franchisee. This is a major factor which influences such decisions irrespective of the size of the firm, the types of franchise they operate or the sector they operate in as shown in the table 5.3 below, it cuts across the firms. This is illustrated in some precise statements shown below:

One of the management members commented,

“Brand name must sell a product”, (GM, C1).

Another management member remarked that,

“We choose to verify to make sure we did things legitimately and above all with a good brand so we scanned for a great brand with a solid presence”, (GM, C3).

Another management member also emphasized,

“Hey Madam! The brand name is very important especially in Ghana. For us to be recognized in Ghana, it is because of the brand name and its recognition among our cherished customers”, (PR, C2).

It was further demonstrated that, franchisees were likely to choose strong brands in the specific sector they operate in as indicated from the data above. From the extracts of the interview, it can be seen that the focus was on the recognition of the brand, the ability of the brand to naturally create awareness and induce sales and these were the core of the things franchisees looked out for.

- **Financial Assistance from the Franchisor**

Financial assistance from the franchisor in a form of initial capital was not identified to be one of the major motivations for franchising in international business literature, but the table 5.3 below, gives an indication that this factor is a minor motivation that influences the decision to franchise. This gives a feedback that such a factor cannot be overridden in the decision to franchise without any future consequences. The table 5.3 further shows that one of out of the four firms considered resources in terms of initial capital when making the franchise decision. Below is a statement to support such an argument.

“We were financially prepared before we decided on the franchise decision, so it was not a motivation at all”, (GM, C4).

“Far from it, we had sound finances before we invested in franchising, actually if we didn't have enough money, we couldn't have opted for such a franchise due to the high cost involved in the franchise agreement”, (GM, C3).

On the other hand, one of the managers explained further that, the firm benefited from a reduction in the initial outright payment at the contractual period in the cause of documentation processing. The firm added that, a franchise in another way has helped to boost the firm's attractiveness and has increased their chances to access financial assistance easily. This demonstrates that, many of the franchise firms do not consider this resource during their decision to franchise.

- **Franchisor's Experience**

This motivation was similarly common among all the cases understudied namely except one case. The various management members interviewed emphasized that the franchisor's experience is a key ingredient in the decision to franchise. All of them insisted that the reason

they opted for a specific franchise is because they believe in the firm's expertise and capabilities. The remarks below elaborate on this:

“If you want to do a particular business, you do not go to those who do not have knowledge of it, but you seek advice and go for those with experience and expertise on that business”, (PR, C2).

Another manager commented that,

“It has stood the test of time which has made it very successful and a household name in the world over and so we trust the brand” and further added that "We trust its expertise. This is because when settling on a franchise, there is the need to find out about its style of operations”, (GM, C3).

The franchisor's experience here is recognized mainly as the expertise of the franchisor in that area of business and its exposure in that business environment. The managers insisted that the experience of a franchisor consists of three main constituents, namely: the quality of franchisor's product, technical and professional competence and a proven business system in the business environment.

- **Demand and Competition**

This was a similarity that cuts across all the firms. This infers that, all the firms agree that demand and competition is a key motivation in the decision to franchise. This is because it determines the viability and attractiveness of such a franchise. The table 5.3 below indicates that the entire managers sampled admitted that, they undertook a survey into the market to identify whether there is demand for such franchised products and if there is, are there firms that deal in such products. Here, the reason assigned to such survey is first, to know who may be the direct or indirect competitor to the market; second, to know the purchasing power of the potential customers, and third to clearly identify the potential customers. Furthermore, the

researcher sought to find answers to the question, do you think, there is the need for such franchised products in the market, and all the managers of the four firms admitted that there is indeed a need for such products in the markets. Below are some of the responses given in support to the above argument:

One of the firms insisted that, prior market analysis and research was done and *now we think we have the best partners* (GM, C3).

Another manager commented,

“We observed that there is the need to decrease waste and ensure quality refilling of cartridges in Africa and Ghana can lead that action”, (GM, C4).

- **Other Factors that motivate Franchisees apart from those identified in the Literature**

Across all the cases, it was clear that some pressures from the business environment pushed them to opt franchising other than the other business strategies mentioned in previous sections. Some of these factors include the urge of the franchisee to survive and make use of available opportunities, the urge to satisfy the demand in the market as well as a result to diversify business investment. Below are some the remarks that support such arguments:

“As a young university graduate, fresh from University, then at 28, I almost couldn't stand being unemployed in the system whiles I had some fair amount on me.....” (GM, C1).

“At the time, when we went for this franchise, Ghanaians were used to these second hand cars so much that anyone who bought a brand new car, did it from abroad and was then tagged as a very rich persons....”, (PR, C2).

“To us, the franchise decision was a result of the vision of the management to redirect our investment...” (GM, C1).

Table 5. 3: Motivations for Franchising

MOTIVATIONS	Case 1	Case 2	Case 3	Case 2
Brand Name	√	√	√	
Support Services	√	√	√	
Franchisor’s Experience	√	√	√	
Financial Assistance from the franchisor		√		
Demand and Competition	√	√	√	

Source: Field work, 2015

5.4.2 Challenges of Franchising (Objective 2)

- **Psychic Distance**

Psychic distance is mentioned in international business literature as a major challenge to most franchise firms. Nevertheless, psychic distance in this study was not found as a challenge facing Ghanaian franchised business even though the researcher probed on it. This result cuts across all the firms interviewed with each emphasizing that, the differences in culture particular language is not a problem. This is because English is the first language for business negotiations.

One of the managers who is an expatriate noted,

“Though, I am not Ghanaian, I can speak and negotiate for all my business deals in English, so no problem at all”, (GM, C1).

“Cultural problems are not a challenge because we all speak and understand English, so we communicate on that basis and the nature of our products does not require any adaptation”, (GM, C1).

Another franchisee emphasized,

“We do not have such a problem and do not foresee it as a problem in the future”, (GM, C4).

Another management member stated,

“Most of our employees are Ghanaian people so we do not encounter such problems”, (GM, C1).

A franchisee reported that,

“Most of our customers are the local people, but they have similar needs so, we prepare the dishes as they like and they are satisfied”, (GM, C3).

- **Political/ Legal Factors**

Political/ legal factors were identified as a factor that may encourage or discourage franchising activities in business environments like Ghana. In this case, it cuts across all the managers interviewed that political factor such as political stability in Ghana influence the spread of the franchised activities during the past decades considering the fact that, all the firms agreed and emphasized that the stability in the Ghanaian business environment contributed to their franchise decision and its implementation (see table 5.4 below). The four managers further

admonished that the peaceful political environment in Ghana contributed to their move to expand through franchising in the country. In addition, they applauded the government for its good works in that direction and stated that it still pushes them to grow faster across the ten regions of Ghana.

One of the franchisees recounted that,

“The firm was established in Ghana because of the stable political environment in the country and the investor friendliness”, (GM, C1).

Another franchisee described that,

“Peace in Ghana is a good thing for business growth”, (GM, C4).

On the other hand, the researcher found legal constraints as a common trend among the eight managers interviewed. From the table 5.4 below, it can be discussed that legal constraint is a major factor hindering the activities of businesses in Ghana. However, the extent to which it retards businesses differs from firm to firm. This is because, only four of the managers interviewed expressed dissatisfaction about the legalities in Ghana. Here, it is important to note that all the firms found regulations concerning the establishment of franchise business in Ghana as not complex. However, they stated that the payment of importation taxes, value added taxes and the various district assembly levies as a complex and frustrating process. These managers alleged that some people defraud them in this process. Some also recounted an incidence where some people just barge into their business place and pretend to be revenue collectors and in the end, such payment cannot be traced.

“It is very sad that people enter the offices as revenue collectors, but believe in me, it is a lie”, says one of the managers (GM, C4).

A franchisee noted that,

“We experience fraud in this payment of taxes thing, and it is frustrating” (PR, C2; GM, C4).

Another franchisee said,

“The process regarding payment of VAT is time wasting” (GM, C1).

- **Economic Factors**

In relation to the table 5.4 below, economic factors are another major challenge apart from legal factors that was aforementioned. Economic factors are the most emphasized factor among the motivations for franchising. It was a major similarity across all the franchise firms. It is observed that franchisees acknowledged that the depreciation in the Cedi is a major challenge. The franchisees here equate economic factors as synonymous to a fall in the Cedi. Below are some of the comments of the interviewees:

“Fluctuation and unstable Cedi is sometimes bad for our business”, (GM, C1), A manager said.

A management member noted,

“The fall in the value of the Cedi is our greatest challenge because we import products from Germany”, (GM, C4).

Another manager said,

“The fall in the value of the Cedi is getting worse and worse every day and it is bad for businesses such as ours”, (PR, C2).

- **Infrastructure**

From the table 5.4 below, it can be noticed that inadequate infrastructure is a similarity that exist among all the firms selected. This, therefore, demonstrates that inadequate infrastructure is one of the challenges faced by franchisees in the Ghanaian economy. These comments support the above argument that infrastructure is a challenge to franchisees.

“We need light to work and if it is off, it adds to the cost of providing services, because we have to acquire generators to help us satisfy the demands of our loyal customers”, (GM, C4).

“High cost of transporting our raw materials for production is also adding up to our cost of production. And this is a major worry to us as a business.....” (GM, C3).

In terms of infrastructure, we get access to internet sometimes, a little problem with the network: in terms of slowness and huge charges, transporting our products to our showrooms around the regions is.....”, (GM, C1).

- **Human resource factors**

Human resource as a challenge was not mentioned by the majority of the franchisees except one. From the table 5.4 below, it is clear that inadequate skilled labor is not a challenge to franchisees in Ghana no matter the sector it operates in. Below is a statement that was given by franchisees:

“We have no problem with labor, whether in terms of numbers or competences”, (GM, C1).

Table 5. 4: Challenges of Franchising

CHALLENGES	Case 1	Case 2	Case 3	Case 4
Psychic Distance				
Political / Legal Factors	√	√	√	√
Economic factors	√	√	√	√
Human Resource				√
Infrastructure	√	√	√	√

Source: Field work, 2015

5.5 Discussion of Results

This section focuses, primarily, on the identified themes which are in line with the study's objectives and questions.

5.5.2 Challenges of Franchising (Objective 2)

- **Psychic Distance**

This study found that psychic distance is not a motivation for franchising as many researchers claim. This study refutes various findings in the literature, including Bianchi (2014), Alharbi (2014), Jong & Van Houten (2014) and Hutzschenreuter & Horstkotte (2013). It further draws attention to the fact that, franchisees in Ghana do not face a challenge with product adaptation compared to some countries such as Saudi Arabia. This is because Ghanaians have a preference and taste for foreign products. Generally, differences in language were also not a challenge to franchise firms as most of them are fluent in English and have a larger number of their employees as Ghanaians.

- **Economic factors**

Results from this present study reveals economic factors as a major challenge of franchising. An economic factors is defined by franchisees as the depreciation in the economy's currency (Shieh & Wu, 2012). This study found economic stability to have positive effects on a franchisee's decision to franchise. It also found that instability in the economy hinders the growth of many firms, including that of franchise firm.

In addition, it also found that that economic instability threatens the survival of firms and that, currency instability is the most risky of all the challenges faced by franchisees particularly those in Ghana.

- **Infrastructure**

From the analysis above, it can be deduced that the majority of franchisees see infrastructure as a major challenge to their business activities in Ghana. This indicates that inadequate infrastructure is indeed a major challenge faced by all franchise firms irrespective of the sector the firm operates in.

Furthermore, this present study adds that, internet facilities and access to water are also part of the infrastructure and thus need to be considered in the franchise decision. This is because, the study found that energy crisis ('dumsor'), slowness in internet networks and high charges of data, high transportation cost of materials as well as access to water is the main challenge faced by the franchisees interviewed. The franchisees indicated that inadequate infrastructure retards productivity as well as adding to the cost of production. This cost is then pushed to the consumers in a form of increase in prices, hence, increasing the cost of living in the country.

- **Human Resources Factors**

With respect to human resources issues as a challenge, the study found that the lack of skilled human resource is not a challenge to franchise firms in Ghana. This is because, less than half

of the franchisees claimed that they lack skilled labor in their area of work and even that it was to the extent that, the country generally lacks that knowledge in that specialized field so there is the need for the firm to recruit expertise in that field to help manage such a franchise from abroad. This challenges the claim by Altinay et al. (2014), Kistruck et al. (2013) and Hessels & Parker (2013) that, a lack of well trained employees in the franchise is a major challenge. This reveals that, this challenge may differ from market to market as franchisees claimed that they had sufficient and competent employees.

Again, the study refutes the assertion by McCabe (2009) that insufficient skilled labor is a major problem facing franchise firms in these current times in Ghana. However, this study found that human resource factors such as employees' agitation for increase in salaries are a challenge to franchise businesses in Ghana but, this was cited by franchisees as minor disagreements. Nonetheless, this study falls in line with the work of Westhead et al. (2004), who argue that human resource factors is not necessarily a barrier to franchise in any way. This study further cautions that firms must act appropriately to such issues in order to manage human resources effectively. The study, however, observed that franchise firms had access to cheap labor in the country compared to other emerging markets. Hence, human resource was a motivation for franchising rather than a challenge to franchise firms in Ghana.

- **Political/Legal Factors**

The results of the study indicate that political stability contributes to the spread of franchise in the country, as many of the franchisees recognized the fact that, the stability in the political environment influenced their decision to opt for such a franchise. This opposes the general assertion that franchising as a business strategy is mostly used in politically unstable environments as argued by researchers such as Hollensen (2011) and Baena (2015). This study also reveals that political stability has a positive relationship with the decision to franchise and account for the widespread of franchise in the country.

This study further establishes that legal factors such as regulations regarding the establishment of franchise in the country is not complex (for instance, the majority of the respondents indicated that it took less than 21 days for the registration of their franchise firms in Ghana) but the payment of certain taxes in the course of running such businesses is the main problem. For instance, franchisees recognize defrauding in the payment of such taxes. Taxes here refer to high importation cost, VATs and District Assembly levies. This present study found legal factors as a challenge to franchisees. Conclusively, this study clarifies that in the context of Ghana; legal constraints are noted to be a major threat to franchised businesses whereas there is a political stability in the country which contributes to the wide spread of franchise businesses in the country.

Other challenges identified were the sale of inferior products that are similar to their brand and too demanding customers and employee's agitation.

5.6 Conclusion

The discussion above shows how brand name, support services, franchisor's experience, demand and competition and financial assistance play a role in the franchise decisions of franchisees in Ghana. It also captured a brief discussion of the challenges; these franchisees face in the current business environment. Nevertheless, these motivations and challenges may differ from market to market. Also, the motives of franchising are also observed as largely different from the motives of internationalization in general as discussed earlier in the chapter two.

CHAPTER SIX

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

6.0 Introduction

This has been an exploratory study to bring to the fore the motivations for franchising and the challenges faced by franchisees in Ghana. The study explored on the main motivations for franchising and the potential challenges likely to be faced by franchisees in Ghana. This final chapter encapsulates the key findings of the study. It further highlights the key lessons drawn from the study and draw conclusions based on the interpretation of data generated by the researcher and the related literature reviewed in this area of study. In addition, the chapter concludes with the study's implications for policy makers and recommendations for further studies in this area as well as some limitations of the study.

6.1 Summary of Findings

6.1.1 Research Objective 1: Motivations for Franchising

The first and foremost objective of this study was to explore and understand the motivations for franchising. Here, five main motivations were identified in the literature and were used in this present study to unearth the key factors that franchisees consider as key to their decision to franchise. Although, the extant of literature on international business has documented motivations for franchising to include brand name, resources, the experience of the franchisor, growth rate, agency cost and many others (Cho, 2004; Roh, 2002; Teegen, 2000; Perrigot et al., 2013; IFA, 2015). Summarily, the following were the main findings of this study:

First, this study found support services to be a main motivation for franchising across all franchise firms. Nevertheless, it was clear that, this came as a cost to the franchisee and not the

franchisor only as literature suggests. Support services were defined by franchisees to consist of two main dimensions, namely: product support and marketing support. It was also found that the offer of support services to franchisees differs from each market and that much support is received by franchisees in developing markets like Ghana. This revealed that the extent of support services given to franchisees is the main motivator for franchising in emerging markets.

Second, brand name was found as a main motivation for franchising, especially in emerging markets like Ghana. Brand name here was mentioned as the recognition of the brand, the ability of the brand to naturally create awareness and induce sales for the newly franchise firm.

Furthermore, the study revealed financial assistance from the franchisor thus initial capital is not a major motivation for franchising from the franchisee's perspective. Although, a few of these firms do receive such a resource which is in a form of partial payment of their royalties to the franchisor, the majority of the franchisees indicated that they were financially sound and prepared for the investment in the franchise. It also brought to bear the fact that the franchise decision is costly in financial terms and requires high capital. This finding contradicts the theoretical argument that franchising is a business strategy which requires minimal capital (Xiao et al. (2008). This study, therefore acknowledged that initial capital owned by the franchisees is a major factor that motivates the franchisees to opt for such a business strategy. On the other hand, access to initial capital as a financial assistance from the franchisor is not a motivation for franchising as suggested by the literature.

In addition, the franchisor's experience was found to be another motivation that influenced the decision to franchise. However, the specifics of this experiential component consist of the expertise and capability of the firm in that specialized field and in that business environment was keen to the franchisees as they believe that can enable them sustain the success of their business.

The study also discovered that demand and competition are key antecedents to franchising which can influence a firm to either opt in or opt out of the decision to franchise. And in emerging markets such as the Ghanaian market, knowing the level of market demand available and the level of competition is vital to the survival of the franchise business.

Conclusively, the results of the analysis clearly reveal that support services, brand name, franchisor's experience and demand and competition are the main motivations for franchising in the Ghanaian business environment from the perspective of the franchisees. Nonetheless, resources were not found to be a motivation for franchising.

The study further discovered that apart from the above-mentioned motives for franchising, franchisees in Ghana were influenced partly by their urge to provide for their family needs, satisfy the growing demands of customers and to take advantage of it to diversify into other sectors of the economy. The study further revealed that the motivations of a franchisee differ from the motivations for opting in for other business strategies.

5.5.1 Motivations for Franchising (Objective 1)

- **Support Services**

This present study revealed that support services, are also a motivation for franchising, especially in emerging markets like Ghana. The result of the analysis indicates that the majority of the franchisees receive such support services which is known in their business circle as “benefits of the franchise agreements”. This supports the assertions of Akremi et al. (2015) and Combs et al. (2011) that support services are key in franchising agreements. But, franchisees were quick to add that, these support services were paid for and that it was not free. This study therefore refutes the general assertion that support services are a cost to franchisors (Combs et al., 2011) but cautions that indeed, there are costs associated with support services, nevertheless, these costs are borne by both the franchisor and the franchisees. This study also

found support services in a form of training, access promotional materials, advisory and counselling services as the major factors considered under support services in an emerging market like Ghana. Nonetheless, franchisees mentioned that the amount of these support services actually serves as a motivation not the mere support. Hence, support services in itself does not influence the decision to franchise, but the quantity and quality of such support services do.

It also confirmed Baena (2009)'s finding that the level of support services given to franchisees differs from markets to markets. Further, it explains that franchisees in Ghana acknowledge the fact that they receive more support services than their counterpart in other developed markets. This argument contradicts the findings of Teegen (2000) who claims that franchisees in developing markets receive less of support services as compared to those in developed markets.

The study revealed that support services to Ghanaian franchisees denotes marketing assistance to be a provision of promotional materials, advisory services and research and development; product support services including training, supply of inventory, commission on products sold.

- **Brand name**

The study found that franchisees in Ghana consider brand name to be a main motivation for franchising. From the analysis, it is observed that more than half of the firms agree to the fact that a brand name is of very vital interest when deciding on a franchise. This confirms previous assertions from the literature that a brand name is a key antecedent to franchise decisions (Hodge et al., 2013). Nonetheless, this contradicts several arguments, including that of Cho (2004) and Roh (2002) that seems to provide empirical evidence that a brand name is not a motivation for franchising.

It also throws more light on general assertions that, strong brands contribute immensely to the success of any franchise system as it aids recognition, creates awareness among target customers which lead to a good brand positioning in the minds of the consumer (Kotler & Keller, 2009). This may lead to increase in sales which can also resort to increase in the profits of franchise firms (Hodge et al., 2013) as well as decrease promotional cost. It also highlights the fact that strong brands also assure customers of product quality and influences their level of perceived satisfaction which helps to decrease the risk associated with the consumer buying decision making process (Kotler, 2008). For instance, franchisees believe that because of the strong brand name of their franchise products, this has helped to reduce the consumers' perception of non-genuine products as compared to both franchise and non-franchise firms dealing in same or similar products with different brands.

The study unearth that in choosing a franchise, three components of a brand name is key in emerging markets like Ghana, namely, the potential of the brand to induce sales from the target market, leading to increase in the firm's profitability, also the brand's ability to generate recognition among similar or other competitive products were also a key factor. Lastly, franchisees were keen on choosing strong brand that would naturally create awareness in the market than selecting brands that the franchisees believe they would spend huge sums of money in creating, promoting and positioning such brands. For instance, brands like KFC, Samsung, Ford, BMW can provide all these benefits to franchisees.

- **Financial Assistance from the Franchisor**

Results from the analysis shows that less than half of the franchisees perceive financial assistance from the franchisor as a motivation, specifically, access to initial capital as a motivation for franchising. This result contradicts studies such as Nijmeijer et al. (2014) and Alon (2015) who found a financial resource to have a positive influence on the decision to franchise in their respective studies. However, only one of the franchisees emphasized that

access to initial capital is key and this confirms the assertion by IFA (2015) that franchisees look out for such assistance in making a franchise decision. This highlights that financial resources may be considered as a motivation for a franchise, but may not be a crucial factor compared to the aforesaid factors, especially in emerging markets with similar features like that of Ghana. This does not depend on the size of the firm or the products the firm deals in as this reflected across all the firms.

On the other hand, this finding can be associated with the discussions of Alon et al. (2012) who concluded in their work that access to financial resource is no more a motivation for franchisees to opt for a franchise in today's business environment.

The study further revealed that the readiness of franchisees in terms of initial capital was a major motivation for franchisees in Ghana as most of these franchisees indicated that their initial capital was intact and that they had enough funds to go for a franchise without any support from the franchisor. Nonetheless, some believed that the franchise offered them an attractive appeal which enabled them to gain access to financial support from the various financial institutions later in the running of their business to aid their business expansion.

- **Franchisor's Experience**

This study explored on the experience of the franchisor as a motivation for franchising in emerging markets particularly, Ghana. From the analysis above, it is clear that the majority of the franchisees in question observe the franchisor's experience as a key factor that influences the decision to franchise. This finding revealed that the experience of a franchisor is key to the decision to franchise in newly-developed markets like Ghana. Therefore, this study provides empirical evidence that a franchisor's experience affects a franchisee's decision to franchise. Nonetheless, the study reveals that franchisees consider the experience of franchisor in terms of expertise and competence as well as its high level of quality standards.

This finding contradicts previous works such as Cross (2000) and Weaven & Frazer (2007) who disputed the fact that an experience of a franchisor does influence the decision to franchise. Instead, they argued that the decision to franchise is just a mere decision to cope with changes in the current competitive business environment.

In addition, the study reveals that the franchisor's experience in terms of its core competence in the industry in which it operates in as well as the ability of the franchise to prove its growth and sustainability in the Sub-Sahara African regions is a key motivator to franchisees in Ghana. Therefore, franchisor's experience is observed to constitute three main factors, namely, the technical competence of the franchisor, proven business format in the area of business and in that type of market and the franchisor's credibility of its product quality

- **Demand and Competition**

Demand and competition in the market were found to be a motivation for franchising in this study. The analysis shows that all the franchisees agree that in deciding on a franchise, the decision must focus also on researching on the potential levels of demand and the purchasing power of the target market. This study affirms the general assertion by IFA (2015) and Hollensen (2011) who stated that demand and competition is key to the decision to franchise as this determines the rate of survival and the level of growth of every franchise.

- **Other Motivations for Franchising**

The study also identified that most of these franchisees also chose franchising due to environmental factors which mainly acted as triggers for such business ventures today. These factors include the desire of the franchisee to cater for themselves and family, the willingness to seize an available opportunity, to satisfy the market demand and lastly as a means to diversify an existing firm's investment.

6.1.2 Research Objective 2: Challenges of Franchising

The second objective of this study sought to investigate and explain the potential challenges faced by franchisees. Literature clearly indicated that psychic distance, political/legal factors, economic factors, lack of human resources and infrastructure are the main challenges facing the franchise industry (Richardson, 2014; Bianchi, 2014; Alharbi, 2014). Concerning the challenges facing franchise firms in Ghana, this study reveals the following as its main findings:

One, psychic distance also known as the difference in culture is not observed to be a challenge faced by franchise firms in Ghana. This is due to the fact that most firms affirmed that there was no need for them to adapt product offerings in the Ghanaian business environment. Therefore, franchise firms in Ghana need not be culturally sensitive as some empirical work state.

Moreover, the study reveals that political factors, mainly the political stability in Ghana influenced the spread of franchise firms in Ghana and also promoted huge investment in both services and the industrial sector of the economy. However, legal factors such as the payment of certain taxes like VAT and district Assembly levies are major challenges facing the franchise firms in Ghana.

Furthermore, economic factors, particularly, the depreciation in the value of the Cedi were also found to be a major obstacle facing franchise firms in Ghana as most of these firms import inventory from their franchisors.

Another major finding is that infrastructure, especially; the energy crisis with its attendant power outages commonly known as ‘dumsor’ and slowness in the internet systems and access to water were a major constraint to franchised businesses in Ghana.

Human resource was not found to be a major challenge facing the franchise firms rather it turned out to be a major motivator for franchising in the country as the study revealed that there exist competent and qualified human resource in the country to the extent that these resources are not used and are relatively cheaper compared to other emerging markets.

Other general challenges identified by the study were:

First, the poor attitude of some of the customers which management termed as “hard to please customers”, who always want extra to additional services offered to them. Also, this study reveals that employees’ agitation for increment in salaries is another major challenge in the franchise industry in Ghana. In addition, the dominant sale of similar fake products in the country was also a major challenge as this has created the difficulty in dealing with fake and inferior, but similar brands of product in the Ghanaian market leading to loss of sales and tarnished image of such firms.

Therefore, this study demonstrates that there are three main challenges of franchising namely legal factors, economic factors and inadequate infrastructure.

6.2 Conclusions

6.2.1 Objective 1: Motivations for Franchising

From the key findings, the research firmly concludes that there are motivations that are peculiar to the Ghanaian situation. These are opportunity for self-employment and the desire to cater the family needs and the motivation to diversify investment into franchising. Therefore, this study argues that motivations for franchising differ from market to market.

The research concluded that some motivations revealed by previous researchers were not applicable in the cases studied. This includes access to financial assistance from the franchisor.

This study, therefore, refutes the argument raised in literature that access to initial capital as a financial assistance from the franchisor is a motivation for franchising.

Third, the study concludes that support services in itself is not a motive for franchising but the extent of the support services that is likely to be given to franchisees is the main motivation for franchising. The present study also contradicts the theoretical argument that support services are a cost solely bore by the franchisors.

It also discovered that the franchisees' financial soundness is a key motivation to franchise. Also, it found that support services come as a cost to both the franchisees and the franchisor.

6.2.2 Objective 2: Challenges of Franchising

The conclusion, therefore, is that Ghanaian franchisees experience a number of challenges which have not been identified through previous research. These challenges, to a large extent, derive from the peculiar economic challenges facing the country. They include the process involved in the payment of VATs, economic decline (depreciation in the value of the Cedi) and inadequate infrastructure (the power outages, high cost of transportation, internet slowness and charges and shortage of water).

This study discovered that the challenges identified from the research led to a reduced success rate, which translated into high cost of production, frustration and retarded productivity. This was found as a similarity among the cases studied irrespective of the firm's size, the type of franchise agreement or the sectors they operate in.

The study also revealed that franchised businesses face a challenge with how to deal with the existence of fake but similar products in the market. It further discovered that most of these franchisees experience fraud during the tax payment procedures. Employee agitation for salary increment was also found to be a main challenge to franchise firms.

This study also concludes that political factors should be separated from legal factors as a success rate of franchise firms. Furthermore, the research concludes that psychic distance, political factors and human resources factors are not challenges to franchisees in Ghana.

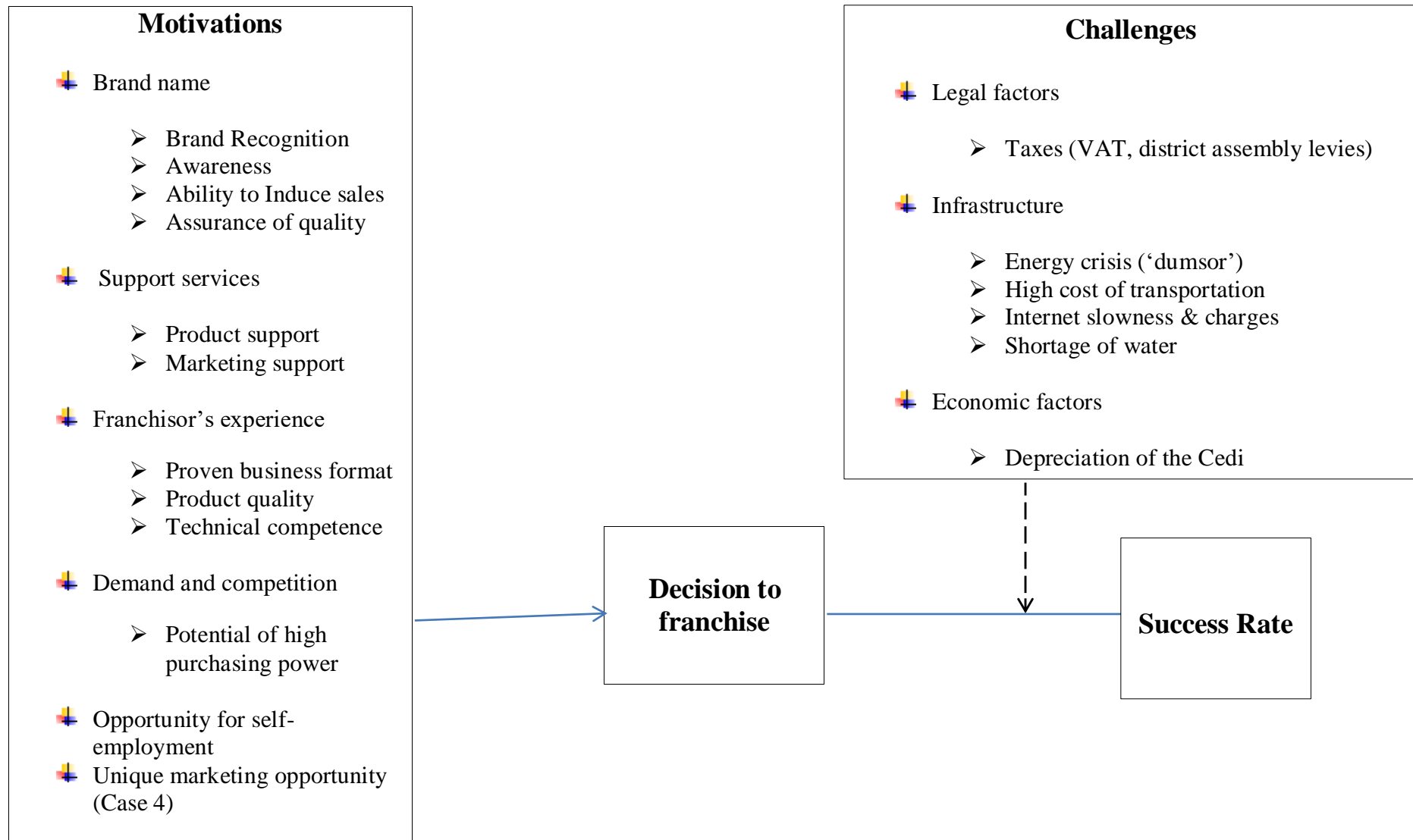
However, the study found that the stability in the political stability environment in Ghana as well as the availability of competent but cheap labor in the country has encouraged the spread of franchise firms in the country.

The study further discovered that due to the nature of products sold and the strong brand name of the franchisor, franchisees were able to overcome the challenge of psychic distance.

6.2.3 Post- Study Framework

Based on the findings and conclusions, a modified post-study framework is presented in Figure 6.1. The post-study framework will allow investors to know the factors that should be considered when making a decision to franchise. It also provides knowledge on key constraints of franchising in an emerging market like Ghana. This post-study framework attempts to make the franchise decision making process easier, reliable and transparent for managers and other investors who may want to adopt franchising as a business strategy in the country.

Figure 6. 1: Post-study framework



Author's construct: Motivations and challenges of franchising

6.3 Implications of the Study

6.3.1 Motivations

- **Brand Name**

The study indicates that a strong brand name influence the decision to franchise in emerging markets like Ghana. This implies that strong brand names have the ability to create awareness, induce sales as well as to assure franchisees of high quality products thereby affecting the consumer decision making process positively. This will in turn lead to repeat purchase action from a franchised firm's customers, recommendations from others as well as create brand loyalty among consumers due to easy recall of brand and the perceived quality of products from the franchisors. On the other hand, a brand with a weaker brand name may not attract investors from emerging markets. Therefore, it is vital to note that franchisors must effectively brand and cautiously manage their brand names to help attract investments from franchisees in emerging markets such as Ghana in order to spread the brand where it is not.

- **Support Services**

Availability of support services from the franchisors mainly product support and marketing support affect the decision to franchise positively and thus in turn affect the operations of the franchised firm largely. This implies that investors will opt for franchisors who offer attractive and adequate support services to franchisees to enable the firm to succeed in developing economies like Ghana. However, decision makers will reject franchisors who do not offer any kind of support services to firms during the franchise decision making process. Therefore, international businesses who aim to spread their global activities through franchising into emerging markets should endeavor to offer satisfactory support services to such franchisees to motivate them.

- **Franchisor's Experience**

A franchisor's experience is key in making a franchise decision therefore, franchisees will select franchisors with higher experience in terms of technical competence, product quality and technical-know how. This is because franchisees perceive the experience of franchisors to be key influencer in their success in that they believe that such franchisors can help sustain and grow their businesses both in the short and long term for them to reap their benefits on the investment. Alternatively, this implies that franchisees in Ghana will naturally object franchisors on the basis of lack of experience. Consequently, global brands that have the vision to expand through franchising into emerging markets must prove to have adequate experience to help sustain such businesses. Also, investors must be vigilant to choose the right franchisor with high experience to gain good returns on its investments.

- **Demand and Competition**

The decision to franchise is affected positively by the potential of high purchasing power. This seems to suggest that with a higher purchasing power of consumers, the franchisees in emerging market will likely choose franchise as a business strategy. This is because they perceive it to be an assurance that the business will succeed. However, if the potential of higher purchasing power is low, then it is likely that the decision to franchise will be affected negatively. Therefore, it is important to research into the market in order to know its dynamics as well as help target and meet the market needs and demands appropriately and profitably.

6.3.2 Challenges

- **Legal Factors**

Legal factors affects franchised businesses negatively. This implies that legal factors in Ghana can deter the growth of franchised businesses as well as its expansion.

- **Infrastructure**

Inadequate infrastructure affects the success rate of franchised firms negatively. This implies that inadequate infrastructure including shortage of water, energy outages, and high internet chargers influence the spread as well as the daily operations of franchised firms in Ghana. This constraint increases the firm's cost of production, delay in production as well as damages or waste in production. This may also serve as a barrier to entry.

- **Economic Factors**

Depreciation in the value of the currency have an impact on the success rate of franchised firms. This seems to suggest that economic decline will increase cost of importation of supply and sometimes lead to shortage of stocks for the market. This can further lead to collapse of franchised firms as well as the laying-off of employees.

6.4. Limitations of the Study

First, the study was limited to a single geographic area, therefore the results may not hold in other countries due to cultural differences that may pertain in those countries.

To add, there was the difficulty in getting access to the firms in terms of location and the right person to interview.

Also, the applicability of these findings to other emerging markets (contexts) needs further investigation.

6.5 Recommendations

6.5.1 Recommendations for Practice

Based on the findings of the study, the researcher puts the following as some recommendations: First, it is essential to mention that, investors who have an interest in franchising must consider how strong a brand name is, a franchisor's experience, market demand and the availability of support services to determine whether to go for that brand as a franchise or not as this affect the success rate of franchise firms.

Policy makers must encourage investment in infrastructure such as energy, internet & water facilities since these were the main concerns of franchisees.

Institutions responsible for regulating the availability of water to all households must work efficiently to provide access to water for franchise firms in order to ensure hygienic services especially in the food sector.

The agencies responsible for internet infrastructure in the country must conduct regular survey to notice some of the problems of its users in order to provide them with faster but affordable prices for its data users.

Also, the government institutions must work on maintaining the stability in the political environment. The agencies responsible for tax collection must also work tirelessly to eliminate all fraudulent acts during this process. These agencies must work with other stakeholders to adopt effective computerized systems in order to save time and eliminate certain illegal activities.

Government institutions responsible for ensuring stability in the economy must endeavor to stabilize the economy, specifically, the value of the Cedi in order to boost the confidence of investors.

Furthermore, management of franchise firms must engage its employees to negotiate on reasonable salaries and conducive work environment.

6.4.2 Recommendations for Further Studies

Based on the limitations of the study, the following are some of the suggested areas for future research:

A similar study with the same objectives should be conducted over a relatively wider scope to include other regions of the country.

Also, a similar study could be conducted using either quantitative or mixed method approach in order to address all the disadvantages of a qualitative study.

In addition, a similar study could also incorporate access to water and infrastructure in the future. Also, future studies should separate political factors from legal factors with regard to the challenges of franchising.

The study is a cross-sectional study, hence; further studies should focus on conducting a longitudinal study.

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APPENDICES

APPENDIX I: INTERVIEW GUIDE

This interview is to enhance understanding of the motivations for franchising and potential challenges faced by franchise firms. The researcher guarantees that your responses will be treated with strict confidentiality and the results will be used purely academic purposes.

Section A: Introduction

- Please, tell me a little about yourself
- Your position
- Name of firm
- How many years have you worked with this firm and in this position?

Section B: History of firm

- Could you please give a brief history of your firm?
 - Year of establishment
 - The number of departments you run (justification)
 - The number of employees (justification)
 - What other countries does this franchise operate in?
 - What do you deal in (justification)?
 - Was there a need for such products in the market? (relevance)
 - Did you conduct any research to verify this?

Section C: Motivations for franchising

- How your firm did get franchised?
- What motivated you to go for a franchise?
- What are the benefits you derive from the franchise?
- Do you receive any assistance from your franchisor?
- If yes, what are the support services you receive; probe on
 - Direct support (e.g advisory services)/ why/ why not
 - Product support (e.g types of products) /why/ why not
 - Training / why/why not
- Is there any other assistance you receive apart from the ones we have spoken about?
- Have there been changes in terms of the support services you receive over time?
- What is the impact of the brand name on your business?
- How does the brand name provide your firm with any extra advantages?
- What do you look out for when franchising;

Probe on:

- The number of years the firm has been in operation in such industry

- Their expertise (core competence)
- How well-known was the brand
- The reputation of the brand
- The extent of competition in the market
- The amount of resources required to set up a franchised business.

Section D: Challenges of franchising

- what are the challenges you face in terms of
 - Direct support
 - Product support
 - Training
 - If not mention probe on (**political, legal, cultural difference, infrastructure, economic decline, human resource issue**)
- What is your general perception about franchising in Ghana?
- Are there any other suggestions on how to better the current business environment for franchised firms in Ghana?
- Is there any other thing you want to say which we have not spoken about?

Thank You